MMG BANK & TRUST LTD.

Financial statements for the year ended September 30, 2022 and Independent Auditors' Report of February 15, 2023

MMG Bank & Trust Ltd.

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Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville,
P.O. Box N-7120
Nassau, Bahamas

Tel: +1 (242) 302 4800
Fax: +1 (242) 322 3101

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MMG Bank & Trust Ltd.:

Opinion

We have audited the financial statements of **MMG Bank & Trust Ltd.** (the "Bank"), which comprise the statement of financial position as at September 30, 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the as at September 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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 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.

Deloitte & Touche

Nassau, Bahamas
February 15, 2023

MMG BANK & TRUST LTD.

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022
(Expressed in United States dollars)

ASSETS	Notes	2022	2021
Due from banks			
Non-interest earning deposits		$ 13,431,483	$ 30,506,430
Interest earning deposits		4,497,419	-
Total due from banks	5, 14	17,928,902	30,506,430
Securities	6, 14	62,041,765	51,015,308
Loans receivable, net	7, 14	172,419,285	153,648,082
Intangible assets	9	638,272	674,220
Right-of-use assets	10	33,208	32,140
Other assets	11, 14	1,609,614	1,088,583
TOTAL ASSETS		$ 254,671,046	$ 236,964,763
LIABILITIES AND EQUITY			
LIABILITIES:			
Customers' non-interest bearing deposits	12, 14	$ 75,960,342	$ 80,346,674
Customers' interest bearing deposits	12, 14	134,141,140	105,632,125
Lease liabilities	10	33,208	33,222
Other liabilities	13, 14	1,960,177	2,688,915
Total liabilities		212,094,867	188,700,936
EQUITY:			
Common stock, with a par value of $1 per share; authorized, issued and outstanding: 5,000,000	15	5,000,000	5,000,000
Regulatory reserve	8, 23	1,534,443	1,534,453
Reserve for expected losses in securities		124,652	89,067
Net changes in fair value of securities		(1,891,344)	(5,164)
Retained earnings		37,808,428	41,645,471
Total equity		42,576,179	48,263,827
TOTAL LIABILITIES AND EQUITY		$ 254,671,046	$ 236,964,763

See notes to financial statements.

These financial statements are approved by the Board of Directors on Febrero 2, 2023 and are signed on its behalf by:

Director

Director

MMG BANK & TRUST LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(Expressed in United States dollars)

	Notes	2022	2021
Interest income	14, 16	$ 10,841,341	$ 10,284,029
Interest expense on customers deposits	14	(6,324,442)	(6,189,879)
Interest expense on lease liabilities	10	(1,212)	(3,377)
Net interest income		4,515,687	4,090,773
Reversal of allowance for regulatory reserve	7	10	13,144
Reversal of allowance (provision) for expected losses on loans	7	24,678	(3,445)
Allowance for expected losses on securities	6	(35,585)	(61,546)
Net interest income, after allowance for loan losses		4,504,790	4,038,926
Commission income		3,564,110	3,897,473
Commission expenses		(1,185,756)	(1,080,889)
Net commission income	14, 17	2,378,354	2,816,584
Net interest and commission income		6,883,144	6,855,510
OTHER INCOME			
(Loss) gains from sale of securities measured at FVTOCI		(530,424)	38,569
Net (loss) income from securities measured at FVTPL		(653,193)	426,359
Other income		236,311	79,498
		(947,306)	544,426
EXPENSES			
Personnel expenses	14, 19	(250,996)	(323,578)
Professional fees	14	(591,447)	(1,415,096)
Amortization	9	(113,087)	(96,864)
Right-of-use asset depreciation	10	(32,140)	(32,139)
Other	20	(785,221)	(837,803)
		(1,772,891)	(2,705,480)
PROFIT FOR THE YEAR		4,162,947	4,694,456
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on changes in valuation of secutities		(1,886,180)	145,269
TOTAL COMPREHENSIVE INCOME		$ 2,276,767	$ 4,839,725

See notes to financial statements.

MMG BANK & TRUST LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(Expressed in United States dollars)

		Regulatory reserves			Reserve for	Net changes in		
	Common shares	Dynamic loan reserve	Regulatory loan reserve	Total Regulatory reserve	expected losses in securities	fair value of securities	Retained earnings	Total
Balance at September 30, 2020	5,000,000	1,531,796	15,801	1,547,597	27,521	(150,433)	45,437,871	51,862,556
Regulatory reserve for modified loans	-	-	(13,144)	- 13,144	-	-	13,144	-
IFRS 9 provision movement	-	-	-	-	61,546	-	-	61,546
Gain on changes in valuation of secutities	-	-	-	-	-	145,269	-	145,269
Dividends paid	-	-	-	-	-	-	(8,500,000)	(8,500,000)
Profit for the year	-	-	-	-	-	-	4,694,456	4,694,456
Balance at September 30, 2021	5,000,000	1,531,796	2,657	1,534,453	89,067	(5,164)	41,645,471	48,263,827
Regulatory reserve for modified loans	-	-	(10)	(10)	-	-	10	-
IFRS 9 provision movement	-	-	-	-	35,585	-	-	35,585
Loss on changes in valuation of securities	-	-	-	-	-	(1,886,180)	-	(1,886,180)
Dividends paid	-	-	-	-	-	-	(8,000,000)	(8,000,000)
Profit for the year	-	-	-	-	-	-	4,162,947	4,162,947
Balance at September 30, 2022	5,000,000	1,531,796	2,647	1,534,443	124,652	(1,891,344)	37,808,428	42,576,179

See notes to financial statements.

MMG BANK & TRUST LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(Expressed in United States dollars)

	Notes	2022	2021
Cash flows from operating activities:			
Profit for the year		$ 4,162,947	$ 4,694,456
Adjustments for non-cash items			
Amortization	9	113,087	96,864
Right-of-use asset depreciation		32,140	32,139
Reversal of allowance for regulatory reserve	7	(10)	(13,144)
(Reversal of allowance) provision for expected losses on loans	7	(24,678)	3,445
Allowance for expected losses on securities	6	35,585	61,546
Loss (gains) from sale of securities measured at FVTOCI		530,424	(38,569)
Net loss (income) from securities measured as FVTPL		653,193	(426,359)
Interest income	16	(10,841,341)	(10,284,029)
Interest expense	14	6,325,654	6,193,256
		987,001	319,605
Changes in:			
(Increase) decrease in loans receivable		(18,463,118)	13,551,705
(Increase) decrease in other assets		(518,850)	4,441,061
(Decrease) increase in customers' non-interest bearing deposits		(4,386,332)	814,324
Increase (decrease) in customers' interest bearing deposits		28,370,689	(5,374,451)
Decrease in other liabilities		(695,516)	(949,101)
Interest received		10,571,911	9,895,736
Interest paid		(6,187,328)	(5,812,239)
Net cash generated by operating activities		9,678,457	16,886,640
Cash flows from investing activities:			
Purchase of securities measured as FVTPL		(170,582,034)	(173,775,947)
Disposal of securities measured as FVTPL		176,447,268	179,509,145
Purchase of securities measured as FVTOCI	6	(83,409,979)	(49,544,188)
Disposal of securities measured as FVTOCI	6	63,399,121	32,498,164
Acquisition of intangible assets	9	(77,139)	(311,144)
Net cash used in investing activities		(14,222,763)	(11,623,970)
Cash flows from financing activities:			
Repayment of lease liabilities		(33,222)	(31,057)
Dividends paid		(8,000,000)	(8,500,000)
Net cash used in financing activities		(8,033,222)	(8,531,057)
Net decrease in cash and cash equivalents		(12,577,528)	(3,268,387)
Cash and cash equivalents at beginning of year		30,506,430	33,774,817
End of year	5	$ 17,928,902	$ 30,506,430
Non- monetary transactions			
Lease (right-of-use-asset) and Lease liabilities		33,208	64,279

See notes to financial statements.

1. GENERAL

MMG Bank & Trust Ltd. (the “Bank”) is a limited liability company established under The Companies Act, 1992 of The Commonwealth of The Bahamas and is licensed under the Banks and Trust Companies Regulation Act, 2000 to carry on trust and banking services. The Bank’s objective is to promote and participate in all kinds of banking, financing and investing activities from The Commonwealth of The Bahamas.

The Bank is a wholly-owned subsidiary of MMG Bank Corporation (the Parent company) which is incorporated in the Republic of Panama which in turn is a wholly-owned subsidiary of MMG Capital Holdings Inc. (the ultimate Parent company) which is incorporated in The Commonwealth of The Bahamas.

The Bank’s registered office is located at Saffrey Square, 1st Floor, Nassau, Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

2.1 Standards and interpretations adopted in the financial statements

In the current year, the Bank has implemented the amendments to the IFRS issued by the International Accounting Standards Board (IASB) that are mandatory for the accounting period beginning on January 1, 2021, and whose initial application date for the Bank it is October 1, 2021.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

- Amendment to IFRS 9, IAS 39, and IFRS 7 – Interest Rate Benchmark Reform.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

- Amendment to IFRS 16 – COVID-19-Related Rent Concessions.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

Amendments to References to the Conceptual Framework in IFRS Standards

The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.
The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 - Definition of material

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency”

2.2 New and revised IFRSs issued, but not yet effective

New standards, interpretations and amendments to accounting standards have been published, but are not mandatory for the year ended September 30, 2022, and have not been adopted early by the Bank. The main changes to these new standards are presented below:

<u>Amendments to IFRS 10 - Consolidated financial statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</u>

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set; however, earlier application of the amendments is permitted. The Bank’s Management anticipates that the application of these amendments may not have an impact on the statements in future periods.

IFRS 17 – Insurance contracts

In May 2016, the IASB issued IFRS 17 to replace IFRS 4. Accounting for insurance contracts requires entities to separate specified embedded derivatives, investment components, and performance obligations of insurance contracts in order to separately recognize, present, and disclose insurance revenue, insurance service expense, and insurance finance income or expense. However, a simplified measurement method is permitted to measure the service-related amount remaining by allocating the premium during the coverage period.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued amendments to IFRS 17 to address concerns and implementation of changes that were identified after IFRS 17 was published. The amendments defer the initial application date of IFRS 17 (incorporating the amendments) to annual reporting beginning on or after January 1, 2023. At the same time, the IASB issued a Temporary Extension of Exemption to Apply IFRS 9 (amendments to IFRS 4) that extends the expiration date of the temporary exemption to apply IFRS 9 in IFRS 4 for annual periods beginning on or after January 1, 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

This IFRS is mandatory for periods beginning on or after January 1, 2023. Earlier application is permitted. The Bank's Management anticipates that the application of these amendments may not have an impact on the statements in future periods.

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments updated IFRS 3 so that it can refer to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 - *Liens*, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred at the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

The amendments are effective for business combinations whose acquisition date is on or after the initial period of the first annual period beginning on or after January 1, 2022. With an option for early application if the entity also applies all other updated references (published together with the *Conceptual Framework*) at the same time or earlier.

Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the 'costs of fulfilling' a contract comprise 'costs directly related to the contract'. Costs that relate directly to a contract consist of the incremental costs and costs of fulfilling a contract (e.g. labor or materials) and the allocation of other costs that relate directly to fulfilling a contract (such as the allocation of depreciation to items of property, plant and equipment).

Amendments apply to contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives should not be restated. Instead, an entity should recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings or such other component of equity, as appropriate, for the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with an option for earlier application.

Annual amendments to IFRS standards 2018-2020

Annual amendments were included to three standards which are of interest to the Bank:

IFRS 1 - First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief for a subsidiary that is a first-time adopter later than its parent with respect to accounting for cumulative translation differences. As a result of the amendments, a subsidiary using the IFRS 1: D16(a) exception may now elect to measure the cumulative translation effects of foreign operations at the carrying value that is included in the parent's consolidated statements. This is based on the parent's date of transition to IFRS if there were no adjustments for consolidation procedures and for the effects of business combinations in which the parent acquired the subsidiary. A similar election is available for an associate or joint venture that uses the exception in IFRS 1: D16(a).

The amendment is effective for periods beginning on or after January 1, 2022, with an early adoption option.

IFRS 9 - Financial Instruments

The amendment clarifies that when applying the '10%' test to assess whether a financial liability should be derecognized, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by the entity or the lender.

The amendments are applied prospectively to amendments or changes that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with an option for earlier application.

IFRS 16 - Leases

The amendments eliminate the reimbursement figure for leasehold improvements.

As the amendments to IFRS 16 are only with respect to an illustrative example, there is no established starting date.

Amendments to IAS 1 Presentation of Financial Statements and *IFRS Practice Statement 2* Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error; and
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

In addition, the following amendments have been issued and have no effect on the Bank's financial statements:

Amendments to IAS 1	*Classification of liabilities as current or non-current*
Amendments to IAS 16	*Property, Plant and Equipment—Proceeds before intended use*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below, and have been consistently applied to all years presented, unless otherwise noted.

a. ***Basis of presentation*** - These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, except for the investments which are stated at fair value.

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other direct valuation techniques. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value, for the purposes of measurement and/or disclosure in these financial statements, is determined on such a basis, except for share-based payment transactions that are within scope of IFRS 2, leasing transactions that are within scope of IAS 17, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in IAS 2 or value-in-use in IAS 36.

The financial statements have been prepared by Management assuming that the Bank will continue to operate as a going concern. The COVID-19 impact on the Bank's operations is described in Note 24 of the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. ***Due from banks*** - Due from banks includes unrestricted balances held with central banks and highly liquid financial assets that are subject to an 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.

c. ***Interest income and expense*** - Interest income and expense are recognized in the statement of comprehensive income for all interest bearing instruments under the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income is recognized as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expenses as the services are received.

d. ***Financial instruments***

Debt instruments that are maintained within a commercial model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are only payments of principal and interest on the outstanding principal amount (SPPI), are subsequently measured at amortized cost. Debt instruments that remain within a commercial model whose objective is both to collect contractual cash flows and to sell debt instruments, and which have contractual cash flows that are SPPI, are subsequently measured at fair value with changes in other comprehensive incomes (FVTOCI); all other debt instruments (for example, debt instruments managed on a fair value basis, or held for sale) and capital investments are subsequently measured in FVTPL.

However, the following irrevocable choice or designation may be made in the initial recognition of a financial asset on an asset-by-asset basis:

- It is possible to irrevocably choose to present subsequent changes in the fair value of a capital investment that is not held for trading, nor a contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies - "Combinations of Business", in other comprehensive results; and

- A debt instrument that meets the amortized cost or the FVOCI criteria measured at FVTPL can be irrevocably designated if doing so eliminates or significantly reduces causing an accounting asymmetry.

Classification

The Bank classifies its financial assets according to its subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value with changes in profit or loss, based on the Bank's business model for the management of financial assets and contractual cash flow characteristics of financial assets.

The Bank classifies all financial liabilities according to their subsequent measurement at amortized cost, except for those liabilities measured as a result of hedge accounting, as well as liabilities measured at fair value corresponding to non-derivative designated.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an 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. In particular, 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 realising cash flows through the sale of the 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 its strategy for how those risks are managed;

- how managers of the business are 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 its 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 realised.

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

  An evaluation of business models to manage financial assets is essential for the classification of a financial asset. The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a particular business objective. The business model does not depend on the administration's intentions for an individual instrument, therefore, the evaluation of the business model is carried out at a higher level of aggregation rather than instrument by instrument.

  In the initial recognition of a financial asset, it is determined whether the newly recognized financial assets are part of an existing business model or if they reflect the beginning of a new business model. The Bank reassesses its business model in each reporting period to determine if business models have changed since the previous period. For the current, the Bank has not identified a change in its business model.

Assessment of 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 and 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 profit margin.

The contractual cash flows that are SPPI are consistent with a basic loan agreement. Contractual terms that introduce exposure to risks or volatility in contractual cash flows that are not related to a basic loan agreement, such as exposure to changes in stock prices or commodity prices, do not give rise to contractual cash flows that are SPPI. A financial asset originated or acquired may be a standard credit agreement regardless of whether it is a loan in its legal form.

In assessing whether the contractual cash flows are SPPI, 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. nonrecourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial assets at amortized cost

Financial assets at amortized cost represent securities and loans whose objective is to maintain them in order to obtain contractual cash flows during the life of the instrument. These securities and loans are valued at amortized cost if the following two conditions apply:

- The financial asset remains within the business model whose objective is to maintain the financial asset to obtain contractual cash flows, and

- The contractual conditions of the financial asset give rise, on the specified dates, to cash flows that are only payments of the principal and interest on the amount of the outstanding principal.

Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities at fair value throught profit or loss include:

a) Assets and liabilities with contractual cash flows that are not SPPI; and / or
b) Assets and liabilities designated in FVTPL using the fair value option; and accounts receivable (unrealized gains) and accounts payable (unrealized losses) related to derivative financial instruments that are not designated as hedging or that do not qualify for hedge accounting.

Unrealized gains and losses are reported as net increases or decreases through other comprehensive income ("OCI") in the statement of changes in shareholders' equity until they are realized. Gains and losses made on the sale of securities that are included in the net gain on the sale of securities are determined using the specific identification method.

For an equity instrument designated as FVTOCI, the accumulated gain or loss without recyclin previously recognized in other comprehensive income is not subsequently reclassified to profit and loss.

Reclassification

If the business model, under which the Bank maintains financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category are applied prospectively from the first day of the first reporting period after the change in the business model that results in the reclassification of the Bank's financial assets.

During the current fiscal year there were no changes in the business model under which the Bank owns financial assets and, therefore, no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy of modification and derecognition of financial assets and liabilities described next.

Derecognition of financial assets

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Bank has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement; and either:
    - The Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or
    - The Bank has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit and loss.

Impairment of financial assets

The Bank recognises loss allowance for ECL on financial assets measured at amortised cost and measures impairment losses at amount equal to 12-month ECL or lifetime ECL depending on the stage in which the asset is classified. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Impairment of financial assets is recognised in three stages:

Stage 1 – When a financial asset is originated, ECLs resulting from default events that are possible within the next 12 months are recognised and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial assets with no significant increase in credit risk since their initial recognition.

Stage 2 - If the credit quality subsequently significantly deteriorates for a particular portfolio or transaction, the Bank recognises the full lifetime expected credit losses.

Stage 3 - At a later date, once one or more default events have occurred on the transaction or on a counterparty resulting in an adverse effect on the estimated future cash flows, the Bank recognises the full lifetime expected credit losses. At this stage, the financial asset is credit-impaired.

In determining whether a significant increase in credit risk has occurred since initial recognition, and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and forward-looking information.

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument and is not assessed based on the change in the amount of the expected credit losses. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs. Assets that are more than 30 days past due, but not credit-impaired, are classed as stage 2.

Changes in credit loss, including the impact of movements between the first stage (12 month expected credit losses) and the second stage (lifetime expected credit losses), are recorded in the statement of profit or loss.

IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impact on impairment allowances is a subjective feature of the IFRS 9 ECL model. The Bank continues to develop its capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.

The application of IFRS 9 does not alter the current definition of default currently used to determine whether or not there is objective evidence of impairment of a financial asset.

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank through actions such as realising security (if any held);
- The financial asset is more than 90 days past due; or
- The borrower is on principal only repayment terms.

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of assets.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and credit card loans are written-off after principal and/or interest payments become 270 days and 180 days contractually in arrears, respectively.

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in provisions for credit losses, net in the statement of profit or loss and other comprehensive income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

Renegotiated loans

Loans subject to impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

e. ***Intangible Assets -*** Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives which is 5 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f. ***Translation of foreign currencies*** - Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in United States dollars, which is the Bank's functional and presentation currency. Monetary assets and liabilities in currencies other than the United States dollar are translated at rates of exchange prevailing at the year-end. Income and expenses in currencies other than the United States dollar are translated at rates of exchange existing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

g. ***Repurchase agreements*** – Securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are recognized initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of, the principal amount loaned. The securities delivered under repurchase agreements are not derecognized from the statement of financial positions, because the risks and rewards of ownership are not relinquished.

The Bank has chosen to apply the fair value option to repurchase agreement.

Interest incurred on repurchase agreements is reported as interest expense.

h. ***Fiduciary account and assets under administration*** - Assets held in trust or in trust function are not considered part of the Bank, and accordingly, such assets and related income are not included in the accompanying financial statements. The commission income generated from the administrative of trusts and custody is recorded when the service has been provided.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Valuation of business model

The classification and measurement of financial assets depends on the results of the SPPI and the testing of the business model. The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a particular business objective. This valuation includes reflecting all relevant evidence including how asset performance is evaluated and its performance measured, the risks that affect asset performance and how they are managed. The Bank monitors financial assets measured at amortized cost or at fair value through other comprehensive income that are written-off before maturity, to understand the reason for write-off and whether the reasons are consistent with the business objective for which the asset was held.

b) ***Fair value of financial instruments***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The best evidence of fair value is quoted price in an active market. In some cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Bank considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three- level hierarchy:

Level 1 Quoted Prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank measures the fair value using hierarchy levels that reflect the significance of the data inputs used in making the measurements. The Bank has established a process and a documented policy for determining the fair value in which responsibilities and segregation of duties are defined among different responsible areas involved in this process that have been approved by the Assets and Liabilities Committee (ALCO), Risk Committee and the Board of Directors.

Since the calculation of fair value is based on management's estimates, which involve uncertainties, the actual fair value realized in a sale or immediate settlement of the instruments may differ from the estimated amount. The use of the above hierarchy acts as an indicator of the potential variance of the actual amount realized to the estimated amount in each group of financial instruments.

c) Significant increase in credit risk: For stage 1 assets, the expected losses are measured as a reserve equal to 12-months expected credit losses, or life time expected losses for stage 2 assets or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. When assessing whether the credit risk of an asset has increased significantly, the Bank takes into account reasonable and supported prospective information, both qualitative and quantitative.

d) Establishing the number and relative weights of prospective scenarios and determining the relevant prospective information for each scenario: When measuring ECLs, the Bank uses reasonable and supportive prospective information, which is based on assumptions for the future movement of different economic forecasts and how those forecasts will affect each other.

e) Establishment of groups of assets with similar credit risk characteristics: When expected credit losses are measured on a collective basis, financial instruments are grouped based on shared risk characteristics.

The Bank monitors the appropriateness of credit risk characteristics on a continuous basis to assess whether they continue to be similar. This is required to ensure that, when the credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in the creation of new portfolios or that assets are moved to an existing portfolio that best reflects the similar credit risk characteristics of that group of assets. Portfolio re-segmentation and movement between portfolios is more common when there is a significant increase in credit risk (or when this significant increase is reversed) and therefore assets move from 12-months to expected credit losses over a life time, or vice versa, but it can also occur within portfolios that continue to be measured with the same 12-month basis or expected credit losses over a life time but the amount of expected credit losses changes because the portfolio's credit risk differs.

f) Models and assumptions used: The Bank uses various models and assumptions in measuring the fair value of financial assets, as well as in estimating expected credit losses. The judgment is applied in the identification of the most appropriate model for each type of asset, as well as to determine the assumptions used in those models, including the assumptions that relate to the key credit risk indicators.

g) Reserve for expected credit losses – When determining the reserve for expected credit losses, Management's judgment is required to evaluate the amount and timing of future cash flows in order to determine whether the credit risk has increased significantly from initial recognition, taking into account loan characteristics and default patterns in the past for similar financial instruments. The changes in the risk of default that occur in the next 12 months may be a reasonable approximation of the changes in the risk measured according to the life of the instrument. The Bank uses the changes in the risk of default that occur in the next 12 months to determine if the credit risk has increased significantly since initial recognition, unless the circumstances indicate that an assessment of the life of the instrument is necessary.

h) Impairment losses on loans at amortized cost - The Bank reviews its individually significant loans on each date of the statement of financial position to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, Management's judgment in estimating the amount and future cash flows is required to determine the impairment loss. These estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes in the provision. Loans that have been individually assessed (and are not impaired) are evaluated together with other non-significant loans in groups of assets with similar risk characteristics. This is done to determine whether it is convenient to establish reserves due to loss events incurred for which there is objective evidence, but whose effects are not yet evident. The collective assessment takes into account the loan portfolio data (such as delinquency levels, credit utilization, loan-guarantee relationships, etc.), and judgments on the effect of risk concentration and economic data (including unemployment levels, consumer price indexes, country risk and the performance of different individual groups).

For the assets of the statement of financial position, the exposures described above are based on the net carrying values reported in the statement of financial position.

The Bank's Management trusts itself in the ability to continue control and maintain a minimum credit risk exposure for the Bank as a result of the loan portfolio and the securities available for sale.

The following table analyzes the Bank's loan portfolios that are exposed to credit risk and its corresponding evaluation:

2022 Classification	ECLs during the next 12 months	ECLs during lifetime (not impaired and collectively evaluated)	ECLs during lifetime (impaired - individually evaluated)	Total
Indicators 1-3: Normal or low risk	172,166,903	-	-	172,166,903
Modified loans	306,925	-	-	306,925
Total	172,473,828	-	-	172,473,828
Less:				
Provision for possible uncollectible loans	(52,128)	-	-	(52,128)
Regulatory provision				(2,415)
Loans and advances, net				172,419,285

2021 Classification	ECLs during the next 12 months	ECLs during lifetime (not impaired and collectively evaluated)	ECLs during lifetime (impaired - individually evaluated)	Total
Indicators 1-3: Normal or low risk	153,393,459	-	-	153,393,459
Modified loans	307,074	-	-	307,074
Total	153,700,533	-	-	153,700,533
Less:				
Provision for possible uncollectible loans	(50,026)	-	-	(50,026)
Regulatory provision				(2,425)
Loans and advances, net				153,648,082

5. DUE FROM BANKS

Due from banks is detailed as follows:

	2022	2021
Due on demand	$ 13,431,483	$ 30,506,430
Interest earning deposits	4,497,419	-
Total due from banks	$ 17,928,902	$ 30,506,430

The interest rates earned by time deposits was 3.7% (2021: 1.8%). As at September 30, 2021, the bank has no time deposits in its books.

6. SECURITIES

Investment at fair value are comprised by the following types of investments:

	2022	2021
Securities at Fair Value Through Other Comprehensive Income	$ 55,921,386	$ 39,682,888
Securities at Fair Value Through Profit or Loss	6,120,379	11,332,420
	$ 62,041,765	$ 51,015,308

6.1 Securities at fair value through other comprehensive incomes are described as follows:

Investment securities at fair value with changes in other comprehensive income are made up of the following types of values:

	2022	2021
Securities as of September 30, 2022		
Debt securities with rating "BBB-" or better	$ 42,431,841	$ 21,163,898
Debt securities with rating below "BBB-"	13,489,545	18,518,990
	$ 55,921,386	$ 39,682,888

The movement in securities at fair value through other comprehensive incomes is summarized as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance as of October 1, 2021	$ 39,682,888	$ -	$ -	$ 39,682,888
Transfer of credit-impaired financial instruments	(800,253)	-	800,253	-
Disposals (sales and redemptions)	(63,399,121)	-	-	(63,399,121)
sub-total	(64,199,374)	-	800,253	(63,399,121)
Additions	81,523,799	-	-	81,523,799
Net realized profit	124,224	-	203,100	327,324
Changes in fair value	(1,351,634)	-	(861,870)	(2,213,504)
Balance as of September 30, 2022	$ 56,580,156	$ -	$ 141,483	$ 55,921,386

	Stage 1	Stage 2	Stage 3	Total
Balance as of October 1, 2020	$ 22,491,595	$ -	$ -	$ 22,491,595
Disposals (sales and redemptions)	(32,498,164)	-	-	(32,498,164)
Additions	49,544,188	-	-	49,544,188
Net realized profit	(38,569)	-	-	(38,569)
Changes in fair value	183,838	-	-	183,838
Balance as of September 30, 2021	$ 39,682,888	$ -	$ -	$ 39,682,888

The reconciliation between the initial balance and the end balance of the expected credit loss (ECL) value correction by reserve model type is shown below:

		Stage 1		Stage 2		Stage 3		Total
Balance as October 1st, 2021	$	89,067	$	-	$	-	$	89,067
Adjustment to provision for expected credit loss on securities		10,382		-		25,203		35,585
Expected credit loss for the end September 30, 2022	$	99,449	$	-	$	25,203	$	124,652

		Stage 1		Stage 2		Stage 3		Total
Balance as October 1st, 2020	$	27,521	$	-	$	-	$	27,521
Adjustment to provision for expected credit loss on securities		61,546		-		-		61,546
Expected credit loss for the end September 30, 2021	$	89,067	$	-	$	-	$	89,067

6.2 Securities at fair value through profit or loss are described as follows:

Investment securities at fair value with changes profit or loss are made up of the following types of values:

Securities as of September 30, 2022		2022		2021
Institutional cash funds rating AAA by International Agencies	$	460,068	$	2,125,960
Debt securities and equity securities - no rating		5,660,311		9,206,460
	$	6,120,379	$	11,332,420

7. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

		2022		2021
Commercial	$	120,861,319	$	119,856,943
Personal		24,965,404		10,788,994
Margin loans		25,356,713		22,063,871
Mortgage		1,235,849		938,274
	$	172,419,285	$	153,648,082

The Bank offers to its clients to use their investment portfolio as collateral which is normally called margin loans. Based on the characteristics of each type of instrument, the Bank determines the maximum amount that can be borrowed.

The range of annual interest rates on loans granted during the year ranged between 1.75% and 10.75% (2021: 0.9% and 10.75%).

As of September 30, 2022, 73% (2021: 65%) of the loans receivable were fully collateralized by customers' deposits placed with the Bank.

As of September 30, 2022, the Bank recognized an impairment provision for the amount USD54,543 for doubtful loans (2021: USD52,451).

Significant changes in the gross carrying value of loans during the period that contributed to changes in reserves for expected credit losses are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross book value as as of October 1, 2021	153,700,533	-	-	153,700,533
Financial instruments that have been written off during the year and	-			-
changes due to the instruments recognized as of September 30, 2020	(11,509,807)	-	-	(11,509,807)
Changes due to financial instruments recognized as of September 30, 2021	(11,509,807)	-	-	(11,509,807)
Origination or purchase of new financial assets	30,283,102	-	-	30,283,102
Gross book value as of September 30, 2022	172,473,828	-	-	172,473,828

	Stage 1	Stage 2	Stage 3	Total
Gross book value as as of October 1, 2020	166,852,156	-	-	166,852,156
Financial instruments that have been written off during the year and	-			-
changes due to the instruments recognized as of September 30, 2020	(22,355,403)	-	-	(22,355,403)
Changes due to financial instruments recognized as of September 30, 2021	(22,355,403)	-	-	(22,355,403)
Origination or purchase of new financial assets	9,203,780	-	-	9,203,780
Gross book value as of September 30, 2021	153,700,533	-	-	153,700,533

The reserve for expected credit losses related to amortized cost loans is as follows:

	Stage 1	Stage 2	Total
Balance at September 30, 2021	52,451	-	52,451
Provision for bad loans	(24,678)	-	(24,678)
Reclasification from contingent liabilities	26,780	-	26,780
Reserve for expected credit losses as of September 30, 2022	54,553	-	54,553
Generic provision for "modified loans" (a)	(10)	-	(10)
Total reserve for bad loans as of September 30, 2022	54,543	-	54,543

	Stage 1	Stage 2	Total
Balance at September 30, 2020	88,930	-	88,930
Provision for bad loans	3,445	-	3,445
Reclasification to contingent liabilities	(26,780)	-	(26,780)
Reserve for expected credit losses as of September 30, 2021	65,595	-	65,595
Generic provision for "modified loans" (a)	(13,144)	-	(13,144)
Total reserve for bad loans as of September 30, 2021	52,451	-	52,451

a) The Superintendency of Banks of Panama issued Agreement No. 9-2020 dated September 11, 2020, which modifies Agreement No. 2-2020 through which additional, exceptional and temporary measures are established for compliance with the provisions contained in Agreement No. 4-2013 on credit risk.

As disclosed in Note 23 for modified loans, 1.5% must be calculated as a generic provision. Numeral 2, literal b, of Article 7, establishes that when there is an excess of generic provision over the IFRS provision, the Bank must record the difference until the said percentage is completed, charged to results. During the year ended September 30, 2022 the bank reversed USD0.10 (2021: USD13,144 of provision for modified loans.

8. STATUTORY LOAN LOSS RESERVE

The statutory loan reserves are summarized as follows:

	2022	2021
Generic provision for "modified loans"	$ 2,647	$ 2,657
Dynamic loan reserve	1,531,796	1,531,796
	$ 1,534,443	$ 1,534,453

The Superintendency of Banks of Panama issued Agreement No.9-2020 dated September 11, 2020, which modifies Agreement No.2-2020 through which additional, exceptional and temporary measures are established for compliance with the provisions contained in Agreement No.4-2013 on credit risk.

As disclosed in Note 23 for modified loans, in cases where the IFRS provision is less than the generic provision of 3% established in the Agreement, the Bank will record said IFRS provision in income and the difference must be recorded in income or in a regulatory reserve in equity, taking into account consideration of the following aspects:

a) When the IFRS provision is equal to or greater than 1.5%, the Bank must record said IFRS provision in the income statement. Likewise, the difference to complete the 3% of the generic provision established in the Agreement must be recorded in a regulatory reserve in equity.

b) When the IFRS provision is less than 1.5%, the Bank must ensure that this percentage is completed and recorded in the income statement. Likewise, the difference to complete the 3% of the generic provision established in the Agreement must be recorded in a regulatory reserve in equity.

	2022	2021
Generic provision for "modified loans	$ 2,647	$ 2,657

The Bank also maintains a statutory loan reserve in accordance with the requirements of the Republic of Panama. Those requirements stipulate to recognize a dynamic reserve which is greater than the 1% generic loan allowance of CBB.

	2022	2021
Balance at beginning and end the of year	$ 1,531,796	1,531,796
	$ 1,531,796	$ 1,531,796

9. INTANGIBLE ASSETS

As of September 30, 2022, the Bank's intangible assets consist solely of licenses for computer programs.

	2022	2021
Cost		
Balance at beginning of year	$ 3,378,990	$ 3,067,846
Additions	77,139	311,144
At end of year	3,456,129	3,378,990
Accumulated Amortization		
Balance at beginning of year	2,704,770	2,607,906
Amortization expense	113,087	96,864
At end of year	2,817,857	2,704,770
Net balance	$ 638,272	$ 674,220

10. RIGHT OF USE ASSETS

The bank leases a premise where is located. The lease term is 1 year.

	2022	2021
Cost		
Balance at beginning of year	$ 64,279	$ 64,279
Additions	33,208	-
At end of year	97,487	64,279
Accumulated Amortisation		
Balance at beginning of year	32,139	32,139
Amortization expense	32,140	-
At end of year	64,279	32,139
Net balance	$ 33,208	$ 32,140

The amounts recognized in the statement of comprehensive incomes are:

Depreciation expense on right-of-use-assets	$ 32,140	$ 32,129
Interest expense on lease liabilities	$ 1,212	$ 3,377

Lease liabilities are discounted at a rate of 6.67%, the balances are presented as follows:

Amounts due for settlement withing twelve months	$ 33,208	$ 33,222

The remaining maturity date of the lease contract is September 30, 2023. The Bank does not face significant liquidity risk with respect to this lease liability.

11. OTHER ASSETS

Other assets are summarized below:

		2022		2021
Accounts receivable related	$	1,194,754	$	573,505
Expense paid in advance		268,617		340,335
Commissions receivable		133,936		174,743
Other		12,307		-
Total	$	1,609,614	$	1,088,583

12. CUSTOMER DEPOSITS

Customer deposits are summarized below:

		Demand		Time Deposit
2022				
Deposit from clients	$	71,122,709	$	134,141,140
Deposit from banks		4,837,633		-
Total	$	75,960,342	$	134,141,140

		Demand		Time Deposit
2021				
Deposit from clients	$	70,178,182	$	105,632,125
Deposit from banks		10,168,492		-
Total	$	80,346,674	$	105,632,125

13. OTHER LIABILITIES

Details of other liabilities are summarized below:

		2022		2021
Escrow account	**$**	1,506,483	**$**	1,505,344
Accounts payable		212,707		881,811
Expenses payable		95,653		56,267
Commissions payable		144,732		218,713
Other		602		26,780
Total	$	1,960,177	$	2,688,915

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of September 30, and for the year then ended, the Bank had the following significant balances and transactions with related parties:

2022	Managerial personnel	Related companies	Total
Assets			
Due from bank	$ -	$ 3,268,828	$ 3,268,828
Securities available-for-sale	-	1,878,945	1,878,945
Loans	1,932,340	20,570,877	22,503,217
Other assets	2,000	1,038,170	1,040,170
Total assets	$ 1,934,340	$ 26,756,820	$ 28,691,160
Liabilities			
Customers' non-interest bearing deposits	$ 285,219	$ 19,078,772	$ 19,363,991
Customers' interest bearing deposits	20,728	19,869,753	19,890,481
Other liabilities	1,008	1,506,113	1,507,121
Total liabilities	$ 306,955	$ 40,454,638	$ 40,761,593
Income			
Interest income	$ 78,574	$ 1,332,737	$ 1,411,311
Interest expenses	(176)	(1,310,645)	(1,310,821)
Commissions	9,774	301,710	311,484
Total income	$ 88,172	$ 323,802	$ 411,974
Other expenses			
Personnel expenses	$ 126,224	$ -	$ 126,224
Professional fees	21,331	499,500	520,831
Total other expenses	$ 147,555	$ 499,500	$ 647,055

2021	Managerial personnel	Related companies	Total
Assets			
Due from bank	$ -	$ 9,106,670	$ 9,106,670
Securities available-for-sale	-	2,354,521	2,354,521
Loans	1,571,597	21,815,545	23,387,142
Other assets	4	272,144	272,148
Total assets	$ 1,571,601	$ 33,548,880	$ 35,120,481
Liabilities			
Customers' non-interest bearing deposits	$ 5,804	$ 20,994,891	$ 21,000,695
Customers' interest bearing deposits	411,948	22,704,393	23,116,341
Other liabilities	252,642	163,106	415,748
Total liabilities	$ 670,394	$ 43,862,390	$ 44,532,784
Income			
Interest income	$ 78,037	$ 1,416,761	$ 1,494,798
Interest expenses	(1,000)	(1,273,813)	(1,274,813)
Commissions	10,844	295,389	306,233
Total income	$ 87,881	$ 438,337	$ 526,218
Other expenses			
Personnel expenses	$ 131,430	$ -	$ 131,430
Professional fees	7,207	1,328,000	1,335,207
Total other expenses	$ 138,637	$ 1,328,000	$ 1,466,637

Loans granted to directors and key management personnel have various maturities ranging from 2022 to 2029 (2021: 2021 to 2029) and bear an annual interest rate between 2% and 6% in 2022 (2021: 2% and 6.42%).

At September 30, 2022, term deposits with affiliates companies earned an annual interest rate between 1% and 7.5% (2021: 0.15% and 7.5%).

At September 30, 2022, the related expenses includes professional fees for outsourcing services rendered by MMG Bank Corporation in concept of Treasury handling, Accounting services and IT Support for a total of USD499,500 (2021: USD1,328,000).

15. SHARE CAPITAL

At September 30, 2022, the authorized issued and outstanding share capital consisted of 5,000,000 (2021: 5,000,000) common and registered shares with a nominal value of USD1 each.

In December 2021, the Board of Directors authorized the payment of dividends to the shareholder for the amount of USD8,000,000. (April 2021: USD8,500,000).

16. INTEREST INCOME

At September 30, interest income is detailed below:

	2022	2021
Loans	$ 9,135,529	$ 9,120,718
Investments	1,684,754	1,157,491
Deposits	21,058	5,820
Total	$ 10,841,341	$ 10,284,029

17. NET COMMISSION INCOME

Commission earned by the Bank totaled USD2,378,354 (2021: USD2,816,584). Ninety one percent 90% (2020: 93%) of these commissions are generated by the main business areas: wealth management, investment banking and banking services.

18. ASSETS UNDER MANAGEMENT

The Bank holds assets outside the statement of financial position at the risk of clients for a total of USD855,293,169 (2021: USD939,556,500). These assets consist of financial portfolios in custody for a total of USD832,701,244 (2021: USD925,804,538) of which USD79,346,339 (2021: USD74,693,935) are managed under discretionary mandates. The Bank does not anticipate any loss as a result of the services provided.

19. PERSONNEL EXPENSES

At September 30, the personnel expenses are detailed below:

	2022	2021
Salaries and other compensations	$ 208,620	$ 279,428
Employee benefits	42,376	44,150
Total	$ 250,996	$ 323,578

20. OTHER EXPENSES

At September 30, the other expenses are detailed below:

	2022	2021
Repairs and maintenance	$ 413,458	$ 406,848
Subscription fee	158,549	178,500
Taxes and licenses	144,866	201,833
Communications	19,402	19,180
Advertising and public relations	35,379	20,433
Office rent	7,664	1,327
Others (lower than 10,000)	5,903	9,682
Total	$ 785,221	$ 837,803

21. INCOME TAXES

The Bank is not subject to income tax in The Bahamas.

22. FINANCIAL RISK MANAGEMENT

Objectives of the administration of financial risks

By the nature of its operations, the Bank is exposed to various financial risks that could threaten their business objectives, so that proactive identification and understanding of the significant risks faced by the Bank are critical to achieve an appropriate balance between the risk and return and minimize potential adverse effects on its financial achievement.

The Bank's management and risk control falls mainly on the Board of Directors, which is initially responsible for establishing and determining the strategic direction of the organization, the focus of the business and corporate values.

The Board has established the Risk Committee, with specific roles and responsibilities for the proper supervision of the Bank's risks. This committee consists of members of the Board of Directors separate from Management and assists the Board of Directors in fulfilling its monitoring responsibilities relating to the administration and control of the risks inherent to the Bank.

Additionally, the Board of Directors has the support of the Audit Committee in which issues related to the audit areas fall, such as the integrity of the financial statements, quality and performance of internal and external auditors, and compliance of the Bank with the legal and regulatory requirements as well as policies and ethical behavior established by the Board of Directors.

It is worth mentioning that the Audit Committee has outsourced internal audit services from the firm of auditors and accountants, RSM Panama, S.A. (previously Moore Stephens). Internal audit supports the monitoring of the Audit Committee by evaluating the processes of risk management and internal control of the Bank.

The Board of Directors has established the Compliance Committee, whose primary function is to assist the Board of Directors in monitoring that the Bank has a strong process for preventing money laundering and terrorist financing, as well as monitoring compliance with the laws and regulations that apply to the Bank and the Standards related to Corporate Governance.

The Board of Directors delegates responsibility for the Bank's day to day management, however, the Risk Committee oversees the processes of identification, assessment and mitigation of the risks inherent to the Bank.

Management on its part has established other committees through which it evaluates and monitors different operational issues. Among these are the following:

Assets and Liabilities Committee (ALCO): Its purpose is to optimize and manage the Bank's financial resources, maintaining exposure to the inherent risks of the business within the policies established by the Board of Directors. In addition, this Committee reviews economic trends, interest rate expectations, and establishes active and passive rates.

Credit Management Committee: Its main objective is to establish policies for the management and control of credit risk, to establish credit risk measurement systems, to evaluate and classify the loan portfolio, to supervise the provisions established by the Bank to mitigate the risk Losses, evaluation of guarantees and compliance with internal policies and regulations.

The Bank is subject to the regulations of The Central Bank of The Bahamas and The Securities Commission of The Bahamas, in regard to risk concentrations, liquidity and capitalization, among others. Therefore, Management must deliver a series of reports to achieve an appropriate flow of information both internally and externally to ensure the transparency of Administration and Corporate Governance.

The main financial risks identified by the Bank are credit risk, liquidity, market and operational risks, which are described below:

Credit risk

Credit risk is the risk of a financial loss as a consequence from a borrower who does not pay on time or the totality of its obligation or the counterparty of a financial instrument who fails to meet its contractual obligations before settling a contract and the effect of having to replace the transaction to balance the position.

Financial assets that potentially present credit risk to the Bank are loans that are not collateralized with cash, portfolio investments and placed bank deposits.

Credit risk is the most important risk for the Bank, so the Administration carefully manages its exposure to credit risk through a strict policy for the management of credit risk.

Settlement Risk

The Bank's activities may create a risk at the time of settlement of transactions and negotiations with a counterparty. The settlement risk, is the risk of loss due to the Bank's failure to deliver cash, securities or other assets as agreed by contract.

For certain types of transactions, the Bank mitigates risk by making settlements through a settlement agent to ensure that a settlement is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits are part of the process of monitoring credit limits / approvals described above.

Credit risk management

The Bank performs a qualitative and quantitative analysis of the customer. The qualitative analysis takes into account the industry in which the customer performs, the competence of the debtor or counterparty, its references, management, products, customers, suppliers and operating performance of the company. In the quantitative analysis, the financial ratios are evaluated, depending on the industry in which the client operates.

The Bank structures acceptable levels of credit risk through the establishment of policies and procedures for a single borrower, group of borrowers, and geographical segment. Exposure to risk is covered mainly by obtaining guarantees.

As of September 30, 2022, 73% (2021: 65%) of the loan portfolio was backed by cash deposits. The rest of the portfolio is guaranteed by financial assets, real and personal property, bonds or guarantees and other guarantees.

Credit quality analysis

The following table shows information related to the credit quality of financial assets.

	Maximun exposure	
	2022	**2021**
Due from banks	$ 17,928,902	$ 30,506,430
Securities	62,041,765	51,015,308
Loans receivable	172,419,285	153,648,082
Total	$ 252,389,952	$ 235,169,820

The table above represents the Bank's most critical exposure to credit risk as of September 30, 2022, without taking into account credit guarantees or another increase in exposure to credit risk.

The guarantees issued and promissory notes are exposed to credit losses in the event that the customer does not comply with their obligation to pay. The Bank's policies and procedures in approving credit commitments, financial guarantees and promises of payment are the same as those used for the granting of loans recorded in the statement of financial position.

Guarantees issued and promissory notes from customers relate to outstanding facilities to be disbursed, which are not shown in the statement of financial position but are recorded in the Bank's memorandum accounts.

For the assets of the statement of financial position, the exposures described above are based on the net book balances reported in the statement of financial position.

	Loan		Securities	
	2022	2021	2022	2021
Maximun expousure				
Book value	$ 172,419,285	$ 153,648,082	$ 62,041,765	$ 51,015,308
At amortized cost				
Risk Level				
Level 1 - normal	172,166,903	153,393,459	-	-
Level 1 - modified loans	306,925	307,074	-	-
Doubtful loans reserve	(52,128)	(50,026)	-	-
Regulatory provision	(2,415)	(2,425)	-	-
Book Value, net	172,419,285	153,648,082	-	-
Securities at fair value through other comprehensive income				
Books Value, net	-	-	55,779,903	39,682,888
Securities at fair value through profit or loss				
Books Value, net	-	-	6,120,379	11,332,420
Not overdue, neither impaired				
Level 1 - normal	172,473,828	153,700,533	-	-
	172,473,828	- 153,700,533	- -	- -
Individually impaired				
Level 5 - unrecoverable	-	-	141,483	-
Sub-total	-	-	-	-
Impairment reserve				
Individually	(52,128)	(50,026)	-	-
Total impairment reserve	(52,128)	(50,026)	-	-
Regulatory reserve	(2,415)	(2,425)	-	-
Unearned interest	-	-	-	-
Total	$ 172,419,285	$ 153,648,082	$ 62,041,765	$ 51,015,308

Through the Asset and Liability Committee, the Bank analyzes the repayment capacity of the different issuers and banks in international markets and recommends to the Board of Directors the limits (based on capital) that can be placed on each by using as reference, international credit ratings from recognized rating agencies such as Standard & Poors, Moody's Investor Services and Fitch Ratings.

Due to very conservative asset management policies, the deposits and investments portfolio is highly diversified and mostly placed in institutions rated with international investment grade.

As at September 30, 2022, 61% (2021: 53%) of demand deposits and time deposits are placed in financial institutions rated between A+ and BBB-, based on the rating agencies mentioned above.

The information in the table below shows the investment assets composition of the Bank. As of September 30, 2022, the Bank had placed 70% (September 30, 2021: 46%) of their investment assets in deposits in banks of investment-grade and debt issuers and assets secured by cash deposits.

The information in the table below shows the assessment composition of the Bank's securities.

	2022		2021	
	Amount	Percentage	Amount	Percentage
Grading investments				
AAA	$ 460,239	1%	$ 2,125,960	4%
AA+, AA, AA-	26,372,689	43%	14,021,976	28%
A+, A, A-	7,963,915	13%	-	0%
BBB+, BBB, BBB-	8,095,066	13%	7,141,922	14%
Total with international investment grade	42,891,909	70%	23,289,858	46%
Local BBB- or better - Banks	1,494,875	2%	501,333	1%
Local BBB- or better - Corporate	827,032	1%	2,904,787	6%
International BB+ to B-	11,952,735	19%	15,858,101	30%
Local corporates not classified	4,875,214	8%	8,461,229	17%
Total without international investment grade	19,149,856	30%	27,725,450	54%
Total	$ 62,041,765	100%	$ 51,015,308	100%

The following table details the analysis of the Bank´s financial assets portfolio, under the category of investments and accounting recognition.

	2022		2021	
	Amount	Percentage	Amount	Percentage
Loan secured by cash deposits	**$** 125,428,487	49%	$ 100,014,763	42%
Cash in banks with investment grade rating	11,011,472	4%	16,194,718	7%
Securities with investment grade rating	42,891,909	17%	23,289,858	10%
Sub-total	179,331,868	70%	139,499,339	59%
Loans with other guarantees than cash	46,990,798	18%	53,633,319	22%
Cash in banks without investment grade rating	6,917,430	3%	14,311,712	6%
Securities without investment grade rating	14,274,642	6%	15,858,101	7%
Securities without rating	4,875,214	2%	11,867,349	5%
Other assets	2,281,094	1%	1,794,943	1%
Total other	75,339,178	30%	97,465,424	41%
Total assets	$ 254,671,046	100%	$ 236,964,763	100%

Collateral and other guarantees against credit exposure.

The Bank holds collateral and other guarantees against credit exposures. The following table shows the main types of guarantees received against different types of loans.

Types of loan -	Main type of guarantee	Maximum exposure 2022	Maximum exposure 2021	Guarantees 2022	Guarantees 2021
Consumer loans					
Personal		$ 24,965,404	$ 10,788,383	$ 31,110,599	$ 19,800,645
	Deposits	19,015,369	3,534,648	19,015,369	3,736,198
	Transfer of promissory notes	1,299,589	1,351,244	1,856,729	1,856,729
	Investments	1,138,384	2,764,931	5,686,730	9,691,180
	Bonds and guarantees	3,512,062	3,137,560	4,551,771	4,516,538
Mortgages	Property	1,175,217	845,885	1,006,795	1,006,795
Margin loans	Investments	18,812,135	22,063,871	142,080,974	94,173,040
Overdrafts		255	118	-	-
Sub-total		$ 44,953,011	$ 33,698,257	$ 174,198,368	$ 114,980,480

Types of loan Corporate loans	Main type of guarantee	Maximum exposure 2022	Maximum exposure 2021	Guarantees 2022	Guarantees 2021
Commercial		$ 120,860,735	$ 119,856,943	$ 151,898,497	$ 151,388,098
	Deposits	106,413,118	98,081,119	106,413,118	98,081,119
	Investments	5,500,000	13,462,046	34,820,529	42,858,345
	Bonds, guarantees and others	8,947,617	8,313,778	10,664,850	10,448,634
Mortgages	Properties	60,632	92,389	518,452	518,452
Margin loans	Bonds, guarantees and others	6,544,578	-	23,085,999	-
Others	Bonds, guarantees and others	329	493	-	-
Sub-total		127,466,274	119,949,825	175,502,948	151,906,550
Total		$ 172,419,285	$ 153,648,082	$ 349,701,316	$ 266,887,030

	2022	2021	Collateral Type
Loans portfolio	73%	66%	Cash deposits
	19%	25%	Investments
	1%	5%	Promissory notes
	2%	3%	Properties
	5%	2%	Bonds, Guarantees & others

Credit risk concentration

The Bank monitors the concentration of credit risk by sector and geographic location. The analysis of the credit risk concentration at the date of the financial statements is as follows:

	Loans		Securities	
	2022	**2021**	**2022**	**2021**
Concentration by sector:				
Corporate	$ 127,466,274	$ 119,949,825	$ -	$ 33,322,773
Consumer	44,953,011	33,698,257	-	-
Other	-	-	-	17,692,535
	$ 172,419,285	$ 153,648,082	$ -	$ 51,015,308

	Assets		Liabilities	
	2022	**2021**	**2022**	**2021**
Geographic concentration:				
United States of America	$ 42,330,845	$ 31,439,885	$ 839,810	$ 3,702,366
Panama	151,316,764	146,655,006	73,127,474	69,104,106
Europe	6,981,618	10,647,643	97,664	4,702,754
South America	32,496,166	24,388,045	29,926,153	29,414,281
Bahamas	1,303,565	1,227,883	12,051,430	12,317,940
Others	847,011	59	354,955	311,863
Central America and Caribbean	19,395,077	22,606,242	95,697,381	69,147,626
	$ 254,671,046	$ 236,964,763	$ 212,094,867	$ 188,700,936

Exposure to credit risk is managed by the Credit Management Committee and the Assets and Liabilities Committee (ALCO), through periodic analysis of the ability of current and potential borrowers to meet their obligations. Both committees are duly authorized to evaluate and recommend to the Board changes in credit limits where appropriate.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet commitments and financial obligations due to a shortage of liquid resources to cover them. This contingency may force the Bank to resort to the sale of assets or the collection of liabilities under unfavorable conditions, such as unusual discounts, higher financial costs, or foreclosure on equity losses.

Liquidity risk management

Liquidity risk is monitored by measuring the concentration of depositors, measuring the volatility of the different products, the portion of the liabilities that are hedged by the liquid assets and the maturity between assets and liabilities.

To manage this risk, the Bank maintains strict liquidity policies to support the management of its customers' deposits. Internal policies require maintaining primary liquidity reserves that largely cover withdrawals of liquid liabilities projected under stress scenarios. Primary liquidity is defined as cash, deposits with banks maturing up to 14 days, units in AAA-rated institutional liquidity funds, US Treasury Bills and Letters of the Bundesbank. Net liabilities refer to overnight deposits, overnight deposits and time deposits that mature within the next 7 days. In addition, most of the maturity mismatch between assets and liabilities must be covered at all times by secondary liquidity and contingent funding lines. Secondary liquidity is defined as net investments of debtors with international investment grade and with a maximum maturity of 12 months. Contingent funding lines are defined as contractually established bank facilities to which the bank has access and whose financing terms have been previously defined.

It should be noted that compliance with the liquidity policies is monitored by the Assets and Liabilities Committee and the Board of Directors through the Audit and Risk Management Committee.

Exposure to liquidity risk

The key measure used by the Bank for the management of liquidity risk is the index of net liquid assets on deposits received from customers. A similar but not identical calculation is used to measure the liquidity limits established by the Bank.

Below are detailed the indexes corresponding to the net liquid assets ratio on deposits received from clients at the date of the financial statements as follows:

	2022	**2021**
At end of year	45%	50%
Average of year	44%	40%
Maximum of year	47%	50%
Minimum of year	39%	34%

Analysis of maturities for financial liabilities and financial assets

The maturity analysis of assets and liabilities based on the remaining period to the date of the statement of financial position up to the contractual maturity date are as follows:

2022	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Liabilities						
Customers' non-interest bearing deposits	75,960,342	-	-	-	-	75,960,342
Customers' interest bearing deposits	9,006,999	32,314,552	32,029,956	60,789,633	-	134,141,140
Total liabilities	84,967,341	32,314,552	32,029,956	60,789,633	-	210,101,482
Assets						
Due from banks	13,431,483	4,497,419	-	-	-	17,928,902
Securities	12,154,894	29,406,946	7,915,588	11,387,560	1,176,777	62,041,765
Loans receivable, net	26,013,322	37,505,009	35,993,405	72,650,826	256,723	172,419,285
Total assets	51,599,699	71,409,374	43,908,993	84,038,386	1,433,500	252,389,952
Commitments and contingencies	-	-	-	-	-	-
Net position	(33,367,642)	39,094,822	11,879,037	23,248,753	1,433,500	42,288,470

2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customers' non-interest bearing deposits	80,346,674	-	-	-	-	80,346,674
Customers' interest bearing deposits	-	11,063,604	63,223,635	31,344,886	-	105,632,125
Total liabilities	80,346,674	11,063,604	63,223,635	31,344,886	-	185,978,799
Assets						
Due from banks	30,506,430	-	-	-	-	30,506,430
Securities	11,364,295	15,215,526	1,929,714	18,464,238	4,041,535	51,015,308
Loans receivable, net	22,012,031	15,037,962	66,876,029	48,743,023	979,037	153,648,082
Total assets	63,882,756	30,253,488	68,805,743	67,207,261	5,020,572	235,169,820
Commitments and contingencies	-	-	-	-	-	-
Net position	(16,463,918)	19,189,884	5,582,108	35,862,375	5,020,572	49,191,021

It is noteworthy that compliance with liquidity policies is monitored by the Asset and Liability Committee and the Board of Directors through the Risk Committee. Liquidity risk is monitored by measuring the concentration of depositors, measuring the volatility of different products, the portion of the liabilities that are covered by liquid assets and the matching of maturities between assets and liabilities.

To manage the liquidity risk arising from financial liabilities, the Bank maintains liquid assets such as Due from banks and investment grade for which an active market exists.

These assets can be easily sold to meet liquidity requirements. Consequently, the Bank believes that it's not necessary to disclose the maturity analysis related to these assets to allow assessment of the nature and extent of liquidity risk.

The table below shows the undiscounted cash flows of the Bank's financial liabilities based on their nearest possible maturities. The expected cash flows of these instruments may vary significantly over time:

2022	Carrying value	Gross nominal amount inputs/ (outputs)	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Liabilities							
Customers' non-interest bearing deposits	75,960,342	75,960,342	75,960,342	-	-	-	-
Customers' interest bearing deposits	134,141,140	139,376,098	9,011,628	32,626,829	33,176,988	64,560,653	-
Total liabilities	210,101,482	215,336,440	84,971,970	32,626,829	33,176,988	64,560,653	-
Assets							
Due from banks	17,928,902	17,941,698	13,431,483	4,510,215	-	-	-
Securities	62,041,765	64,341,771	12,158,351	29,439,028	8,084,462	13,073,321	1,586,609
Loans receivable, net	172,419,285	180,647,500	26,023,217	37,878,488	37,357,994	78,973,079	414,722
Total assets	252,389,952	262,930,969	51,613,051	71,827,731	45,442,456	92,046,400	2,001,331
Net position	42,288,470	47,594,529	(33,358,919)	39,200,902	12,265,468	27,485,747	2,001,331

2021	Carrying value	Gross nominal amount inputs/ (outputs)	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Liabilities							
Customers' non-interest bearing deposits	80,346,674	80,346,665	80,346,665	-	-	-	-
Customers' interest bearing deposits	105,632,125	111,731,399	11,196,940	66,484,348	34,050,111	-	-
Total liabilities	185,978,799	192,078,064	91,543,605	66,484,348	34,050,111	-	-
Assets							
Due from banks	30,506,430	30,506,430	30,506,430	-	-	-	-
Securities	51,015,308	52,773,940	11,792,193	15,331,247	2,034,109	19,345,435	4,270,956
Loans receivable, net	153,648,082	162,722,747	23,082,249	15,574,073	70,544,001	52,489,253	1,033,171
Total assets	235,169,820	246,003,117	65,380,872	30,905,320	72,578,110	71,834,688	5,304,127
Net position	49,191,021	53,925,053	(26,162,733)	(35,579,028)	38,527,999	71,834,688	5,304,127

In Management's opinion, in the investment portfolio and other financial assets of the Bank, there are highly liquid investments (rated AAA to BBB-) for USD42,891,909 (2021: USD23,289,858), which may be converted into cash in a period less than one week.

Market risk

Market risk is that in which the value of a financial asset decreases because of changes in interest rates in the foreign exchange rates in stock prices and other financial variables as well as the reaction of market's participants to political and economic events.

Market risks arise from open positions in currency, interest rates or shares, which are exposed to general and specific market movements and changes in the level of volatility of rates or market prices, such as interest rates, credit spread, currency exchange rates and stock prices.

Market risk management

The Bank establishes a high priority in corporate governance through the establishment and continuous strengthening of policies that establish parameters of exposure to different risk factors. Policies and limits are approved by the Assets and Liabilities Committee (ALCO) and ratified by the Board of Directors. The ALCO is furthermore responsible for ensuring compliance with these policies and recommending improvements as required.

Internal policies establish market risk limits of up to 15% of capital. This in turn has sub-limits by risk factors, which are quantified based on models developed internally in follow-up to the best practices of the industry.

Exchange rate risk

It is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. It is the financial risk (adverse impact) resulting from time differences for the re-definition of prices (rates) of assets and liabilities and changes in the level and shape of associated yield curves.

To mitigate this risk, the Board has limited a maximum open global exposure of up to 2% of the Bank's capital and only 1% of the capital in a single currency.

The table below summarizes the exposure to the foreign currency exchange rate at September 30.

	Exposure to currency exchange risk							
2022	**USD**	**EURO**	**GBP**	**CHF**	**CAD**	**AUD**	**Others**	**Total**
Financial assets								
Due from banks	9,955,587	3,887,698	1,530,646	1,387,056	370,169	559,837	237,792	17,928,785
Securities	62,034,232	7,533	-	-	-	-	-	62,041,765
Loans receivable, net	172,419,093	192	-	-	-	-	-	172,419,285
Total financial assets	244,408,912	3,895,423	1,530,646	1,387,056	370,169	559,837	237,792	252,389,835
Financial liabilities								
Customers' non-interest bearing deposits	68,189,645	3,901,395	1,530,140	1,389,844	369,691	559,239	20,388	75,960,342
Customers' interest bearing deposits	134,141,140	-	-	-	-	-	-	134,141,140
Total financial liabilities	202,330,785	3,901,395	1,530,140	1,389,844	369,691	559,239	20,388	210,101,482
Net position	42,078,127	(5,972)	506	(2,788)	478	598	217,404	42,288,353

2021	USD	EURO	GBP	CHF	CAD	AUD	Others	Total
				Exposure to currency exchange risk				
Financial assets								
Due from banks	23,235,049	2,827,382	1,500,337	1,673,526	620,639	381,666	267,831	30,506,430
Securities	51,006,361	8,947	-	-	-	-	-	51,015,308
Loans receivable, net	153,647,887	195	-	-	-	-	-	153,648,082
Total financial assets	227,889,297	2,836,524	1,500,337	1,673,526	620,639	381,666	267,831	235,169,820
Financial liabilities								
Customers' non-interest bearing deposits	73,350,247	2,864,941	1,511,275	1,638,753	574,928	378,634	27,926	80,346,704
Customers' interest bearing deposits	105,632,125	-	-	-	-	-	-	105,632,125
Total financial liabilities	178,982,372	2,864,941	1,511,275	1,638,753	574,928	378,634	27,926	185,978,829
Net position	48,906,925	(28,417)	(10,938)	34,773	45,711	3,032	239,905	49,190,991

Interest rate risk

It is the risk associated with a decrease in future cash flows and the value of a financial instrument due to changes in market interest rates.

Management uses robust methodologies for the measurement and monitoring of rate risk derived from the fluctuation in the fair value of a financial instrument and its respective effect on equity, the main market risk factor facing the Bank. Currently, different risk assessment scenarios are considered that consider an analysis under extreme conditions (stress testing) contemplating the sensitivity to the movements in the risk-free rates and credit premiums on the portfolio. The results of these simulations are monitored daily and presented monthly to the Assets and Liabilities Committee.

The sensitivity analysis below reflects the change in the fair value of investments given a sudden increase or decrease of 100 basis points based on the modified duration of the investment portfolio. This change in fair value could be due to changes in the discounted rates of credit, liquidity and / or macroeconomic factors or a combination of these:

	Increase of 100 bp	Decrease of 100 bp
2022		
Securities	(529,794)	529,794
Loans receivable, net	(20,487)	20,487
Customers' interest bearing deposits	4,700,785	(4,700,785)
Net impact	4,150,504	(4,150,504)
2021		
Securities	(503,137)	503,137
Loans receivable, net	(1,343,675)	1,343,675
Customers' interest bearing deposits	1,307,506	(1,307,506)
Net impact	(539,306)	539,306

	Sensitivity to equity in relation to rate movements			
	Increase of 50 bp	Decrease of 50 bp	Increase of 100 bp	Decrease of 100 bp
2022				
As of September 30	(264,897)	264,897	(529,794)	529,794
Annual average	(215,515)	215,515	(431,029)	431,029
Annual maximun	(307,291)	307,291	(614,582)	614,582
Annual minimun	(120,611)	120,611	(241,222)	241,222
2021				
As of September 30	(251,569)	251,569	(503,137)	503,137
Annual average	(204,671)	204,671	(409,342)	409,342
Annual maximun	(291,829)	291,829	(583,659)	583,659
Annual minimun	(114,542)	114,542	(229,085)	229,085

With respect to rate risk arising from fluctuations in the interest rates on assets or liabilities and their effect on net interest income, the Assets and Liabilities Committee periodically reviews asset and liability rates and establishes asset allocation and collection strategies, and their respective rate profiles. Additionally, in the placement of loans not guaranteed by cash, the bank has ample contractual flexibility to vary the interest rates at its discretion.

The table below summarizes the Bank's exposure to fluctuations in interest rates on the financial margin. The Bank's assets and liabilities are included in the table at their carrying amount, classified by categories whichever occurs first between the repricing or expiration dates.

2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Interest Bearing	Total
Assets							
Due from banks	5,012,905	4,497,419	-	-	-	8,418,578	17,928,902
Securities	6,034,515	29,406,946	7,915,588	11,387,560	1,176,777	6,120,379	62,041,765
Loans receivable, net	22,741,945	3,271,377	37,505,009	35,993,405	72,650,826	256,723	172,419,285
Total assets	33,789,365	37,175,742	45,420,597	47,380,965	73,827,603	14,795,680	252,389,952
Liabilities							
Customers' non-interest bearing deposits	-	-	-	-	-	75,960,342	75,960,342
Customers' interest bearing deposits	9,006,999	32,314,552	32,029,956	-	-	60,789,633	134,141,140
Total liabilities	9,006,999	32,314,552	32,029,956	-	-	136,749,975	210,101,482
Net position	24,782,366	4,861,190	13,390,641	47,380,965	73,827,603	(121,954,295)	42,288,470
Accumulated position	24,782,366	29,643,556	43,034,197	90,415,162	164,242,765	42,288,470	

2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Interest Bearing	Total
Assets							
Due from banks	-	-	-	-	-	30,506,430	30,506,430
Securities	11,344,962	15,215,526	1,929,714	18,464,238	4,041,535	19,333	51,015,308
Loans receivable, net	22,012,031	15,037,962	66,876,029	48,743,023	979,037	-	153,648,082
Total assets	33,356,993	30,253,488	68,805,743	67,207,261	5,020,572	30,525,763	235,169,820
Liabilities							
Customers' non-interest bearing deposits	2,500,000	-	-	-	-	77,846,674	80,346,674
Customers' interest bearing deposits	11,063,604	63,223,635	31,344,886	-	-	-	105,632,125
Total liabilities	13,563,604	63,223,635	31,344,886	-	-	77,846,674	185,978,799
Net position	19,793,389	(32,970,147)	37,460,857	67,207,261	5,020,572	(47,320,911)	49,191,021
Accumulated position	19,793,389	(13,176,758)	24,284,099	91,491,360	96,511,932	49,191,021	

Operational risk

Operational risk is defined as the possibility of incurring losses due to deficiencies, failures or inadequacies of human resources, processes, technology, infrastructure or the occurrence of external events. This definition includes legal risk associated with these factors.

The Bank has an Operational Risk Manual, which represents the framework for operational risk management. Likewise, policies have been established for the evaluation of new products and services that are aimed mainly to assess the operational risks associated with the development of new products or services prior to their release or implementation.

To manage operational risk, the bank has established an organizational structure with clear roles and responsibilities of the board of directors, senior management, risk committee, risk management unit, form and frequency of reports, the acceptable level of operational risk and indicators of operational risk.

The operational risk management aims to:

- Prevent and minimize losses caused by incidents or operational risk events.
- Formalize the identification, measurement, mitigation, monitoring, and control of operational risk information.
- Focus resources and effort on the key operational risks.
- Continuous improvement of control and learning.

The bank has a separate management risk unit from other areas of the bank, which among its functions has the management of operational risk. This unit reports to the Risk Committee of the Board of Directors, who is in charge of approving the strategy of operational risk management, monitoring its management and evaluating the risk management unit.

The risk management unit enables the bank's staff on the methodology for operational risk management adopted by the Board of Directors in the key processes of the bank, considering key operational risk factors such as human resources, processes, technology and external events.

The events or incidents of operational risk occurring should be reported by all areas of the bank to the risk management unit which is responsible for maintaining a database that allows the evolution of operational risk at the organizational level, according to the levels of operational risk tolerance approved by the Board of Directors.

Business continuity plans for key bank processes were designed in order to ensure business continuity in the event of an outage, as well as information security policies that ensure the integrity, confidentiality and availability of information.

The Bank uses the basic indicator method to measure the impact of operational risk in the capitalization-weighted index of bank risks.

Capital management

Within the financial risks to which the Bank is exposed, there is the risk that the Bank's capital does not support its activities and growth.

The Bank manages its capital to ensure:

- Compliance with the requirements established by the Central Bank of The Bahamas.
- Maintain a base capital, strong enough to support the performance of its business.
- The continuation as a going concern while examining the return to shareholders through the optimization of the debt and equity balance.

Fair value of financial instruments

The estimated fair value is the amount by which financial instruments can be traded in a transaction between interested parties in different conditions to a forced sale or liquidation, and is best evidenced by quoted market prices, if any.

The fair value estimates are made at a given date, based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainty and much judgment; therefore, they cannot be determined accurately. Any changes in assumptions or criteria can significantly affect the estimates.

Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the information included in these valuation techniques are observable or unobservable. The observable information reflects market data obtained from independent sources; unobservable information reflects the Bank's market assumptions. These two types of information have created the following fair value hierarchy:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Quoted prices in active markets for similar financial instruments or using a valuation technique where all the variables are derived from observable market data for assets or liabilities either directly or indirectly. In some cases, the Bank uses reference information from active markets for similar instruments and other, uses discounted cash flow techniques where all model variables and inputs are derived from observable market data.

Level 3: When the “inputs” are not available and it is required that the fair value be determined using a valuation model, the Bank is supported by entities engaged in the valuation of securities or instruments from the same managing institutions of the asset or liability concerned. The models used to determine fair value are usually through discounted cash flows or valuations employing historical market observations.

When the fair value measurements are determined for assets and liabilities required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would make the transaction and considers assumptions that a participant market would use when pricing the asset or liability. Where possible, the Bank uses the active markets and observable market prices for identical assets and liabilities.

When identical assets and liabilities are not traded in active markets, the Bank uses observable market data for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the differential size between supply and demand and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in these markets.

Investments available for sale are recorded at fair value based on quoted market prices when available, or if unavailable, based on discounted future cash flows using market rates corresponding to the credit quality and maturity of the investment.

When reference prices are available in an active market, securities available for sale are classified within Level 1 of the fair value hierarchy. If the market value prices are not available or are available in markets that are not active, fair value is estimated based on the quoted prices of other similar instruments, or if these prices are not available, internal valuation techniques will be used models, primarily discounted cash flows. These securities are classified within Level 2 of the fair value hierarchy.

Financial instruments measured at fair value - Fair value Hierarchy

The main valuation methods, assumptions and variables used in estimating the fair value of financial instruments classified in Level 1, Level 2 and Level 3 are presented below:

Financial assets / Financial liabilities	Fair value September 30, 2022	2021	Fair value hirarchy	Valuation techniques and main data entry	Significant unobservable data input
Institutional funds of daily liquidity rated AAA	510,084	2,175,858	1	Market prices	Observable market prices in active markets
Bills issued by the US Government	26,024,483	14,021,976	1	Market prices	Observable market prices in active markets
Obligations of private issuers with investment grade	5,114,167	6,196,482	1	Market prices	Observable market prices in active markets
Obligations issued by the Republic of Panama	2,980,899	2,688,572	1	Market prices	Observable market prices in active markets
Obligations issued by Governments without investment grade	838,399	466,630	1	Market prices	Observable market prices in active markets
Obligations of private issuers without investment grade	10,475,334	11,838,850	1	Market prices	Observable market prices in active markets
Investments in mutual funds	1,878,945	5,329,386	1	Market prices	Observable market prices in active markets
Investments in shares	1,633	1,633	1	Market prices	Observable market prices in active markets
	47,823,944	42,719,387			
Obligation of private issuers with investment grade	8,312,121	739,908	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days
Obligations issued by Governments without investment grade	639,173	515,357	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days
Obligations of private issuers without investment grade	1,536,810	3,974,519	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days
Investments in mutual funds	3,712,020	3,048,437	2	Market prices	Observable market prices
Investments in shares	17,697	17,700	2	Market prices	Observable market prices in active markets
	14,217,821	8,295,921			
	62,041,765	51,015,308			

Financial Instruments not measured at fair value

Fair value of financial assets and liabilities of the Bank that are not measured at fair value in the statement of financial position (but fair value disclosures are required). Below is a summary of the carrying value and estimated fair value of significant financial assets and liabilities not measured at fair value classified in level 3:

	Fair value	Carrying amount
2022	**Level 3**	**Level 3**
Assets		
Interest earning deposits	4,480,945	4,497,419
Loans receivable, net	170,286,169	172,419,285
Total financial assets	174,767,114	176,916,704
Liabilities		
Customers' non-interest bearing deposits	75,960,342	75,960,342
Customers' interest bearing deposits	133,933,298	134,141,140
Total financial liabilities	209,893,640	210,101,482

	Fair value	Carrying amount
2021	**Level 3**	**Level 3**
Assets		
Loans receivable, net	154,095,538	153,648,082
Total financial assets	154,095,538	153,648,082
Liabilities		
Customers' non-interest bearing deposits	80,346,674	80,346,674
Customers' interest bearing deposits	106,456,788	105,632,125
Total financial liabilities	186,803,462	185,978,799

Management believes that the carrying amount of financial assets and financial liabilities recognized in the statement of financial position approximates their fair value.

Assumptions used to determine fair value of assets and liabilities

Below is a summary of the assumptions used in the estimation of fair value of the most significant financial instruments of the Bank:

Due from banks

The carrying value of cash and bank deposits approximates their fair value due to their liquidity and short-term maturity.

Loans receivable

The estimated fair value for loans represents the discounted amount of estimated future cash flows to be received. Portfolio flows were discounted to present value at a rate of 6.03% (2020 6.38%).

Customer deposits

The fair value of deposits with no specific maturity such as current accounts is the amount payable on demand, which is equal to the carrying value.

The fair value of time deposits was calculated based on the flow methodology discounted at a rate of 1.77% (2021: 1.78%).

23. APPLICABLE MAIN LAWS AND REGULATIONS

Capital adequacy

According to the Supervisory and Regulatory Guideline: 2005-03 of the Central Bank of The Bahamas, licensed banks must maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 8%.

As of September 30, 2022, the Bank's capital adequacy ratio was 44.5% (2021: 39.7%).

Dynamic provision

Prudential provisions required by the banking regulation of the Republic of Panama ("Superintendence of Banks of Panama"), set out by the Agreement 4-2013, to address possible future needs for the establishment of specific provisions for credit facilities classified in the normal category are defined; their frequency is quarterly taking into account the data of the last day of the quarter.

The amount of dynamic reserves is obtained by multiplying the risk-weighted assets for loans classified in the normal category by 1.25%. This percentage increases by 25 basis points (0.25%) each quarter, and will be for 2.50% at December 31, 2015. After this date, the amount of dynamic provisions is obtained by calculating the following components:

a) Component 1: obtained by multiplying an Alfa coefficient (1.50%) times the amount of risk-weighted assets classified in the normal category.

b) Component 2: is the result from multiplying a Beta coefficient (5.00%) times the quarterly variation of risk-weighted assets classified in the normal category if it is positive. If the variation is negative, this component is zero.

c) Component 3: is the result from the variation of the balance of specific provisions in the quarter.

The dynamic provision amount to be maintained at the end of the quarter is the sum of Components 1 and 2 less Component 3. That is, if Component 3 is negative, it must be added.

Restrictions

- It cannot be greater than 2.5% of risk-weighted assets corresponding to credit facilities classified in the normal category.

- Cannot be less than 1.25% of risk-weighted assets corresponding to credit facilities classified in the normal category.

- The amount established in the previous quarter cannot be decreased, unless the decrease is attributed to the conversion in specific provisions. The Superintendence of Banks of Panama will establish the criteria for the mentioned conversion.

Accounting treatment

The dynamic reserve is an equity item that affects retained earnings. The credit balance of the dynamic provision is part of the regulatory capital but cannot replace or compensate the capital adequacy requirements established by the Superintendence of Banks of Panama. This means that the dynamic reserve decreases the amount of retained earnings of each bank to meet the minimum amount required. If that is insufficient, banks will have to provide additional assets to comply with Agreement 4-2013.

At September 30, the amount of dynamic provision by component is as follows:

	2022	2021
Component 1		
Risk-weighted assets (credit facilities)	39,695,739	49,678,143
By Alfa coefficient (1.5%)		
	595,436	745,172
Component 2		
Quarterly variation of Beta coefficient (5.00%)	936,360	176,653
Component 3		
Quarterly change in specific reserves	-	-
Total dynamic provision	1,531,796	921,825
Restrictions:		
Total dynamic provision:		
Low (1.25% of risk-weighted assets - category to normal)	496,197	620,977
Maximum (2.50% of risk-weighted assets - category to normal)	992,393	1,241,954

Agreement 2-2021- Modified Loans

On June 21, 2021 the Superintendency of Banks of Panama issued new guidelines for the treatment of loans modified to through Agreement No.2-2021 and General Resolutions of the Board of Directors No. 3-2021 and 4-2021.

Agreement No.2-2021 repeals Agreement No.2-2020 and its subsequent amendments in all its parts and establishes new guidelines and parameters that will be applicable to modified credits classified in the modified special mention category; as well as those modified credits restored in accordance with Agreement No.4-2013. This new regulation allows banking entities to separate credit portfolios, according to their financial viability, in order to identify the one that can renegotiate new terms and conditions.

The General Resolution of the Board of Directors No.3-2021 establishes the parameters and guidelines for the report of modified loans, so that the aforementioned information allows the monitoring and control of the portfolio of modified loans maintained by the banking system.
In addition, the agreement maintains the following:

- Provision requirements for the Modified Special Mention category - on the modified special mention loan portfolio, banks must constitute a provision equivalent to the higher value between the provision according to IFRS of the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including uncollected accrued interest and capitalized expenses; being able to exclude from this calculation those modified credits guaranteed with pledged deposits in the same Bank up to the guaranteed amount. For this, the following scenarios will be considered:

  1. In cases where the IFRS provision is equal to or greater than the generic provision of 3% established in the Agreement, the Bank will record the corresponding IFRS provision in the results of the year.

  2. In cases where the IFRS provision is less than the generic provision of 3% established in the Agreement, the Bank will record said IFRS provision in income and the difference must be recorded in income or in a regulatory reserve in equity, taking into account consideration of the following aspects:

     a) When the IFRS provision is equal to or greater than 1.5%, the Bank must record said IFRS provision in the income statement. Likewise, the difference to complete the 3% of the generic provision established in the Agreement must be recorded in a regulatory reserve in equity.

b) When the IFRS provision is less than 1.5%, the Bank must ensure that this percentage is completed and recorded in the income statement. Likewise, the difference to complete the 3% of the generic provision established in the Agreement must be recorded in a regulatory reserve in equity.

The modified restructured loans that were in the subnormal, doubtful or irrecoverable category will maintain the credit classification they had at the time of their modification with their respective provision.

As of September 30, 2022, the Bank modified 9 loans to clients that were now classified as "Modified Loans", which amounted to a principal and interest amount of USD306,139 (2021: USD307,074 that include consumer and corporate loans; and a regulatory provision in Assets of USD2,415 (2021: USD2,425), plus an additional provision in the shareholder equity for the amount of USD2,647 (2021: USD2,657).

24. SUBSEQUENT EVENTS

The Bank has evaluated the events after September 30, 2022, to assess the need for possible recognition or disclosure in the accompanying financial statements. Such events were evaluated until February 15, 2023, the date these financial statements were available to be issued. Based on this evaluation, it was determined that there were no subsequent events that require recognition or disclosure in the financial statements.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended September 30, 2022 were approved by the Bank’s Auditing Committee on February 15, 2023.