Financial Statement of

FIRST OVERSEAS BANK LIMITED

December 31, 2022

ECOVIS®

FIRST OVERSEAS BANK LIMITED
Financial Statements

December 31, 2022

C O N T E N T S

	Page
Independent Auditors' Report	1 – 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 37

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The Bahamas

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
First Overseas Bank Limited

Opinion

We have audited the financial statements of First Overseas Bank Limited (the "Bank"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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E-Mail: nassau@ecovis.com **Management:** James B. Gomez, Noreen R. Campbell **VAT-ID Number**: 114394718 **Headquarter**: Nassau **Registered in:** The Bahamas

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INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ecovis Bahamas

ECOVIS Bahamas
Chartered Accountants
Nassau, The Bahamas

March 7, 2023

FIRST OVERSEAS BANK LIMITED
Statement of Financial Position

As at December 31, 2022
(Expressed in United States dollars)

	Notes	2022	2021
ASSETS			
Cash and due from banks	***4, 21***	$ 14,816,768	$ 11,671,191
Repurchase agreements	***5***	-	8,992,001
Settlement balances	***6, 21***	5,140,588	4,715,947
Financial instruments at fair value through profit or loss	***7(a)***	18,296,928	9,806,024
Derivative financial instruments	***8***	2,104,612	2,030,048
Other assets	***9***	2,385,756	3,253,775
Financial instruments at amortized cost	***10***	8,696,057	17,004,909
Long-term investments	***11, 21***	1,002,420	2,661,622
Loans and advances	***12***	10,539,805	4,779,118
Intangible assets	***13***	4,375	7,977
Property and equipment	***14, 15(a)***	1,881,525	1,999,065
TOTAL ASSETS		$ 64,868,834	$ 66,921,677
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	***16, 21***	$ 16,399,352	$ 10,317,745
Settlement balances	***6, 21***	2,160,625	4,723,741
Financial instruments at fair value through profit or loss	***7(b)***	15,490,138	22,536,252
Other liabilities	***15(b), 17***	201,160	2,943,283
Total liabilities		34,251,275	40,521,021
Equity			
Share capital	***18***	10,000,000	10,000,000
Retained earnings		20,617,559	16,400,656
Total equity		30,617,559	26,400,656
TOTAL LIABILITIES AND EQUITY		$ 64,868,834	$ 66,921,677
Memoranda items	***20, 21***	$ 57,775,629	$ 96,828,608

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

Approved by the Board of Directors on March 7, 2023 and signed on its behalf by:

Director **Director**

FIRST OVERSEAS BANK LIMITED
Statement of Comprehensive Income

For the year ended December 31, 2022
(Expressed in United States dollars)

	Notes	2022	2021
NET INTEREST AND COMMISSION INCOME/(EXPENSES)			
Interest income			
Loans		489,170	170,595
Securities		116,550	206,479
Banking		511	-
		606,231	377,074
Interest expense			
Deposits		(16,015)	(107,282)
Net interest income		590,216	269,792
Commission income/(expense)			
Commissions received		143,826	59,316
Commissions paid		(74,696)	(43,664)
Mandate commissions		-	1,914
Net commission income		69,130	17,566
NET INTEREST AND COMMISSION INCOME		659,346	287,358
NON-INTEREST INCOME/(EXPENSES)			
Net result from securities trading		6,415,327	(2,216,197)
Net foreign exchange difference		(342,616)	(206,521)
Change in fair value of long-term investments	***11***	45,393	92,166
Realized gain on disposal of long-term investments		100,674	-
Other losses		(97,611)	(6,962)
Increase in provision for credit losses	***22***	(15,219)	(63,823)
Total non-interest (expenses)		6,105,948	(2,401,337)
OPERATING (EXPENSES)/INCOME		6,765,294	(2,113,979)
OPERATING EXPENSES			
Administration expenses		1,287,688	1,366,826
Other operating expenses		900,068	1,153,539
Depreciation and amortization	***14, 15***	49,037	78,812
Amortization expense of right-of-use asset	***15(c)***	77,252	76,812
Interest expense on lease liabilities	***15(c)***	4,846	3,436
Taxes		229,500	-
Total operating expenses		2,548,391	2,679,425
TOTAL COMPREHENSIVE INCOME/ (LOSS)		$ 4,216,903	$ (4,793,404)

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

FIRST OVERSEAS BANK LIMITED
Statement of Changes in Equity

For the year ended December 31, 2022
(Expressed in United States dollars)

	Share Capital	Retained Earnings	Total
Total equity at December 31, 2020	$ 10,000,000	$ 23,694,060	$ 33,694,060
Comprehensive income for the year			
Loss for the year	-	(4,793,404)	(4,793,404)
Total comprehensive income for the year	-	(4,793,404)	(4,793,404)
Transactions with owners			
Dividends paid (Note 19)	-	(2,500,000)	(2,500,000)
Total transactions with owners	-	(2,500,000)	(2,500,000)
Total equity at December 31, 2021	10,000,000	16,400,656	26,400,656
Comprehensive income for the year			
Profit for the year	-	4,216,903	4,216,903
Total comprehensive income for the year	-	4,216,903	4,216,903
Transactions with owners			
Dividends paid (Note 19)	-	-	-
Total transactions with owners	-	-	-
Total equity at December 31, 2022	$ 10,000,000	$ 20,617,559	$ 30,617,559

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

FIRST OVERSEAS BANK LIMITED
Statement of Cash Flows

For the year ended December 31, 2022
(Expressed in United States dollars)

	2022	2021
Cash flows from operating activities:		
Profit/(loss) for the year	$ 4,216,903	$ (4,793,404)
Adjustments for items not affecting cash:		
Change in fair value of long-term investments	(45,393)	(92,166)
Realized gain on disposal of long-term investments	(100,674)	-
Depreciation and amortization	126,289	155,624
Increase in provision for expected credit losses	15,219	63,823
	4,212,344	(4,666,123)
Changes in operating assets and liabilities:		
Net decrease in repurchase agreements	9,063,124	5,783,159
Net (increase)/decrease in settlement balances	(2,987,757)	253,347
Net (increase)/(decrease in financial instruments at fair value through profit or loss	(15,537,018)	5,801,691
Net (increase)/decrease in derivative financial instruments	(74,564)	778,220
Net decrease/(increase) in other accounts	975,802	(1,297,980)
Net decrease/(increase) in financial intstruments at amortized cost	8,298,025	(3,284,733)
Net increase in loans and advances	(5,833,870)	(904,822)
Net increase/(decrease) in customers' deposits	6,081,607	(4,821,880)
Net increase in other liabilities	(2,664,871)	2,760,866
Net cash provided by operating activities	1,532,822	401,745
Cash flows from investing activities:		
Proceeds from disposal of long-term investments	1,700,000	-
Purchase of intangible assets	(3,251)	-
Purchase of property and equipment	(1,896)	(159,248)
Net cash provided by/(used in) investing activities	1,694,853	(159,248)
Cash flows from financing activities:		
Payment of lease liabilities (Note 15(b))	(82,098)	(80,248)
Dividends paid	-	(2,500,000)
Net cash used in financing activities	(82,098)	(2,580,248)
Net increase/(decrease) in cash and cash equivalents	3,145,577	(2,337,751)
Cash and cash equivalents, beginning of year	11,671,191	14,008,942
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,816,768	$ 11,671,191

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

1. GENERAL

First Overseas Bank Limited (the "Bank") was incorporated under the laws of the Commonwealth of The Bahamas on November 23, 1981. The Bank is licensed under the Banks and Trust Companies Regulation Act 1965 (as amended) to conduct banking business. The Bank is also licensed with the Securities Commission of the Bahamas as Dealing in Securities as a Principal and Agent.

The Bank's principal activity is the provision of offshore banking services, which includes buying and selling securities issued by the Argentine government and private Argentine companies.

The Bank's principal place of business is located at Office #2, in Building #8, Caves Village, West Bay Street, Nassau, The Bahamas.

The Bank is a wholly owned subsidiary of Mariva International Co. Ltd., a company incorporated and domiciled in the Commonwealth of the Bahamas. The financial statements of First Overseas Bank Limited are consolidated into the financial statements of Banco Mariva S.A., a company incorporated and domiciled in Argentina, and under common ownership with the parent of First Overseas Bank Limited. The Bank is considered an indirect subsidiary of Banco Mariva S.A. and is required to be consolidated in accordance with the regulations issued by the Central Bank of Argentina (BCRA).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a) ***Statement of compliance*** – These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB").

b) ***Basis of measurement*** – These financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities that have been measured at fair value.

c) ***Going concern*** – The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to sustain its operations for the foreseeable future. Furthermore, management is not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

d) ***Functional and presentation currency*** – The financial statements are presented in the United States dollars ("US$"), which is the Bank's functional currency.

e) ***Foreign currency translation*** – Transactions in foreign currencies are translated at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

   Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of comprehensive income as net foreign exchange difference.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) ***Changes in accounting policies and disclosures*** – Certain new standards and amendments to existing standards have been published by the International Accounting Standards Board ("IASB"); the effect on the Bank's financial statements are set out below:

f.1) Adoption of published standards effective January 1, 2022
The Bank adopted the following published standard during the year.

- *IAS 16, Property, plant and equipment' (Amendment) (Effective January 1, 2022)* – It prohibits entities from deducting from the cost of property, plant and equipment the income received from the sale of items produced while the entity is preparing the asset for its intended use. The entity must recognize such sales income and related costs in profit or loss for the year.

- *IFRS 3, 'Business Combinations' (Amendment) (Effective January 1, 2022)* – Aimed at updating the references to the Conceptual Framework for financial information and adding an exception for the recognition of contingent liabilities and liabilities within the scope of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21, 'Liens'. The amendments also confirm that contingent assets should not be recognized on the acquisition date.

- *Onerous Contracts – Costs of Fulfilling a Contract (Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (Effective January 1, 2022)* – The Bank has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments had no material impact on the financial statements of the Bank. The Bank intends to use the practical expedients in future periods if they become applicable.

f.2) Amended standards published but not yet effective
The following new and amended standards have been issued but are not yet effective, and have not been early adopted. The Bank intends to adopt these standards when they become effective:

- *IAS 1, 'Presentation of Financial Statements' (Amendment) (Effective January 1, 2023)* – The amendment specifies the requirements for the classification of liabilities as current or non-current and will be applied retrospectively in accordance with IAS 8.

- *IAS 1, 'Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements – Disclosure of Accounting Policies* (*Effective January 1, 2023)* – The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. It 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 IASB 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) ***Changes in accounting policies and disclosures*** *(Continued)*

f.2) Amended standards published but not yet effective *(Continued)*

- *IAS 8, 'Definition of Accounting Estimates' (Amendment) (Effective January 1, 2023)* – On February 12, 2021, the IASB issued amendments of limited scope to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,* in order to clarify how accounting policies, changes in accounting estimates and errors should be applied. In order to clarify how entities should distinguish between changes in accounting policies and changes in accounting estimates, and thus reduce diversity in practice. Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported results and trends between periods.

  The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The definition of accounting policies remains unchanged.

  Early adoption is permitted, however, the Bank will adopt the standard when it becomes effective.

g) ***Cash and due from banks*** – Cash and due from bank are carried at amortized cost in the statement of financial position. For the purpose of the statement of cash flows, cash due from banks comprise cash on hand and balances at banks with original maturities of 90 days or less.

h) ***Offsetting financial instruments*** – Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Bank or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

i) ***Related parties*** – Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank's shareholders, Directors and entities in which the Bank or its shareholders and directors exercises significant influence over are classified in these financial statements as related parties.

j) ***Long-term investments*** – These investments represent equity shareholdings that the Bank plans to hold for the long-term. The shareholdings are less than 20% and the Bank has no control or significant influence over these entities. These investments are carried at fair value as determined by management, using the share of net asset of the investees.

k) ***Intangible assets*** – Acquired computer software licenses are capitalized on the basis of the costs incurred to use the specific software. These costs are amortized over their expected useful lives of five (5) years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) ***Property and equipment*** – Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Costs include expenditures that are directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part flow to the Bank and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the statement of comprehensive income.

Depreciation is recognized in profit or loss on the straight-line basis at rates estimated to write-off the relevant assets over their expected useful lives as follows:

Buildings	-	2%
Leasehold Improvements	-	20%
Furniture and Equipment	-	20%
Vehicles	-	20%

Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

Right-of-Use Assets
The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonable certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The right-of-use asset is presented in property and equipment in the statement of financial position, while the lease liability is presented in other liabilities. When measuring the lease liability, the Bank discounted lease payments using its incremental borrowing rate of 5%.

m) ***Customers' deposits*** – Customers' deposits are initially stated at the nominal amount when funds are received and subsequently stated at amortized cost using the effective interest method.

n) ***Financial instruments*** – A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity of another enterprise.

n.1) Recognition, classification and measurement
The Bank recognizes a financial asset or financial liability in its financial statements, as applicable, when it becomes a party to the contractual clauses of the financial instrument. Purchases and sales are recognized on the trading date in which the Bank buys or sells the instruments.

On initial recognition, the Bank measures its financial assets or liabilities at their fair value plus or minus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or liabilities, such as fees and commissions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.1) Recognition, classification and measurement *(Continued)*
Transaction costs of financial assets and financial liabilities carried a fair value through profit or loss are expensed in profit or loss. Immediately after recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of a financial instrument differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

- When the fair value is commensurate with the market value of the financial asset or liability or is based on a valuation technique that uses only market values, the difference is recognized as a gain or loss as appropriate.
- In other cases, the difference is deferred and the recognition in time of the gain or loss is determined individually. It is amortized over the life of the instrument until the fair value can be measured based on market values.

n.1.i) Financial assets

The Bank classifies its financial assets in the following measurement categories:

- Amortized cost; and
- Fair value through profit or loss (FVTPL).

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those financial instruments that are considered financial liabilities for the issuer, such as loans, public and private bonds, and accounts receivable from client arrangements without recourses.

Classification and subsequent measurement of debt instruments depend on:

- The Bank’s business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model
The business model refers to the way in which the Bank manages a set of financial assets to achieve a specific business objective. It represents the way in which the Bank maintains the instruments for the generation of funds.

The business models followed by the Bank are:

- Keep the instruments until expiration;
- Keep the instruments in the portfolio for the collection of the flow of funds and, in turn, sell them in case it is convenient; or
- Keep the instruments for negotiation.

The Bank's business model does not depend on management's intentions for an individual instrument. Therefore, this condition is not a classification approach instrument by instrument, but is determined from a higher level of aggregation.

The Bank only realizes the reclassification of an instrument when, and only when, the business model for the management of the assets is modified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.1) Recognition, classification and measurement *(Continued)*

n.1.i) Financial assets (Continued)

Debt instruments *(Continued)*

Characteristics of the flow of funds
The Bank evaluates whether the performance of the cash flow of the pooled instruments is not significantly different from the contribution that would be received solely by interest, otherwise, they should be measured at fair value with changes in profit or loss.

Based on these factors, the Bank classified its debt instruments into one of the following measurement categories:

- *Amortized cost* – Financial assets are measured at amortized cost when: (1) the asset is conserved within a business model whose objective is to maintain the financial asset to obtain the contractual cash flows; and (2) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest (SPPI) on the amount of outstanding capital.

  These financial instruments are initially recognized at fair value plus incremental and directly attributable transactions, and are subsequently measured at amortized cost.

  The amortized cost of a financial asset is equal to its acquisition cost less accumulated amortization plus accrued interest (calculated according to the effective interest rate method), net of any impairment loss.

- *Fair value through profit and loss* – Financial assets at fair value includes:

  - Instruments maintained to negotiate;
  - Instruments specifically designated at fair value with changes in results; and
  - Instruments with contractual terms that do not represent cash flows that are only payments of the principal and interest on the outstanding principal amount.

  These financial instruments are initially recognized at fair value and any gain or loss is recognized in the income statement as they are realized.

  The Bank classifies a financial instrument as held for trading if it is acquired or incurred mainly for the purpose of selling or repurchasing in the short term, or if it is part of a portfolio of financial instruments that are jointly managed and for which there is evidence of short-term earnings, or is a derivative that is not in a qualified coverage relationship. Derivatives and trading securities are classified as held for trading and recognized at fair value.

  Only financial assets are valued at fair value through profit or loss when, in doing so, the Bank eliminates or significantly reduces the inconsistencies in measurement or recognition that would otherwise be exposed in the valuation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.1) Recognition, classification and measurement *(Continued)*

n.1.i) Financial assets (Continued)

Debt instruments *(Continued)*

Characteristics of the flow of funds (Continued)

- *Fair value through profit and loss (Continued)*
  The fair value of financial instruments that are not quoted in active markets are determined using valuation techniques. These techniques are validated and reviewed periodically by qualified personnel independent of the area that created them. All models are evaluated and adjusted before being used, to ensure that the results reflect the current information and comparative market prices. Where possible, the models use only observable information; however, factors such as credit risk (own and counterparty), volatilities and correlations require the use of estimates. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

Equity instruments
Equity instruments are instruments that meet the definition from the issuer's perspective, this means, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Such instruments are valued at fair value through profit or loss. Dividends receivable arising from said instrument are recognized as income only when the right to receive payment is received.

n.1.ii) Financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- Amortized cost; and
- Fair value through profit or loss (FVTPL).

Financial liabilities at fair value normally fall within the following categories:

- *Financial liabilities that are valued at fair value through profit and loss* – These financial instruments, which includes derivatives and liabilities held for trading, are designated as such at initial recognition.
- *Liabilities arising from the transfer of financial assets* – These occur when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. When the transfer of the financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In the subsequent periods, the Bank recognizes any expense incurred on the financial liability, when the continuing involvement approach applies.
- *Financial guarantee contracts* – These are contacts that require the issuer to make specific payments to reimburse the holder for the loss it incurs when a specific debtor breaches its payment obligation when due, in accordance with the conditions, original or modified, or a debt instrument. These are measured initially at fair value, and subsequently measured at the higher of: i) the amount of the ECL allowance; and ii) the amount initially recognized less, when appropriate the cumulative amount of income recognized in accordance with IFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.1) Recognition, classification and measurement *(Continued)*

n.1.ii) Financial liabilities (Continued)

- *Lending commitments at a lower rate than the market rate* – These are measured initially at fair value, and subsequently measured at the higher of: i) the amount of the ECL allowance; and ii) the amount initially recognized less, when appropriate the cumulative amount of income recognized in accordance with IFRS 15.

Option to designate a financial liability at fair value through profit and loss
The Bank may choose to use, at the outset, the irrevocable option of designating a liability at fair value through profit or loss if and only if, in doing so, it reflects more adequately the financial information because:

- the Bank eliminates or significantly reduces the inconsistencies in measurement or recognition that would otherwise be exposed in the valuation;
- if the financial assets and liabilities are managed and their performance is evaluated on a fair value basis in accordance with a documented investment or risk management strategy; or
- a main contract contains one or more implicit derivatives.

n.1.iii) Derivative financial instruments

Derivative financial instruments, including currency contracts, interest rate futures, forward contracts, interest rate and currency swaps, and currency and interest rate options, are initially recognized at fair value on the date on which the derivative contact is entered into are subsequently re-measured at fair value.

All derivative instruments are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative, in relation to the agreed price. Changes in the fair value of derivative instruments are included in profit or loss. The Bank does not apply hedge accounting.

n.1.iv) Sale and repurchase agreements

Sale and repurchase agreements (“repos”), which effectively provide the performance of the lender to the counterparty, are treated as guaranteed financing transactions. The securities sold under such sale and repurchase agreements must not be derecognized. The securities should not be reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or replace the securities, in which case they are reclassified as accounts receivable for repurchase. The corresponding liability must be presented within the item financing.

The securities purchased under resale agreements, which effectively provide the lender's performance to the Bank, are be recorded as credits under the Financing item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.2) Derecognition of financial instruments

n.2.i) Derecognition of financial assets

The Bank derecognizes financial assets, or a portion thereof, when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred.

The Bank derecognize financial assets that have been transferred only when it meets the following characteristics:

- It has transferred the contractual rights to receive future cash flows; and
- It retains the contractual rights to receive cash flows but assumes a repurchase obligation when the following three requirements are met:
  - the Bank is not obliged to pay any amount without receiving the cash flows for the transfer of the asset;
  - the Bank is prohibited from selling the financial asset; and
  - the Bank has to remit the cash flows to which it has committed.

n.2.ii) Derecognition of financial liabilities

The Bank derecognizes financial liabilities (or a part of a financial liability) when, and only when, they are extinguished, that is, when the contract has been discharged, cancelled or expired.

n.3) Impairment of financial instruments

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under IFRS 9.

n.3.i) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) ***Financial instruments*** *(Continued)*

n.3) Impairment of financial instruments *(Continued)*

n.3.i) Impairment of financial assets (Continued)

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 23.1 provides more details on how the provision for expected credit losses is measured.

o) ***Lease liabilities*** – At the commencement date of the lease, the Bank recognizes lease liabilities at the present value lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset ad is recognized under other liabilities in the statement of financial position.

p) ***Share capital*** – Ordinary shares which are non-redeemable and for which declaration of dividends is discretionary are classified as equity.

q) ***Dividend distribution*** – Dividend distribution to the Bank's shareholders is recognized as a liability in the Bank's financial statements in the period in which the dividends are approved by the Board of Directors.

r) ***Income recognition***

Interest income
Interest income is recognized in the statement of comprehensive income on the accrual basis, using the effective interest method, for all interest-bearing instruments. Investment interest income is recognized net of any irrecoverable withholding tax.

Fee and commission income
Fee and commission income is recognized in the statement of comprehensive income on the accrual basis when the service has been provided.

s) ***Expenses***

Interest expense
Interest expense is recognized in the statement of comprehensive income on the accrual basis, using the effective interest method.

Other expenses
Other expenses are recognized in the statement of comprehensive income on the accrual basis.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial period are discussed below:

Impairment losses on loans and advances
The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns probability of default (PDs) to the individual grades; and
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.

Fair value of financial instruments
The fair value of financial instruments that are not quoted in active markets are determined using valuation techniques. These techniques are validated and reviewed periodically by qualified personnel independent of the area that created them. All models are evaluated and adjusted before being used, to ensure that the results reflect the current information and comparative market prices.

Where possible, the models use only observable information. However, factors such as credit risk (own and counterparty) volatilities and correlations require the use of estimates. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

It is possible that outcomes within the next financial period that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

The information referring to the instruments that have not been valued based on market information is detailed in Note 25. In this regard, Management determines whether the significant risks and benefits of ownership of financial assets and financial leases are transferred to the counterpart, particularly those of greater risk.

4. CASH AND DUE FROM BANKS

Cash and due from banks are as follows:

	2022	2021
Bank current accounts	$ 14,810,768	$ 11,665,191
Less: allowance for credit losses	-	-
Total due from banks	14,810,768	11,665,191
Cash on hand	6,000	6,000
	$ 14,816,768	$ 11,671,191

The maximum exposure to credit risk is presented in Note 23.1.

The movement in allowance for ECL is as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3	2022	2021
Allowance for ECL, beginning of year	$ -	$ -	$ -	$ -	$ 339
(Decrease) in provision during the year	-	-	-	-	(339)
Allowance for ECL, end of year	$ -	$ -	$ -	$ -	$ -

5. REPURCHASE AGREEMENTS

Repurchase agreements are as follows:

	2022	2021
Capital	$ -	$ 9,006,400
Acrued premium	-	56,724
	-	9,063,124
Less: allowance for credit losses	-	(71,123)
	-	8,992,001
Securities	-	(9,228,024)
	$ -	$ (236,023)

The movement in allowance for ECL is as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3	2022	2021
Allowance for ECL, beginning of year	$ 71,123	$ -	$ -	$ 71,123	$ 98,295
(Decrease) in provision during the year	(71,123)	-	-	(71,123)	(27,172)
Allowance for ECL, end of year	$ -	$ -	$ -	$ -	$ 71,123

6. SETTLEMENT BALANCES

These balances represent amounts outstanding on trade transactions that are due to be settled within three (3) days of the trade date. Settlement balances are non-interest bearing.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss are as follows:

a) Debt and equity financial assets:

	2022	2021
Debt securities		
Government bonds (Note 7(c))	$ 1,661,793	$ 4,510,805
Corporate bonds	392,233	4,023,013
Treasury bills	15,124,213	-
Total debt securities	17,178,239	8,533,818
Equity securities		
Shares in public entities	1,118,689	1,272,206
Total equity securities	1,118,689	1,272,206
	$ 18,296,928	$ 9,806,024

At December 31, 2022, the maximum exposure to credit risk for the debt securities carried at fair value above is $17,178,239 (2021: $8,533,818). This is the current credit risk exposure, but not the maximum exposure that could arise in the future as a result of the changes in their value.

b) Debt securities financial liabilities:

	2022	2021
Government bonds (Note 7(c))	$ 15,409,938	$ 22,536,252
Corporate Bonds	80,200	-
	$ 15,490,138	$ 22,536,252

c) Financial instruments with foreign governments:

	2022	2021
Foreign government bonds (Assets)		
Bonds	$ 1,661,793	$ 4,510,805
Foreign government bonds (Liabilities)		
Bonds	$ 15,409,938	$ 22,536,252

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include future and forward contracts and are recorded at fair value.

Generally, derivative financial instruments serve as components of the Bank's investment strategy and are utilized primarily to structure and hedge investments to enhance performance and reduce risk to the Bank (the Bank does not designate any derivatives as hedges for hedge accounting purposes as described by IFRS 9 - Financial Instruments).

Forward contracts entered into by the Bank represent a firm commitment to buy or sell an underlying security at a specified value and point in time based upon an agreed or contracted quantity.

The realized/unrealized gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date, and is included in the statement of comprehensive income.

Details of the Bank's derivative financial instruments are set out below:

	2022	2021
Assets	$2,104,612	$2,030,048
	$ 2,104,612	$ 2,030,048

9. OTHER ASSETS

Other assets are comprised of the following:

	2022	2021
Investment interest and other receivables	$ 2,236,190	$ 3,092,131
Prepaid expenses	137,492	147,838
Refundable deposits	14,406	13,806
	2,388,088	3,253,775
Less: allowance for credit losses	(2,332)	-
	$ 2,385,756	$ 3,253,775

The maximum exposure to credit risk is presented in Note 23.1.

The movements in allowance for ECL are as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3	2022	2021
Allowance for ECL, beginning of year	$ -	$ -	$ -	$ -	$ 339
Increase/(decrease) in provision during the year	230	-	2,102	2,332	(339)
Allowance for ECL, end of year	$ 230	$ -	$ 2,102	$ 2,332	$ -

10. FINANCIAL INSTRUMENTS AT AMORTIZED COST

Financial instruments at amortized costs are as follows:

	2022	2021
Assets		
Corporate bonds	$ 4,769,351	$ 7,760,885
Government bonds	3,971,016	-
Non-bank treasury bills	-	9,277,507
	8,740,367	17,038,392
Less: allowance for credit losses	(44,310)	(33,483)
	$ 8,696,057	$ 17,004,909

The maximum exposure to credit risk is presented in Note 23.1.

The movements in allowance for ECL is as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3	2022	2021
Allowance for ECL, beginning of year	$ 33,483	$ -	$ -	$ 33,483	$ 6,377
(Decrease)/increase in provision during the year	(19,442)	30,269	-	10,827	27,106
Allowance for ECL, end of year	$ 14,041	$ 30,269	$ -	$ 44,310	$ 33,483

11. LONG-TERM INVESTMENTS

Details of long-term investments are as follows:

	2022	2021
Balance, beginning of year	$ 2,661,622	$ 2,569,456
Sale of Banco Mariva Shares	(1,704,595)	-
Fair value adjustments	45,393	92,166
Balance, end of year	$ 1,002,420	$ 2,661,622

On August 22, 2022, the Bank sold its entire shareholdings in Banco Mariva. As a consideration for the sale, transfer and delivery of the shares, a price of $1,700,000 was set, from which $229,500 is deducted for taxes.

At the end of the reporting period, the Bank has non-controlling interests in only one (1) entity with shareholdings of 12% (2021: tow (2) entities share holdings of 6.8% and 12%). These investments are carried at fair value in the statement of financial position.

12. LOANS AND ADVANCES

Loans and advances consist of the following:

	2022	2021
Principal		
Loans with self-liquidating guarantee	$ 2,554,150	$ -
Guaranteed loans	539,064	736,565
Unguaranteed loans	7,298,430	4,110,076
Total principal	10,391,644	4,846,641
Accrued interest receivable	352,804	63,937
	10,744,448	4,910,578
Less: allowance for credit losses	(204,643)	(131,460)
	$ 10,539,805	$ 4,779,118

The interest rate on loans and advances is around 6.64% per annum. The maximum exposure to credit risk is presented in Note 23.1.

The movements in the provision for impairment losses are as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3	2022	2021
Balance, beginning of year	$ 131,460	$ -	$ -	$ 131,460	$ 66,893
Increase/(decrease) in provision during the year	73,183	-	-	73,183	64,567
Balance, end of year	$ 204,643	$ -	$ -	$ 204,643	$ 131,460

13. INTANGIBLE ASSETS

Details of the Bank's intangible assets are as follows:

	2022	2021
Cost		
Balance, beginning of year	$ 124,202	$ 124,202
Additions	3,251	-
Balance, end of year	127,453	124,202
Amortization		
Balance, beginning of year	116,225	92,336
Additions	6,853	23,889
Balance, end of year	123,078	116,225
Net book value	$ 4,375	$ 7,977

14. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	Land & Buildings	Furniture & Equipment	Motor Vehicles	Right of Use	Total
				(Note 15(a))	
Cost					
Balance as at December 31, 2020	$ 2,096,183	$ 278,699	$ 39,500	$ 194,482	$ 2,608,864
Additions	-	2,756	-	156,492	159,248
Disposals	-	(3,776)	-	-	(3,776)
Balance as at December 31, 2021	2,096,183	277,679	39,500	350,974	2,764,336
Additions	-	1,896	-	-	1,896
Disposals	-	-	-	-	-
Balance as at December 31, 2022	2,096,183	279,575	39,500	350,974	2,766,232
Accumulated depreciation					
Balance as at December 31, 2020	212,413	243,028	39,500	142,371	637,312
Additions	33,539	21,384	-	76,812	131,735
Disposals	-	(3,776)	-	-	(3,776)
Balance as at December 31, 2021	245,952	260,636	39,500	219,183	765,271
Additions	33,540	8,644	-	77,252	119,436
Disposals	-	-	-	-	-
Balance as at December 31, 2022	279,492	269,280	39,500	296,435	884,707
Carrying value					
As at December 31, 2022	**$ 1,816,691**	**$ 10,295**	**$ -**	**$ 54,539**	**$ 1,881,525**
As at December 31, 2021	**$ 1,850,231**	**$ 17,043**	**$ -**	**$ 131,791**	**$ 1,999,065**

Property and equipment are reviewed for impairment at the end of the reporting period, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At December 31, 2022, there were no adjustments made for this impairment (2021: no adjustments).

15. LEASES

The Bank operates from leased premises, with lease terms renewable every two (2) years. The current lease was renewed effective September 1, 2021 and matures on August 31, 2023. The lease is now carried on-balance sheet, on adoption of IFRS 16.

Details of the amounts recognized in the statement of financial position and the statement of comprehensive income for the Bank's right-of-use assets and the corresponding lease liability are set out below:

a) Right-of-use asset

	2022	2021
Balance, beginning of year	$ 131,791	$ 52,111
Additions	-	156,492
Amortization expense recognized in profit or loss	(77,252)	(76,812)
Balance, end of year	$ 54,539	$ 131,791

The right-of-use assets is carried in property and equipment in the statement of financial position (Note 14).

b) Lease liabilities

	2022	2021
Balance, beginning of year	$ 131,791	$ 52,111
Additions	-	156,492
Interest expense recognized in profit or loss	4,846	3,436
Lease payments during the year	(82,098)	(80,248)
Balance, end of year	$ 54,539	$ 131,791

Maturity Analysis:
The future minimum lease payments under this lease at the reporting period are as follows:

No later than 1 year	$ 54,539	$ 77,250
Later than 1 year and not later than 5 years	-	54,541
	$ 54,539	$ 131,791

Lease liabilities are included in other liabilities in the statement of financial position.

c) Amounts recognized in profit or loss

	2022	2021
Amortization of right-of-use asset	$ 77,252	$ 76,812
Interest on lease liabilities	4,846	3,436
	$ 82,098	$ 80,248

16. CUSTOMERS' DEPOSITS

Details of customers' deposits are as follows:

	2022	2021
Sight and term deposits		
Demand and call deposits	$ 10,481,720	$ 8,735,606
Time deposits	5,908,381	1,579,537
	16,390,101	10,315,143
Accrued interest payable	9,251	2,602
	$ 16,399,352	$ 10,317,745

Customers' deposits include current accounts and term deposits. These deposits have a maturity ranging from one day to one year. The effective rate of interest on deposits during the year ended December 31, 2022 was 0.64% (2021: 2.17%) per annum, resulting in an average cost of deposits of 0.18% per annum (2021: 0.55%).

Included in customers' deposits are deposits from related parties totaling $1,478,152 (2021: $1,808,392), see Note 21.

17. OTHER LIABILITIES

Other liabilities are comprised of the following:

	2022	2021
Accrued expenses	$ 131,816	$ 121,947
Lease liabillities (Note 15(b)	54,539	131,791
Clearings and other liabilities	14,805	189,545
Dividends payable	-	2,500,000
	$ 201,160	$ 2,943,283

18. SHARE CAPITAL

The authorized, issued and outstanding share capital of the Bank consists of 10,000 ordinary shares of US$1,000 each.

19. DIVIDENDS PAID

During the year ended December 31, 2022, there was no dividends distributions to the shareholders (2021: December 27, 2021 - US$2,500,000).

20. MEMORANDA ITEMS

Composition of memoranda items are as follows:

	2022	2021
Securities received for custody	$ 35,527,492	$ 54,412,041
Securities deposits	16,046,217	21,888,081
Guarantees	5,941,081	8,031,412
Repurchase agreements	260,839	372,180
Forward contract sales	-	9,228,024
Futures and derivatives	-	2,896,870
	$ 57,775,629	$ 96,828,608

21. RELATED PARTIES

Balances with Banco Mariva S.A. (Argentina) and other related parties are as follows:

	2022	2021
Assets		
Cash and due from banks	$ 33,805	$ 101,592
Settlement balances	1,982,303	110,507
Long-term investments	1,002,420	2,661,622
	$ 3,018,528	$ 2,873,721
Liabilities		
Customer deposits	$ 1,478,152	$ 1,808,392
Settelment balances	-	2,599,091
	$ 1,478,152	$ 4,407,483
Memoranda items		
Bonds received for custody	$ 9,522,933	$ 7,956,277
Bond deposits	6,941,221	13,938,248
	$ 16,464,154	$ 21,894,525

22. ALLOWANCE FOR CREDIT LOSSES

The table below shows the increase/(decrease) in impairment charges on financial instruments for the year recorded in the statement of comprehensive income.

	Notes	2022	2021
Due from banks	***4***	$ -	$ (339)
Repurchase agreements	***5***	(71,123)	(27,172)
Other assets	***9***	2,332	(339)
Financial instruments at amortized cost	***10***	10,827	27,106
Loans and advances	***12***	73,183	64,567
Net increase in provision for credit losses		$ 15,219	$ 63,823

23. FINANCIAL RISK MANAGEMENT

Risk management strategy

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Board of Directors (the "Board") is ultimately responsible for the establishment and oversight of the Bank's risk management framework. The Bank's risk management policies are designed to identify and analyze the risk faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. Risk management procedures are closely integrated into all key business processes. The Bank regularly reviews its risk management policies, procedures and systems to reflect recommendations and best practice, as well as changes in markets and products.

The objective of the Bank's Board of Directors and senior management is to identify, evaluate and mitigate financial risks that may adversely impact the operations and the Bank's financial statements.

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances but the Bank also enters into other commitments such as bonds.

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

23.1. Credit risk
23.2. Market risk
23.3. Liquidity risk
23.4. Operational risk

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.1. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Bank, by failing to discharge their contractual obligations when they fall due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

In line with IFRS 9, the Bank financial assets measured at amortized cost and off-balance sheet loan commitments using the Expected Credit Loss (ECL) approach.

a) Expected Credit Loss measurement

The Bank's allowance for credit losses calculations are output models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The ECL impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition. Assets move through the three stages depending on changes in credit risk and the stages dictate how an entity measures impairment losses and applies the effective interest method.

- *Stage 1* - This includes financial instruments that have not had a significant increase in credit risk since their initial recognition or that have a low credit risk at the reporting date. For these instruments, the expected credit losses (ECL) are recognized for 12 months and the interest income is calculated on the gross carrying amount of the asset (that is, without deduction of the impairment allowance). The 12-month ECLs are those that result from default events that are possible within 12 months after the filing date.

- *Stage 2* - includes financial instruments that have had a significant increase in credit risk since their initial recognition (unless they have a low credit risk at the reporting date) but that have no objective evidence of impairment. For these items, ECLs are recognized throughout the life of the instrument, but interest income is still calculated on the gross carrying amount of the asset. The ECL throughout the life of the instrument is the present value of the losses that would arise as a result of a default that occurred at any time throughout the life of the instrument. It is the weighted average of the loss that would be had in case of a default using the probability of default as a weighting.

- *Stage 3* - includes financial assets that have objective evidence of impairment at the reporting date. For these items, ECLs are recognized over the life of the instrument and interest income is calculated on net book value (that is, net of the impairment allowance).

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.1. Credit risk *(Continued)*

b) Credit risk exposure
Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains and analysis of the credit risk exposure of the financial instruments which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk.

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3		
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	2022	2021
Repurchase agreements	$ -	$ -	$ -	$ -	$ 9,063,124
Financial instruments at amortized costs	8,696,492	43,875	-	8,740,367	17,038,392
Unguaranteed loans	7,647,123	-	-	7,647,123	4,168,712
Guaranteed loans	542,198	-	-	542,198	741,866
Other assets	990,620		2,102	992,722	3,253,774
Gross carrying amount	17,876,433	43,875	2,102	17,922,410	34,265,868
Less: allowance for credit losses	(218,915)	(30,269)	(2,102)	(251,286)	(236,067)
Carrying amount	$ 17,657,518	$ 13,606	$ -	$ 17,671,124	$ 34,029,801

The movements in the provision for impairment is as follows:

	Expected Credit Loss Allowance				
	Stage 1	Stage 2	Stage 3		
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	2022	2021
Balance, beginning of year	$ 236,067	$ -	$ -	$ 236,067	$ 172,244
Increase in provision	73,413	30,269	2,102	105,784	91,673
Reversal of provision	(90,565)	-	-	(90,565)	(27,850)
Balance, end of year	$ 218,915	$ 30,269	$ 2,102	$ 251,286	$ 236,067

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.1. Credit risk (Continued)

c) Derivatives
The Bank maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e. asset), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

d) Master netting arrangements
The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

23.2. Market risk

Market risk arises from the Bank's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

a) Currency risk
Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's financial statements are denominated in the United States Dollar, which is the Bank's functional and presentational currency.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and statement of cash flows. The statement of financial position net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Bank's exposure to currency movements, and their fair values and are re-priced in a particular time interval then a negative impact on interest margins results. Interest rate gaps are carefully monitored and interest sensitive assets and liabilities are adjusted in accordance with changing market conditions.

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.2. Market risk *(Continued)*

a) Currency risk *(Continued)*

Geographical concentration of assets and liabilities
The following table reflects the geographical concentration of the Bank's main financial assets and liabilities.

	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
South America	$ 33,040,821	$ 29,080,989	$ 18,063,760	$ 36,901,449
North America	13,764,926	1,454,660	33,840,719	3,448,514
Caribbean	1,900,306	163,178	1,873,059	170,799
Europe	14,100,554	3,552,448	10,306,233	259
Asia	32,835	-	677,026	-
	$ 62,839,442	$ 34,251,275	$ 64,760,797	$ 40,521,021

The tables below summarize the Bank's exposure to foreign currency exchange rate risk at the statement of financial position dates. Included in the tables are the Bank's financial instruments at carrying amounts, categorized by currency.

As at December 31, 2022 (US$)				
	USD	**PESOS**	**EURO**	**TOTAL**
Assets				
Cash and due from banks	$ 14,602,627	$ 32,872	$ 175,269	$ 14,810,768
Settlement balances	5,140,588	-	-	5,140,588
Debt and equity securities	17,876,559	342,780	77,589	18,296,928
Forward contracts	2,104,612	-		2,104,612
Other assets	2,248,264	-	-	2,248,264
Financial instruments at amortized cost	8,696,057	-	-	8,696,057
Loans and advances	10,539,805	-	-	10,539,805
Long term investments	1,002,420	-	-	1,002,420
Total assets	62,210,932	375,652	252,858	62,839,442
Liabilities				
Customers' deposits	16,399,352	-	-	16,399,352
Settlement balances	2,160,625	-	-	2,160,625
Debt and equity securities	15,490,138	-	-	15,490,138
Other liabilities	201,160	-	-	201,160
Total liabilities	34,251,275	-	-	34,251,275
Net position	**$ 27,959,657**	**$ 375,652**	**$ 252,858**	**$ 28,588,167**

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.2. Market risk *(Continued)*

a) Currency risk *(Continued)*

Geographical concentration of assets and liabilities *(Continued)*

As at December 31, 2021 (US$)				
	USD	**PESOS**	**EURO**	**TOTAL**
Assets				
Cash and due from banks	$ 11,370,853	$ 64,117	$ 230,221	$ 11,665,191
Repurchase agreements	8,992,001	-	-	8,992,001
Settlement balances	4,715,947	-	-	4,715,947
Debt and equity securities	9,664,972	121,912	19,140	9,806,024
Forward contracts	2,030,048	-	-	2,030,048
Other assets	3,253,559	216	-	3,253,775
Financial instruments at amortized cost	17,004,909	-	-	17,004,909
Loans and advances	4,779,118	-	-	4,779,118
Long term investments	2,661,622	-	-	2,661,622
Total assets	64,473,029	186,245	249,361	64,908,635
Liabilities				
Customers' deposits	10,317,745	-	-	10,317,745
Settlement balances	4,723,741	-	-	4,723,741
Debt and equity securities	22,536,252	-	-	22,536,252
Other liabilities	2,943,283	-	-	2,943,283
Total liabilities	40,521,021	-	-	40,521,021
Net position	**$ 23,952,008**	**$ 186,245**	**$ 249,361**	**$ 24,387,614**

b) Other price risk

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

The Bank is exposed to other price risk on its equity instruments that trade on stock exchanges, forward contracts and equity holdings in investment funds which at December 31, 2022 totaled $3,223,301 (2021: $3,302,254).

Sensitivity analysis:
If prices had been 1% higher/lower at December 31, 2022, total comprehensive income would have increased/decreased by $32,233 (2021: $33,023).

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.2. Market risk *(Continued)*

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank has significant exposure to interest rate risk from its time and demand deposits. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value and cash flow risks.

Floating rate interest financial instruments expose the Bank to cash flow interest risk, whereas fixed rate financial instruments expose the Bank to fair value interest rate risk. The Bank is exposed to interest rate risk on its interest bearing financial instruments which are cash at banks, loans and advances, debt securities and customer deposits.

23.3. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in realizing assets or otherwise raising funds to meet commitments. The Bank monitors expected cash outflow on a daily basis. Its policy throughout the period has been to ensure liquidity by maintaining at all times sufficient high quality liquid assets to cover expected net cash flow.

The contractual maturities of liabilities have been determined on the remaining period at the statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarizes the Bank's undiscounted cash flows for derivative and non-derivative financial assets and liabilities, based on contractual maturity and repayment obligations:

As at December 31, 2022					
	Due on Demand	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Liabilities					
Customers' deposits	$10,481,720	$ 355,413	$ 3,006,016	$ 2,556,203	$ 16,399,352
Settlement balances	2,160,625	-	-	-	2,160,625
Debt and equity securities	15,490,138	-	-	-	15,490,138
Other liabilities	-	201,160	-	-	201,160
Total liabilities	$ 28,132,483	$ 556,573	$ 3,006,016	$ 2,556,203	$ 34,251,275

As at December 31, 2021					
	Due on Demand	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Liabilities					
Customers' deposits	$ 8,735,606	$ 96,975	$ 1,485,164	$ -	$ 10,317,745
Settlement balances	4,723,741	-	-	-	4,723,741
Debt and equity securities	22,536,252	-	-	-	22,536,252
Other liabilities	-	2,943,283	-	-	2,943,283
Total liabilities	$ 35,995,599	$ 3,040,258	$ 1,485,164	$ -	$ 40,521,021

23. FINANCIAL RISK MANAGEMENT *(Continued)*

23.4. Operational risk

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

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

24. CAPITAL MANAGEMENT

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

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

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques designed to ensure compliance with regulations and guidelines established by the Central Bank, for the evaluation of capital adequacy of its licensee. The Central Bank has established minimum risk-based capital ratios. The required reporting information is filed with the Central Bank on a quarterly basis, in accordance with these guidelines. At the end of the reporting period, the Bank's management is of the opinion that the Bank has met the established minimum ratios established by the Central Bank.

25. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

25. FAIR VALUE MEASUREMENTS *(Continued)*

The fair values of financial instruments are determined as follows:

a) Financial instruments not measured at fair value:

i) Cash and cash equivalents, other receivables, balances with related parties, customer deposits and other liabilities are measured at amortized cost in the statement of financial position. The carrying values of these financial instruments are assumed to equal to their fair values due to their short-term nature.

ii) Loans receivables are measured at amortized cost, which approximates their fair values. The estimated fair value of loans represents the expected amounts of estimated future cash flows that the Bank expects to receive.

b) Financial instruments measured at fair value:

i) Equity and debt securities, (government bonds, shares, corporate bonds and foreign debt instruments), are acquired principally for the purpose of selling in the short-term, and are carried at fair value in the statement of financial position.

ii) Investments in subsidiaries are valued at fair value, as determined by the Bank's management.

c) Fair value hierarchy:

The table below provides an analysis of the Bank's assets and liabilities that are measured at fair value at the reporting date, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This level consists of listed equity securities and debt instruments traded on exchanges;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This level includes derivative financial instruments and investment funds; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Investments in subsidiaries and other private equities measured at fair values are included in this category.

	As at December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Argentina sovereign bonds	$ 1,661,793	$ -	$ -	$ 1,661,793
Corporate bonds	15,124,213	-	-	15,124,213
Treasury bills	392,233	-	-	392,233
Investment in equities	1,118,689	-	1,002,420	2,121,109
	18,296,928	-	1,002,420	19,299,348
Financial liabilities				
Argentina sovereign bonds	15,409,938	-	-	15,409,938
Corporate bonds	80,200	-	-	80,200
	15,490,138	-	-	15,490,138
NET	$ 2,806,790	$ -	$ 1,002,420	$ 3,809,210

25. FAIR VALUE MEASUREMENTS *(Continued)*

c) Fair value hierarchy (Continued)

	As at December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Argentina sovereign bonds	$ 4,510,805	$ -	$ -	$ 4,510,805
Corporate bonds	4,023,013	-	-	4,023,013
Investment in equities	1,272,206	-	2,661,622	3,933,828
	9,806,024	-	2,661,622	12,467,646
Financial liabilities				
Argentina sovereign bonds	22,536,252	-	-	22,536,252
	22,536,252	-	-	22,536,252
NET	$ (12,730,228)	$ -	$ 2,661,622	$ (10,068,606)

There were no transfers between categories during the periods presented.

Level 3 fair value measurements

i) Unobservable inputs used in measuring fair value

Level 3 equity securities are comprised of investments in private equities held by the Bank. Management has determined that the fair value of these equity instruments can be measured reliably and has assessed them to be equal to the proportion of the Bank's holdings in the net assets of these entities. The net assets values are obtained from the recent annual audited financial statements and the unaudited interim financial statements. These financial statements are not observable in the market as they are private entities. Therefore, the investments are categorized in Level 3 in the fair value hierarchy.

ii) Reconciliation

The following table shows the movement in Level 3 instruments by class of financial instruments:

	Long-term investments	
	2022	**2021**
Balance, beginning of year	$ 2,661,622	$ 2,569,456
Disposal	(1,700,000)	-
Realized gain in profit or loss	100,674	-
Unrealized (loss)/gain recognized in profit or loss	(59,876)	92,166
Balance, end of year	$ 1,002,420	$ 2,661,622

26. COMMITMENTS AND CONTINGENCIES

There are no material commitments and contingencies at the end of the reporting period that requires disclosure in the statement of financial statements.

27. KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Considering this definition, the Bank's key management personnel is represented by the two Senior Officers.

28. EVENTS AFTER THE REPORTING PERIOD

There were no material events of significance impacting the Bank since December 31, 2022 and up to March 7, 2023 that require disclosure in the financial statements.