CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2021

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

C O N T E N T S

	Page
Independent Auditors' Report	3-7
Consolidated Statement of Financial Position	8-9
Consolidated Statement of Income	10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13-14
Notes to the Consolidated Financial Statements	
1. Corporate information	15
2. Significant accounting policies	15-58
2.1 - Basis of preparation	
2.2 - Basis of consolidation	
2.3 - Changes in accounting policies	
2.4 - Standards in issue not yet effective	
2.5 - Improvements to International Financial Reporting Standards	
2.6 - Summary of significant accounting policies	
a) Cash and cash equivalents	
b) Due from banks	
c) Financial instruments - initial recognition	
d) Financial assets and liabilities	
e) Investment properties at fair value	
f) Reclassification of financial assets and liabilities	
g) Derecognition of financial assets and liabilities	
h) Impairment of financial assets	
i) Collateral valuation	
j) Collateral repossessed	
k) Write-offs	
l) Accounts receivable and other assets	
m) Leases	
n) Premises and equipment	
o) Impairment on non-financial assets	
p) Business combinations and goodwill	
q) Employee benefits	
r) Taxation	
s) Fiduciary assets	
t) Earnings per share	
u) Foreign currency translation	

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

C O N T E N T S (Continued)

	Page
2. Significant accounting policies (continued)	
v) Intangible assets	
w) Revenue recognition	
x) Fair value	
y) Segment reporting	
z) Customers' liabilities under acceptances, guarantees, and letters of credit	
aa) Equity reserves	
3. Significant accounting judgements, estimates and assumptions	59-61
4. Due from banks	62
5. Advances	62-64
6. Investment securities	65-66
7. Investment property	67
8. Premises and equipment	67-68
9. Leases	69-70
10. Intangible assets	70
11. Other assets	71
12. Customers' current, savings and deposit accounts	71
13. Other liabilities	71
14. Stated capital and share premium	72
15. Other reserves	73
16. Operating profit	74-75
17. Credit recovery/loss expense on financial assets	75
18. Taxation expense	76
19. Risk management	76-98
20. Related parties	98-100
21. Capital management	100-101
22. Fair value	102-105
23. Segmental information	106-109
24. Maturity analysis of assets and liabilities	110-111
25. Dividends paid and proposed	112
26. Contingent liabilities	112-113
27. Structured entities	114
28. Discontinued operations	114-115
29. Subsidiary companies	116-117
30. Events after the reporting period	117

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Independent Auditor's Report

The Board of Directors
Cayman National Corporation Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cayman National Corporation Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Allowance for Expected Credit Losses (ECL)	
Refer to Notes 2.6, 5,6 and 19.2. IFRS 9: Financial Instruments requires the Group to record an allowance for Expected Credit Losses (ECLs) for all advances and other financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprise 97% of the Group's total assets. The provisions for ECLs consists of financial assets that are individually evaluated for impairment (stage 3), as well as losses inherent in the financial assets portfolio that are not specifically identified (stage 1 and stage 2). The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgment. Identifying financial assets with significant deterioration in credit quality may be challenging. Models used to determine credit impairments are complex, and certain inputs used are not fully observable.	We assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs. We involved our EY valuation specialists to assess the appropriateness of the models and assumptions used by the Group, including model build and its mathematical accuracy. We tested the Group's definition of a significant deterioration in credit risk and staging and assessed the reasonableness of all assumptions used to determine whether the Group appropriately reflected additional risks, where identified. We compared the completeness and accuracy of data from underlying systems to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures At Default (EADs). We tested the aging of the portfolios as a key input in the staging of the portfolios. We tested the accuracy of the staging applied against the methodologies.

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Key Audit Matter	How our Audit Addressed the Key Audit Matter

Allowance for Expected Credit Losses (ECL) (continued)

Key areas of judgment included:

- the identification of exposures with significant deterioration in credit quality;
- the assumptions applied, which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model, including additional credit risk that could stem from the impact of COVID-19;
- the assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security;
- the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; and
- the application of assumptions where there was limited or incomplete data.

These factors, individually and collectively, result in a higher judgmental risk and thus are considered a significant matter in the context of the consolidated financial statements.

The assumptions that management applied were tested to determine the reasonableness of the ECL on financial assets.

For ECLs calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default.

We assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRS.

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

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

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In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

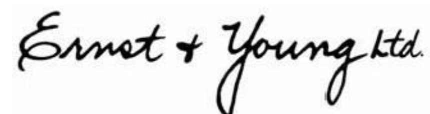
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Baron Jacob.



November 23, 2021

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CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000)

	Notes	2021	2020
ASSETS			
Cash on hand		14,604	13,364
Due from banks	4	240,462	140,420
Advances	5	824,076	794,869
Investment securities	6	444,525	405,819
Investment interest receivable		1,556	2,044
Investment property	7	60	60
Premises and equipment	8	21,924	22,892
Right-of-use assets	9 (a)	3,682	10,466
Intangible assets	10	-	13
Other assets	11	4,877	3,866
TOTAL ASSETS		**1,555,766**	**1,393,813**

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

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000) (Continued)

	Notes	2021	2020
LIABILITIES & EQUITY			
LIABILITIES			
Customers' current, savings and deposit accounts	12	1,382,989	1,229,760
Accrued interest payable		187	799
Lease liabilities	9 (b)	4,068	10,719
Other liabilities	13	11,905	11,248
TOTAL LIABILITIES		**1,399,149**	**1,252,526**
EQUITY			
Stated capital and Share premium	14	47,397	47,383
Other reserves	15	5,821	5,567
Retained earnings		103,399	88,337
TOTAL EQUITY		**156,617**	**141,287**
TOTAL LIABILITIES & EQUITY		**1,555,766**	**1,393,813**

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

These consolidated financial statements were approved by the Board of Directors on November 23rd 2021 and signed on its behalf by:

Stuart Dack, *Director* **Nigel Wardle,** *Director*

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000) except where otherwise stated

	Notes	**2021**	**2020**
Interest income	16 (a)	40,442	48,210
Interest expense	16 (b)	(1,284)	(6,234)
Net interest income		39,158	41,976
Other income	16 (c)	26,567	21,816
		65,725	63,792
Operating expenses	16 (d)	(46,827)	(50,632)
Operating profit		18,898	13,160
Credit recovery/(loss) expense on financial assets	17	1,809	(3,240)
Net profit before taxation		20,707	9,920
Taxation expense	18	(24)	129
Net Income from Continuing Operations		20,683	10,049
Net loss from discontinued operations	28	(539)	(968)
Net Income		**20,144**	**9,081**
Earnings per share (expressed in $ per share)			
Basic		$0.48	$0.21
Diluted		$0.49	$0.24
Weighted average number of shares ('000)			
Basic	14	42,351	42,348
Diluted	14	42,351	42,348

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

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000)

	2021	**2020**
Net Income	**20,144**	**9,081**
Other comprehensive income:		
Other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:		
Foreign currency translation differences	254	349
Total items that will not be reclassified to the consolidated statement of income in subsequent periods	**254**	**349**
Other comprehensive income for the year, net of tax	**254**	**349**
Total comprehensive income for the year, net of tax	**20,398**	**9,430**

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000)

	Stated capital	Share premium	Other reserves (Note 15)	Retained earnings	Total equity
Balance at October 1, 2019	**42,348**	**5,035**	**5,218**	**84,338**	**136,939**
Net income for the year	–	–	–	9,081	9,081
Other comprehensive income	–	–	349	–	349
Total comprehensive income for the year	–	–	349	9,081	9,430
Dividends (Note 25)	–	–	–	(5,082)	(5,082)
Balance at September 30, 2020	**42,348**	**5,035**	**5,567**	**88,337**	**141,287**
Balance at October 1, 2020	**42,348**	**5,035**	**5,567**	**88,337**	**141,287**
Net income for the year	–	–	–	20,144	20,144
Other comprehensive income	–	–	254	–	254
Total comprehensive income for the year	–	–	254	20,144	20,398
Dividends (Note 25)	–	–	–	(5,082)	(5,082)
Other	3	11	–	–	14
Balance at September 30, 2021	**42,351**	**5,046**	**5,821**	**103,399**	**156,617**

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

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000)

	Notes	2021	2020
Operating activities			
Net Income		20,144	9,081
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	8 & 9 (a)	4,783	4,787
Credit (recovery)/loss expense on financial assets	17	(1,809)	3,240
Amortization of intangibles	10	13	14
Amortization premium / discount		2,076	1,178
Translation difference		(2,451)	(3,442)
(Gain)/Loss on sale of premises and equipment		(4)	13
Realised loss on investment securities		51	–
Increase in advances		(28,669)	(46,211)
Increase/(Decrease) in customers' deposits		153,229	(57,093)
(Decrease)/Increase in other assets and investment interest receivable		(523)	3,608
Increase/(Decrease) in other liabilities and accrued interest payable		45	(3,988)
Taxes paid, net of refund		17	130
Cash provided by / (used) in operating activities		**146,902**	**(88,683)**
Investing activities			
Purchase of investment securities		(816,581)	(1,080,324)
Proceeds from investment securities		777,601	1,111,763
Additions to premises and equipment	8	(2,022)	(2,091)
Proceeds from sale of premises and equipment		25	–
Cash (used in) / provided by investing activities		**(40,977)**	**29,348**

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

CAYMAN NATIONAL CORPORATION LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Expressed in thousands of Cayman Islands dollars ($'000) (Continued)

	Notes	2021	2020
Financing activities			
Repayment of principal portion of lease liabilities	9 (b)	(1,658)	(1,475)
Dividends paid to shareholders	25	(5,082)	(5,082)
Cash used in financing activities		**(6,740)**	**(6,557)**
Net increase/(decrease) in cash and cash equivalents		99,185	(65,892)
Net foreign exchange difference		2,097	2,600
Cash and cash equivalents at beginning of year		153,784	217,076
Cash and cash equivalents at end of year		**255,066**	**153,784**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		14,604	13,364
Due from banks	4	240,462	140,420
		255,066	**153,784**
Supplemental information:			
Interest received during the year		43,304	52,794
Interest paid during the year		1,896	9,307
Dividends received		8	8

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

1. Corporate information

Cayman National Corporation Ltd (the "Corporation" or "CNC") was incorporated on October 4, 1976 and operates subject to the provisions of the Companies Law of the Cayman Islands. The Company is partially owned (74.99%) by the Republic Bank Trinidad and Tobago (Barbados) Limited ("RBTTBL"), no other single owner exceeds 5%. The principal place of business for the Corporation is 200 Elgin Avenue, George Town, Grand Cayman, Cayman Islands.

The Corporation is a holding company for the companies referred to in Note 29 (collectively, the "Group"), all of which are incorporated in the Cayman Islands except where otherwise indicated. Through these companies the Corporation conducts full service banking, company and trust management, mutual fund administration, and stock brokering in the Cayman Islands and the Isle of Man. The Corporation also operates a representative office in Dubai.

The shares of the Corporation are listed and its shares trade on the Cayman Islands Stock Exchange.

The Corporation is not liable for taxation in the Cayman Islands as there are currently no income, profits or capital gains taxes in the Cayman Islands. Only two (2020: two) of the Corporation's subsidiaries are liable for taxation which are those in the Isle of Man and which is reflected in these consolidated financial statements.

2. Significant accounting policies

These financial statements provide information on the accounting estimates and judgements made by the Group. These estimates and judgements are reviewed on an ongoing bases. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements. The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus;
- the extent and duration of the expected economic downturn in the economies in which we operate. This included forecasts for economic growth, unemployment, interest rates and inflation.

The Group has formed estimates based on information available on September 30, 2021, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from estimates used and this may result in differences between the accounting estimates applied and the actual results of the Group for the future periods.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied across the Group.

2. Significant accounting policies (continued)

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Cayman Islands dollars. These consolidated financial statements have been prepared on a historical cost basis, and at fair value through profit or loss and investment property. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. The financial statements are prepared on an accrual basis. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

The financial statements have been prepared on the basis that the company is able to continue as a going concern, including to meet its obligations in the ordinary course of business.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Cayman National Corporation Limited and its subsidiaries as at September 30, each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

All intercompany balances and transactions, including unrealized profits arising from intra-group transactions have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are all entities over which the Group has the power to direct the relevant activities, have exposure or rights to the variable returns and the ability to use its power to affect the returns of the investee, generally accompanying a shareholding of more than 50% of the voting rights.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases and any resultant gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Significant accounting policies (continued)

2.3 Changes in accounting policies

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended September 30, 2020, except for the adoption of new standards and interpretations below.

Several amendments and interpretations apply for the first time in 2020, but do not have any impact on the consolidated financial statements of the Group. These are also described in more detail below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 3 Business Combinations - Amendments to IFRS 3 (effective January 1, 2020)

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

2. Significant accounting policies (continued)

2.3 Changes in accounting policies (continued)

New accounting policies/improvements adopted (continued)

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments Amendements (effective January 1, 2020)

The amendments to IFRS 9 Financial Instruments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can a hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendements (effective January 1, 2020)

The amendments provide a new definition of 'material' that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments must be applied prospectively. Early adoption is permitted and must be disclosed.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

The adoption and amendment to this standard had no impact on the consolidated financial statements of the Group.

2. Significant accounting policies (continued)

2.3 Changes in accounting policies (continued)

New accounting policies/improvements adopted (continued)

Conceptual Framework for Financial Reporting (effective January 1, 2020)

The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The adoption and amendment to this framework had no impact on the consolidated financial statements of the Group.

IFRS 16 Leases - Amendments to IFRS 16 - COVID-19 Related Rent Concessions (effective June 1, 2020)

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the

The adoption and amendment to this standard had no impact on the consolidated financial statements

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's consolidated financial statements. These standards and interpretations will be applicable to the Group at a future date and will be adopted when they become effective. The Group is currently assessing the impact of adopting these standards and interpretations.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 1, 2021)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

IFRS 3 Business Combinations - Amendments to IFRS 3 (effective January 1, 2022)

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

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

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

IAS 16 Property, Plant and Equipment - Amendments to IAS 16 (effective January 1, 2022)

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

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to IAS 37 (effective January 1, 2022)

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

IAS 1 Presentation of Financial Statements - Amendments to IAS 1 (effective January 1, 2023)

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

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

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments to IAS 1 (effective January 1, 2023)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Replacement of the term 'significant' with 'material'
In the absence of a definition of the term 'significant' in IFRS, the IASB decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendements to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

2. Significant accounting policies (continued)

2.4 Standards in issue not yet effective (continued)

IAS 12 Income Taxes - Amendments to IAS 12 (effective January 1, 2023)

The amendments to IAS 12, narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

2. Significant accounting policies (continued)

2.5 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2021:

IFRS	Subject of Amendment
IFRS 1 -	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter *(effective January 1, 2022)*
IFRS 9 -	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities *(effective January 1, 2022)*

2.6 Summary of significant accounting policies

a) Cash and cash equivalents and due from banks

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash on hand and at bank. Cash at bank consists of cash balances maintained at other banks.

b) Due from banks

Policy applicable before October 1, 2020

Within due from banks are short term placements with original maturities of three months or less from date of placement.

Policy applicable from October 1, 2020

As of October 1, 2020, the Group changed it's accounting policy to classify cash at bank, previously included in cash and cash equivalents, to due from banks in the statement of financial position.

Within due from banks are short term placements with original maturities of three months or less from date of placement and cash at bank.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

c) Financial instruments - initial recognition

i) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.6e. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at Fair Value through the Profit or Loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii) Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortized cost, as explained in Note 2.6 d (i)
- FVPL, as explained in Note 2.6 d (ii)

Financial liabilities, other than loan commitments and financial guarantees are measured at amortized cost.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

d) Financial assets and liabilities

i) Due from banks, Advances and Investment securities

The Group only measures Due from banks, Advances to customers and Investment securities at amortized cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below.

The SPPI test

For the first step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or Fair Value through Other Comprehensive Income (FVOCI) without recycling.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

i) Due from banks, Advances and Investment securities (continued)

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

ii) Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the Effective Interest Rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

iii) Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the expected credit loss (ECL) requirements but ECL was not determined based on the historical observation of defaults, since there is not history of default.

The nominal contractual value of undrawn loan commitments are not recorded in the consolidated statement of financial position. The nominal values of this instrument and the corresponding ECLs are disclosed in Note 19.2.1 and Note 19.2.4 respectively.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

e) Investment properties at fair value

Investment properties that are not occupied by the Group and are held for long term rental yields or capital appreciation or both are classified as investment property. Investment property comprises principally of rental property and land.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment properties will flow to the Group and the cost can be reliably measured; generally the date when all risks are transferred. The Group derecognizes the asset when the Group enters into a revocable sales agreement or has executed a sale of the property.

Investment properties are measured initially at cost, including related transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property provided the recognition criteria are met and excludes the costs of the servicing an investment property. Subsequently, investment properties are carried at fair value, which reflects market conditions as of the date of the consolidated statement of financial position. Gains or losses arising from changes in fair value of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise. All repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

f) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2021.

g) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new loan, with the difference recognized as an impairment loss. The newly recognized loans are classified as Stage 2 for ECL measurement purposes.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification of terms and conditions

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification of terms and conditions (continued)

Financial assets (continued)

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

g) Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification of terms and conditions (continued)

Financial assets (continued)

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 the Group could be required to pay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets

i) Overview of the ECL principles

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, letters of credits and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 19.2.5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial instruments measured on a collective basis is explained in Note 19.2.6.

The Group has established a policy to perform an assessment, at the end of each quarter, of whether a financial instruments credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its financial instruments into Stage 1, Stage 2 and Stage 3, as described below:

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

i) Overview of the ECL principles (continued)

Stage 1

When financial instruments are first recognized and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Group recognizes an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial instrument has been reclassified from Stage 2.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 financial instruments also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3

Financial assets considered credit-impaired (as outlined in Note 19.2.3). The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

ii) The calculation of ECLs

The Group discounts expected credit losses using nominal interest rate as an approximation of effective interest rate considering specific characteristics of the product.

In addition to the historical measure of cash shortfalls, a cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in Note 19.2.4.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Each financial instrument is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

With the exception of credit cards, overdrafts and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 19.2.4 The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below.

The mechanics of the ECL method are summarized below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained in Note 19.2.4. For traded investments, the Global Credit Loss tables are used. For non-traded investments, the Global Credit Loss tables are used in conjunction with management overlays (as defined in Note 19.2.4).

Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument (as defined in Note 19.2.4).

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

Stage 3

For financial assets considered credit-impaired (as defined in Note 19.2), the Group recognizes the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

For LGD, the Group considers changes in fair value of collateral over time, additional haircut from the collateral sales, removes effects of indirect costs associated with recoveries. No guarantees are considered as collaterals, real estate collaterals and deposits are allocated proportionally to the loans and advances based on the outstanding exposure as of the reporting period.

In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates for investments with the global credit loss tables.

Loan commitments

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

iii) Credit cards, overdrafts and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group limits its exposure on these revolving facilities to the outstanding balance for non-performing facilities.

The Group calculates ECL on credit cards using a forecast model based on historical loss experience for portfolios with shared credit risk characteristics. Migration matrices model is used for loss rate forecasting, which is built at the portfolio level instead of at the individual account level. The loss rate is applied to gross credit card exposures and are discounted. Group discounted ECL using nominal interest rate as an approximation of effective interest rate considering specific characteristics of the products. The whole portfolio is segmented by delinquency buckets. The purpose is to track the behaviour (migration) of performing credit cards.

As a primary approach for the calculation of expected credit losses of overdrafts, the Group decides to apply the approach where estimate parameters for PD, LGD and exposure measures for individual exposure. For PD, the Group used borrower's probability of default as the naturally fitting matrix for estimating the risk of default occurring and applied cohort approach. ECL is calculated using forecasted balances and cash flows on expected behaviour and the contractual terms of the instruments by applying Credit Conversion Factor on undrawn limits. The Group's estimation of LGD on Overdrafts is similar to the one incorporated in Loans.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's circumstances, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 19. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

iv) Short term placements

Short term placements principally represent deposits and placements with other banks with original maturities greater than 90 days or less. The ECL on short term placements is calculated using the same methodology as investments.

v) Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. The Group applies the simplified approach in recognizing ECL (PD, Cure Rate factor and LGD).

vi) Forward looking information

In its ECL models, the Group considers below forward looking information as economic inputs, such as:

- Interest rates
- Residential mortgage foreclosures
- Asset quality

The correlation between changes in prime rates and average probability of defaults ranges from approximately 60% -76% for Real Estate and Debt Financing loan types, thus regression analysis is used to predict probability of default in the subsequent years. Due to the strong relationship to the prime lending rate, this input was used to determine forward looking PDs for Real Estate and Debt Financing loans.

The other loan types did not have a strong correlation to the prime rate, therefore historical PDs were applied.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

h) Impairment of financial assets (continued)

vi) Forward looking information (continued)

The Group however, recognized that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the consolidated financial statements. To reflect this, management adjustments or overlays are occasionally made based on judgements as temporary adjustments when such differences are significantly material.

i) Collateral valuation

It is the Group's policy when making loans to establish that they are within the customer's capacity to repay rather than relying exclusively on security. However, while certain facilities may be unsecured depending on the client's standing and the type of product, collateral can be an important mitigant of credit risk.

Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

The Group implements guidelines on the acceptability of specific classes of collateral. Longer term financing and lending to corporate entities are generally secured however, revolving lines of credit, customer overdrafts and credit cards are generally unsecured. The principal collateral types accepted by the Group are as follows:

- Retail lending sector, comprising of motor vehicles, education, vacation loans, etc., these are normally micro loans either collateralized by real estate or in some cases unsecured;
- Commercial and corporate sector, highly collateralized by cash, business assets and real estate;
- Mortgages sector, highly collateralized with land and real estate which is being financed.
- Overdrafts - revolving credit limits which are attached to current accounts; and
- Credit Cards - revolving credit limits generally unsecured or in some cases secured by cash.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

i) Collateral valuation (continued)

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties.

j) Collateral repossessed

Assets to be sold are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Group's policy.

In its normal course of business, should the Group repossess properties or other assets in its retail portfolio, it sometimes engages external agents to assist in the sale of these assets to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

k) Write-offs

The Group's accounting policy is for financial assets to be written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

l) Accounts receivable and other assets

Accounts receivable and other assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable and other assets is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

m) Leases

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

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

m) Leases (continued)

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments).

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

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

m) Leases (continued)

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases (Policy applicable before October 1, 2019)

Finance leases

Finance charges on leased assets are taken into income using the amortization method. This basis reflects a constant periodic rate of return on the lessor's net investment in the finance lease. Finance leases net of unearned finance income are included in the consolidated statement of financial position under advances.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

n) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Fixed assets are recorded at cost less accumulated depreciation and impairment losses. Fixed assets are depreciated in accordance with the straight line method at the following rates, estimated to write-off the cost of the assets over the period of their expected useful lives:

Computer hardware	-	Variously over 3 to 7 years
Computer software	-	Variously over 2 to 7 years
Freehold buildings	-	Up to 50 years
Freehold land	-	Not applicable
Furniture and equipment	-	Variously over 2 to 15 years
Leasehold improvements	-	Over the terms of the leases
Leasehold property	-	Shorter of terms of leases or 20 years
Motor vehicles	-	Over 4 years

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

o) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Premises and equipment (Note 8)
- Intangible assets (Note 10)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows available to shareholders are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

p) Business combinations and goodwill

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

q) Employee benefits

i) Pension obligations

The Group's employees participate in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. Payments to defined contribution retirement plans are charged as and when the service is provided by the employee. The Group does not operate any defined benefit plans.

ii) Share Purchase Scheme

Employees and Directors are entitled to participate in the Share Purchase Scheme (the "Scheme"). Employees make cash contributions which are matched by the Group; these funds are used to purchase shares from the open market. The Group recognizes, within personnel costs, the cost of its matched contributions to the Scheme.

r) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

s) Fiduciary assets

The Group provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these consolidated financial statements as they are not the assets of the Group.

t) Earnings per share

Earnings per share is calculated by dividing the net income attributable to shareholders of the company by the weighted average number of ordinary shares in issue during the year excluding the average number of ordinary shares purchased by the Corporation and held as treasury shares. Diluted earnings per share is calculated by dividing net income attributable to shareholders by the diluted weighted average number of ordinary shares in issue and the total amount of exercisable stock options which the directors can exercise during the year.

For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the monetary value of the subscription price attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group currently has no dilutive potential ordinary shares.

u) Foreign currency translation

The individual financial statements of each group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The consolidated financial statements are expressed in Cayman Islands (KYD) dollars, which is the functional and presentation currency of the parent.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

u) Foreign currency translation (continued)

Monetary assets and liabilities of the parent, which are denominated in foreign currencies are expressed in Cayman Islands dollars at rates of exchange ruling on September 30. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the consolidated statement of income.

The assets and liabilities of subsidiary companies are translated into Cayman Islands dollars at the mid-rates of exchange ruling at the consolidated statement of financial position date and all resulting exchange differences are recognized in the consolidated statement of comprehensive income. All revenue and expenditure transactions are translated at an average rate.

v) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite and are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

w) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

The effective interest rate method

Interest income and expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount/premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the income statement.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

w) Revenue recognition (continued)

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those designated at fair value through profit and loss, are recognized within 'interest income' and 'interest expense' in the consolidated statement of comprehensive income using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognized on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees related to investment funds are recognized over the period the service is provided.

Loan origination fees for loans which are likely to be drawn down are deferred, together with incremental direct cost, and recognized over the term of the loans.

Credit Card fees and commissions are recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. Credit Card fees and commissions are therefore net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

Dividends

Dividend income is recognized when the right to receive the payment is established.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

x) Fair value

The Group measures financial instruments at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 22 to the consolidated financial statements.

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:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

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 economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

x) Fair value (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby a significant amount of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no significant market observable inputs to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group 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.

Where the Group's investments are not actively traded in organized financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Group could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for investments classified at fair value through profit and loss is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

x) Fair value (continued)

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

Advances are net of specific and other provisions for impairment. The fair values of advances is based on a current yield curve appropriate for the remaining term to maturity.

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

y) Segment reporting

A geographical segment is engaged in providing products, or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing similar products and services that are subject to risks and returns that are different from those of other business segments.

The Group analysis its operations by both geographic and business segments. The primary format is geographic, reflecting its management structure. Its secondary format is that of business segments, reflecting retail and commercial banking and financial services.

2. Significant accounting policies (continued)

2.6 Summary of significant accounting policies (continued)

z) Customers' liabilities under acceptances, guarantees and letters of credit

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Group's consolidated statement of financial position but are detailed in Note 26b of these consolidated financial statements.

aa) Equity reserves

The reserves recorded in equity on the Group's consolidated statement of financial position include:

Stated capital - Ordinary stated capital is classified within equity and is recognized at the fair value of the consideration received by the Group.

Translation reserves - used to record exchange differences arising from the translation of the net investment in foreign operations.

The general reserve represents amounts appropriated by the directors, from retained earnings to a separate component of shareholders' equity, for dividend equalization and general banking risks including potential future losses or other unforeseeable risks. To the extent that the general reserve is considered by the directors to be surplus to requirements, the reserve is distributable at the discretion of the directors, subject to the capital adequacy requirements of regulated entities.

Other statutory reserves that qualify for treatment as equity are discussed in Note 15.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

a. Risk management (Note 19)
b. Capital management (Note 21)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group'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 estimation of the amount and timing of future cash flows and collateral values when determining impairment losses;
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The group of financial assets where ECL is assessed on a collective basis
- Development of ECL models, including the various formulae and the choice of inputs;

3. Significant accounting judgements, estimates and assumptions (continued)

Impairment losses on financial assets *(continued)*

- Determination of the existence of associations between macro economic scenarios and economic inputs, such as unemployment levels and collateral values and the effect on PDs, EADs and LGDs; and
- The inclusion of overlay adjustments based on judgement and future expectations.

Other assumptions

Goodwill (Note 10a)

The Group's consolidated financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2019 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Premises and equipment (Note 8)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

3. Significant accounting judgements, estimates and assumptions (continued)

Judgements *(continued)*

Leases (Note 9)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

The Group cannot readily determine the interest rate implicit in the lease, therefore; it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Assessment of control

Management uses judgement in performing a control assessment review on all mutual funds and retirement plans sponsored by the Group and its subsidiaries. This assessment revealed that the Group is unable to exercise power over the activities of the funds/plans and is therefore not deemed to be in control of any of the mutual funds and retirement plans.

4. Due from banks

	2021	2020
Operating accounts	137,505	102,477
Placements, under 3 months	102,957	37,943
	240,462	**140,420**

*In the 2020 financial statements, operating accounts of $35,385 was presented as "cash and cash equivalents" in the statement of financial position. In the current year the amount of $61,626 is presented as due from banks due to the change in account policy as explained in Note 2.6a. There was no impact on the total compressive income, basic and diluted earnings per share as a result of this change in policy.

5. Advances

	September 30, 2021					
a) Advances	**Retail lending**	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit Cards**	**Total**
Performing advances	23,368	241,861	526,751	14,712	10,433	817,125
Non-performing advances	486	3,398	11,299	3,577	53	18,813
	23,854	245,259	538,050	18,289	10,486	835,938
Unearned interest/finance charge	(26)	(1,238)	(1,105)	–	–	(2,369)
Accrued interest	105	1,731	3,135	–	–	4,971
	23,933	245,752	540,080	18,289	10,486	838,540
Allowance for ECLs	(207)	(1,956)	(3,561)	(4,392)	(173)	(10,289)
	23,726	243,796	536,519	13,897	10,313	828,251
Unearned loan origination fees	(159)	(1,038)	(2,661)	(144)	(173)	(4,175)
Net advances	**23,567**	**242,758**	**533,858**	**13,753**	**10,140**	**824,076**

	September 30, 2020					
Advances	**Retail lending**	**Commercial & Corporate lending**	**Mortgages**	**Overdrafts**	**Credit Cards**	**Total**
Performing advances	23,930	223,112	516,240	15,825	9,742	788,849
Non-performing advances	663	1,483	13,626	2,491	113	18,376
	24,593	224,595	529,866	18,316	9,855	807,225
Unearned interest/finance charge	(81)	(1,201)	(1,515)	–	–	(2,797)
Accrued interest	149	2,008	3,540	–	–	5,697
	24,661	225,402	531,891	18,316	9,855	810,125
Allowance for ECLs	(424)	(1,637)	(5,194)	(3,667)	(268)	(11,190)
	24,237	223,765	526,697	14,649	9,587	798,935
Unearned loan origination fees	(313)	(1,144)	(2,388)	(54)	(167)	(4,066)
Net advances	**23,924**	**222,621**	**524,309**	**14,595**	**9,420**	**794,869**

5. Advances (continued)

b) Impairment allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Group's criteria as explained in Note 19.2. Policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 19.2.6.

	September 30, 2021					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Gross loans	23,774	244,714	537,419	18,145	10,313	834,365
Stage 1: 12 Month ECL	(88)	(299)	(629)	(1,394)	(105)	(2,515)
Stage 2: Lifetime ECL	(1)	(29)	(48)	(98)	(28)	(204)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(118)	(1,628)	(2,884)	(2,900)	(40)	(7,570)
	23,567	**242,758**	**533,858**	**13,753**	**10,140**	**824,076**

	September 30, 2020					
	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Gross loans	24,348	224,258	529,503	18,262	9,688	806,059
Stage 1: 12 Month ECL	(92)	(345)	(1,037)	(1,518)	(122)	(3,114)
Stage 2: Lifetime ECL	(19)	(17)	(234)	(39)	(35)	(344)
Stage 3: Credit Impaired Financial Assets - Lifetime ECL	(313)	(1,275)	(3,923)	(2,110)	(111)	(7,732)
	23,924	**222,621**	**524,309**	**14,595**	**9,420**	**794,869**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2020	92	345	1,037	1,518	122	3,114
ECL on new instruments issued during the year	25	47	120	54	16	262
Other Credit Loss movements, repayments etc.	(29)	(93)	(528)	(178)	(33)	(861)
At September 30, 2021	88	299	629	1,394	105	2,515

5. Advances (continued)

b) Impairment allowance for advances to customers (continued)

Stage 2: Lifetime ECL	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
ECL allowance as at October 1, 2020	19	17	234	39	35	344
ECL on new instruments issued during the year	–	–	–	38	1	39
Other Credit Loss movements, repayments etc.	(18)	12	(186)	21	(8)	(179)
At September 30, 2021	1	29	48	98	28	204
Stage 3: Credit Impaired Financial Assets - Lifetime ECL						
ECL allowance as at October 1, 2020	313	1,275	3,923	2,110	111	7,732
Write-offs	(126)	(52)	(48)	(32)	(162)	(420)
Credit Loss Expense	(103)	404	(992)	821	71	201
Recoveries	34	1	1	1	20	57
At September 30, 2021	118	1,628	2,884	2,900	40	7,570
Total	**207**	**1,956**	**3,561**	**4,392**	**173**	**10,289**

Of the Total ECL of $10.3m, 26% was on a collective basis and 74% was on an individual basis.

c) Restructured/Modified Loans

The Group occasionally makes modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Group believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Restructured loans are carefully monitored. Restructured retail loans and mortgage are classified as Stage 1, 2 or 3 and amounted to $4.3m as at September 30, 2021 ($2.5m as at September 30, 2020).

The Group offered a moratorium to customers in good standing, which included a deferral of monthly installments, including the principal and interest, for a period of 1-6 months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium. These loans amounted to $2.9m as at September 30, 2021 ($97.6m as at September 30, 2020). The financial impact of the moratorium was not material and these loans were not determined to be restructured.

6. Investment securities

a) Designated at fair value through profit or loss

	2021	2020
Government securities*	1,769	1,483
Equities, mutual funds and money market accounts	1,721	1,012
	3,490	**2,495**

b) Debt instruments at amortized cost

	2021	2020
Government securities	223,639	272,272
Corporate bonds/debentures	104,132	49,802
Placements, over 3 months	113,264	81,250
	441,035	**403,324**
Total investment securities	**444,525**	**405,819**

*In the 2020 financial statements, Government Securities of $1,483 was presented as "Equities, mutual funds and money market accounts", while in the currecnt year the amount of $1,769 is presented under the category of "Government Securities". The 2020 balance for Equity, mutual funds and money market accountss of $2,495 was therefore restated to be consistent with the current year categorization. There was no impact on the total compressive income as a result of this restatement.

c) Financial investment securities subject to impairment assessment

Debt instruments measured at amortized cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit rating system, aging and year-end stage classification.

	September 30, 2021			
	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets - Lifetime ECL	Total
Gross exposure	440,370	891	–	441,261
Interest receivable	1,550	6	–	1,556
ECL	(204)	(22)	–	(226)
Net exposure	441,716	875	–	442,591

6. Investment securities (continued)

c) Financial investment securities subject to impairment assessment (continued)

Debt instruments measured at amortized cost (continued)

	September 30, 2020			
	Stage 1 12 Month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired Financial Assets - Lifetime ECL**	**Total**
Gross exposure	364,129	40,692	–	404,821
Interest receivable	1,457	587	–	2,044
ECL	(328)	(1,169)	–	(1,497)
Net exposure	365,258	40,110	–	405,368

	September 30, 2021			
	Stage 1 12 Month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired Financial Assets - Lifetime ECL**	**Total**
ECL allowance as at October 1, 2020	(328)	(1,169)	–	(1,497)
ECL on new instruments issued during the year	(131)	–	–	(131)
Other Credit Loss movements, repayments and maturities	255	1,147	–	1,402
At September 30, 2021	(204)	(22)	–	(226)

	September 30, 2020			
	Stage 1	**Stage 2 Lifetime**	**Stage 3**	**Total**
ECL allowance as at October 1, 2019	–	–	–	–
ECL on new instruments issued during the year	(208)	(1,169)	–	(1,377)
Other Credit Loss movements, repayments and maturities	(120)	–	–	(120)
At September 30, 2020	(328)	(1,169)	–	(1,497)

d) Designated at fair value through profit or loss

Mutual fund securities and Government securities are quoted and fair value is determined to be the quoted price at the reporting date. Holdings in unquoted equities are insignificant for the Group.

7. Investment property

	2021	**2020**
Land	60	60

8. Premises and equipment

2021	**Capital works in progress**	**Freehold premises**	**Leasehold premises**	**Equipment, furniture & fittings**	**Total**
Cost					
At beginning of the year	3,020	19,088	5,519	24,321	51,948
Exchange and other adjustments	–	–	–	35	35
Additions at cost	1,013	121	11	877	2,022
Disposal and write offs of assets	(8)	(114)	–	(1,012)	(1,134)
Transfer of assets	(2,953)	–	–	2,953	–
	1,072	**19,095**	**5,530**	**27,174**	**52,871**
Accumulated depreciation					
At beginning of the year	–	8,003	4,064	16,989	29,056
Exchange and other adjustments	–	–	–	19	19
Charge for the year	–	463	216	2,306	2,985
Disposal and write offs of assets	–	(102)	–	(1,011)	(1,113)
	–	**8,364**	**4,280**	**18,303**	**30,947**
Net book value	**1,072**	**10,731**	**1,250**	**8,871**	**21,924**

8. Premises and equipment (continued)

2020	Capital works in progress	Freehold premises	Leasehold premises	Equipment, furniture & fittings	Total
Cost					
At beginning of the year	5,220	19,853	5,892	25,679	56,644
Exchange and other adjustments	–	–	–	(17)	(17)
Additions at cost	823	50	1	1,217	2,091
Disposal of assets	(45)	(815)	(374)	(5,536)	(6,770)
Transfer of assets	(2,978)	–	–	2,978	–
	3,020	**19,088**	**5,519**	**24,321**	**51,948**
Accumulated depreciation					
At beginning of the year	–	8,386	4,224	20,175	32,785
Exchange and other	–	1	(1)	(31)	(31)
Charge for the year	–	523	215	2,321	3,059
Disposal of assets	–	(907)	(374)	(5,476)	(6,757)
	–	**8,003**	**4,064**	**16,989**	**29,056**
Net book value	**3,020**	**11,085**	**1,455**	**7,332**	**22,892**

Capital commitments	2021	2020
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	632	23
Other capital expenditure authorized by the Directors but not yet contracted for	2,973	5,698

9. Leases

a) Right-of-use assets

	Leasehold Premises 2021	2020
Cost		
At beginning of the year	12,194	–
Effect of adoption of IFRS 16	–	11,613
Exchange and other adjustments	29	–
Additions at cost	489	581
Remeasurement	(5,464)	–
Disposal of assets	(213)	–
	7,035	12,194
Accumulated depreciation		
At beginning of the year	1,728	–
Exchange and other adjustments	12	–
Charge for the year	1,798	1,728
Disposal of assets	(185)	–
	3,353	1,728
Net book value	3,682	10,466

Leasehold premises remaining lease terms range from 1 to 8 years, including extension options.

b) Lease liabilities

	2021	2020
At beginning of the year	10,719	–
Effect of adoption of IFRS 16	–	11,613
Additions at cost	489	581
Accretion of interest expense	211	293
Remeasurement	(5,464)	–
Exchange and other adjustments	10	–
Disposal of Liability	(28)	–
Less: Principal payments	(1,869)	(1,768)
	4,068	10,719
Extension option not certain to be exercised (all above five years)	13,542	6,687

During the year, there was a remeasurement of the lease liability and right-of-use-assets for one of the bank's leases for which the extension option is no longer reasonably certain to be exercised.

9. Leases (continued)

c) Operating lease revenues

	2021	**2020**
Within one year	3	3
One to five years	–	–
Over five years	–	–
	3	3

CNC has an operating sublease for a portion of its Isle Of Man location, no risks have been substantially transferred to the tenant.

10. Intangible assets

Core deposits

	2021	**2020**
Cost		
At beginning and end of the year	**13**	**27**
Accumulated amortization		
Amortization	13	14
	13	**14**
Net book value	**–**	**13**

On September 29, 2017, a subsidiary of the Group accepted the administrative responsibilities of fiduciary clients which included a book of clients. The original useful economic life of the intangible assets was determined to be 8 years.

11. Other assets

	2021	2020
Accounts receivable and prepayments	4,877	3,866
	4,877	**3,866**

12. Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts	2021	2020
Government	147,083	144,737
Corporate and commercial	592,112	416,773
Personal	497,563	470,215
Other financial institutions	146,231	198,035
	1,382,989	**1,229,760**

13. Other liabilities

	2021	2020
Accounts payable and accruals	3,710	3,154
Managers cheques	4,251	3,483
Due to customers	1,772	2,579
Deferred income	253	208
Other	1,919	1,824
	11,905	**11,248**

14. Stated capital and share premium

Authorized
Shares of $1 par value each (2021 and 2020: 200,000,000)

Issued and fully paid:

Shares (2021 42,350,731 and 2020: 42,347,311)

	2021	2020
	Value of ordinary shares	
Issued and fully paid		
Share capital	42,351	42,348
Share premium	5,046	5,035
At end of the year	**47,397**	**47,383**

The following reflects the calculation of the effect of the issue of stock options on the weighted average number of ordinary shares.

	2021	2020
Weighted average number of ordinary shares	42,351	42,348
Effect of dilutive stock options	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**42,351**	**42,348**

15. Other reserves

	Translation reserves	General contingency reserve	Total
Balance at October 1, 2019	(2,268)	7,486	5,218
Translation adjustments	349	–	349
Balance at September 30, 2020	**(1,919)**	**7,486**	**5,567**
Balance at October 1, 2020	**(1,919)**	7,486	**5,567**
Translation adjustments	254	–	254
Balance at September 30, 2021	**(1,665)**	**7,486**	**5,821**

General contingency reserves/Other reserves

The general reserve represents amounts appropriated by the directors, from retained earnings to a separate component of shareholders' equity, for dividend equalization and general banking risks including potential future losses or other unforeseeable risks. To the extent that the general reserve is considered by the directors to be surplus to requirements, the reserve is distributable at the discretion of the directors, subject to the capital adequacy requirements as per regulated entities.

Equity adjustments from foreign currency translation

Equity adjustments from foreign currency translation represent the unrealized exchange gain or loss arising from the translation of the financial statements of Isle of Man based subsidiaries from pounds sterling to Cayman Islands dollars.

16. Operating profit

a) Interest income

	2021	2020
Advances	36,591	40,804
Investment securities	3,378	4,046
Liquid assets	473	3,360
	40,442	**48,210**

b) Interest expense

	2021	2020
Customers' current accounts	–	8
Customers' savings accounts	28	38
Customers' deposit accounts	989	5,895
Lease liabilities	211	293
Other	56	–
	1,284	**6,234**

c) Other income

	2021	2020
Fees and commission from trust and other fiduciary activities	2,668	2,498
Other fees and commission income	11,958	9,171
Foreign exchange fees and commissions	6,968	6,256
Credit card fees and commissions, net	5,012	3,896
Dividends	8	8
(Loss)/Gain on disposal of investment securities	(51)	-
Gain on disposal of premises and equipment	4	(13)
	26,567	**21,816**

d) Operating expenses

	2021	2020
Staff costs	28,277	30,043
General administrative expenses	11,014	12,868
Operating lease payments	11	13
Property related expenses	1,706	2,009
Depreciation expense - Note 8	2,985	3,059
Depreciation expense right-of-use assets - Note 9 (a)	1,798	1,728
Advertising and public relations expenses	552	511
Intangible amortization expense	13	14
Directors' fees	471	387
	46,827	**50,632**

16. Operating profit (continued)

d) Operating expenses (continued)

Share purchase scheme

Certain employees and directors are voluntarily able to participate in Group's share purchase scheme (the "Scheme"). Under the Scheme employees can contribute up to 2% of salary which is matched by the Group, and directors contribute up to 20% of their quarterly directors' fees which is also matched by the Group. The contributions are used to purchase shares of CNC in the open market at prevailing prices and the shares are subject to certain vesting terms as set out in the Scheme. The net cost to the Group of this Scheme for the year was $139 (2020: $123) which is included within staff costs in the consolidated statement of comprehensive income.

Pension obligations

The Cayman National Corporation Pension Fund ("the Fund" or "CNPF") is a defined contribution pension scheme which became effective on July 1, 1997. The Fund is administered by Cayman National Trust Co. Ltd. and is available for participation by Group and third party employees. Membership is mandatory for all Group employees of pensionable age, with contributions from both employer and employees. Cayman based employees, including key management, contribute 5% of their salary up to 5% of a maximum salary of $87 (2020: $87) per annum and the Group contributes 5% on the employees' total annual salary.

Included in staff costs is an amount of $833 (2020: $1,008) representing the Group's contribution to the Fund on behalf of employees. The Isle of Man based employees participate in a defined contribution scheme and included in personnel expense is an amount of $124 (2020: $111) representing the Group's contribution to this scheme.

17. Credit recovery / (loss) expense on financial assets

	2021	**2020**
Advances - Note 5 (b)	(538)	1,743
Investment security - Note 6 (c)	(1,271)	1,497
	(1,809)	**3,240**

18. Taxation expense

Under current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Corporation. Taxation charges relate to the Groups operations in the Isle of Man.

	2021	**2020**
Corporation tax	24	(129)

19. Risk management

19.1 General

The Group's prudent banking practices are founded on solid risk management. In an effort to keep apace with its dynamic environment, the Group has established a comprehensive framework for managing risks, which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

The basic principles of risk management followed by the Group include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards in every country in which we do business;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorization and approval, recording, safeguarding, reconciliation and valuation.

The Board of Directors has ultimate responsibility for the management of risk within the Group. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Other Risks Committees, review specific risk areas.

19. Risk management (continued)

19.1 General (continued)

The Chief Risk Officer who has overall responsibility for ensuring compliance with all risk management policies, procedures and limits. Additionally, the Group commenced its alignment with Republic Financial Holdings Limited's Enterprise Risk Management framework.

The Internal Audit function audits Risk Management processes throughout the Group by examining both the adequacy of the procedures and the Group's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee of the Group and respective subsidiaries.

The Group's activities are primarily related to the use of financial instruments. The Group accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The main risks arising from the Group's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk. The Group reviews and agrees policies for managing each of these risks as follows:

19.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Group's credit risk management function is to maximise the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Group.

The Group's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on credit risk management decisions, up to approved limits.

19. Risk management (continued)

19.2 Credit risk (continued)

The Senior Vice President, Personal and Business Banking is accountable for the general management and administration of the Group's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors.

The Group uses a risk rating system at the origination of advances which groups loans, overdrafts and credit cards into various risk categories to facilitate the management of risk on both an individual account and Stage 1 and 2 portfolio basis. Retail, commercial and corporate, mortgages, overdrafts and credit cards are managed by product type. Preset risk management criteria is in place to facilitate decision-making for all categories of loans including credit cards.

The debt securities within the Group's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

The Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group's credit control processes emphasis early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.1 Analysis of risk concentration

The Group's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The table below shows the Group's maximum exposure to any client or counterparty before taking into account collateral or other credit enhancements.

	Gross maximum exposure	
	2021	**2020**
Due from banks	240,462	140,420
Advances	824,076	794,869
Investment securities	444,525	405,819
Investment interest receivable	1,556	2,044
Total	**1,510,619**	**1,343,152**
Undrawn commitments	256,334	267,810
Guarantees and indemnities	5,594	5,495
Letters of credit	3,565	3,647
Total	**265,493**	**276,952**
Total credit risk exposure	**1,776,112**	**1,620,104**

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.1 Analysis of risk concentration (continued)

(a) Industry sectors

The following table shows the risk concentration by industry for the components of the consolidated statement of financial position and off-balance sheet instruments. Additional disclosures for the maximum exposure for credit risk per category based on year-end stage classification are further disclosed in Notes 5 (b) and 6 (c).

	2021	**2020**
Government and Statutory Bodies	339,809	418,941
Financial sector	399,881	276,919
Energy and mining	480	1,248
Agriculture	2,994	9,676
Electricity and water	4,549	4,676
Transport, storage and communication	49,336	19,499
Retail / Distribution	50,959	55,676
Real Estate	181,876	153,888
Manufacturing	8,054	8,266
Construction	46,286	35,015
Hotel and restaurant	1,663	1,117
Personal	623,992	604,434
Other services	66,233	30,749
	1,776,112	**1,620,104**

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.1 Analysis of risk concentration (continued)

(b) Geographical sectors

The Group's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analyzed by the following geographical regions based on the country of domicile of its counterparties:

	2021	2020
Canada	140,234	72,884
Cayman Islands	1,066,539	1,047,611
Europe	217,775	151,757
Trinidad and Tobago	18,818	35,966
United States	261,080	233,007
Other Countries	71,666	78,879
	1,776,112	**1,620,104**

19.2.2 Impairment assessment

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed quarterly and action taken in accordance with prescribed guidelines. The Group's impairment assessment and measurement approach is set out below.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.3 Default and recovery

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group’s policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months.

19.2.4 The Group's internal rating and PD estimation process

Retail lending, mortgages, commercial and corporate lending

Product types were selected as cohort for PD analysis for retail lending, mortgages, commercial and corporate loans. A vintage approach was applied looking at the number of defaults by segment over a period of time. For LGD, the Group considers changes in fair value of collateral over time, additional haircut from the collateral sales, removes effects of indirect costs associated with recoveries. No guarantees are considered as collaterals, real estate collaterals and deposits are allocated proportionally to the loans and advances based on the outstanding exposure as of the reporting period. EAD equals the loan balance outstanding plus accrued interest.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.4 The Group's internal rating and PD estimation process (continued)

Overdrafts and credit cards

The Group calculates the ECL on credit cards using a forecast model which is based on the historical loss experienced for portfolios with similar credit risk characteristics. Migration matrix models are used for loss rate forecasting in the credit cards portfolio, which is built at the portfolio level instead of at the individual account level. The loss rate is applied to the gross credit card exposure and is discounted. The Group discounts expected credit losses using the nominal interest rate as an approximation of the effective interest rate while considering specific characteristics of the product. The whole portfolio is segmented by delinquency buckets. The purpose is to track the behavior (migration) of performing credit cards.

As a primary approach for the calculation of ECL of overdrafts, the Group applies estimated parameters for PD, LGD and specific measures for individual exposure. For PD, the Group uses the borrower's probability of default as the most fitting metric for estimating the risk of defaulting and applies the cohort approach. The ECL is calculated using the forecasted balances and cash flows based on the expected behavior and the contractual terms of the instruments by applying a Credit Conversion Factor on undrawn limits. The Group's estimation of the LGD on overdrafts is similar to the one used for loans.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.4 The Group's internal rating and PD estimation process (continued)

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortized security balance plus accrued interest.

Due from banks and Accounts receivables

Due from banks are short term funds placed with correspondent banks and the Group therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to approximate zero and no adjustment taken.

Accounts receivables have limited or no history of default; the Group therefore considers the risk of default to be very low.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Group considers the risk of default to be very low and the ECLs on these instruments were determined to be $204.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 19.2.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

19.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.6h (i) dependent on the factors below, the Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets

Asset classes where the Group calculates ECL on a collective basis include:

- The commercial and corporate lending
- The mortgage portfolio
- The retail lending portfolio
- The credit card portfolio
- The overdraft portfolio

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows:

Advances	2021	2020
Stage 1	95.6%	93.6%
Stage 2	1.9%	3.9%
Stage 3	2.5%	2.5%
	100.0%	100.0%

For year end 2020, in response to COVID 19 the Group undertook a review of its loan and advances portfolios determining high risk sectors and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. Based on the review performed, it was determined that loans in high risk industries with active moratoria will be considered to have a significant increase in credit risk and were moved to Stage 2. Furthermore in 2020 only, an overlay was applied to the FLI for PD while an additional 5% haircut was added to the LGD percentage. The 2021 ECL methodology and definition of default remained consistent with prior periods. All active moratoria were moved to Stage 2 during the year. No overlays were applied to the models. At year end $2.9m of loans or 0.4% (2020: $97.6m of loans or 13%,) of the total loan portfolio had active moratoria.

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 1			**September 30, 2021**			
Gross loans	22,869	236,503	516,099	13,233	9,437	798,141
ECL	(88)	(299)	(629)	(1,394)	(105)	(2,515)
	22,781	236,204	515,470	11,839	9,332	795,626
ECL as a % of Gross loans	0.4%	0.1%	0.1%	10.5%	1.1%	0.3%
Stage 1			**September 30, 2020**			
Gross loans	22,658	216,593	490,817	15,501	8,887	754,456
ECL	(92)	(345)	(1,037)	(1,518)	(122)	(3,114)
	22,566	216,248	489,780	13,983	8,765	751,342
ECL as a % of Gross loans	0.4%	0.2%	0.2%	9.8%	1.4%	0.4%

The decrease in ECLs of the Stage 1 portfolio was driven by a 5% decrease in collateral haircut as a result of increases in credit risk.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: (continued)

Stage 2	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
	September 30, 2021					
Gross loans	348	4,786	8,142	1,363	823	15,462
ECL	(1)	(29)	(48)	(98)	(28)	(204)
	347	4,757	8,094	1,265	795	15,258
ECL as a % of Gross loans	0.3%	0.6%	0.6%	7.2%	3.4%	1.3%

Stage 2	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
	September 30, 2020					
Gross loans	979	6,131	23,464	277	690	31,541
ECL	(19)	(17)	(234)	(39)	(35)	(344)
	960	6,114	23,230	238	655	31,197
ECL as a % of Gross loans	1.9%	0.3%	1.0%	14.1%	5.1%	1.1%

The decrease in ECLs of the Stage 2 portfolio was driven by a 51% decrease in the gross size of the portfolio, movements between stages and a 5% decrease in collateral haircut as a result of increases in credit risk.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: (continued)

	Retail lending	Commercial & Corporate lending	Mortgages	Overdrafts	Credit Cards	Total
Stage 3			**September 30, 2021**			
Gross loans	557	3,425	13,178	3,549	53	20,762
ECL	(118)	(1,628)	(2,884)	(2,900)	(40)	(7,570)
	439	1,797	10,294	649	13	13,192
ECL as a % of Gross loans	21.2%	47.5%	21.9%	81.7%	75.5%	36.5%
Stage 3			**September 30, 2020**			
Gross loans	711	1,536	15,220	2,484	111	20,062
ECL	(313)	(1,275)	(3,923)	(2,110)	(111)	(7,732)
	398	261	11,297	374	–	12,330
ECL as a % of Gross loans	44.0%	83.0%	25.8%	84.9%	100.0%	38.5%

The change in ECLs of the Stage 3 portfolio was driven by a 5% decrease in haircut for the collateral as a result of movements in credit risk. However, this was offset by higher ECL on overdraft.

19. Risk management (continued)

19.2 Credit risk (continued)

19.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: (continued)

Investment securities	2021	2020
Stage 1	99.8%	89.9%
Stage 2	0.2%	10.1%
Stage 3	0.0%	0.0%
	100.0%	100.0%

	Stage 1	Stage 2	Stage 3	Total
	September 30, 2021			
Gross balance	440,370	891	–	441,261
Interest receivable	1,550	6	–	1,556
ECL	(204)	(22)	–	(226)
	441,716	875	–	442,591
ECL as a % of Gross investments	0.0%	2.5%		0.1%
	September 30, 2020			
Gross balance	364,129	40,692	–	404,821
Interest receivable	1,457	587	–	2,044
ECL	(656)	(2,338)	–	(2,994)
	364,930	38,941	–	403,871
ECL as a % of Gross investments	0.2%	5.7%		0.7%

19. Risk management (continued)

19.3 Liquidity risk

Liquidity risk is defined as the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Group has sufficient funds to meet all of its obligations.

The group is subjected to regulatory requirements as it pertains to Basel III ratios for liquidity purposes namely the Liquidity Coverage Ratio and the Net Stable Funding Ratio. The ratios ensure that a high level of unencumbered high quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day liquidity stress scenario and promotes resilience over a longer-term horizon by requiring funding its activities with stable sources of funding on an ongoing basis.

Two primary sources of funds are used to provide liquidity – personal and commercial deposits. A substantial portion of the Group is funded with 'core deposits'. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

While the primary asset used for short-term liquidity management is the short term placements. The Group also holds significant investments in other Government securities, which can be used for liquidity support. The Group continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

19. Risk management (continued)

19.3 Liquidity risk (continued)

19.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position. Refer to Note 24 for a maturity analysis of assets and liabilities.

Financial liabilities - on consolidated statement of financial position

2021	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Customers' current, savings and deposit accounts	947,649	430,578	4,762	–	1,382,989
Lease liabilities	–	1,634	2,301	255	4,190
Other liabilities	8,046	4,046	–	–	12,092
Total un-discounted financial liabilities	**955,695**	**436,258**	**7,063**	**255**	**1,399,271**
2020					
Customers' current, savings and deposit accounts	809,198	411,670	8,892	–	1,229,760
Lease liabilities	–	1,733	5,651	4,448	11,832
Other liabilities	7,613	4,434	–	–	12,047
Total un-discounted financial liabilities	**816,811**	**417,837**	**14,543**	**4,448**	**1,253,639**

19. Risk management (continued)

19.3 Liquidity risk (continued)

19.3.1 Analysis of financial liabilities by remaining contractual maturities (continued)

Financial liabilities - off consolidated statement of financial position

	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2021					
Guarantees	–	5,594	–	–	5,594
Letters of credit	–	3,565	–	–	3,565
Total	**–**	**9,159**	**–**	**–**	**9,159**
2020					
Guarantees	–	5,495	–	–	5,495
Letters of credit	–	3,647	–	–	3,647
Total	**–**	**9,142**	**–**	**–**	**9,142**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

19. Risk management (continued)

19.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

19.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Asset and Liability management is a vital part of the risk management process of the Group. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Group, including interest rate, foreign exchange, liquidity and market risks.

Interest on Financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instruments.

The primary tools currently in use are interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Group is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest exposure of the Group consolidated statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the investment.

19. Risk management (continued)

19.4 Market risk (continued)

19.4.1 Interest rate risk (continued)

An interest rate sensitivity analysis was performed to determine the impact on net profit of a possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

		Impact on net profit			
		2021		2020	
	Change in basis points	Increase	Decrease	Increase	Decrease
USD Instruments	+/- 50	788	788	780	780
KYD Instruments	+/- 50	2,939	2,939	2,637	2,637
GBP Instruments	+/- 50	32	(32)	26	(26)

* In the 2020 financial statements, interest impact was presented using a Basel III format, the note has been amended for consistency in the Group. There was no impact on the total comprehensive income as a result of this restatement.

19. Risk management (continued)

19.4 Market risk (continued)

19.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency deposits accepted from customers are generally matched with corresponding foreign currency deposits placed with correspondent banks such that the foreign currency risk is substantially economically hedged.

It has been the long term policy of the Cayman Islands Monetary Authority to maintain the Cayman Islands exchange rate fixed to the United States dollar at CI$1.00 to US$1.20, accordingly, there is currently no foreign currency exposure between these two currencies.

Changes in foreign exchange rates affect the Group's earnings and equity through differences on the re-translation of the net assets, from the foreign currency to KYD dollars. Gains or losses on foreign currency investment in subsidiary and associated undertakings are recognized in reserves. Gains or losses on related foreign currency funding are recognized in the consolidated statement of income.

The principal currencies of the Group's subsidiary and associated company investments are USD, GBP, CAD, JPY and EUR.

The tables below indicate the currencies to which the Group had significant exposure at September 30 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a possible movement of each currency rate against the Cayman Islands dollar, with all other variables held constant.

19. Risk management (continued)

19.4 Market risk (continued)

19.4.2 Currency risk (continued)

2021	KYD	USD	GBP	CAD	EUR	Other	Total
Financial assets							
Cash on hand	11,172	3,046	127	107	152	–	14,604
Due from banks	125	154,600	56,837	7,165	16,893	4,842	240,462
Advances	633,716	170,315	20,045	–	–	–	824,076
Investment securities	–	425,738	18,787	–	–	–	444,525
Investment interest receivable	–	1,466	90	–	–	–	1,556
Total financial assets	**645,013**	**755,165**	**95,886**	**7,272**	**17,045**	**4,842**	**1,525,223**
Financial liabilities							
Customers' current, savings and deposit accounts	581,890	682,964	89,197	7,127	17,008	4,803	1,382,989
Accrued interest payable	25	157	1	1	3	–	187
Lease liabilities	4,000	–	68	–	–	–	4,068
Other liabilities	6,270	4,990	609	20	12	4	11,905
Total financial liabilities	**592,185**	**688,111**	**89,875**	**7,148**	**17,023**	**4,807**	**1,399,149**
Net currency risk exposure		**67,054**	**6,011**	**124**	**22**	**35**	
Possible change in currency rate		1%	1%	1%	1%	1%	
Effect on profit before tax		**671**	**60**	**1**	**–**	**–**	

19. Risk management (continued)

19.4 Market risk (continued)

19.4.2 Currency risk (continued)

2020	KYD	USD	GBP	CAD	EUR	Other	Total
Financial assets							
Cash on hand	10,035	2,960	98	69	202	–	13,364
Due from banks	80	67,460	48,674	4,314	8,968	10,924	140,420
Advances	602,625	172,601	19,643	–	–	–	794,869
Investment securities	–	384,154	20,077	1,588	–	–	405,819
Investment interest receivable	–	1,942	102	–	–	–	2,044
Total financial assets	**612,740**	**629,117**	**88,594**	**5,971**	**9,170**	**10,924**	**1,356,516**
Financial liabilities							
Customers' current, savings and deposit accounts	506,388	615,028	82,213	6,017	9,209	10,905	1,229,760
Accrued interest payable	149	641	9	–	–	–	799
Lease liabilities	10,482	–	237	–	–	–	10,719
Other liabilities	6,994	3,677	536	22	1	18	11,248
Total financial liabilities	**524,013**	**619,346**	**82,995**	**6,039**	**9,210**	**10,923**	**1,252,526**
Net currency risk exposure		**9,771**	**5,599**	**(68)**	**(40)**	**1**	
Possible change in currency rate		1%	1%	1%	1%	1%	
Effect on profit before tax		**98**	**56**	**(1)**	**–**	**–**	

19. Risk management (continued)

19.5 Operational risk

The growing sophistication of the financial industry has made the Group's operational risk profile more complex. Operational risk is inherent within all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Group recognizes that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions.

The Group has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

20. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of Grouping transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates.

	2021	**2020**
Advances, investments and other assets		
Directors and key management personnel	32,240	29,723
Other related parties	1,576	2
	33,816	29,725
Deposits and other liabilities		
Directors and key management personnel	3,251	4,369
Other related parties	12,800	4,349
	16,051	8,718

20. Related parties (continued)

	2021	2020
Interest and other income		
Directors and key management personnel	207	301
Other related parties	671	473
	878	774
Interest and other expense		
Directors and key management personnel	3	37
Other related parties	355	453
	358	490

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management compensation	2021	2020
Short-term benefits	1,276	1,266
	1,276	1,266

- The Group purchased 27 (2020: 8) bonds from Republic Group Trinidad and Tobago (Barbados) Limited for a value of $91M (2000: $56M).

- The Group acts as the investment advisor for the Cayman National Mortgage Fund (the "Mortgage Fund") and certain related party transfers of loans to and from the Group (the sole market maker for the loans held by Mortgage Fund) are executed in connection with this relationship. During the year ended September 30, 2021, $19,285 in loans were transferred from CNB to the Mortgage Fund (2020: $5,417). Notwithstanding the conflicts of interests inherent in such related party transactions, the Directors are satisfied that they appropriately fulfilled their fiduciary duties and that the Manager appropriately fulfilled its duties under its investment management mandate.

- Staff loans totaling $40,508 (2020: $37,341) in the consolidated statement of financial position bear rates primarily ranging between 3% and 7.25% (2020: 0% and 7.25%).

20. Related parties (continued)

Directors held 1,250,759 (2020: 1,237,816) of the Corporation shares as at September 30, 2021 of which 105,488 (2020: 100,738) were directly held and 1,145,271 (2020: 1,137,078) were indirectly held. (Actual figures are disclosed within this note)

Actual figures disclosed	2021		2020	
Board of Directors	Directly held *	Indirectly held**	Directly held*	Indirectly held**
Sherri Bodden-Cowan	38,644	-	34,146	-
Bryan Hunter	22,759	-	19,293	-
Nigel Wardle	27,697	1,493	23,505	-
Clarence Flowers	3,577	1,143,778	14,604	1,137,078
Colin Hanson	7,293	-	3,672	-
Stuart Dack	3,518	-	3,518	-
Nigel M. Baptiste	1,000	-	1,000	-
Roopnarine O. Singh	1,000	-	1,000	-
Total	105,488	1,145,271	100,738	1,137,078

*Legal and beneficial rights. **Held by another entity, legally with non-beneficial rights.

21. Capital management

The Group's policy is to diversify its sources of capital, to allocate capital within the Group efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $15m to $157m during the year under review.

Capital adequacy is monitored by each member of the Group, employing techniques based on the guidelines developed by the Basel Committee on Grouping Regulations and Supervisory Practice (the Basel Committee), as implemented by the respective Regulatory Authorities for supervisory purposes. Each subsidiary are required to meet minimum capital requirements. Failure to meet minimum capital requirements can initiate certain actions by the regulators, that if undertaken could have a direct material effect on the Group's financial statements.

21. Capital management (continued)

The subsidiaries must meet specific capital guidelines that involve quantitative measures of the subsidiaries assets and liabilities. The subsidiaries' capital amount and classifications are also subject to qualitative analysis by CIMA. Quantitative measures established by CIMA to ensure capital adequacy requires that subsidiaries maintain a minimum amount of capital and/or a minimum ratio of risk-weighted assets to capital.

Similar capital adequacy requirements by the Isle of Man Financial Services Authority are imposed on the Group's subsidiaries in the Isle of Man.

CNC as a publicly traded company is subject to continuing obligations and rules of the Cayman Islands Stock Exchange.

Management believes, as of September 30, 2021 and 2020 that all regulated subsidiaries met the respective regulatory capital adequacy requirements established by the Isle of Man Financial Supervision Authority, the Dubai Financial Services Authority and the Cayman Islands Monetary Authority.

The Isle of Man has fully implemented Basel III and the Cayman National Group (IOM) remains compliant with its regulatory requirements.

22. Fair value

22.1 Carrying values and fair values

The following table summarizes the carrying amounts and the fair values of the Group's financial assets and liabilities:

2021	**Carrying value**	**Fair value**	**Unrecognized gain/(loss)**
Financial assets			
Cash on hand and due from banks	255,066	255,066	–
Advances	824,076	824,076	–
Investment securities	444,525	444,762	237
Investment interest receivable	1,556	1,556	–
Other financial assets	4,877	4,877	–
Financial liabilities			
Customers' current, savings and deposit accounts	1,382,989	1,382,989	–
Accrued interest payable	187	187	–
Lease liabilities	4,068	4,068	–
Other financial liabilities	11,905	11,905	–
Total unrecognized change in unrealized fair value			**237**

2020	**Carrying value**	**Fair value**	**Unrecognized gain/(loss)**
Financial assets			
Cash on hand and due from banks	153,784	153,784	–
Advances	794,869	794,869	–
Investment securities	405,819	407,719	1,900
Investment interest receivable	2,044	2,044	–
Other financial assets	3,866	3,866	–
Financial liabilities			
Customers' current, savings and deposit accounts	1,229,760	1,229,760	–
Accrued interest payable	799	799	–
Lease liabilities	10,719	10,719	–
Other financial liabilities	11,248	11,248	–
Total unrecognized change in unrealized fair value			**1,900**

22. Fair value (continued)

22.2 Fair value and fair value hierarchies

22.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities:

	Level 1	**Level 2**	**Level 3**	**Total**
2021				
Financial assets measured at fair value				
Investment securities	1,769	1,050	671	3,490
Financial assets for which fair value is disclosed				
Advances	–	–	824,076	824,076
Investment securities	248,872	192,400	–	441,272
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	1,382,989	1,382,989

	Level 1	**Level 2**	**Level 3**	**Total**
2020				
Financial assets measured at fair value				
Investment securities	–	2,374	121	2,495
Financial assets for which fair value is disclosed				
Advances	–	–	794,869	794,869
Investment securities	52,786	352,438	–	405,224
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	1,229,760	1,229,760

22. Fair value (continued)

22.2 Fair value and fair value hierarchies (continued)

22.2.2 Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at September 30, 2021, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 18.0%
Investment securities	Net Asset Value	N/A	N/A
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.0% - 3.0%

22.2.3 Reconciliation of movements in Level 1 financial assets measured at fair value

	Balance at beginning of year	Additions /Transfers from Level 2	Disposals /Transfers to Level 2	Balance at end of year
2021				
Financial assets designated at fair value through profit or loss	–	1,769	–	1,769

22.2.4 Reconciliation of movements in Level 2 financial assets measured at fair value

	Balance at beginning of year	Additions /Transfers from Level 1	Disposals /Transfers to Level 1	Balance at end of year
2021				
Financial assets designated at fair value through profit or loss	2,374	711	(2,035)	1,050
2020				
Financial assets designated at fair value through profit or loss	–	2,374	–	2,374

22. Fair value (continued)

22.2 Fair value and fair value hierarchies (continued)

22.2.5 Reconciliation of movements in Level 3 financial assets measured at fair value

	Balance at beginning of year	Additions /Transfers from Level 2	Disposals /Transfers to Level 2	Balance at end of year
2021				
Financial assets designated at fair value through profit or loss	121	573	(23)	671
2020				
Financial assets designated at fair value through profit or loss	122	–	(1)	121

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. In 2021, Level 3 instruments is predominantly comprised of equity in a private company and mutual funds (2020: equity in a private company and mutual funds). As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value. The main inputs into the Group's valuation methods for Level 3 assets may include: discounted cash flow projections, original transaction price, recent transactions in the same or similar instruments and completed third party transactions in comparable instruments and information obtained from investment manager of the fund. The Group adjusts the model as deemed necessary.

23. Segmental information

The Group is organized into two main business segments: retail and commercial banking and merchant banking. The Group's primary reporting format comprises geographical segments, reflecting its management structure and the secondary segment is by class of business. The following is an analysis by respective segments:

i) By geographic segment

	Cayman Islands	Isle of Man	Eliminations	Total
2021				
Interest income	39,501	941	–	40,442
Interest expense	(1,219)	(65)	–	(1,284)
Net interest income	38,282	876	–	39,158
Other income	24,233	2,334	–	26,567
Operating income	62,515	3,210	–	65,725
Other operating expenses	(43,468)	(3,359)	–	(46,827)
Operating profit	19,047	(149)	–	18,898
Credit recovery expenses on financial assets	1,760	49	–	1,809
Net profit before taxation	**20,807**	**(100)**	**–**	**20,707**
Taxation	–	(24)	–	(24)
Net income from continuing operations	**20,807**	**(124)**	**–**	**20,683**
Net loss from discontinued operations	(539)	–	–	(539)
Net income	**20,268**	**(124)**	**–**	**20,144**
Total assets	1,432,633	128,779	(5,646)	1,555,766
Total liabilities	1,279,296	121,417	(1,564)	1,399,149
Depreciation	4,535	248	–	4,783
Capital expenditure on premises and equipment	1,887	135	–	2,022
Cash flow from operating activities	136,302	10,600	–	146,902
Cash flow from investing activities	(38,383)	(2,594)	–	(40,977)
Cash flow from financing activities	(7,134)	394	–	(6,740)

23. Segmental information (continued)

i) By geographic segment (continued)

	Cayman Islands	Isle of Man	Eliminations	Total
2020				
Interest income	47,024	1,186	–	48,210
Interest expense	(6,089)	(145)	–	(6,234)
Net interest income	40,935	1,041	–	41,976
Other income	19,802	2,014	–	21,816
Operating income	60,737	3,055	–	63,792
Other operating expenses	(46,230)	(4,402)	–	(50,632)
Operating profit	14,507	(1,347)	–	13,160
Credit loss expense on financial assets	(3,211)	(29)	–	(3,240)
Net profit before taxation	**11,296**	**(1,376)**	**–**	**9,920**
Taxation	–	129	–	129
Net income from continuing operations	**11,296**	**(1,247)**	**–**	**10,049**
Net loss from discontinued operations	(968)	–	–	(968)
Net income	**10,328**	**(1,247)**	**–**	**9,081**
Total assets	1,282,941	114,854	(3,982)	1,393,813
Total liabilities	1,145,060	108,191	(725)	1,252,526
Depreciation	4,548	239	–	4,787
Capital expenditure on premises and equipment	1,989	102	–	2,091
Cash flow from operating activities	(78,876)	(9,807)	–	(88,683)
Cash flow from investing activities	24,553	4,795	–	29,348
Cash flow from financing activities	(6,933)	376	–	(6,557)

23. Segmental information (continued)

ii) By class of business

	Retail and Commercial banking and financial services
2021	
Interest income	40,442
Interest expense	(1,284)
Net interest income	39,158
Other income	26,567
Operating income	65,725
Other operating expenses	(46,827)
Operating profit	18,898
Credit recovery expense on financial assets	1,809
Net profit before taxation	**20,707**
Taxation	(24)
Net income from continuing operations	**20,683**
Net loss from discontinued operations	(539)
Net income	**20,144**
Total assets	1,555,766
Total liabilities	1,399,149
Depreciation	4,783
Capital expenditure on premises and equipment	2,022
Cash flow from operating activities	146,902
Cash flow from investing activities	(40,977)
Cash flow from financing activities	(6,740)

23. Segmental information (continued)

ii) By class of business (continued)

2020	Retail and Commercial banking and financial services
Interest income	48,210
Interest expense	(6,234)
Net interest income	41,976
Other income	21,816
Operating income	63,792
Operating expenses	(50,632)
Operating profit	13,160
Credit loss expense on financial assets	(3,240)
Net profit before taxation	**9,920**
Taxation	129
Net income from continuing operations	10,049
Net loss from discontinued operations	(968)
Net income	**9,081**
Total assets	1,393,813
Total liabilities	1,252,526
Depreciation	4,787
Capital expenditure on premises and equipment	2,091
Cash flow from operating activities	(88,683)
Cash flow from investing activities	29,348
Cash flow from financing activities	(6,557)

24. Maturity analysis of assets and liabilities

The table below analysis the discounted assets and liabilities of the Group based on the remaining period at September 30, to the contractual maturity date. See Note 19.3 - 'Liquidity risk' - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2021	**Within one year**	**After one year**	**Total**
ASSETS			
Cash on hand	14,604	–	14,604
Due from banks	240,462	–	240,462
Advances	186,974	637,102	824,076
Investment securities	302,377	142,148	444,525
Investment interest receivable	1,556	–	1,556
Premises and equipment	1	21,923	21,924
Right-of-use assets	133	3,549	3,682
Investment property	–	60	60
Other assets	4,805	72	4,877
	750,912	**804,854**	**1,555,766**
LIABILITIES			
Customers' current, savings and deposit accounts	1,378,227	4,762	1,382,989
Accrued interest payable	187	–	187
Lease liabilities	123	3,945	4,068
Other liabilities	11,881	24	11,905
	1,390,418	**8,731**	**1,399,149**

24. Maturity analysis of assets and liabilities (continued)

	Within one year	After one year	Total
2020			
ASSETS			
Cash on hand	115,841	–	115,841
Due from banks	37,943	–	37,943
Advances	179,552	615,317	794,869
Investment securities	313,335	92,484	405,819
Investment interest receivable	2,044	–	2,044
Premises and equipment	–	22,892	22,892
Right-of-use assets	84	10,382	10,466
Intangible assets	–	13	13
Investment property	–	60	60
Other assets	3,866	–	3,866
	652,665	**741,148**	**1,393,813**
LIABILITIES			
Customers' current, savings and deposit accounts	1,220,868	8,892	1,229,760
Accrued interest payable	799	–	799
Lease liabilities	79	10,640	10,719
Other liabilities	11,248	–	11,248
	1,232,994	**19,532**	**1,252,526**

25. Dividends paid and proposed

	2021	2020
Declared and paid during the year		
Equity dividends on ordinary shares:		
Interim dividend for 2021: 0.06 cents (2020: 0.06 cents)	2,541	2,541
Final dividend for 2020: 0.06 cents (2019: 0.06 cents)	2,541	2,541
Total dividends paid	**5,082**	**5,082**

26. Contingent liabilities

a) Litigation

As at September 30, 2021, there were certain legal proceedings outstanding against the Group. Due to the inherent difficulty of predicting an outcome, management, including legal counsel believe it is premature to predict an outcome. During the year ended 2021 and 2020, specific provisions have been made in relation to litigation, where necessary.

26. Contingent liabilities (continued)

b) Customers' liability under acceptances, guarantees, indemnities and letters of credit

	2021	**2020**
Guarantees	5,594	5,495
Letters of credit	3,565	3,647
	9,159	**9,142**
Sectoral information		
Corporate and commercial	9,104	9,137
Personal	55	5
	9,159	**9,142**

A subsidiary of the Group has guaranteed $400,000 for future possible liabilities of CNT (Directors) Ltd. and CNT (Nominees) Ltd. This guarantee specifically covers the possibility that these entities be unable to meet its liabilities to clients', trustees, customers or other creditors arising from carrying on its business as a corporate director, officer or nominee in the Cayman Islands.

Guarantees in support of the subsidiary, Cayman National Fund Services Ltd., has been given in the event the company was unable to meets its obligations in ordinary course of business for the financial year ending September 30, 2021.

Guarantees of $200,000 have been issued to the Government of the Cayman Islands in support of the subsidiary, Cayman National (Nominees) Ltd.

27. Structured entities

The group sponsors several structured entities which are not consolidated as the Group is not deemed to be in control of those entities. The Group considers itself to be sponsor of a structured entity when it facilitates the establishment of the structured entity. The Group may hold an interest in some of these entities but does not provide any financial support to these entities.

For its custody and management services of the Cayman National Funds as described below, the Group receives a management fee at market based rates.

The following is a summary of the fees received from these affiliated funds:

	2021	**2020**
Cayman National Mortgage Fund Ltd.	282	213
Cayman National Money Market Fund	57	289
Cayman National Pension Fund	490	480
Cayman National Securities Mutual Funds SPC.	205	218
	1,034	1,200

28. Discontinued operations

During the year ended September 30, 2017 the Group decided to exit the Trust business in the Cayman Islands and initiated an active program to locate a buyer.

The Group signed a set of agreements with a buyer on September 7, 2017 to sell its Cayman National Trust business with effect from September 29, 2017 and this division is reported as a discontinued operation. Financial information relating to the discontinued operation is set out below.

	2021	**2020**
Trust and company management fees	182	97
Expenses	(721)	(1,065)
Net loss from discontinued operations	(539)	(968)

28. Discontinued operations (continued)

The impact of the discontinued operations net loss on the Group's earnings per share was as follows:

Earnings per share (expressed in $ per share)	**2021**	**2020**
Basic (with Net loss from discontinued operations)	$0.48	$0.21
Diluted (without Net loss from discontinued operations)	$0.49	$0.24

Details of the sale of the trust and company management business

The full $2m consideration was received in cash on or before September 29, 2017. The sales proceeds have both a fixed and a variable component:

Fixed consideration	$1,250
Variable consideration	$1,000

The variable period elapsed on September 28, 2019.

29. Subsidiary companies

a) **Name of Operating Companies**	**Principal activity**	**% equity interest**
Cayman National Bank Ltd. ("CNB") and its wholly owned subsidiary Cayman National Property Holdings Ltd. ("CNP")	Banking and property holding subsidiaries respectively	100.00%
Cayman National Trust Co. Ltd. ("CNT")	Company and trust management	100.00%
Cayman National Fund Services Ltd. ("CNFS")	Mutual fund administration	100.00%
Cayman National Securities Ltd. ("CNS")	Securities brokerage and wealth management	100.00%
Cayman National Investments Ltd. ("CNI")	Investment management	100.00%
Cayman National Bank (Isle of Man) Limited. ("CNB" (IOM)), (incorporated and regulated in the Isle of Man)	Banking and company management	100.00%
Cayman National Trust Company (Isle of Man) Limited ("CNT (IOM)") (incorporated and regulated in the Isle of Man)	Company and trust management	100.00%
Cayman National (Dubai) Ltd. (incorporated in Dubai, UAE)	Representative Office	100.00%

b) Non-Operating Companies

The following subsidiaries provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements during the years ended September 30, 2021 and 2020. The non-operating companies of the Corporation are:

Cayman National (Nominees) Ltd. and its wholly owned subsidiary CNT (Directors) Ltd.

CNT (Nominees) Ltd.

CNC Directors Ltd.

29. Subsidiary companies (continued)

b) Non-Operating Companies (continued)

CN Director Limited, CNB Nominees Limited, Cayman National Nominees Limited, Cayman National Secretarial Limited, and Beeston Management Limited are wholly owned subsidiaries of Cayman National Trust Company (Isle of Man) Limited.

CNFS (IOM) Limited (formerly Cayman National Fund Services (Isle of Man) Limited) ceased trading June 29, 2016.

There was no change in ownership and no restrictions have been placed on any assets or liabilities of these companies.

30. Events after the reporting period

The Group has evaluated events from September 30, 2021 through the date the financial statements were signed. There were no subsequent events that need disclosure.