Inteligo Bank Ltd.

Audited Financial Statements

Year ended December 31, 2023
with Independent Auditor's Report

Inteligo Bank Ltd.

Annual Financial Statements

Year ended December 31, 2023

Contents

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Independent Auditor's Report

The Board of Directors
Inteligo Bank Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Inteligo Bank Ltd. (the "Bank"), which comprise the statement of financial position as at December 31, 2023, and the statement of income, statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Ernst & Young Ltd.

April 1, 2024

Inteligo Bank Ltd.
Statement of Financial Position
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Notes	**2023** **US$ 000**	2022 US$ 000
ASSETS			
Cash and deposit with banks			
Cash	5	**6**	9
Deposit with banks:			
Demand deposits	5	**117,699**	278,439
Time deposits	5	**96,194**	90,772
		213,899	369,220
Financial assets:			
At fair value through profit or loss (FVPL)	6, 20	**302,332**	385,393
At fair value through other comprehensive income (FVOCI), including $27,289 pledged as collateral in 2023 (2022: $30,572)	6, 20	**186,979**	54,808
		489,311	440,201
Loans, net	7	**399,893**	459,142
		399,893	459,142
Accrued interest receivable		**13,720**	10,517
Property, furniture, equipment and improvements	8	**9,062**	9,207
Intangible assets	9	**1,751**	2,338
Securities sold pending settlement		**304**	407
Other assets	10	**8,360**	8,328
		33,197	30,797
TOTAL ASSETS		**1,136,300**	1,299,360

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

Inteligo Bank Ltd.
Statement of Financial Position (continued)
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Notes	2023 US$ 000	2022 US$ 000
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Deposits:			
Demand	20	**290,223**	516,746
Time		**598,412**	556,797
		888,635	1,073,543
Borrowings	12	**22,000**	14,000
Accrued interest payable		**7,980**	4,242
Securities bought pending settlement		**145**	833
Other liabilities		**5,792**	5,430
		13,917	10,505
Total liabilities		**924,552**	1,098,048
Shareholder's Equity			
Share capital	13	**20,000**	20,000
Other accumulated comprehensive loss		**(601)**	(4,926)
Regulatory reserve	7	**2,242**	2,242
Retained earnings		**190,107**	183,996
Total Shareholder's Equity		**211,748**	201,312
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,136,300**	1,299,360

Approved on behalf of the Board of Directors on April 1, 2024 by the following:

Roberto Hoyle
Director

Reynaldo Roisenvit
Director

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

Inteligo Bank Ltd.
Statement of Income
For the year ended
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Notes	**2023 US$ 000**	2022 US$ 000
Interest and dividend income:			
Interest on loans		**25,150**	20,241
Interest on securities		**11,027**	7,979
Interest on deposits with banks		**9,879**	4,018
Dividend income		**2,276**	7,565
Total interest and dividend income		**48,332**	39,803
Interest expense		**(26,121)**	(12,311)
Net interest and dividend income		**22,211**	27,492
Income (expense) from financial services and other items:			
Net unrealized loss on financial assets at FVPL	6	**(14,818)**	(52,362)
Net gain/(loss) on financial assets at FVPL	6	**5,483**	(8,377)
Net loss on financial assets at FVOCI		**(734)**	(2,304)
Commision income	17	**26,372**	31,226
Commision and other expense		**(4,635)**	(6,286)
Other income/(expense), net		**597**	(243)
Total income/(loss) from financial services and other items, net		**12,265**	(38,346)
General and administrative expenses:			
Salaries and employee benefits	15	**8,630**	7,575
Short-term leases		**201**	256
Professional fees	15	**11,462**	11,228
Depreciation and amortization	8, 9, 10	**1,990**	1,584
Other expenses	15	**4,603**	3,907
Total general and administrative expenses		**26,886**	24,550
Net profit / (loss)		**7,590**	(35,404)

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

Inteligo Bank Ltd.
Statement of Comprehensive Income
For the year ended
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Notes	**2023** **US$ 000**	2022 US$ 000
Net profit / (loss) for the year		**7,590**	(35,404)
Other comprehensive income that will be reclassified to the income statement			
Debt instruments at FVOCI:			
Net change in fair value of debt instrument at FVOCI		**3,446**	(8,595)
Reclassification adjustments to the statement of income		**826**	2,607
Adjustments to the reserve of debt instruments at FVOCI		**(165)**	2,374
Total items that will be reclassified to the income statement		**4,107**	(3,614)
Other comprehensive income that will not be reclassified to the income statement			
Net change in fair value of equity instruments at FVOCI		**(545)**	-
Net result of sale of equity instruments		**763**	-
Total items that will not be reclassified to the income statement		**218**	**-**
Total comprehensive income/(loss) for the year		**11,915**	(39,018)

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

Inteligo Bank Ltd.
Statement of Changes in Shareholder's Equity
For the year ended
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Share Capital US$ 000	*Other Accumulated Comprehensive Income*	*Regulatory Reserve US$ 000*	*Retained Earnings US$ 000*	*Total Shareholder's Equity US$ 000*
At January 1, 2022	20,000	(1,312)	2,242	269,400	290,330
Net loss for the year	-	-	-	(35,404)	(35,404)
Other comprehensive income:					
Debt instruments at FVOCI					
Net change in fair value of debt instruments at FVOCI	-	(8,595)	-	-	(8,595)
Reclassification adjustments to the statement of income	-	2,607	-	-	2,607
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	-	2,374	-	-	2,374
Transactions with owner, recorded directly in equity:					
Dividends	-	-	-	(50,000)	(50,000)
At December 31, 2022	**20,000**	**(4,926)**	**2,242**	**183,996**	**201,312**
Net profit for the year	**-**	**-**	**-**	**7,590**	**7,590**
Other comprehensive income:					
Debt instruments at FVOCI					
Net change in fair value of debt instruments at FVOCI	**-**	**3,446**	**-**	**-**	**3,446**
Reclassification adjustments to the statement of income	**-**	**826**	**-**	**-**	**826**
Adjustment to the reserve of expected credit losses on debt instruments at FVOCI	**-**	**(165)**	**-**	**-**	**(165)**
Net change in fair value of equity instrument at FVOCI	**-**	**(545)**	**-**	**-**	**(545)**
Net result on sale of equity instruments	**-**	**763**	**-**	**(1,479)**	**(716)**
Transactions with owner, recorded directly in equity:					
At December 31, 2023	**20,000**	**(601)**	**2,242**	**190,107**	**211,748**

Inteligo Bank Ltd.
Statement of Cash Flows
For the year ended
December 31, 2023

Amounts expressed in thousands of US$ dollars

	Notes	**2023 US$ 000**	2022 US$ 000
Cash flows from operating activities			
Net profit / (loss)		**7,590**	(35,404)
Adjustments to reconcile net profit (loss) to net cash flows:			
Depreciation and amortization	8, 9, 10	**1,990**	1,584
Loss on disposal of fixed assets		**-**	70
(Reversal of) reserve of debt instruments at FVOCI		**(165)**	2,374
Net loss (gain) on financial instruments at FVOCI		**734**	2,304
Interest and dividend income		**(48,332)**	(39,803)
Interest expense		**26,121**	12,311
Operating results before working capital changes		**(12,062)**	(56,564)
Financial assets at FVPL		**83,061**	125,583
Loans		**59,249**	(35,323)
Deposits		**(184,908)**	27,447
All other assets		**71**	711
All other liabilities		**(643)**	(2,486)
Net cash flows generated from operations		**(55,232)**	59,368
Interest received		**45,129**	37,701
Interest paid		**(22,383)**	(10,873)
Net cash flows (used in) provided by operating activities		**(32,486)**	86,196
Cash flows from investing activities			
Deposits over 90 days		**24,336**	(30,051)
Acquisition of financial assets at FVOCI	6	**(226,994)**	(10,414)
Proceeds from sales of financial assets at FVOCI	6	**42,770**	6,725
Redemptions and maturities of financial assets at FVOCI	6	**54,783**	2,326
Purchase of furniture, equipment and improvements	8	**(79)**	(119)
Intangible assets	9	**(1,020)**	(828)
Disposal of assets	8, 9	**-**	15
Net cash flows used in investing activities		**(106,204)**	(32,346)
Cash flows from financing activities			
Borrowings proceeds	12	**37,000**	10,000
Repayments of borrowings	12	**(29,000)**	(42,000)
Payment to liabilities lease	10	**(295)**	(137)
Dividends paid	13	**-**	(50,000)
Net cash flows provided by (used in) financing activities		**7,705**	(82,137)
Net decrease in cash and cash equivalents		**(130,985)**	(28,287)
Cash and cash equivalents at January 1		**280,603**	308,890
Cash and cash equivalents at December 31	5	**149,618**	280,603

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

Amounts expressed in thousands of US$ dollars

1. Corporate Information

Inteligo Bank Ltd. (“the Bank”) was incorporated under the laws of The Commonwealth of The Bahamas in 1995 and is licensed by The Central Bank of The Bahamas to conduct various types of banking, financing and investment activities. The Bank is also registered with the Securities Commission of The Bahamas since 2019. The registered office of the Bank is located at Seventeen Shop Building, First Floor, Collins Avenue & Fourth Terrace, Centreville, Nassau, The Bahamas. The Bank is a wholly owned subsidiary of Inteligo Group Corp., an entity incorporated under the laws of the Republic of Panama. Inteligo Group Corp. is a wholly owned subsidiary of Intercorp Financial Services Inc., a public company listed in the New York Stock Exchange and in the Lima, Peru Stock Exchange (Bolsa de Valores de Lima, BVL) under the ticker IFS.

The Bank established a branch in Panama (“the Branch”), on January 10th, 1997 under the laws of the Republic of Panama. The Branch operates under an international license issued by the Superintendence of Banks of Panama through resolution No. 26-96 of December 1996. The banking operations in Panama (primarily lending and borrowing activities) are subject to regulatory requirements and the supervision of the Superintendence of Bank of Panama, pursuant to Agreement No. 9 of February 26, 1998; as modified by Law Decree No.2 of February 22, 2008. In 2021, the Superintendence of the Securities Market of the Republic of Panamá issued an Investment Advisor License to the Branch through Resolution No. 317-21 of June 2021.

The financial statements were authorized for issuance according to resolution of the Board of Directors of Inteligo Bank Ltd. on March 28, 2024.

2. Statement of Compliance

The financial statements of Inteligo Bank Ltd. have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”).

3. Basis of Preparation of Financial Statements

3.1 Basis of presentation

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of financial assets at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) under IFRS 9. The financial statements are presented in United States of America dollars (US$) and all values are rounded to the nearest thousand (US$000) except when otherwise indicated. The Bank presents its statements of financial position in order of liquidity.

3. Basis of Preparation of Financial Statements (continued)

3.2 Accounting judgments and estimates

Judgment

The preparation of the financial statements in conformity with International Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. In the process of applying the Bank's accounting policies, Management has made the following judgements and assumptions.

a. Impairment losses of financial assets. The measurement of impairment losses under IFRS 9 of financial assets requires judgement, in particular, the estimation of amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's expected credit loss policy is detailed in Note 4 of these financial statements.

b. Fair value of financial instruments. The fair value of financial instruments is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction in the principal and most advantageous market under current market conditions. When the fair value of financial assets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. Further details about determination of fair value are disclosed in Note 4 to these financial statements.

c. Effective interest rates. Interest income is recorded using the effective interest rate (EIR) method for all financial assets measures at amortized cost, interest income on interest bearing assets measured at FVOCI, as well as interest expense of financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability, therefore, the estimation of the expected life of the instrument requires an element of judgment. Refer to Note 4 to these financial statements.

d. Provisions and contingent liabilities. The Bank operates in a regulatory and legal environment that, by nature, has an element of litigation risk to its operations, and the Bank has to consider the probability of outflows due to cases against the Bank. Given the subjectivity and uncertainty of determining the probability, the Bank takes into consideration a number of factors to determine a provision. Refer to Note 17 to these financial statements.

3.3 Going Concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. Summary of Accounting Policies

4.1 Accounting Policies

Fair value of financial instruments

Financial instruments are used by the Bank to manage market risk, facilitate customer transactions, hold proprietary positions and meet financing objectives. Fair value is determined by the Bank based on available listed market prices or broker price quotations. Assumptions regarding the fair value of each class of financial assets and liabilities are fully described in Note 20 to the financial statements.

The Bank recognizes each sale and purchase of financial instruments on trade date.

Financial Assets

The Bank recognizes, in compliance with IFRS 9, three classes of financial assets: Financial assets at fair value through profit or loss (FVPL), at amortized cost and financial assets at fair value through OCI (FVOCI), which includes debt instruments that recycle through profit or loss and equity instruments not recycling through profit or loss. The classification depends on the purpose for which the financial assets were acquired and on their intended use. Management determines the classification of its financial assets at initial recognition or acquisition, whichever comes first.

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

- 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.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

A financial asset is recorded at amortized cost if it meets the following two conditions and is not designated at fair value through profit or loss:

- The objective of the business model is to hold the financial asset in order to collect the contractual cash flows; and
- The contractual terms of the assets correspond to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount.

Amortized cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

A financial asset must be measured at fair value through other comprehensive income (FVOCI) only if it meets the following two conditions and is not designated at fair value through profit or loss:

- The objective of the business model is to both obtain contractual cash flows and sell the financial assets; and
- The contractual terms of the assets give rise to cash flows that are SPPI on the outstanding principal amount.

Amounts expressed in thousands of US$ dollars

4. Summary of Material Accounting Policies (continued)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments that are not held for trading as equity instruments at FVOCI when they meet the definition of equity under IAS 32 “Financial Instruments: Presentation”. Such classification is determined on an instrument-by-instrument basis.

All the financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Impairment – Financial assets, loan commitments and financial guarantee contracts

The Bank´s impairment model requires the estimation of expected credit losses (ECL) be adjusted by the future changes in macroeconomic factors (forward-looking approach), which shall be determined based on probability weighting.

The impairment model is applied to financial instruments that are not measured at fair value through profit or loss, such as financial assets that are debt instruments and financial assets at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Measurement of the expected credit loss

The parameters for measuring the expected credit loss are the following:

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

PD estimations are calculated at a determined date and are obtained by applying the Bank’s risk grading models.

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. The Bank calculates the LGD parameters with historical information of the recovery rates for different products. LGD models consider: the guarantee and the recovery costs of the guarantee.

The EAD represents the expected exposure at a future default date. The Bank calculates the EAD of the counterpart and the possible changes in the current amount according to the contract, including amortization and pre-payments. The EAD of a financial asset shall be the book value at the moment of default. In the case of loan commitments and financial guarantees, the EAD shall consider the used amount, as well as the potential future amounts that can be extracted or reimbursed pursuant to the contract, which shall be estimated in function of the historical records and macroeconomic factors. The EAD includes the direct and indirect (contingent) credit risk, which is determined by the credit conversion factor (CCF).

The Bank uses a 12-month PD for financial assets whose credit risk has not increased significantly since their initial recognition. For the rest of financial assets, the Bank shall measure the expected loss considering the default risk for the expected remaining life of the financial instrument.

Amounts expressed in thousands of US$ dollars

4. Summary of Material Accounting Policies (continued)

At each reporting date, the Bank measures the expected credit loss by classifying the financial assets as follows:

• "Stage" 1: A 12-month expected credit loss is recognized on financial assets whose credit risk has not increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.

• "Stage" 2: A lifetime expected credit loss is recognized on financial assets whose credit risk has increased significantly since their initial recognition. The interest income is measured based on the gross carrying amount of the financial asset.

• "Stage" 3: A lifetime expected credit loss is recognized on credit-impaired financial assets. The interest income is measured based on the net carrying amount of the financial asset.

Forward-looking information

According to IFRS 9, the Bank includes prospective information in order to determine its expected credit loss. This process implies the use of economic scenarios and considering the probability of occurrence for each scenario. This information can be external and can use economic data and forecasts published by regulatory entities.

Fair value of financial instruments

The Bank determines the fair values of certain financial instruments by means of valuation techniques that use a significant number of inputs, not necessarily based on observable data, when these unobservable inputs have a significant effect on the instruments' valuation.

Availability of observable market price, and model inputs reduces the need for management judgment and estimation; and therefore, the possible uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments the Bank uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all the significant inputs used in these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation technique, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and for the selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management. Specific controls include verification of observable pricing inputs and performance of model valuations; a review and approval process for new models and changes to existing models; calibration and back testing of models against observed market transactions; and review of significant unobservable inputs and valuation adjustments.

4. Summary of Material Accounting Policies (continued)

Regardless of the established control framework, the economic environment prevailing during recent years has increased the degree of uncertainty inherent in these estimates and assumptions.

Fair value estimates are made at a specific date based on relevant market estimates and information about the financial instruments. The Bank holds financial instruments for which limited, or no observable market data is available. Fair value measurements for these instruments fall within Level 3 of the fair value hierarchy of IFRS 13 “Fair Value Measurements”. These fair value measurements are based primarily upon managements` own estimates and are often calculated based on the Bank’s current

pricing policy, the current economic and competitive environment, the characteristics of the instrument, credit, interest, and currency rate risks and other such factors. Therefore, the results cannot be backed by comparison to prices quoted in active markets and may not be fully realized in a sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including movements in discount rates, liquidity risks, and estimates of future cash flows that could significantly affect the fair value measurement amounts.

Financial liabilities

The Bank recognizes, in compliance with IFRS 9, its financial liabilities at amortized cost using the effective interest method.

Borrowings

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the effective interest rate amortization process.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For its financial assets, the Bank uses quoted market prices in an active market or dealer prices, which are the best evidence of fair value, where they exist, to measure the financial instrument. For investments where there is no active market, fair value is determined using valuation techniques such as: recent arm’s length market transactions; reference to the current market value of a substantially similar instrument; discounted cash flow analysis or other valuation models. The fair value of investment funds is determined by reference to the net asset values of the funds as provided by the respective administrators of such funds; reviewed in order to determine the appropriateness of the reported balance or whether adjustments are necessary.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. When securities classified as at FVOCI are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as gains and losses on financial instruments at FVOCI.

4. Summary of Material Accounting Policies (continued)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Interest income and expense

Interest income and expense is recognized in the statement of income for all interest-bearing instruments on an accrual basis applying the effective interest method to the actual purchase price. Interest income includes coupons earned on fixed income investment and accredited discount on debt instruments. When a loan becomes of doubtful collection, it is written down to recoverable amount and interest income is thereafter recognized at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

Fees and commissions income

Fees and commissions are generally recognized on an accrual basis once service has been rendered and are recognized as part of Commission income in the statement of income. The other commissions are recognized when received or paid.

Foreign currency operations

The Bank's transactions are performed mostly in U.S. dollars. Foreign currency transactions are translated into U.S. dollars at the prevailing exchange rates on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets, are measured at the date of the statement of financial position and liabilities denominated in foreign currencies are recognized in the statement of income.

Translation differences on debt securities and other financial assets and liabilities measured at fair value are included as foreign exchange income, in the other income line item of the statement of income.

Property, furniture, equipment, and improvements

Property, furniture, equipment, and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the useful life of the assets as follows:

Property	30 years
Improvements	Shorter of 5 years or lease period
Furniture and office equipment	2 to 3 years
Vehicles	5 years

The carrying values of furniture, equipment and improvements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

4. Summary of Material Accounting Policies (continued)

Leases

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

Right-of-use assets

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

Lease liabilities

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

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

4.2 Changes in accounting policies and disclosures

New and adopted standards

During 2023 the Bank adopted the following standards that had no impact on the Bank’s operations. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments have had an impact on the Bank’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank’s financial statements.

4. Summary of Material Accounting Policies (continued)

Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had not impact on the Bank´s financial statements.

International Tax Reform-Pillar Two Model Rules – Amendments to IAS12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments will have no impact on the Bank's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply.

Other than the exceptions outlined below, the Bank has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the financial statements for the year ended 31 December 2023.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

4. Summary of Material Accounting Policies (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Bank's financial statements.

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity´s right to defer settlement is contingent on compliance with futures covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Bank's financial statements.

Amounts expressed in thousands of US$ dollars

5. Cash and Deposits with Banks

	December 31,	
	2023	2022
	US$ 000	US$ 000
Cash	**6**	9
Demand deposits with banks	**117,699**	278,439
Time deposits with banks	**96,194**	90,772
Cash and deposits with banks	**213,899**	369,220
Less: deposits over 90 days	**(64,281)**	(88,617)
Cash and cash equivalents	**149,618**	280,603

On December 31, 2023, the annual interest rates on demand and time deposits in US$ ranged from 0% to 6.50% (2022: 0% to 5.87%) with maturities of less than two years.

The Bank considers as cash and cash equivalents all highly liquid instruments with original maturities of three months or less. All counterparties at least have credit rating of BB and above.

6. Financial Assets

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

	December 31,	
	2023	2022
	US$ 000	US$ 000
Corporate bonds	**1,072**	247
Equity shares and mutual funds	**266,967**	287,751
Third party administrated portfolio	**34,293**	97,395
	302,332	385,393

The portfolio of equity shares and mutual funds detailed above is comprised of equity shares US$52,044 (2022: US$52,193) and mutual funds US$214,923 (2022: US$235,558).

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

The third party administrated portfolio is composed of:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Cash	**30,590**	29,939
Equity shares	**3,770**	2,925
Corporate bonds	**-**	32,852
Repos/liabilities	**-**	19,581
Government bonds	**-**	7,154
Collateralized mortgage	**-**	6,687
Others, net	**(67)**	(1,743)
	34,293	97,395

Following movements of the Bank's financial assets at FVPL:

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Balance at January 1	**385,393**	510,976
Purchases	**30,439**	85,174
Settlements	**(104,150)**	(144,979)
Redemptions	**(15)**	(5,039)
Net change in fair value during the year	**(14,818)**	(52,362)
Realized net gain/(loss)	**5,483**	(8,377)
	302,332	385,393

b. Financial assets at fair value through OCI:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Corporate bonds	**165,457**	49,966
Treasury and government bonds	**17,851**	-
Equity shares	**3,671**	4,842
	186,979	54,808

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

In September 2022, the Bank conducted a comprehensive review of the existing asset allocation within the investment portfolio and decided to overweight its position on plain vanilla fixed income securities. This strategic shift was aimed at increasing exposure to securities with a better risk profile and aligned with the Bank´s risk and business model.

Consequently, throughout 2023, two new investment mandates were established, focusing exclusively on the acquisition of plain vanilla fixed income securities that yield current income and principal return upon maturity. Investments made under these mandates were more aligned with our risk policies and management.

All corporate, treasury, and government bonds classified at FVOCI are fixed-rate instruments with coupon rates ranging from 0.45% to 9.875% p.a. (2022: 2.75% to 9.70% p.a.).

The Bank's financial assets at FVOCI had the following movements:

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Balance at January 1	**54,808**	61,849
Purchases	**226,994**	10,414
Settlements	**(42,770)**	(6,725)
Redemptions / maturities	**(54,783)**	(2,326)
Net change in fair value during the year	**2,730**	(8,404)
	186,979	54,808

FVOCI corporate, treasury and government bonds are concentrated in following countries, based on country of incorporation of issuers:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Colombia	**15,012**	16,070
Panama	**-**	12,902
Mexico	**2,834**	5,706
Brazil	**3,160**	4,695
Peru	**3,421**	3,736
Spain	**3,525**	3,576
Luxembourg	**3,682**	3,281
United States of America	**131,636**	-
Others	**20,038**	-
	183,308	49,966

6. Financial Assets (continued)

Financial assets at FVOCI are concentrated mainly in the financial services industry with 24% of total position (2022: 65%); energy with 17% (2022: 10%); manufacturing 11% (2022: 9%); government 10%; construction with 2% (2022: 7%); and the rest of the portfolio concentrated in other industries.

The maturity analysis of financial assets at FVOCI as of December 31, 2023 and 2022 is shown below:

	December 31, 2023					
	0-1 Year US$000	**1 - 5 Years US$000**	**5 - 10 Years US$000**	**More than 10 years US$000**	**With no Maturity US$000**	**Total US$000**
Corporate bonds	**3,486**	**84,402**	**67,677**	**9,892**	**-**	**165,457**
Treasury and government bonds	**15,030**	**2,481**	**340**	**-**	**-**	**17,851**
Equity shares	**-**	**-**	**-**	**-**	**3,671**	**3,671**
	18,516	**86,883**	**68,017**	**9,892**	**3,671**	**186,979**

	December 31, 2022					
	0-1 Year US$000	1 - 5 Years US$000	5 - 10 Years US$000	More than 10 years US$000	With no Maturity US$000	Total US$000
Corporate bonds	-	30,341	19,625	-	-	49,966
Equity shares	-	-	-	-	4,842	4,842
	-	30,341	19,625	-	4,842	54,808

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

	December 31,	
	2023 US$ 000	2022 US$ 000
Fixed rate	**184,380**	50,213
Equity (non-interest bearing)	**55,715**	57,035
Funds (mixed)	**214,923**	235,558
Third party administered funds (mixed)	**34,293**	97,395
	489,311	440,201

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

Transfer of financial assets from level 1 to level 2 occur when they ceased to be actively traded during the year and fair values consequently obtained using valuation techniques using observable market inputs. Transfers from level 2 to level 1 occur when the financial asset is actively traded during the year.

Transfers from level 3 to level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously significant unobservable valuation inputs. Since the transfer, those instruments are valued using valuation models incorporating observable market inputs. Transfers into level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Bank requires significant unobservable inputs to calculate their fair value.

The financial assets at FVPL and FVOCI classified according to hierarchy of fair value measurements are described below:

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Financial assets at FVPL				
Corporate bonds	**261**	**811**	**-**	**1,072**
Equity shares and mutual funds	**31,342**	**28,527**	**207,098**	**266,967**
Third party administrated portfolio	**-**	**34,293**	**-**	**34,293**
	31,603	**63,631**	**207,098**	**302,332**
Financial assets at FVOCI				
Equity shares	**3,671**	**-**	**-**	**3,671**
Treasury bonds and government bonds	**17,851**	**-**	**-**	**17,851**
Corporate bonds	**165,457**	**-**	**-**	**165,457**
	186,979	**-**	**-**	**186,979**

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Financial assets at FVPL				
Corporate bonds	247	-	-	247
Equity shares and mutual funds	51,455	33,859	202,437	287,751
Third party administrated portfolio	-	97,395	-	97,395
	51,702	131,254	202,437	385,393
Financial assets at FVOCI				
Equity shares	4,842	-	-	4,842
Corporate bonds	49,966	-	-	49,966
	54,808	-	-	54,808

There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 in 2023 and 2022.

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

The fair value of financial assets is calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- Fair value of quoted debt securities and equity instruments is based on quoted market prices in active markets at the reporting date. When not available, fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate to the circumstances of the instruments.

- Fair value of private investment funds depends on the underlying assets in their portfolios. If the assets are quoted bonds, shares or derivatives, fair value is based on market prices at the reporting date. If the assets are private debt or equity, fair value is estimated using a discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

The table below shows a description of significant unobservable inputs to valuation, as of December 31, 2023:

	Fair Value (US$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Mutual Funds and Investment Participations	207,098	Net Asset Value	NAV	According to each investment	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US$19,803
Total	**207,098**				

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

	Fair Value (US$000)	Valuation technique	Significant unobservable inputs	Value	Sensitivity of the input to fair value
Mutual Funds and Investment Participations	202,437	Net Asset Value	NAV	According to each investment	10% increase (decrease) in the NAV would result in increase (decrease) in fair value by US$21,767
Total	**202,437**				

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

The tables below include a reconciliation of fair value measurement of financial instruments classified by the Bank within level 3 of the fair value hierarchy:

	Year ended December 31,	
	2023	2022
	Financial Assets at FVPL	Financial Assets at FVPL
	US$000	US$000
Balance at January 1	**202,437**	242,793
Purchases	**23,127**	47,285
Settlements	**(9,605)**	(72,776)
Net change in fair value during the year	**(8,861)**	(14,865)
Balance at December 31	**207,098**	202,437

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

	Year ended December 31, 2023				
	Pharmaceutical	**Financial Services**	**Real Estate**	**Diversified**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**
Balance at January 1	**18,226**	**103,913**	**20,313**	**59,985**	**202,437**
Purchases	**-**	**2,143**	**10,539**	**10,445**	**23,127**
Settlements / distributions	**(877)**	**(1,894)**	**(1,942)**	**(4,892)**	**(9,605)**
Total net gain (loss) recognized in P&L	**636**	**(8,539)**	**2,007**	**(2,965)**	**(8,861)**
Balance at December 31	**17,985**	**95,623**	**30,917**	**62,573**	**207,098**

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

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

The table below represents an analysis of the financial assets at FVPL and FVOCI by rating agency designation based on Bloomberg Composite Credit rating of equivalent funds.

	December 31, 2023					
	Equity Shares US$000	Mutual Funds US$000	Third Party Administered Portfolio US$000	Corporate Bonds US$000	Treasury Bonds US$000	Total US$000
AAA	-			-	2,820	2,820
AA+ to AA-	-			6,548	15,031	21,579
A+ to BBB-	-	-	-	113,638	-	113,638
Lower than BBB-	-	-	-	45,532	-	45,532
Unrated	55,715	214,923	34,293	811	-	305,742
	55,715	214,923	34,293	166,529	17,851	489,311

	December 31, 2022					
	Equity Shares US$000	Mutual Funds US$000	Third Party Administered Portfolio US$000	Corporate Bonds US$000	Treasury Bonds US$000	Total US$000
AAA	-	-	-	-	-	-
AA+ to AA-	-	-	-	-	-	-
A+ to BBB-	-	-	-	3,909	-	3,909
Lower than BBB-	-	-	-	46,304	-	46,304
Unrated	57,035	235,558	97,395	-	-	389,988
	57,035	235,558	97,395	50,213	-	440,201

6. Financial Assets (continued)

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

		December 31, 2023			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
		US$000	US$000	US$000	US$000
Internal Credit Rating	**12 Month Basel III PD**				
AAA to A	0.00%	**68,351**	**-**	**-**	**68,351**
BBB	0.09%	**69,656**	**-**	**-**	**69,656**
BB	0.70%	**36,405**	**2,349**	**-**	**38,754**
Lower than BB	2.91%	**6,202**	**-**	**345**	**6,547**
Total		**180,614**	**2,349**	**345**	**183,308**

		December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
		US$000	US$000	US$000	US$000
Internal Credit Rating	12 Month Basel III PD				
AAA to A	0.00%	-	-	-	-
BBB	0.09%	3,736	-	-	3,736
BB	0.65%	26,584	-	-	26,584
Lower than BB	3.02%	16,893	2,682	71	19,646
Total		47,213	2,682	71	49,966

The Bank rates its financial assets into stage 1, stage 2, and stage 3, as describe below:

Stage 1: When the financial assets are first recognized, the Bank recognized an allowance base on 12 months ECLs. Stage 1 also includes financial assets whose credit risk has improved, and the financial assets has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECLs. Stage 2 also includes financial assets whose credit risk has improved, and the financial asset has been reclassified from Stage 3.

Stage 3: Financial assets considered credit impaired. The Bank records an allowance for the lifetime ECLs.

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

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Balance at beginning of year	**3,246**	872
Allowance charged to expense (reversal)	**(165)**	2,374
Balance at year end	**3,081**	3,246

Amounts expressed in thousands of US$ dollars

6. Financial Assets (continued)

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

Year ended December 31, 2023

	Stage 1 US$ 000	***Stage 2 US$ 000***	***Stage 3 US$ 000***	***Total US$ 000***
ECL				
Balance at beginning of the year	**376**	**155**	**2,715**	**3,246**
Remeasurement at year end ECL	**(65)**	**(100)**	**-**	**(165)**
Balance at end of the year	**311**	**55**	**2,715**	**3,081**

Year ended December 31, 2022

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

Amounts expressed in thousands of US$ dollars

7. Loans, Net

The position of the loan portfolio is summarized below:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Financial	**1,175**	2,250
Commercial	**12,197**	14,326
Industrial	**13,906**	18,496
Services	**120,398**	106,249
Construction and real estate	**53,429**	47,391
Fishing and agriculture	**19,636**	28,670
Consumer	**179,187**	241,840
	399,928	459,222
Less allowance for loan losses	**35**	80
	399,893	459,142

In addition to the allowance for loan losses, in compliance with the Superintendence of Banks of Panama Rule Nº 004-2013, whereby dispositions are established for managing and administering the credit risk inherent to credit portfolio and off-balance sheet operations, the Bank holds a Regulatory Reserve for the amount of US$ 2,242 at December 2023 (2022: US$ 2,242) that is reported in Shareholder's Equity.

At December 31, 2023, the annual interest rates on loans ranged from 1.10% to 11.40% (2022: 1.10% to 10.0%), and the weighted average interest rate was 5.99% (2022: 5.36%).

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

	December 31,	
	2023	2022
	US$ 000	US$ 000
Fixed rate	**232,418**	255,261
Variable rate (Prime)	**167,510**	203,961
	399,928	459,222

Amounts expressed in thousands of US$ dollars

7. Loans, Net (continued)

Gross balance of loans is secured as follows:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Cash	**132,939**	205,354
Securities	**256,313**	220,689
Others	**5,386**	24,271
Without collateral	**5,290**	8,908
	399,928	459,222

On December 31, 2023, there were no past due or impaired loan classified as a high risk level and stage 3 (2022:US$33). As of December 31, 2023, 99.9% of loans were classified in stage one.

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

	December 31,	
	2023	2022
	US$ 000	US$ 000
Internal (equivalent) risk rating:		
Low (AAA to AA)	**14,587**	12,009
Medium Low (A to BBB+)	**283,656**	358,476
Medium (BBB to BBB-)	**99,968**	86,798
Medium High (BB+ to BB)	**207**	196
High (BB- to CCC)	**-**	33
Not rated	**1,510**	1,710
	399,928	459,222

Amounts expressed in thousands of US$ dollars

7. Loans, Net (continued)

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

LOANS		**2023**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal Rating Grade	12 Month Basel III PD	US$000	US$000	US$000	US$000
Performing					
Low	0.00%	**14,587**	**-**	**-**	**14,587**
Medium Low	0.05%	**283,656**	**-**	**-**	**283,656**
Medium	0.09%	**99,968**	**-**	**-**	**99,968**
Medium High	0.65%	**177**	**30**	**-**	**207**
High	1.00%	**-**	**-**	**-**	**-**
Not Rated	1.00%	**1,510**	**-**	**-**	**1,510**
Total		**399,898**	**30**	**-**	**399,928**

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

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

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Balance at beginning of year	**80**	698
Reversal of allowance, net	**(45)**	(618)
Balance at year end	**35**	80

Amounts expressed in thousands of US$ dollars

7. Loans, Net (continued)

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

Year ended December 31, 2023

	Stage 1 US$ 000	***Stage 2 US$ 000***	***Stage 3 US$ 000***	***Total US$ 000***
ECL				
Balance at beginning of the year	**47**	**1**	**32**	**80**
Remeasurement at year end ECL	**5**	**-**	**-**	**5**
New loans	**-**	**-**	**-**	**-**
Loans paid-off	**(17)**	**(1)**	**(32)**	**(50)**
Balance at end of the year	**35**	**-**	**-**	**35**

Year ended December 31, 2022

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

Amounts expressed in thousands of US$ dollars

8. Property, Furniture, Equipment and Improvements, Net

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

Year ended December 31, 2023

	Property **US$ 000**	***Furniture and Equipment*** **US$ 000**	***Improvements*** **US$ 000**	***Vehicles*** **US$ 000**	***Total*** **US$ 000**
Cost					
At beginning of year	**9,508**	**2,074**	**2,481**	**176**	**14,239**
Additions	**-**	**79**	**-**	**-**	**79**
Reclassification	**-**	**508**	**-**	**-**	**508**
At end of year	**9,508**	**2,661**	**2,481**	**176**	**14,826**
Accumulated depreciation and amortization					
At beginning of year	**1,610**	**1,841**	**1,502**	**79**	**5,032**
Depreciation and amortization for the year	**317**	**192**	**199**	**24**	**732**
At end of year	**1,927**	**2,033**	**1,701**	**103**	**5,764**
Net balance	**7,581**	**628**	**780**	**73**	**9,062**

Year ended December 31, 2022

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

Amounts expressed in thousands of US$ dollars

9. Intangible Assets

Intangible assets are shown below:

Year ended December 31, 2023

	Software **US$ 000**	***Work in Progress*** **US$ 000**	***Total*** **US$ 000**
Cost			
At beginning of year	**11,662**	**315**	**11,977**
Additions	**-**	**1,020**	**1,020**
Adjustments	**-**	**(121)**	**(121)**
Reclassification	**114**	**(622)**	**(508)**
At end of year	**11,776**	**592**	**12,368**
Accumulated depreciation and amortization			
At beginning of year	**9,639**	**-**	**9,639**
Depreciation and amortization for the year	**978**	**-**	**978**
At end of year	**10,617**	**-**	**10,617**
Net balance	**1,159**	**592**	**1,751**

Year ended December 31, 2022

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

Amounts expressed in thousands of US$ dollars

10. Other Assets

Other assets are shown below:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Accounts receivable	**2,484**	1,838
Accrued commissions	**5,678**	6,202
Right-of-use assets	**198**	288
	8,360	8,328

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

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
At the beginning of the year	**288**	106
Additions	**190**	305
Amortization expense	**(280)**	(123)
At the end of the year	**198**	288

Lease liabilities are reported within the other liabilities in the statement of financial positions. The movement of the lease liability is as follows:

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
At the beginning of the year	**280**	107
Additions	**190**	305
Interest accrued	**17**	5
Payments	**(295)**	(137)
At the end of the year	**192**	280

Amounts expressed in thousands of US$ dollars

10. Other Assets (continued)

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

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Amortization expense	**280**	123
Interest expense	**17**	10
Short-term leases	**201**	256
	498	389

11. Time Deposits with Banks and Due to Depositors

The annual interest rates in time deposits with banks and due to depositors are shown below:

	December 31,	
	2023	2022
	%	%
Deposits with banks:		
Interest rate range	**3.30% to 6.50%**	1.10% to 5.87%
Weighted average interest rate	**5.84%**	3.77%
Due to depositors:		
Non banks:		
Interest rate range	**0.10% to 7.90%**	0.10% to 7.5%
Weighted average interest rate	**3.89%**	3.12%

12. Borrowings

	December 31,	
	2023	2022
	US$ 000	US$ 000
Outstanding balance borrowings	**22,000**	14,000
	22,000	14,000

12. Borrowings (continued)

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

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Balance at January 1	**14,000**	46,000
Proceeds	**37,000**	10,000
Repayments	**(29,000)**	(42,000)
Balance at December 31	**22,000**	14,000

Bank J. Safra Sarasin granted the Bank a credit facility in the form of a revolving line of credit of US$28,000. (The Bank has US$22,000 currently used). Interest expense for the year was US$1,130 (2022: US$897). Borrowings are collateralized by an investments portfolio.

	Year ended December 31,	
	2023	2022
	%	%
Borrowings		
Interest rate range	**5.61% to 6.58%**	0.66% to 5.61%
Weighted average interest rate	**6.30%**	2.44%

13. Share Capital

At December 31, 2023, the Bank's share capital is comprised of 20 million (2022: 20 million), common shares issued and outstanding with a par value of US$1 (2022: US$1) each.

During the year ended December 31, 2023, the Bank did not declare and did not pay dividends (2022: US$50 million) or (2022: US$2.50 per share).

Amounts expressed in thousands of US$ dollars

14. Income Taxes

As of December 31, 2023, there was no income tax liability reflected in the financial statements, as there is no income tax imposed by the Government of The Commonwealth of The Bahamas. In accordance with the current tax regulations in Panama, the Branch is exempt from the payment of income taxes on profits derived from foreign operations. In addition, profits derived from interest earned on time deposits and interest earned from Panamanian Government securities is also exempt from the payment of income taxes.

Value Added Tax (VAT) of 10% (2022: 10%) is paid on almost all local purchases; however, all amounts paid can be reclaimed by filing an application with the Inland Revenue Department of the Commonwealth of The Bahamas, due to the classification of the Bank as zero rated for VAT.

15. General and Administrative Expenses

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Salaries and employee benefits		
Salaries	**5,982**	5,771
Social security	**468**	467
Employee benefits	**2,029**	1,140
Seniority premium	**63**	127
Training	**88**	70
	8,630	7,575
Professional fees		
Inteligo Sociedad Agentes de Bolsa, S.A. (Inteligo SAB)	**5,964**	5,959
Others	**5,498**	5,269
	11,462	11,228
Other expenses		
Repairs and maintenance	**1,743**	1,475
Communication and postage	**131**	185
Taxes and banking license fees	**222**	214
Electricity	**87**	76
Office supplies	**14**	9
Travel	**295**	227
Insurance	**465**	360
Other	**1,646**	1,361
	4,603	3,907

Amounts expressed in thousands of US$ dollars

16. Commitments and Contingencies

In the normal course of business, the Bank has commitments and contingencies which are not reflected in the statement of financial position and involve certain levels of credit and liquidity risk.

a) Customer Credit

Stand-by letters of Credit and Credit Facilities
Letters of credit imply certain exposure to credit loss in the event of non-compliance of the customer, net of collateral guarantees securing these transactions. The Bank's credit policies and procedures to approve these commitments are similar to those for extending loan facilities.

These commitments are summarized below:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Stand by letters of credit	**1,510**	1,466
Lines of credit to be disbursed	**58,245**	34,479

Consumer Credit – Visa
As of December 31, 2023, the Bank had outstanding revolving lines of credit available to its credit card customers for US$8,414 (2022: US$8,268). The unused portion of the total credit facility available amounted to approximately US$7,447 (2022: US$7,452). While these amounts represent the available lines of credit to customers, the Bank has not experienced and does not anticipate that all of its customers will use their entire available lines at any given point in time. The Bank generally has the right to increase, decrease, cancel, alter or amend the terms of these lines at any time.

b) Contingencies

The Bank is involved in legal proceedings in the ordinary course of its banking operations. Inteligo Bank has been named as a defendant in the following litigation matters:

- A lawsuit filed on September 2, 2010 by the liquidators of Fairfield Sentry Limited ("Fairfield").

- A lawsuit filed on October 6, 2011 by Irving Picard, the Trustee for Bernard L. Madoff Investment Securities LLC ("BLMIS").

These lawsuits seek the return of approximately U.S.$8.4 million in redemption payments allegedly received by the Bank in connection with investments in Fairfield, a BLMIS feeder fund.

Amounts expressed in thousands of US$ dollars

16. Commitments and Contingencies (continued)

BLMIS lawsuit: On December 9, 2022, the Bankruptcy Court for the Southern District of New York denied the Bank's motion to dismiss the complaint. The Court issued an amended version of its memorandum decision on December 15, 2022, and a formal order denying the motion was entered on December 22, 2022. On February 10, 2023, the Bank filed an answer to the complaint. On September 25, 2023, the Court approved a case management plan, and the parties have begun exchanging documents and information as part of the discovery process. Discovery is currently scheduled to end in December 2025. After the close of discovery, the parties will agree with the Court upon a schedule for filing dispositive motions and, if necessary, a trial.

Fairfield Lawsuit: On August 24, 2022, the District Court affirmed the Bankruptcy Court's dismissal of the Liquidator's complaint against the Bank and several other defendants, and on September 26, 2022, the Liquidator appealed this decision to the United States Court of Appeals for the Second Circuit. The Bank's case has been consolidated with similar cases involving other defendants on appeal. On June 9, 2023, the appeal was fully briefed, but on July 5, 2023, the Court of Appeals for the Second Circuit granted a motion to hear a related appeal and consolidated that appeal with The Bank's appeal. As a result, the Second Circuit's consideration of The Bank's appeal has been delayed while the new appeal is briefed. All briefing was complete on November 17, 2023, and the Second Circuit will likely hear oral argument in early 2024.

17. Commission Income

	Year ended December 31,	
	2023	2022
	US$ 000	US$ 000
Product management portfolio	**2,445**	2,866
Commission for purchase and sale of financial instruments	**2,333**	2,450
Operational commissions	**3,206**	3,372
Structure of notes	**14,405**	17,809
Custody fees	**3,275**	3,540
Subscription rates	**708**	1,189
	26,372	31,226

Administration services of trust assets and third-party securities generate several types of commission income including but not limited to: fees relating to trading of structured notes based on a certain spread over face value for each particular note, fund subscription and redemption fees when applicable, custody fees and portfolio management fees.

Amounts expressed in thousands of US$ dollars

18. Balance and Transactions with Related Parties

The statement of financial position and statement of income include balances and transactions with related parties, which are summarized as follows:

	Directors and Key Management Personnel		*Executives*		*Related Companies*	
	2023 US$ 000	2022 US$ 000	2023 US$ 000	2022 US$ 000	2023 US$ 000	2022 US$ 000
Assets						
Securities	-	-	-	-	47	43
Loans	1,180	1,653	12,057	12,057	-	-
Interest receivables	36	62	516	516	-	-
Liabilities						
Demand deposits	788	1,473	2,015	4,712	27,753	113,588
Time deposits	717	-	4,733	4,703	-	-
Interest payable	24	-	83	46	-	-
Interest income						
Loans	75	85	910	896	-	49
Interest expense						
Deposits	24	-	208	52	-	3
Income from financial services and other items						
Commission income	30	47	253	256	182	349
General and administrative expenses						
Key management salaries	1,025	1,100	-	-	-	-
Professional fees	-	-	-	-	11,385	9,653
Commission expense	-	-	-	-	32	38

Transactions with related parties include loans with interest rate range from 2.0% to 9.0% (2022: 2.0% to 8.0%); as well as fixed-income securities with coupon rate range from 5.75% to 6.0% (2022: 5.75% to 6.0%). In the case of time deposits, interest rates are in the range of 3.8% to 5.65% p.a. (2022: 1.8% to 4.85% p.a.) and maturities within 2024. Demand deposits do not accrue interest.

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

Amounts expressed in thousands of US$ dollars

19. Fair Value of Financial Instruments

The following assumptions, when practical, have been made by Management to estimate the fair value for each financial instrument's category in the statement of financial position:

a) Cash and deposits with banks/accrued interest receivable/demand deposits due to customers/accrued interest payable/other liabilities.

   For the financial instruments described above, the carrying values approximate their fair value due to their short-term nature.

b) Financial Assets

   For financial assets, the fair value is based on published market price quotations, quotes from electronic pricing systems, net asset value provided by fund administrators, quotations provided by banks and estimates based on internal models of valuation.

c) Loans

   The fair value of the loan portfolio is determined by discounting the future cash flows using interest rates that represent: (i) current market rates, and (ii) future expected interest rates, for a term that takes into account the expected anticipated prepayments in the loan portfolio.

d) Demand and time deposits from customers

   The fair value of these financial instruments was determined by discounting the future cash flows using interest rate that reflect: (i) current market rates, and (ii) future expected interest rates, for a term that represents the remaining life of these instruments.

e) Borrowings

   The fair value of these financial instruments was determined by discounting the future cash flows using interest rate that reflect: (i) current market rates, and (ii) future expected interest rates, for a term that represents the remaining life of these instruments.

Amounts expressed in thousands of US$ dollars

19. Fair Value of Financial Instruments (continued)

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

	December 31,			
	2023		2022	
	Carrying Value US$ 000	**Fair Value US$ 000**	Carrying Value US$ 000	Fair Value US$ 000
Assets				
Cash and deposits with banks	**213,899**	**213,899**	369,220	369,220
Financial assets	**489,311**	**489,311**	440,201	440,201
Loans	**399,928**	**400,333**	459,222	456,543
	1,103,138	**1,103,543**	1,268,643	1,265,964
Liabilities				
Demand deposits	**290,223**	**290,223**	516,746	516,746
Time deposits	**598,412**	**594,736**	556,797	546,744
Borrowings	**22,000**	**21,991**	14,000	13,934
	910,635	**906,950**	1,087,543	1,077,424

The following table analyzes the fair values of financial instruments not measured at fair value in books, by the level of fair value hierarchy in which have been classified:

Fair Value	**2023**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans	**400,333**	**-**	**400,333**	**-**
	400,333	**-**	**400,333**	**-**
Liabilities				
Demand deposits	**290,223**	**-**	**290,223**	**-**
Time deposits	**594,736**	**-**	**594,736**	**-**
Borrowings	**21,991**	**-**	**21,991**	**-**
	906,950	**-**	**906,950**	**-**

Fair Value	2022	Level 1	Level 2	Level 3
Assets				
Loans	456,543	-	456,543	-
	456,543	-	456,543	-
Liabilities				
Demand deposits	516,746	-	516,746	-
Time deposits	546,744	-	546,744	-
Borrowings	13,934	-	13,934	-
	1,077,424	-	1,077,424	-

20. Financial Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank's statement of financial position is primarily comprised of financial instruments.

The Bank's Board of Directors is responsible for establishing and monitoring the risk of administration policies for financial instruments. In order to manage and monitor the various risks the Bank is exposed to, the Board of Directors has created the Credit Committee, the Investment Committee, the Assets and Liabilities Committee, the Enterprise Risk Management Committee and the Audit Committee. These committees are engaged in managing these risks and in making periodic reviews. In addition, the Bank is subject to the regulations of The Central Bank of The Bahamas concerning the risks of liquidity, credit and levels of capitalization, among others.The significant risks identified by the Bank are credit, counterparty, liquidity, market risk, other market price and capital management which are described as follows:

a) Credit Risk

This is the risk that the debtor or issuer of a financial asset owned by the Bank does not fully and timely comply with any payment, in conformity with the terms and conditions agreed when the respective financial asset was acquired or originated by the Bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31,	
	2023	2022
	US$ 000	US$ 000
Deposits with banks	**213,893**	369,211
Financial assets	**489,311**	440,201
Loans	**399,928**	459,222
Securities sold pending settlement	**304**	407
Accrued interest receivable	**13,720**	10,517
Other assets	**8,360**	8,328
	1,125,516	1,287,886

To mitigate credit risk, the Bank's policies establish limits by country, industry, and debtor. The Committee appointed by the Board of Directors, periodically oversees the financial condition of debtors and issuers of financial instruments that involve risk for the Bank. To mitigate credit risk, the Bank's risk management policies establish the following:

- Financing granted by the Bank to its clients is within financing limits established by the Board of Directors, as well as within the requirements established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. Exposure limits are applied to individuals and economic groups.

- The Bank limits exposure by sector and geographic location.

20. Financial Risk Management (continued)

Credit Policies

The credit policies of the Bank include a series of rules and measures which allow those persons involved in the credit process to have information on the procedures that must be followed to be in compliance with credit related functions. The Bank's view is that having comprehensive information when deciding to approve credit requests, is a key factor in making informed decisions and maintaining a healthy credit portfolio. All direct and indirect credits, as well as credit operations and guarantees classified as contingent assets are considered as part of the Bank's credit policy.

Establishment of authorization limits:

- The Board of Directors establishes credit policies and can delegate its authority to approve loans. The Board of Directors also establishes the authorization limits of officers, establishes procedures to monitor compliance, and can delegate these responsibilities to the Credit Committee and the Parent Company's Audit Committee.

- The Board of Directors establishes the authorization structure for the approval and renewal of credit facilities. The Credit Committee is responsible for implementing of the policies approved by the Board.

- The Enterprise Risk Management Committee is responsible for risk management policies, including the establishment of authorization limits to approve and renew credit facilities, and establishment of limits for counterparty, geographic area and economic risk concentrations.

Concentration and Exposure Limits

The Bank defines limits according to prudential norms and guidelines established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. The limits considered are primarily individual exposures to related parties as well as economic sector and geographic concentrations.

In accordance with the new rule about capital adequacy calculation, as of December 31, 2023, the Bank was in compliance with all the Prudential Norms established by The Central Bank of The Bahamas. Among others, Prudential Norms require the Bank to maintain its minimum CET1 capital ratio of 8% and a total capital requirement of 12% of its risk-weighted assets, as well as an exposure to related parties and single groups below 15% and 25% of total capital, respectively. The Bank's capital adequacy ratio as of December 31, 2023 was 17.35% (2022: 16.4%). At December 31, 2022 capital ratio was 20.41% with previous rule.

The Superintendence of Banks of Panama requires banks to establish a Dynamic Reserve of not less than 1.50% of the total loan portfolio of the Panama Branch classified in the standard category. Regulatory reserve by year-end 2023 amounts to US$2,276 (2022: US$2,322), which includes both the allowance for loan losses calculated in accordance with IFRS US$35 (2022: US$80) and the additional regulatory allowance US$2,242 (2022: US$2,242). Compliant with IFRS 9, the Bank reviews its loan portfolio on a quarterly basis and estimates its expected credit loss.

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

The Bank monitors the credit risk concentration by sector and geographic location. The analysis of credit risk concentration as of December 31 is shown below:

	Loans		Financial Assets		Deposits with Banks	
	2023	2022	**2023**	2022	**2023**	2022
	US$ 000	US$ 000	**US$ 000**	US$ 000	**US$ 000**	US$ 000
Concentration by sector:						
Corporate	**267,520**	321,824	**157,430**	99,842	**-**	-
Consumer	**132,408**	137,398	**-**	-	**-**	-
Treasuries	**-**	-	**17,851**	-	**-**	-
Others sectors	**-**	-	**314,030**	340,359	**213,893**	369,211
	399,928	459,222	**489,311**	440,201	**213,893**	369,211
Geographic concentration:						
Panama - off shore	**64,976**	69,777	**-**	-	**23,682**	17,930
Caribbean	**1,540**	3,901	**2,807**	16,441	**-**	-
United States of America	**12,742**	13,042	**274,542**	197,825	**95,948**	210,590
Europe	**810**	1,417	**31,230**	27,453	**171**	1,555
Peru	**317,377**	368,780	**4,449**	9,094	**-**	-
Others	**2,483**	2,305	**176,283**	189,388	**94,092**	139,136
	399,928	459,222	**489,311**	440,201	**213,893**	369,211

The geographic concentration is based on the debtor's location in the case of loans, and on the issuer's location in the case of securities. When evaluating credit risk, management considers the following:

- *Impairment of loans, financial assets and deposits with banks*

Impairment of loans, financial assets and deposits with banks is determined based on the expected credit losses model as per IFRS 9.

As per IFRS 9, the Bank recorded an allowance for credit losses on deposits with banks for US$52 (2022: US$38), which is deducted from the respective assets.

- *Financial assets past due but not impaired*

Defined as loans and investments where contractual interest or principal payments are past due but are not considered to be impaired because of the level of security / collateral available and the stage of collection of amounts owed to the Bank.

20. Financial Risk Management (continued)

- *Renegotiated loans*

Renegotiated loans are those for which a significant variation in the original credit terms has been formally documented, due to difficulties in the payment capacity of the debtor, and the result of the current assessment does not permit them to be classified as standard performing loans.

- *Impairment allowance*

The Bank has established impairment allowance to cover expected credit losses on the loan and financial assets portfolios.

- *Charge-off policy*

The Bank periodically reviews its financial instruments to identify those loans and securities that need to be written-off due to their non-collectability and does so up to the amount not covered by the collateral, if any. For unsecured consumer loans, write-offs are calculated based on the amount past due. In the case of secured loans, the write-off is calculated after considering the value of collateral held. The Bank writes-off financial assets when there is evidence of impairment and managements concludes to do so.

The Bank periodically analyzes the loan portfolio to identify required impairment provisions calculated as the difference between the carrying value and the realizable value of security or collateral held. Impairment allowances are computed individually for loans with significant risks and collectively for groups of loans with similar credit risk characteristics. The Bank also uses estimates to establish a general impairment allowance based on historical write-off rates. The methodology and assumptions used to make these estimates are reviewed periodically.

The Bank holds guarantees and security for certain loans granted, comprised primarily of customers' deposits and securities.

As at December 31, 2023, the Bank held as collateral on loans to customers primarily dollar deposits, equities, structured notes, debt instruments, among others.

b) Counterparty Risk

This is the risk that a counterparty does not comply with the settlement of a redemption, purchase or sale of securities.

Risk management policies establish counterparty limits that determine the maximum amount of net exposure to transactions not yet liquidated that the Bank is permitted to have with a given counterparty. The Assets and Liabilities Committee is responsible for identifying acceptable counterparties taking into consideration the counterparty's history with respect to the fulfillment of obligations, as well as other indications of it being able to comply with obligations in the future.

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

c) Liquidity and Financing Risk

This is the risk that the Bank cannot comply with all of its obligations because of, among other reasons, an unexpected withdrawal of funds by depositors, the deterioration of the quality of the loan portfolio, the devaluation of securities, the excessive concentration of liabilities from one particular source, a gap between assets and liabilities, a shortage of asset liquidity, or the mismatch of long-term asset financing with short-term liabilities. The Bank manages its liquidity resources to honor liabilities at maturity under normal contractual terms.

Liquidity Risk Management

Risk management policies establish a liquidity limit to determine the amount of the Bank's assets that should be maintained in highly liquid instruments; as well as financing limits, leverage limits and duration limits.

The Board of Directors has established liquidity levels as to the minimum amount of available funds required to comply with such requirements and the minimum level of inter-banking facilities and other loan facilities that should exist to cover unexpected withdrawals. The Bank holds a short-term asset portfolio, comprised of loans and liquid investments to ensure sufficient liquidity.

The Bank's financial assets include unlisted equity investments, which generally are illiquid. In addition, the Bank holds investments in unlisted closed and open-ended investments funds, which may be subject to redemption restrictions such as side pockets or redemption gates. As a result, the Bank may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements.

Exposure to Liquidity Risk

A primary measure of liquidity is the Bank's net liquidity margin.

The Bank's liquidity index which is calculated by dividing liquid assets by total deposits is shown below:

	December 31,	
	2023	2022
	%	%
At year end	**28%**	37%
Average for the year	**28%**	30%
Maximum during the year	**34%**	37%
Minimum during the year	**20%**	24%

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

The table below shows the undiscounted contractual cash flows of the Bank's significant financial instruments on the basis of the earliest possible contractual maturity at the reporting date. The expected cash flows of these instruments could differ significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

	December 31, 2023						
	Total US$ 000	**Up to 1 Month US$ 000**	**1 to 3 Months US$ 000**	**3 to 12 Months US$ 000**	**1 to 5 Years US$ 000**	**More than 5 Years US$ 000**	**Without Maturity US$ 000**
Assets:							
Cash and deposits with banks	**213,899**	**12,710**	**31,161**	**45,233**	**7,090**	**-**	**117,705**
Financial assets at FVPL	**302,332**	**-**	**-**	**811**	**75**	**186**	**301,260**
Financial assets at FVOCI	**186,979**	**11,068**	**85**	**7,364**	**86,883**	**77,908**	**3,671**
Loans	**399,928**	**26,170**	**41,982**	**260,490**	**70,599**	**687**	**-**
Total Assets	**1,103,138**	**49,948**	**73,228**	**313,898**	**164,647**	**78,781**	**422,636**
Liabilities:							
Deposits	**888,635**	**63,329**	**89,936**	**402,291**	**42,856**	**-**	**290,223**
Borrowings	**22,000**	**22,000**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**910,635**	**85,329**	**89,936**	**402,291**	**42,856**	**-**	**290,223**
Net liquidity gap	**192,503**	**(35,381)**	**(16,708)**	**(88,393)**	**121,791**	**78,781**	**132,413**

	December 31, 2022						
	Total US$ 000	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Maturity US$ 000
Assets:							
Cash and deposits with banks	369,220	4,147	6,173	78,668	1,776	-	278,456
Financial assets at FVPL	385,393	19,568	(371)	(111)	6,487	40,490	319,330
Financial assets at FVOCI	54,808	-	-	-	-	49,966	4,842
Loans	459,222	30,566	88,447	307,752	30,116	2,341	-
Total Assets	1,268,643	54,281	94,249	386,309	38,379	92,797	602,628
Liabilities:							
Deposits	1,073,543	42,199	80,673	417,455	16,470	-	516,746
Borrowings	14,000	-	-	14,000	-	-	-
Total Liabilities	1,087,543	42,199	80,673	431,455	16,470	-	516,746
Net liquidity gap	181,100	12,082	13,576	(45,146)	21,909	92,797	85,882

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

d) Market Risk

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices, as well as changes in net asset values of unlisted closed and open-ended investment funds, may affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

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

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

Risk management policies provide for compliance limits by financial instrument, limits with respect to maximum loss amounts that trigger the settlement of positions that caused such loss; and the requirement that, except with the approval from the Board of Directors, substantially all assets and liabilities are denominated in United States dollars.

Market Risk Administration

The Board of Directors has determined that market risk should be monitored directly by the Enterprise Risk Management Committee which is comprised of members of the Board of Directors and executive personnel. This committee is responsible for developing policies to administer market risk. In addition, this committee is responsible for review and approval of policy implementation.

Cash flows and fair value interest rate risk

Cash flows and fair value interest rate risk are the risks of fluctuation of both the future cash flows and the value of a financial instrument due to changes in market interest rates.

The Bank establishes limits to interest rate risk and periodically, this exposure is monitored by the Risk Department and the Enterprise Risk Management Committee.

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

The following table summarizes the Bank's exposure based on the re-pricing terms of interest rates of financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

	December 31, 2023						
	Up to 1 Month US$ 000	**1 to 3 Months US$ 000**	**3 to 12 Months US$ 000**	**1 to 5 Years US$ 000**	**More than 5 Years US$ 000**	**Without Interest Rate US$ 000**	**Total US$ 000**
Assets:							
Cash and deposits with banks	**12,710**	**31,161**	**45,233**	**7,090**	**-**	**117,705**	**213,899**
Financial assets	**11,068**	**85**	**8,175**	**86,958**	**78,094**	**304,931**	**489,311**
Loans	**26,170**	**41,982**	**260,490**	**70,599**	**687**	**-**	**399,928**
Total Assets	**49,948**	**73,228**	**313,898**	**164,647**	**78,781**	**422,636**	**1,103,138**
Liabilities:							
Deposits	**63,329**	**89,936**	**402,291**	**42,856**	**-**	**290,223**	**888,635**
Borrowings	**22,000**	**-**	**-**	**-**	**-**	**-**	**22,000**
Total Liabilities	**85,329**	**89,936**	**402,291**	**42,856**	**-**	**290,223**	**910,635**
Net interest gap	**(35,381)**	**(16,708)**	**(88,393)**	**121,791**	**78,781**	**132,413**	**192,503**

	December 31, 2022						
	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Interest Rate US$ 000	Total US$ 000
Assets:							
Cash and deposits with banks	4,147	6,173	78,668	1,776	-	278,456	369,220
Financial assets	19,568	(371)	(111)	6,487	90,457	324,171	440,201
Loans	30,566	88,447	307,752	30,116	2,341	-	459,222
Total Assets	54,281	94,249	386,309	38,379	92,798	602,627	1,268,643
Liabilities:							
Deposits	42,199	80,673	417,455	16,470	-	516,746	1,073,543
Borrowings	-	-	14,000	-	-	-	14,000
Total Liabilities	42,199	80,673	431,455	16,470	-	516,746	1,087,543
Net interest gap	12,082	13,576	(45,146)	21,909	92,798	85,881	181,100

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

Exposure to Market Risk

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

The net interest margin of the Bank may vary as a result of unexpected movements in interest rates.

As of December 31, 2023, the annual interest rates on deposits due to depositors ranged from 3.3% to 6.5% (2022: 1.1% to 5.87%).

In order to assess interest rate risks and their impact on the fair value of financial assets and liabilities, the Bank's management performs simulations to determine the sensitivity on financial assets and liabilities.

The sensitivity analysis prepared by the Bank at the end of each reporting year measures the impact on the Bank's financial instruments from increases and decreases in market interest rates (assuming asymmetrical movement in yield curves with all other variables, in particular foreign currency rates, remaining constant) using a linear approach as shown below:

2023	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	**(2,534)**	**2,588**
Financial assets	**(7,310)**	**7,310**
Deposits	**2,834**	**(2,603)**
Borrowings	**12**	**(12)**
	(6,998)	**7,283**

2022	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	(2,283)	2,328
Financial assets	(4,705)	4,705
Deposits	2,710	(2,452)
Borrowings	43	(42)
	(4,235)	4,539

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

Overall non-trading interest rate risk positions are managed by the Central Treasury Department, which uses investment securities, advances to banks, deposits with banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

Exchange rate risk

This is the risk that the value of a financial instrument changes as a consequence of fluctuations in foreign currency exchange rates, and other financial variables, as well as the market participants' reactions to political and economic events.

The table below summarizes the Bank's exposures to foreign currency exchange risk at December 31, 2023. Included in the table are the carrying amounts of the Bank's financial instruments, categorized by currency.

	December 31, 2023 US$ 000						
	ARS	CHF	GBP	INR	EUR	PEN	CLP
Assets:							
Deposits with banks	**14**	**8**	**30**	**-**	**8,897**	**-**	**-**
Financial assets	**-**	**-**	**-**	**1,567**	**9,785**	**972**	**2,699**
Total Assets	**14**	**8**	**30**	**1,567**	**18,682**	**972**	**2,699**
Liabilities:							
Demand deposits	**14**	**-**	**21**	**-**	**5,007**	**-**	**-**
Time deposits	**-**	**-**	**-**	**-**	**1,715**	**-**	**-**
Total Liabilities	**14**	**-**	**21**	**-**	**6,722**	**-**	**-**

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

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

e) Other Market Price Risk

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

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

	December 31,	
	2023	2022
	%	%
Equity investments:		
Exchange traded equity investments	**3.83**	3.60
Unlisted private equity investments	**17.39**	14.65
Total equity investments	**21.22**	18.25
Mutual funds:		
Funds invested with fund managers[1]	**2.51**	3.97
Unlisted closed and open ended investments funds	**0.84**	0.73
Total mutual funds	**3.35**	4.70
Debt securities:		
Exchange traded debt securitites	**18.42**	10.96
Unlisted private debt securities	**0.07**	-
Total debt securities	**18.49**	10.96
Total	**43.06**	33.91

(1) Funds available with fund managers include cash and U.S. Treasury bills, as reported by fund managers at December 31, 2023 and 2022.

Investment assets are placed in various industries. Some investments are placed in mutual funds which invest in particular sectors; other mutual funds, as well as equity investment vehicles, which invest in financial assets within certain risk profiles, regardless of the industry sector where they fall into.

Amounts expressed in thousands of US$ dollars

20. Financial Risk Management (continued)

Securities are concentrated in the following industries:

	December 31,	
	2023	2022
	%	%
Equity investments:		
Banks / financial services	**5.2**	6.7
Pharmaceutical	**3.9**	5.2
Others (fishing, diversified, energy, basic materials, etc.)	**38.2**	40.2
Funds invested with fund managers	**1.7**	1.9
Mutual funds:		
Others (diversified, technology, etc.)	**7.8**	13.9
Debt securities:		
Banks / financial services	**6.3**	6.4
Others (mining, energy, basic materials, etc.)	**15.5**	5.5
Funds invested with fund managers	**21.4**	20.2
	100.00	100.00

f) Operational Risk

Operational risk is the risk that losses may occur due to failure or weaknesses in the Bank's internal processes, persons or systems; and external events such as those from legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the following standards:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development and perform of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where deemed effective.

The policies established by the Bank are supported by a program of periodic reviews undertaken by the Internal Audit Department. The results of the Internal Audit Department's reviews are discussed with

20. Financial Risk Management (continued)

the management of the business unit to which they relate, and summary reports are submitted to the Audit Committee and senior management of the Bank.

g) Capital Management

The Bank's policies on capital management are to maintain a robust capital base, with the ability to sustain the Bank's future growth. The Bank recognizes the need to maintain a balance between returns to shareholders and the adequacy of capital required by regulatory entities. In July 2022, the Central Bank of Bahamas released the Bahamas Capital Regulations. The Regulations and Capital Guidelines simplify the Bahamian Basel III framework while remaining consistent with the proportionality principles set out by the Basel Committee. According to the new regulation, the Central Bank of The Bahamas requires the Bank to maintain a minimum Common Equity Tier 1 (CET1) capital ratio of 8% and a total capital requirement of 12%. In addition, the new regulation introduced changes to the credit and operational risk equivalent assets and deductions of high-risk assets from the capital base.

From January 2016 onwards, the Central Bank of Bahamas requires licensees to include a capital charge for operational risk. According to the new Bahamas Capital Regulations, licensees must determine Operational Risk-Equivalent Assets using the standardized approach, equal to the three-year average gross income of the Bank multiplied by a factor of 0.12. This charge is multiplied by 12.5 to calculate the Operational Risk-Equivalent-Assets. Operational Risk-Equivalent-Assets at December 31, 2023 were US$110.240 (2022: US$99.472). Under the previous regulations the Operational Risk-Equivalent-Assets at December 2022 were US$116.2.

The Superintendence of Banks of Panama requires the Bank to comply with the regulatory requirements as set forth by the regulation applicable in the jurisdiction of its Parent Company. The Bank's capital ratio at December 31, 2023 was 17.35% (2022: 16.49%). Under the previous regulation the Bank's capital ratio at December 2022 was 20.41%.

	December 31,	
	2023	2022
	US$ 000	US$ 000
Total eligible capital	**137,460**	195,806
Total risk weighted assets	**792,352**	959,241
Capital adequacy ratio	**17.35%**	20.41%

The Central Bank of The Bahamas required licensees to calculate its capital ratio under both regulations until September 2023, when only the capital ratio under the new regulation was required to be reported.

Amounts expressed in thousands of US$ dollars

21. Subsequent Event

The Bank has evaluated the impact of all subsequent events through March 28, 2024, which is the date that the financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure.