Consolidated Financial Statements of

**BANCO GENERAL (OVERSEAS), INC.**

December 31, 2023

**BANCO GENERAL (OVERSEAS), INC.**

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**Independent Auditors' Report to the Directors**

***Opinion***

We have audited the consolidated financial statements of Banco General (Overseas), Inc. (the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

***Basis for Opinion***

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

***Emphasis of Matter***

We draw attention to Notes 1 and 6 in the consolidated financial statements, which describe that the Bank's operations include extensive transactions and balances with related parties. Accordingly, the Bank is economically dependent on the related parties. Our opinion is not modified in respect of this matter.

***Other Matter***

We draw attention to the fact that the supplementary information included in Appendix 1, Appendix 2 and Appendix 3 does not form part of the audited consolidated financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

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

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

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**Independent Auditors' Report to the Directors (continued)**

***Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements (continued)***

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

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

***Auditors' Responsibilities for the Audit of the*** **consolidated** ***Financial Statements***

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

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

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

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

KPMG LLP

March 28, 2024

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Due from banks: | 6 | | |
| Demand deposits | | 65,923,926 | 29,221,589 |
| Time deposits | | 171,766,230 | 171,766,230 |
| Accrued interest receivable | | 580,548 | 415,822 |
| **Total due from banks** | | 238,270,704 | 201,403,641 |
| Investment and other financial assets, net | 4 | 1,237,515,060 | 1,536,790,533 |
| Loans | 5 & 6 | 575,806,205 | 499,038,391 |
| Accrued interest receivable | | 4,291,338 | 2,616,923 |
| Less: | | | |
| loan losses allowance | | 1,129,280 | 1,129,280 |
| **Loans, net** | | 578,968,263 | 500,526,034 |
| Investments and other financial assets sold pending settlement | 7 | 91,206,479 | 54,900,382 |
| Derivative instruments - assets | 13 | 16,818,254 | 18,684,331 |
| Other assets | 6 | 33,051,906 | 23,971,929 |
| **Total assets** | US$ | 2,195,830,666 | 2,336,276,850 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Due to depositors: | 6 | | |
| Demand | | 6,627 | 6,627 |
| Savings | | 75,989,222 | 120,161,006 |
| Time deposits | | 1,027,580,209 | 1,166,795,959 |
| Accrued interest payable | | 5,219,483 | 2,828,268 |
| **Total due to depositors** | | 1,108,795,541 | 1,289,791,860 |
| Securities sold under repurchase agreements | 8 | - | 50,424,418 |
| Accrued interest payable | | - | 345,469 |
| Total securities sold under repurchase agreements | | - | 50,769,887 |
| Investments and other financial assets purchased pending settlement | 7 | 69,606,391 | 113,196,592 |
| Derivative instruments - liabilities | 13 | 12,674,277 | 10,695,327 |
| Other financial liabilities at fair value | 9 | 84,069,803 | 38,498,676 |
| Other liabilities | 6 | 26,549,119 | 24,163,487 |
| **Total liabilities** | | 1,301,695,131 | 1,527,115,829 |
| **Equity** | | | |
| Common share capital | 10 | 119,158,140 | 119,158,140 |
| Preferred share capital | 10 | 65,000,000 | 65,000,000 |
| Additional paid-in capital | | 15,841,860 | 15,841,860 |
| Valuation reserve | | (33,430,589) | (76,955,411) |
| Retained earnings | | 727,566,124 | 686,116,432 |
| **Total equity** | | 894,135,535 | 809,161,021 |
| **Total liabilities and equity** | US$ | 2,195,830,666 | 2,336,276,850 |

*See accompanying notes to consolidated financial statements.*

**Approved on behalf of the Board on March 28, 2024**

JUAN RAÚL HUMBERT **Director** RAUL ALEMAN ZUBIETA **Director**

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Income

Year ended December 31, 2023

*(Stated in United States dollars)*

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Operating income** | | | |
| Interest on investments and other financial assets | 6 | 68,951,594 | 54,814,383 |
| Interest on deposits with banks | 6 | 6,380,777 | 7,429,333 |
| Interest on loans | 6 | 39,798,584 | 23,183,987 |
| Reversal (provision) for impairment of investments | 4 | 3,223,478 | (3,668,393) |
| Net realized loss on sale of investments and other financial assets | | (29,181,383) | (52,114,006) |
| Net unrealized gain (loss) on investments and other financial assets | | 13,361,919 | (20,097,961) |
| Net (loss) gain on derivative instruments | | (2,637,902) | 2,339,152 |
| Dividends received | | 52,485 | 60,089 |
| Other income | | 218,617 | 413,893 |
| **Total operating income, net** | | 100,168,169 | 12,360,477 |
| **Operating expenses** | | | |
| Interest on deposits and financing | 6 | 54,642,170 | 20,683,857 |
| General and administrative expenses: | | | |
| Professional services | | 55,240 | 57,768 |
| Management fees and other bank charges | | 2,999,755 | 3,908,543 |
| License fee | | 140,346 | 136,505 |
| Other expenses | | 268,671 | 361,932 |
| **Total operating expenses** | | 58,106,182 | 25,148,605 |
| **Net income (loss) before tax** | | 42,061,987 | (12,788,128) |
| **Income tax, estimated** | 11 | 612,295 | - |
| **Net income (loss)** | US$ | 41,449,692 | (12,788,128) |

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

*(Stated in United States dollars)*

| | | 2023 | 2022 |
|---|---|---|---|
| Net income (loss) | | 41,449,692 | (12,788,128) |
| **Other comprehensive income (expense)** | | | |
| **Items that are or may be reclassified to the consolidated statement of income:** | | | |
| Valuation of investments and other financial assets: | | | |
| Net changes in valuation of investments at FVOCI | | 82,597,109 | (76,078,745) |
| Transfer to profit or loss for sales of investments at FVOCI | | (35,848,809) | (20,194,584) |
| Valuation of investments credit risk at FVOCI | | (3,223,478) | 3,674,903 |
| **Total other comprehensive income (expense), net** | | 43,524,822 | (92,598,426) |
| **Total comprehensive income (expense)** | US$ | 84,974,514 | (105,386,554) |

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Changes in Equity

Year ended December 31, 2023

*(Stated in United States dollars)*

| | | Common share capital | Preferred share capital | Additional paid-in capital | Valuation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2021** | | 119,158,140 | 65,000,000 | 15,841,860 | 15,643,015 | 698,904,560 | 914,547,575 |
| Net loss | | - | - | - | - | (12,788,128) | (12,788,128) |
| **Other comprehensive (expense) income** | | | | | | | |
| **Items that are or may be reclassified to the statement of income:** | | | | | | | |
| Valuation of investments and other financial assets: | | | | | | | |
| Changes net in valuation of investments FVOCI | | - | - | - | (76,078,745) | - | (76,078,745) |
| Transfer to profit or loss for sales of investments FVOCI | | - | - | - | (20,194,584) | - | (20,194,584) |
| Valuation of investments credit risk at FVOCI | | - | - | - | 3,674,903 | - | 3,674,903 |
| **Total other comprehensive expense, net** | | - | - | - | (92,598,426) | - | (92,598,426) |
| **Total comprehensive expense** | | - | - | - | (92,598,426) | (12,788,128) | (105,386,554) |
| **Balance at December 31, 2022** | US$ | 119,158,140 | 65,000,000 | 15,841,860 | (76,955,411) | 686,116,432 | 809,161,021 |
| Net income | | - | - | - | - | 41,449,692 | 41,449,692 |
| **Other comprehensive income (expense)** | | | | | | | |
| **Items that are or may be reclassified to the statement of income:** | | | | | | | |
| Valuation of investments and other financial assets: | | | | | | | |
| Changes net in valuation of investments FVOCI | | - | - | - | 82,597,109 | - | 82,597,109 |
| Transfer to profit or loss for sales of investments FVOCI | | - | - | - | (35,848,809) | - | (35,848,809) |
| Valuation of investments credit risk at FVOCI | | - | - | - | (3,223,478) | - | (3,223,478) |
| **Total other comprehensive income, net** | | - | - | - | 43,524,822 | - | 43,524,822 |
| **Total comprehensive income** | | - | - | - | 43,524,822 | 41,449,692 | 84,974,514 |
| **Balance at December 31, 2023** | US$ | 119,158,140 | 65,000,000 | 15,841,860 | (33,430,589) | 727,566,124 | 894,135,535 |

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Cash Flows

Year ended December 31, 2023

*(Stated in United States dollars)*

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash provided by/(applied in):** | | | |
| **Operating activities:** | | | |
| Net income (loss) | | 41,449,692 | (12,788,128) |
| Adjustments for: | | | |
| (Reversal) provision for impairment of investments | 4 | (3,223,478) | 3,668,393 |
| Net realized loss on sale of investments and other financial assets | | 29,181,383 | 52,114,006 |
| Net unrealized (gain) loss on investments and other financial assets | | (13,361,919) | 20,097,961 |
| Net loss (gain) on derivative instruments | | 2,637,902 | (2,339,152) |
| Income tax | 11 | 612,295 | - |
| Interest income | | (115,130,955) | (85,427,703) |
| Interest expense | | 54,642,170 | 20,683,857 |
| Changes in operating assets and liabilities: | | | |
| Investments and other financial assets at FVTPL | | 50,042,627 | 196,390,687 |
| Loans | | (76,767,814) | (53,722,113) |
| Investments and other financial assets sold pending settlement | | (36,306,097) | 10,377,335 |
| Derivative instruments - assets | | 228,085 | 4,899,801 |
| Other assets | | (8,843,792) | (994,632) |
| Due to depositors | | (183,387,534) | 23,978,982 |
| Securities sold under repurchase agreements | | (50,424,418) | 50,424,418 |
| Investments and other financial assets purchased pending settlement | | (43,590,201) | (28,455,114) |
| Other financial liabilities at fair value and derivative instruments - liabilities | | 45,088,827 | (3,592,965) |
| Other liabilities | | 1,773,337 | 3,443,568 |
| Cash provided by operating activities: | | | |
| Interest received | | 113,105,629 | 81,754,061 |
| Interest paid | | (52,596,424) | (18,723,000) |
| Dividends received | | 52,485 | 60,089 |
| Net cash flows from operating activities | | (244,818,200) | 261,850,351 |
| | | | |
| **Investing activities:** | | | |
| Purchases of investments and other financial assets at FVOCI | | (492,509,647) | (1,171,820,395) |
| Sale and redemptions of investments and other financial assets at FVOCI | | 773,948,130 | 802,383,299 |
| Purchases of investments at amortized cost | | - | (173,200,000) |
| Redemptions of investments at amortized cost | | 82,054 | 281,779,429 |
| Net cash flows from investing activities | | 281,520,537 | (260,857,667) |
| | | | |
| **Movement in cash and cash equivalents** | | 36,702,337 | 992,684 |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 29,221,589 | 28,228,905 |
| | | | |
| **Cash and cash equivalents at the end of the year** | US$ | 65,923,926 | 29,221,589 |

*See accompanying notes to consolidated financial statements.*

Index of Notes to the Consolidated Financial Statements

## 1. General Information

Banco General (Overseas), Inc. was incorporated under the Companies Act of the Cayman Islands on February 15, 1985. The Bank is a wholly-owned subsidiary of Overseas Capital Markets, Inc., a company incorporated in the Cayman Islands, a wholly owned subsidiary of Banco General, S. A., whose parent company is Grupo Financiero BG, S. A. and the ultimate parent is Empresa General de Inversiones, S. A., both of which are incorporated in Panama. Banco General (Overseas), Inc. and its special purpose vehicle will be referred to as "the Bank".

The Bank has been granted a category 'B' unrestricted banking license by the Cayman Islands Government under the Banks and Trust Companies Act, to enable it to carry on banking from within the Cayman Islands. A substantial portion of the Bank's business is with related parties. Accordingly, the Bank is economically dependent on these related parties (see note 6).

As of December 31, 2023 and 2022, the Bank is the 100% owner and settlor of an investment trust whose purpose is to acquire financial assets, mainly portfolio of consumer loans. BG Trust, Inc. FID (0109-INV-22) investment trust, is administered in Panama and is presented as part of the consolidation of the Bank.

The registered office of the Bank is at Cainvest Bank and Trust Limited, P.O. 1353, 5th Floor, 103 South Church Street, George Town, Grand Cayman KY1-1108, Cayman Islands. The reporting currency of the consolidated financial statements is United States dollars which is the currency in which the Bank conducts its business, and is a more widely recognized reporting currency than that of the Cayman Islands.

## 2. Basis of Preparation

*(a) Statement of Compliance*

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

The Bank's Audit Committee reviewed the consolidated financial statements and the Board of Directors authorized their issuance on March 28, 2024.

*(b) Basis of Measurement*

The financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

The consolidated financial statements have been prepared on a historical cost basis except for the assets and liabilities at fair value, securities measured at fair value through other comprehensive income and derivative financial instruments, which are measured at fair value.

The Bank initially recognizes loans, accounts receivable and deposits on the date on which they are originated. All other financial instruments (including the assets designated at fair value through profit or loss) are recognized on the trade date initially, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

*(c) Functional and Presentation Currency*

These consolidated financial statements are presented in United States dollar, which is the Bank's functional currency.

## 3. Summary of Material Accounting Policies

The accounting policies detailed as follows have been consistently applied by the Bank to all periods presented in these consolidated financial statements.

In addition, the Bank adopted *Disclosures of Accounting Policies (Amendments to IAS 1)* from January 1, 2023. These amendments require the disclosure of "material" rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies previously established by the Bank.

*a) Basis of Consolidation*

- *Special purpose vehicle*

  The Bank controls a special purpose vehicle when it is exposed to, or has rights to, variable returns from its involvement with the special purpose vehicle and has the ability to affect those returns through its control over the entity. The financial statements of special purpose vehicle mentioned in Note 1 are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

- *Balances and Transactions Eliminated in Consolidation*

  The consolidated financial statements include the assets, liabilities, equity, income and expenses of the Bank and its wholly owned special purpose vehicle as detailed in Note 1. Intercompany balances and transactions have been eliminated in the consolidation.

*b) Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The fair value of an instrument is measured using the quoted price in an active market for that instrument. A market is considered active, if transactions of those assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing concern basis. When a price for an identical asset or liability is unobservable, a valuation technique will be used that maximizes the use of relevant observable data and minimizes the use of unobservable data. As fair value is a measurement based on market variables (prices, performance, credit margin, etc.), it is measured using the assumptions that market participants would make when setting the price of an asset or liability.

The fair value of financial instruments is determined using quoted prices in active markets, several electronic information systems, market makers, brokers, independent companies specialized in investment valuation, investment management companies and banks. In addition, in certain instances the Bank uses valuation techniques to calculate the price of some investments, mainly discounted cash flows at the appropriate discount rate for that security or instrument. In limited circumstances, for equity securities whose more recent available information is insufficient to measure their fair value, cost may be an appropriate estimate of fair value.

c) *Financial Instruments*

(i) *Classification and measurement*

Investments and other financial assets are classified at their trade date, and are initially measured at fair value plus, in the case of investment not recorded at fair value through profit or loss, direct transaction costs attributable to their acquisition.

The classification and measurement of financial assets are based on the business model in which they are managed and their contractual cash flows.

The business model includes the following three classification categories for financial assets:

- Amortized Cost (AC)
  A financial asset is measured at amortized cost if it complies with both of the following conditions:

  - The asset is held within a business model whose objective is to collect contractual cash flows; and
  - The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

- Fair value with changes in other comprehensive income (FVOCI)
  A debt instrument is measured at FVOCI only if it meets both of the following conditions, and has not been designated at fair value through profit or loss (FVTPL):

  - The asset is held within a business model whose objective is to collect the contractual cash flows and sell the financial assets; and
  - The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

  During the initial recognition of investments in equity instruments not held for trading, the Bank may irrevocably elect to record the subsequent changes in fair value as part of other comprehensive income. This choice must be made on an instrument-by-instrument basis.

- Fair value through profit or loss (FVTPL)
  All other financial assets are measured at fair value through profit or loss.

*Evaluation of the business model*
The evaluation at the level of the portfolios and the objective of the business model that applies to financial instruments of said portfolios includes the following:

- The policies and objectives identified for the loan portfolio and the operation of these policies including management's strategy to define:

  (i) the collection of contractual interest income
  (ii) maintain a defined performance profile of interest
  (iii) maintain a specific duration period
  (iv) be able to sell at any time due to liquidity needs or in order to optimize the risk / return profile of a portfolio based on interest rates, risk margins, current duration and defined objective

- The way in which the behavior of different portfolios is reported to the senior management;
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which those risks are managed;
- The frequency and value of sales in previous periods, the reasons for those sales and expectations regarding future sales activities.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because its business model objective is to obtain profit from short term fluctuations in their market value.

*Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)*
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration of the time value of money and the credit risk associated with the amount of principal outstanding for a particular period of time and other basic risks of a loan agreement and other associated costs, as well as the profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank focused on the instrument's contractual terms.

This assessment considered, among others, the following characteristics:

- Contingent events that could change the amount and / or timing of cash flows
- Leverage conditions
- Prepayment and extension terms
- Terms that limit the Bank's ability to collect cash flows from specific assets
- Features that modify considerations for the time value of money

*(ii) Impairment*

At the date of the consolidated statement of financial position, it is determined whether there is objective evidence of impairment in the financial instruments, and the expected credit loss model (ECL) is used to provide for losses in the financial instruments.

The impairment model is applicable to the following assets that are not measured at FVTPL:

- Loans
- Debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued

Impairment losses on investments in equity instruments are not recognized.

The assessment of whether the credit risk of a financial asset has increased significantly is one of the critical judgments implemented in the impairment model.

The Bank measured loss allowances at an amount equal to 12-month ECL for the following:

- Debt investment that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which the credit risk has not increased significantly since their initial recognition.

For all other financial assets, loss allowances are measured to amount equal to lifetime ECL.

12-month ECL is the portion of the ECL that results from default events on a financial instrument that are possible within a 12-month period after the reporting date.

The standard introduces three stages of impairment for financial assets that are applied from the date of origin or acquisition. These stages are summarized below:

- Stage 1: The Bank recognizes a credit loss allowance at an amount equal to 12-month ECL. This represents the portion of lifetime expected credit losses from default events that are possible within 12-month period after the reporting date, assuming that credit risk has not increased significantly since initial recognition.

- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset’s remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.

- Stage 3: The Bank recognizes a loss allowance at an amount equal to the expected credit losses, during the total lifetime of the assets, based on a probability of default (PD) of 100% over the asset’s recoverable cash flows.

*Significant Increase in Credit Risk*
It is determined whether the credit risk of a financial asset has increased significantly since its initial recognition, considering as main indicators, variations in days of delinquency, collection score and risk rating, the analysis of quantitative and qualitative factors based on its historical experience and expert credit assessment including forward-looking information.

*Credit Risk Rating*
The Bank assigns a credit risk rating to each financial asset based on a model that incorporates a series of predictive data on the incurrence of losses. The model is applied over several periods to evaluate its reasonableness. Risk ratings are used to identify significant increases in credit risk.

Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower. Regarding foreign investments and bank deposits, the international risk ratings of Fitch, Standard and Poor's or Moody's and associated changes to the ratings were used to establish whether there was a significant increase in risk and in the calculation of the Probability of Default (PD).

Credit risk ratings are defined and calibrated such that the risk of loss increases exponentially as the credit risk deteriorates.

Each exposure will be assigned a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures will be subject to continuous monitoring, which may result in an exposure being moved to a different credit risk rating.

*Determining a significant increase in credit risk*
The Bank determines a significant increase in an exposure to credit risk has occurred since its initial recognition if, based on credit risk rating models and / or days of delinquency, a significant impairment has occurred.

In certain instances, based on expert judgment and, to the extent possible, relevant historical experience, the Bank determines an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers relevant and whose effect would not be comprehensively reflected otherwise.

As a limit and as required by IFRS 9, a significant increase in credit risk occurs when an asset shows delinquency of more than 30 days, except for the 60 days for residential mortgages and personal loans. The delinquency period is determined by counting the number of days since the earliest elapsed due date of which full payment has not been received.

The effectiveness of the criteria used to identify significant increases in credit risk is monitored through periodic reviews.

*Definition of Default*
The Bank considers a financial asset to be in default when:

- It is probable that a debtor will not fully pay its credit obligations to the Bank in full, without recourse to actions such as realizing collateral, if available; or

- The debtor has more than 90 days delinquency in all credit obligations, with the except for residential mortgages loans in this case more than 120 days.

In assessing whether a debtor is in default, the Bank considers the following indicators:

- Quantitative – past due status and non-payment of another obligations of the same issuer; and
- Qualitative – breach of contract or legal situation

The inputs used in the assessment of whether financial instruments are in default are specific to the type of portfolio, and their importance may vary over time to reflect changes in circumstances and trends.

*Measurement of the ECL*
The ECL is a probability-weighted estimate of credit losses which is measured according to the following items:

- Financial assets that are not credit-impaired at the reporting date
- Financial assets that are credit-impaired at the reporting date
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank in the event that the commitment is drawn down and the cash flows the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount the Bank expects to recover.

*Generating the term structure of the PD*
Days of delinquency are the main input to determine the term structure of the PD for exposures in the consumer loan portfolio. For the corporate loan portfolio, the following factors are considered as primary inputs: risk rating, days of delinquency, restructurings, and materiality thresholds.

The Bank designed and evaluated statistical models to analyze the data collected to generate estimates of the remaining lifetime PD of credit exposures, and how they are expected to change over time.

The PD of foreign investments and placed deposits was estimated using liquid market proxies (Credit Default Swaps "CDS") based on international risk ratings and the industry relating to the investment or deposit.

*Inputs in the measurement of the ECL*
The key inputs in the measurement of the ECL are the following variables:

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

PD estimates are calculated, using statistical credit rating models and tools adapted to the different categories of counterparties and exposure. Statistical models were acquired from internationally recognized firms or developed internally based on historical data. These models incorporate quantitative factors, and can also consider qualitative factors. If an exposure migrates between rating categories, then this may lead to a change in the estimate of the associated PD.

The PD is estimated considering contractual maturities and estimated prepayment rates. In the case of foreign investments and placed deposits, the ECL is obtained from the probability of default implicit in the CDS used as proxies for each bond or deposit based on its international credit rating and industry.

The levels of LGD are estimated based on historical recovery rates:

- Observed: corresponding to the portion of EAD in default that is effectively recovered
- Estimated: corresponding to the portion of EAD in default estimated to be recoverable.

The LGD model considers the financial asset, related collateral and recovery costs of any collateral. The Bank can calibrate the LGD estimate for different economic scenarios. The Bank used the LGD implicit in the CDS for foreign investments and placed deposits.

In most cases, the EAD is equivalent to the outstanding balance of the contract; with the exception of contingencies. For contingencies the current balance, the available balance and the CCF (credit conversion factor) are included in the EAD, in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

Overdraft products include both the loan and undrawn commitment components. These facilities do not have a fixed term or repayment structure and are managed on a collective basis; the Bank can cancel them immediately.

*Forward-looking information*
Forward-looking information could be incorporated in the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and ECL measurement.

External information used to assess future conditions may include economic data and projections published by government entities and monetary authorities in the countries where the Bank operates, supranational organizations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and academic and private sector projections.

The Bank uses a prospective factor for the consumer portfolio that uses the growth of the Gross Domestic Product as a variable, as well as the consumer price index. For the business portfolio, the prospective factor uses the monthly index of economic activity as a variable.

*(iii) Derivative Financial Instruments*

Derivatives are accounted for at their fair value in the consolidated statement of financial position, with transaction costs recognized in profit or loss when incurred, and subsequently accounted as fair value hedge or cash flows hedge, when held for risk management purposes, or as trading when the instrument does not qualify for hedge accounting.

- *Fair value hedges*

  Derivative instruments under the fair value method are instruments that hedge the exposure to change in the fair value of: (a) assets or liabilities or an identified portion of the value of assets or liabilities recognized in the consolidated statement of financial position, (b) a firm commitment or a forecasted transaction which is almost certain to occur. Changes in the value of these instruments using the fair value method are recognized in the consolidated statement of income.

  If a hedged asset is classified as FVOCI, changes in its fair value are recognized in an equity reserve. Starting on the date that the FVOCI asset becomes a hedged item, the changes in fair value should be recorded through the consolidated statement of income and the revaluation balance registered in the equity reserve should remain recorded until these assets are sold or redeemed.

  If a hedged asset or liability is measured at amortized cost, its carrying value should be adjusted to present the changes in its fair value attributable to the changes in interest rates. These hedged assets and liabilities will be again measured at amortized cost as soon as the hedging ceases using the adjusted effective return rate for calculating amortization. If the hedged asset carried at amortized cost suffers a permanent impairment, the loss is calculated based on the difference between its carrying value after fair value adjustments of the hedged asset attributable to the risk being hedged, and the present value of the estimated cash flows discounted at the adjusted effective interest rate.

- *Cash flow hedges*

  Derivative instruments designated under the cash flow method are risk hedges caused by fluctuation in cash flows, attributable to an asset or liability's particular risk recognized in the consolidated statement of financial position affecting net income. Changes in hedge valuation under the cash flows method, for the portion considered effective, are registered in the consolidated statement of changes in equity and the ineffective portion, is registered in the consolidated statement of income.

- *Derivatives without hedge accounting*

  Derivative instruments that do not qualify for hedge accounting are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the fair value of these derivatives are recognized in the consolidated statement of income.

Hedge accounting is discontinued prospectively only when the relationship or part of a hedging relationship ceases to meet the rating criteria after any rebalancing. This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect the coverage ratio in its entirety or in part, maintaining the coverage ratio for the remaining portion.

The Bank may choose to designate one or more hedging relationships between a hedging instrument and a hedged item with one or more external entities.

*(iv) Specific Instruments*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include unrestricted demand deposits and time deposits with banks that have an original maturity of three months or less.

Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in a short term. Loans are initially measured at fair value plus incremental direct transaction costs, if any, and subsequently measured at amortized cost using the effective interest method.

Deposits from Customers

Deposits from customers, which include demand, savings and time deposits, are classified as liabilities not at fair value through profit or loss.

Financial Liabilities

Changes in fair value of liabilities designated as FVTPL are presented as follows:

- The amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in fair value is presented in profit or loss.

*Derecognition*

A financial asset is derecognized when the Bank no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are transferred. The Bank uses the weighted average method to determine realized gains and losses on derecognition.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

*d) Securities sold under repurchase agreements*

Securities sold under repurchase agreements are short-term financing transactions with security guarantees, in which there is an obligation to repurchase the securities sold at a future date and at a determined price. The difference between the sale price and the future purchase value is recognized as interest expense under the effective interest rate method.

The securities delivered as collateral will continue to be accounted for in the consolidated financial statements, since the counterparty has no property right to them unless there is a breach of contract by the Bank.

*e) Interest Income and Expenses*

Interest income and expenses are recognized in the consolidated statement of income for all financial instruments using the effective interest rate 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 financial liability. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate.

*f) Income Tax*

Estimated income tax is calculated on net taxable income, using current tax rates at the consolidated statement of financial position date, and any adjustment to prior years' income tax.

*g) Foreign Currency Transactions*

Assets and liabilities denominated in foreign currencies at the reporting date are translated into United States dollars at the foreign exchange rate ruling at that date. Foreign currency transactions during the period are translated at the foreign exchange rate ruling at the date of the transaction. Income or loss from foreign exchange differences is recognized in other income or other expenses accounts, respectively.

*h) New IFRS Accounting Standards and Interpretations Not Yet Adopted*

New standards, interpretations and amendments to IFRS Accounting Standards have been published, but are not mandatory as of December 31, 2023, and have not been adopted in advance by the Bank.

The following amendments to IFRS Accounting Standards are not expected to have a significant impact on the Bank's financial statements:

| **Amendments** | **Effective for annual reporting periods beginning:** |
|---|---|
| Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* | January 1, 2024 |
| Amendments to IAS 1: *Non-current Liabilities with Covenants* | January 1, 2024 |
| Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback* | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7: *Supplier Finance Arrangements* | January 1, 2025 |

## 4. Investments and Other Financial Assets

As of December 31, 2023, the summary of investments and other financial assets is as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Investments and other financial assets at fair value through profit or loss | | 220,182,913 | 269,258,387 |
| Investments and other financial assets at FVOCI | | 1,004,043,122 | 1,254,161,067 |
| Investments at amortized cost | | 13,289,025 | 13,371,079 |
| Total | US$ | 1,237,515,060 | 1,536,790,533 |

**Investments and Other Financial Assets at Fair Value Through Profit or Loss**

The portfolio of investments and other financial assets at fair value through profit or loss amounted to US$220,182,913 (2022: US$269,258,387) is summarized as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Corporate Shares | | 655,047 | 724,749 |
| Fixed Income Funds | | 144,526,406 | 149,716,135 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 71,472,789 | 109,921,672 |
| Asset Backed Securities (ABS) | | 3,528,671 | 8,895,831 |
| Total | US$ | 220,182,913 | 269,258,387 |

During the year ended December 31, 2023, sales of investments and other financial assets at fair value through profit or loss amounted to US$1,781,080,005 (2022: US$3,562,708,069). The sales generated a net loss of US$7,653,027 (2022: US$35,853,641).

**Investments and Other Financial Assets at Fair Value Through OCI**

The portfolio of investments and other financial assets at FVOCI amounted to US$1,004,043,122 (2022: US$1,254,161,067), is summarized as follows:

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | **Fair value** | **Amortized cost** | **Fair value** | **Amortized cost** |
| Commercial Papers and Treasury Bills | | 2,956,246 | 2,955,734 | 59,392,554 | 59,364,233 |
| Corporate Bonds | | 391,761,848 | 404,580,396 | 511,097,389 | 549,011,971 |
| Bonds of the US Government | | 69,268,681 | 71,164,805 | 11,405,431 | 12,541,848 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 529,181,178 | 551,500,802 | 630,027,616 | 674,400,534 |
| Asset Backed Securities (ABS) | | 10,804,169 | 10,805,304 | 42,161,769 | 43,000,843 |
| Other Government Bonds | | 71,000 | 115,690 | 76,308 | 113,023 |
| Total | US$ | 1,004,043,122 | 1,041,122,731 | 1,254,161,067 | 1,338,432,452 |

During the year ended December 31, 2023, sales of investments and other financial assets at FVOCI amounted to US$553,307,603 (2022: US$495,277,172). The sales generated a net loss of US$22,635,939 (2022: US$21,864,352).

The reconciliation between the initial balance and closing balance of the expected credit losses (ECL) by the type of allowance model is presented as follows:

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | | **12-month ECL** | **Lifetime ECL not credit – impaired** | **Lifetime ECL credit-Impaired** | **Purchased credit-impaired** | **Total** |
| **Balance at the beginning of the year** | | 3,261,393 | 507,053 | 1,894,827 | 99,661 | 5,762,934 |
| Transferred to 12 month ECL | | 0 | 0 | 0 | 0 | 0 |
| Transfer of 12 month ECL to lifetime ECL not credit-impaired | | 0 | 0 | 0 | 0 | 0 |
| Transfer of 12 month ECL to lifetime ECL credit-impaired | | 0 | 0 | 0 | 0 | 0 |
| Net remeasurement of portfolio | | (72,919) | 36,000 | 0 | 18,666 | (18,253) |
| New investments purchased | | 681,441 | 0 | 0 | 0 | 681,441 |
| Investments that have been derecognized | | (1,849,782) | (75,053) | (1,894,827) | (67,004) | (3,886,666) |
| **Balance at the end of the year** | **US$** | 2,020,133 | 468,000 | 0 | 51,323 | 2,539,456 |

| | | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | **12-month ECL** | **Lifetime ECL not credit – impaired** | **Lifetime ECL credit-Impaired** | **Purchased credit-impaired** | **Total** |
| **Balance at the beginning of the year** | | 2,075,761 | 11,313 | 957 | 0 | 2,088,031 |
| Transferred to 12 month ECL | | 0 | 0 | 0 | 0 | 0 |
| Transfer of 12 month ECL to lifetime ECL not credit-impaired | | (12,999) | 12,999 | 0 | 0 | 0 |
| Transfer of 12 month ECL to lifetime ECL credit-impaired | | (25,931) | 0 | 25,931 | 0 | 0 |
| Net remeasurement of portfolio | | 644,087 | 496,607 | 1,868,012 | 67,004 | 3,075,710 |
| New investments purchased | | 1,379,832 | 0 | 0 | 32,657 | 1,412,489 |
| Investments that have been derecognized | | (799,357) | (13,866) | (73) | 0 | (813,296) |
| **Balance at the end of the year** | **US$** | 3,261,393 | 507,053 | 1,894,827 | 99,661 | 5,762,934 |

### Investments At Amortized Cost

The portfolio of investments at amortized cost amounted to US$13,078,105 (2022: US$13,160,159).

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | **Amortized cost** | **Fair value** | **Amortized cost** | **Fair value** |
| Corporate Bonds | | 13,078,105 | 12,000,041 | 13,160,159 | 12,143,850 |
| Total | US$ | 13,078,105 | 12,000,041 | 13,160,159 | 12,143,850 |

The investments at amortized cost are summarized as follows:

| | | **2023** | **2022** |
|---|---|---|---|
| Investments at amortized cost | | 13,078,105 | 13,160,159 |
| Accrued interest receivable | | 210,920 | 210,920 |
| Total investments at amortized cost | US$ | 13,289,025 | 13,371,079 |

The payment of capital and interest on 100% (2022: 100%) of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 76% (2022: 74%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 4.29 years and CMOs is 1.43 years (2022: 4.58 years for MBS and 1.53 years for CMOs).

The Bank has in place a documented procedure to determine fair value and the responsibilities of the areas involved in this process, which has been approved by the Assets and Liabilities Committee, the Risk Committee of the Board of Directors, and the Bank´s Board of Directors.

The Bank uses price vendors for most of the prices of assets and liabilities at fair value which are processed by the operations area and validated by the administrative and treasury control area and the risk department.

The Bank uses internal valuation methodologies for certain assets and liabilities at fair value classified in Level 3 of the fair value hierarchy. The calculation of fair values using internal methodologies is performed by the administration and control of the treasury area and validated by the risk department.

The Bank measures fair value using the fair value hierarchy, which categorizes the variables used in valuation techniques to measure fair value into three levels. The hierarchy is based on the transparency of the inputs used in measuring the fair values of financial assets and liabilities at their valuation date. The three levels are defined as follows:

**Level 1:** Quoted prices, unadjusted, in active markets for assets or liabilities identical to those that the Bank can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant input are directly or indirectly observable from market data.

**Level 3:** Unobservable inputs for assets or liabilities. This category includes all instruments for which the valuation technique includes unobservable variables and such have a significant effect on the instrument's fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The classification of the valuation of fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The relevance of a variable should be evaluated in relation to the entire fair value measurement.

**Fair Value Measurement of Investments and Other Financial Assets at Fair Value through Profit or Loss**

| | | **2023** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|
| Corporate Shares | | 655,047 | 0 | 0 | 655,047 |
| Fixed Income Funds | | 144,526,406 | 0 | 0 | 144,526,406 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 71,472,789 | 0 | 71,472,789 | 0 |
| Asset Backed Securities (ABS) | | 3,528,671 | 0 | 3,528,671 | 0 |
| **Total** | **US$** | 220,182,913 | 0 | 75,001,460 | 145,181,453 |

| Fair Value Measurement of Investments and Other Financial Assets at Fair Value through Profit or Loss | | | | | |
|---|---|---|---|---|---|
| | | **2022** | **Level 1** | **Level 2** | **Level 3** |
| Corporate Shares | | 724,749 | 0 | 0 | 724,749 |
| Fixed Income Funds | | 149,716,135 | 0 | 0 | 149,716,135 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 109,921,672 | 0 | 109,921,672 | 0 |
| Asset Backed Securities (ABS) | | 8,895,831 | 0 | 8,895,831 | 0 |
| **Total** | **US$** | 269,258,387 | 0 | 118,817,503 | 150,440,884 |

| Fair Value Measurement of Investments and Other Financial Assets at FVOCI | | | | | |
|---|---|---|---|---|---|
| | | **2023** | **Level 1** | **Level 2** | **Level 3** |
| Commercial Paper and Treasury Bills | | 2,956,246 | 2,265,063 | 691,183 | 0 |
| Corporate Bonds | | 391,761,848 | 0 | 391,761,848 | 0 |
| Bonds of the US Government | | 69,268,681 | 69,268,681 | 0 | 0 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 529,181,178 | 0 | 529,181,178 | 0 |
| Asset Backed Securities (ABS) | | 10,804,169 | 0 | 10,804,169 | 0 |
| Other Government Bonds | | 71,000 | 0 | 71,000 | 0 |
| **Total** | **US$** | 1,004,043,122 | 71,533,744 | 932,509,378 | 0 |

| | | **2022** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|
| Treasury Bills | | 59,392,554 | 59,392,554 | 0 | 0 |
| Corporate Bonds | | 511,097,389 | 0 | 511,097,389 | 0 |
| Bonds of the US Government | | 11,405,431 | 11,405,431 | 0 | 0 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | | 630,027,616 | 0 | 630,027,616 | 0 |
| Asset Backed Securities (ABS) | | 42,161,769 | 0 | 42,161,769 | 0 |
| Other Government Bonds | | 76,308 | 0 | 76,308 | 0 |
| **Total** | **US$** | 1,254,161,067 | 70,797,985 | 1,183,363,082 | 0 |

| Changes in Fair Value Measurement of the Level 3 hierarchy | | |
|---|---|---|
| Investments and other financial assets | | |
| | | Fair Value Through Profit or Loss |
| **December 31, 2022** | | 150,440,884 |
| Gain recognized in income | | 1,487,402 |
| Purchases | | 12,636,337 |
| Amortization, sales and redemptions | | (19,383,170) |
| **December 31, 2023** | **US$** | 145,181,453 |
| **Total gain related to instruments held as of December 31, 2023** | **US$** | **4,061,114** |
| | | |
| **December 31, 2021** | | 156,721,819 |
| Loss recognized in income | | (15,524,001) |
| Purchases | | 12,286,832 |
| Amortization, sales and redemptions | | (3,043,766) |
| **December 31, 2022** | **US$** | 150,440,884 |
| **Total loss related to instruments held as of December 31, 2022** | **US$** | **(15,034,384)** |

The Bank recognizes transfers between levels of the fair value hierarchy at the date in which the change occurred.

The table below present information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

| Instruments | Valuation technique | Unobservable inputs used | Range for unobservable input 2023 | Range for unobservable input 2022 | Fair value sensitivity to unobservable inputs |
|---|---|---|---|---|---|
| **Corporate shares** | Dividend discount model | Equity risk premium | Minimum 5.90%<br>Maximum 9.11% | Minimum 5.90%<br>Maximum 7.68% | If equity risk premiums increase, the price decreases and vice versa |
| | Discount free cash flows model (DCF) | Growth rate of assets, liabilities, equity, profits and dividends | Minimum (35.64%)<br>Maximum 80.56% | Minimum (34.48%)<br>Maximum 54.70% | If the growth increases, the price increases and vice versa |

The main valuation techniques, assumptions and inputs used to measure the fair value of financial instruments are as follows:

| Instruments | Valuation techniques | Inputs used | Level |
|---|---|---|---|
| **Fixed Income** | Quoted market prices | Quoted prices in active markets | 1-2 |
| | Quoted observable market prices for similar instruments | Observable quoted prices | |
| | Bid and ask prices from market participants | Buying/Selling prices from a broker | |
| | Discounted cash flows | Credit spreads<br>Benchmark interest rate<br>Liquidity risk premiums | |
| **Agencies MBS / CMOs** | Discounted cash flows | Features of collateral<br>TBA's price<br>Treasury yield<br>Yield curves<br>Prepayment speeds<br>Market analysis | 2 |
| **Private MBS / CMOs and ABS** | Discounted cash flows | Features of collateral<br>Treasury yield<br>Yield curves<br>Expected cash flows and losses<br>Market assumptions related to discount rates, prepayments, losses and recoveries | 2 |
| **Corporate Shares** | Quoted market prices | Quoted prices in active markets | 3 |
| | Dividend discount model<br>Discount free cash flows model (DFC), which are compared to the stock prices | Benchmark interest rate<br>Equity risk premium<br>Growth rate of assets, liabilities, equity, profits and dividends | |
| | Carrying amount model | Equity<br>Issued and outstanding shares | |
| **Investment Vehicles** | Net asset value | Net asset value | 3 |

The Bank considers that its methodologies for valuation of investments classified as Level 3 are appropriate; however, the use of different estimates for the unobservable inputs could lead to different measurements of fair value. For investments classified in Level 3, adjustments to the credit spread (in the case of fixed income) and to the equity risk premium (in the case of the corporate shares) of +50bp and -50bp would result in favorable and unfavorable impacts in the Bank's consolidated statement of income, as described below:

| | | **Fair Value Effect in Profit or Loss** | | | |
|---|---|---|---|---|---|
| | | **2023** | | **2022** | |
| | | **Favorable** | **(Unfavorable)** | **Favorable** | **(Unfavorable)** |
| Corporate shares | | 8,215 | (7,923) | 10,084 | (9,643) |
| Total | US$ | 8,215 | (7,923) | 10,084 | (9,643) |

## 5. Loans

The composition of the loan portfolio is summarized as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Advance on deposits | | 3,755,882 | 9,889,021 |
| Overdrafts | | 28,020,212 | 28,840,633 |
| Personal and auto | | 32,339,748 | 30,096,567 |
| Lines of credit and commercial loans | | 463,480,942 | 371,737,533 |
| Commercial mortgages | | 48,209,421 | 58,474,637 |
| Total | US$ | 575,806,205 | 499,038,391 |

The movement of the loan loss allowance is summarized as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | 12-month ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit – impaired | Total |
| **Balance at beginning of the year** | | 1,124,114 | 5,166 | 0 | 1,129,280 |
| Transferred to 12-month ECL | | 5,162 | (5,162) | 0 | 0 |
| Transferred to lifetime ECL not credit-impaired | | (1,019) | 1,019 | 0 | 0 |
| Transferred to lifetime ECL credit impaired | | 0 | 0 | 0 | 0 |
| Net remeasurement of portfolio | | (395,063) | 15,524 | 0 | (379,539) |
| New loans | | 808,636 | 0 | 0 | 808,636 |
| Loans that have been derecognized | | (429,097) | 0 | 0 | (429,097) |
| **Balance at the end of the year** | US$ | 1,112,733 | 16,547 | 0 | 1,129,280 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | 12-month ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit – impaired | Total |
| **Balance at beginning of the year** | | 806,983 | 44,388 | 0 | 851,371 |
| Transferred to 12-month ECL | | 11,281 | (11,281) | 0 | 0 |
| Transferred to lifetime ECL not credit-impaired | | (162) | 162 | 0 | 0 |
| Transferred to lifetime ECL credit impaired | | 0 | 0 | 0 | 0 |
| Net remeasurement of portfolio | | (172,843) | (27,599) | 0 | (200,442) |
| New loans | | 554,086 | 0 | 0 | 554,086 |
| Loans that have been derecognized | | (353,140) | (504) | 0 | (353,644) |
| Purchase loans | | 277,909 | 0 | 0 | 277,909 |
| **Balance at the end of the year** | US$ | 1,124,114 | 5,166 | 0 | 1,129,280 |

The loan portfolio classification by type of collateral is shown as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Time deposits | | 3,755,882 | 9,889,021 |
| Mortgage | | 48,209,421 | 58,474,637 |
| Other collateral held by a related party | | 463,480,942 | 371,737,533 |
| Other collateral | | 33,304,592 | 32,763,401 |
| Unsecured | | 27,055,368 | 26,173,799 |
| Total | US$ | 575,806,205 | 499,038,391 |

## 6. Balances and Transactions with Related Parties

The consolidated statement of financial position and the consolidated statement of income include balances and transactions with related parties as of December 31, 2023 and 2022, as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | **Directors and Management Personnel** | **Parent and ultimate controlling** | **Affiliates** | **Related Companies Others** |
| Assets: | | | | | |
| Due from banks: | | | | | |
| Demand deposits | | 0 | 11,072,324 | 0 | 0 |
| Time deposits | | 0 | 171,766,230 | 0 | 0 |
| | US$ | 0 | 182,838,554 | 0 | 0 |
| Investment and other financial assets | US$ | 0 | 13,078,105 | 0 | 0 |
| Loans | US$ | 2,987,567 | 0 | 0 | 5,363,717 |
| Accrued interest receivable: | | | | | |
| On time deposits | | 0 | 580,548 | 0 | 0 |
| On investment | | 0 | 210,920 | 0 | 0 |
| On loans | | 0 | 0 | 0 | 276 |
| | US$ | 0 | 791,468 | 0 | 276 |
| Other assets – accounts receivable and derivatives | US$ | 0 | 17,679,267 | 0 | 0 |
| Liabilities: | | | | | |
| Due to depositors: | | | | | |
| Demand | | 0 | 6,627 | 0 | 0 |
| Savings | | 1,097,364 | 683,161 | 4,405,869 | 21,897,454 |
| Time deposits | | 0 | 1,002,100,000 | 1,500,000 | 9,645,496 |
| | US$ | 1,097,364 | 1,002,789,788 | 5,905,869 | 31,542,950 |
| Accrued interest payable | US$ | 0 | 4,973,237 | 13,854 | 127,090 |
| Other liabilities – accounts payable and derivatives | US$ | 0 | 10,411,650 | 0 | 0 |
| Commitments and contingencies | US$ | 0 | 0 | 0 | 1,766,230 |
| **Interest income and expenses:** | | | | | |
| Interest income on deposits with banks | US$ | 0 | 5,752,081 | 0 | 0 |
| Interest income on loans | US$ | 109,289 | 0 | 0 | 107,116 |
| Interest income on investment | US$ | 0 | 445,244 | 0 | 0 |
| Interest expense on deposits due to depositors | US$ | 18,451 | 50,693,076 | 146,497 | 978,883 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | **Directors and Management Personnel** | **Parent and ultimate controlling** | **Affiliates** | **Related Companies Others** |
| Assets: | | | | | |
| Due from banks: | | | | | |
| Demand deposits | | 0 | 9,117,455 | 0 | 0 |
| Time deposits | | 0 | 171,766,230 | 0 | 0 |
| | US$ | 0 | 180,883,685 | 0 | 0 |
| Investment and other financial assets | US$ | 0 | 13,160,159 | 0 | 0 |
| Loans | US$ | 1,812,710 | 0 | 0 | 4,972,713 |
| Accrued interest receivable: | | | | | |
| On time deposits | | 0 | 415,822 | 0 | 0 |
| On investment | | 0 | 210,920 | 0 | 0 |
| On loans | | 0 | 0 | 0 | 2,680 |
| | US$ | 0 | 626,742 | 0 | 2,680 |
| Other assets – accounts receivable and derivatives | US$ | 0 | 11,658,928 | 0 | 0 |
| Liabilities: | | | | | |
| Due to depositors: | | | | | |
| Demand | | 0 | 6,627 | 0 | 0 |
| Savings | | 1,122,890 | 7,743,282 | 4,077,420 | 35,504,132 |
| Time deposits | | 0 | 1,131,008,529 | 9,500,000 | 13,226,883 |
| | US$ | 1,122,890 | 1,138,758,438 | 13,577,420 | 48,731,015 |
| Accrued interest payable | US$ | 0 | 2,575,744 | 92,353 | 145,477 |
| Other liabilities – accounts payable and derivatives | US$ | 0 | 8,382,219 | 0 | 0 |
| Commitments and contingencies | US$ | 0 | 0 | 0 | 1,766,230 |
| **Interest income and expenses:** | | | | | |
| Interest income on deposits with banks | US$ | 0 | 7,168,252 | 0 | 0 |
| Interest income on loans | US$ | 107,059 | 0 | 0 | 333,457 |
| Interest income on investment | US$ | 0 | 447,870 | 0 | 0 |
| Interest expense on deposits due to depositors | US$ | 4,676 | 16,807,926 | 365,530 | 1,046,752 |

Transactions originate as a result of the relationship with directors, companies that are part of the economic group (parent company, controlling company and affiliates), as well as with other companies where there are common directors.

The transactions with related parties form part of the Bank's day-to-day operations and are processed in the same way as third party transactions. The Bank paid interest of 1.00% to 5.39% on its interest bearing liabilities to related parties and earned interest income of 3.28% to 5.00% from its deposits placed with related parties.

The different items presented in the table above represent the types of transactions that have been negotiated with related parties and these operations are not guaranteeing other types of transactions. The Bank has neither provided any security against it liabilities to related parties nor received any security from related parties for despots or investments made.

Financial instruments on transactions with related parties that have credit risk are classified as Stage 1 in the ECL model.

As of December 31, 2022, BG Trust, Inc. FID (0109-INV-22) purchased financial assets to Banco General, S. A., mainly portfolio of consumer loans, this transaction doesn't generated profit or loss. This portfolio is presented as part of the consolidation of the Bank.

## 7. Investments and Other Financial Assets Sold and Purchased Pending Settlement

The Bank recognizes each sale and purchase of financial instruments on a trade-date basis; the settlement of the transaction generally occurs within three to thirty working days following the trade date. The period between the trade date and the settlement date varies depending on the type of financial instrument traded and the regulations in effect in the market when negotiation occured.

Investments and other financial assets pending settlement amounted to US$91,206,479 (2022: US$54,900,382) for sales of investments and US$69,606,391 (2022: US$113,196,592) for purchases of investments and other financial assets.

## 8. Securities Sold Under Repurchase Agreements

As of December 31, 2022, the Bank maintained obligations resulting from securities sold under repurchase agreements amounting to US$50,424,418 with various maturities until February 2023 and annual interest rates of 4.90% to 4.93%; the weighted average interest rate of these securities was 4.93%. These values were guaranteed with investment values for US$51,785,285.

## 9. Other Financial Liabilities at Fair Value

The Bank holds, within other liabilities line, financial liabilities of debt instruments at fair value arising from short sales, which are summarized as follows:

| | Level | | 2023 | 2022 |
|---|---|---|---|---|
| Bonds of the US Government | 1 | | 3,374,894 | 3,284,758 |
| Mortgage Backed Securities (MBS) | 2 | | 80,694,909 | 35,213,918 |
| | | US$ | 84,069,803 | 38,498,676 |

See the description of the main valuation methods, assumptions and variables used in estimating the fair value of the Bank´s financial instruments, including these liabilities and the levels in Note 4.

## 10. Share Capital

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Number** | **US$** | **Number** | **US$** |
| **Common Shares** | | | | |
| Authorized shares with par value of US$10 each | 20,000,000 | 200,000,000 | 20,000,000 | 200,000,000 |
| Issued and fully paid: | | | | |
| Balance at the beginning and end of the year | 11,915,814 | 119,158,140 | 11,915,814 | 119,158,140 |
| **Preferred Shares – Class "A"** | | | | |
| Authorized shares with par value of US$10 each | 30,000,000 | 300,000,000 | 30,000,000 | 300,000,000 |
| Issued and fully paid: | | | | |
| Balance at the beginning and end of the year | 6,500,000 | 65,000,000 | 6,500,000 | 65,000,000 |

Upon approval of the Board of Directors, Preferred share Class "A" holders are entitled to receive dividends payable in cash at 8% or Class A preferred shares at the option of the issuer. Preferred shares do not carry the right to vote and are redeemable at option of the issuer at any given date of dividend payment subject to Cayman Islands Monetary Authority approval.

As of December 31, 2023, Overseas Capital Markets, Inc. is the owner of 100% (2022: 100%) of the Bank's issued and outstanding common and preferred shares.

Under the Banks and Trust Companies Act of the Cayman Islands, the Bank has externally imposed capital requirements of US$500,000. The Bank maintained compliance with externally imposed capital requirements as at and for the years ending 2023 and 2022.

## 11. Income Tax

Under current laws of the Cayman Islands, there are no income, estate, transfer, sales or other Cayman Islands taxes payable by Banco General (Overseas), Inc. Accordingly, no provision for Cayman Islands income taxes is included in these consolidated financial statements.

However, as result of the consolidation of the special purpose vehicle, BG Trust, Inc. FID 0109-INV-22, and in accordance with the tax legislation of the Republic of Panama, the income tax rate applicable to the financial income taxable according to current legislation is 25%, for which the Bank presents an income tax of US$612,295 in the consolidated statement of income.

## 12. Commitments and Contingencies

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

Guarantees issued on behalf of customers, letters of credit and promissory notes include certain exposure to credit loss in the event of non-compliance by the customer, net of collateral guarantees securing these transactions. The Bank's policies and procedures to approve these commitments are similar to those for extending loan facilities recorded within the Bank's assets.

In the opinion of the Bank's management, no losses will result from these commitments on behalf of customers.

Off balance sheet contingencies, by maturity are summarized as follows:

| | | **2023** | | |
|---|---|---|---|---|
| | | **0 – 1 Year** | **1 – 5 Years** | **Total** |
| Letters of credit | US$ | 1,766,230 | 350,000 | 2,116,230 |

| | | **2022** | | |
|---|---|---|---|---|
| | | **0 – 1 Year** | **1 – 5 Years** | **Total** |
| Letters of credit | US$ | 0 | 12,554,596 | 12,554,596 |

*Credit Quality Analysis of Contingencies*
The table below presents information about the credit quality of contingencies held by the Bank:

| | | **2023** | **2022** |
|---|---|---|---|
| **Maximum exposure** | | | |
| Carrying amount | US$ | 2,116,230 | 12,554,596 |
| **Letters of credit** | | | |
| Grade 1: Standard | US$ | 2,116,230 | 12,554,596 |

The Bank is not involved in any litigation that in management's opinion may result in a material adverse effect on the Bank, to its consolidated financial position or to its consolidated financial performance.

## 13. Derivative Financial Instruments

The Bank uses interest rate swaps contracts to reduce interest rate risk of both financial assets and financial liabilities. The Bank reduces the credit risk of these contracts by using reputable financial institutions as counterparties. These contracts are recorded in the consolidated statement of financial position at fair value within assets and liabilities, as applicable.

Below is the summary of derivative contracts is as follow:

| | | Total | | Exchange-Traded | | Over the Counter (OTC) – Liquidated in a securities exchange | | Over the Counter (OTC) – Other bilateral counterparties | |
|---|---|---|---|---|---|---|---|---|---|
| | | Notional Value | Book Value | Notional Value | Book Value | Notional Value | Book Value | Notional Value | Book Value |
| **2023** | | | | | | | | | |
| Derivative assets | US$ | 326,445,933 | 16,818,254 | 17,251,800 | 0 | 265,114,462 | 16,617,878 | 44,079,671 | 200,376 |
| Derivative liabilities | US$ | 400,629,835 | 12,674,277 | 38,320,640 | 0 | 192,425,570 | 3,204,015 | 169,883,625 | 9,470,262 |
| **2022** | | | | | | | | | |
| Derivative assets | US$ | 333,016,391 | 18,684,331 | 25,118,295 | 0 | 260,051,796 | 17,923,331 | 47,846,300 | 761,000 |
| Derivative liabilities | US$ | 425,270,428 | 10,695,327 | 163,432,401 | 0 | 16,817,970 | 471,762 | 245,020,057 | 10,223,565 |

The Bank maintains cash equivalents as collateral in institutions that maintain risk ratings between AA- to A- (2022: A+ to A-), which support derivative operations in the amount of US$9.9MM (2022: US$11.8MM).

Below is the following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

| | | 2023 Assets | 2023 Liabilities | 2022 Assets | 2022 Liabilities |
|---|---|---|---|---|---|
| Other derivatives: | | | | | |
| Credit | | 687,374 | 2,251,210 | 530,597 | 320,387 |
| Interest | | 13,720,608 | 10,270,331 | 14,783,925 | 7,859,108 |
| Total | US$ | 14,407,982 | 12,521,541 | 15,314,522 | 8,179,495 |

As of December 31, 2023, the Bank has derivative contracts in books for a notional value of US$727,075,768 (2022: US$758,286,819), of which US$446,256,425 (2022: US$496,494,567) were managed by third parties. Of these derivatives managed by third parties US$360,850,390 (2022: US$345,350,695) are utilized to manage the duration and the interest rates risk of these portfolios.

The following table presents assets and liabilities derivatives hedge for risk management:

Hedge Derivatives for Risk Management:

| | 2023 Assets | 2023 Liabilities | 2022 Assets | 2022 Liabilities |
|---|---|---|---|---|
| **Exposure to risk:** | | | | |
| **Interest rate** | | | | |
| Fair value hedge | 2,392,998 | 0 | 3,294,193 | 0 |
| Total Interest Rate | 2,392,998 | 0 | 3,294,193 | 0 |
| **Currency** | | | | |
| Others | 17,274 | 152,736 | 75,616 | 2,515,832 |
| Total Currency | 17,274 | 152,736 | 75,616 | 2,515,832 |
| Total derivatives for risk exposure | 2,410,272 | 152,736 | 3,369,809 | 2,515,832 |

Interest rate risk derivatives hedge

The Bank uses ("interest rate swaps") to hedge part of the exposure of the fair value of investments in bonds or debt issues to changes in interest rates. ("Interest rate swaps") must replicate the terms of these positions.

When using derivative instruments to hedge exposures from fluctuations in interest rates, the Bank is exposed to the counterparty risk of the derivative instrument. This risk is minimized by executing transactions with high credit-rating counterparties and liquidating operations with organized markets; in both cases with exchange of daily margins.

The effectiveness of hedging derivatives is analyzed qualitatively and it is concluded that there is no ineffectiveness because the terms of the derivatives are a mirror of the terms of the hedged risk component of the underlying assets and liabilities.

The Bank held the following interest rate derivatives as fair value hedges for risk management:

| | | | **2023** | | |
|---|---|---|---|---|---|
| | | | **Maturity** | | |
| **Risk Category** | **Up to 1 month** | **From 1 to 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **More than 5 years** |
| **Interest rate risk** | | | | | |
| **Hedging of Bonds** | | | | | |
| Notional Value | 0 | 0 | 0 | 40,000,000 | 0 |
| Average interest rate | | | | 3.45% | |

| | | | **2022** | | |
|---|---|---|---|---|---|
| | | | **Maturity** | | |
| **Risk Category** | **Up to 1 month** | **From 1 to 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **More than 5 years** |
| **Interest rate risk** | | | | | |
| **Hedging of Bonds** | | | | | |
| Notional Value | 0 | 0 | 0 | 20,000,000 | 20,000,000 |
| Average interest rate | | | | 1.66% | 5.25% |

The effects of hedge accounting on the financial situation are detailed as follows:

| | | | **2023** | | | |
|---|---|---|---|---|---|---|
| | | **Book Value** | | | | |
| | **Notional Value** | **Assets** | **Liabilities** | **Item in the consolidated statement of financial position that includes hedge instruments** | **Change in fair value used for calculating hedge ineffectiveness** | **Ineffectiveness recognized in profit or loss** |
| **Interest rate risk:** | | | | | | |
| Interest rate derivatives – Bonds Hedge | 40,000,000 | 2,392,998 | 0 | Other assets (liabilities) | 0 | 0 |
| **Total interest rate risk** | 40,000,000 | 2,392,998 | 0 | | | |

**2022**

| | Notional Value | Book Value Assets | Book Value Liabilities | Item in the consolidated statement of financial position that includes hedge instruments | Change in fair value used for calculating hedge ineffectiveness | Ineffectiveness recognized in profit or loss |
|---|---|---|---|---|---|---|
| **Interest rate risk:** | | | | | | |
| Interest rate derivatives – Bonds Hedge | 40,000,000 | 3,294,193 | 0 | Other assets (liabilities) | 0 | 0 |
| **Total interest rate risk** | 40,000,000 | 3,294,193 | 0 | | | |

The amounts relating to items designated as hedged items were as follows:

**2023**

| | Book Value Assets | Book Value Liabilities | Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets | Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities | Item in the statement of financial position in which the hedge item is included | Change in the value used for calculating hedge ineffectiveness | Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses |
|---|---|---|---|---|---|---|---|
| Bonds | 36,280,500 | 0 | 0 | 1,109,564 | Investment securities FVOCI | 0 | 0 |

**2022**

| | Book Value Assets | Book Value Liabilities | Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets | Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities | Item in the statement of financial position in which the hedge item is included | Change in the value used for calculating hedge ineffectiveness | Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses |
|---|---|---|---|---|---|---|---|
| Bonds | 35,751,700 | 0 | 0 | 1,553,039 | Investment securities FVOCI | 0 | 0 |

The Bank's derivatives are classified as following in the fair value hierachy as detailed in note 4:

| | | | **2023** | | |
|---|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | |
| Other derivatives: | | | | | |
| Credit | | 0 | 687,374 | 0 | 687,374 |
| Interest | | 0 | 13,720,608 | 0 | 13,720,608 |
| Total | | 0 | 14,407,982 | 0 | 14,407,982 |
| Hedge derivatives for risk management: | | | | | |
| Interest rate | | 0 | 2,392,998 | 0 | 2,392,998 |
| Currency | | 0 | 17,274 | 0 | 17,274 |
| Total | | 0 | 2,410,272 | 0 | 2,410,272 |
| **Total derivatives assets** | **US$** | **0** | **16,818,254** | **0** | **16,818,254** |
| **Liabilities** | | | | | |
| Other derivatives: | | | | | |
| Credit | | 0 | 2,251,210 | 0 | 2,251,210 |
| Interest | | 0 | 10,270,331 | 0 | 10,270,331 |
| Total | | 0 | 12,521,541 | 0 | 12,521,541 |
| Hedge derivatives for risk management: | | | | | |
| Currency | | 0 | 152,736 | 0 | 152,736 |
| Total | | 0 | 152,736 | 0 | 152,736 |
| **Total derivatives liabilities** | **US$** | **0** | **12,674,277** | **0** | **12,674,277** |

| | | | **2022** | | |
|---|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | |
| Other derivatives: | | | | | |
| Credit | | 0 | 530,597 | 0 | 530,597 |
| Interest | | 0 | 14,783,925 | 0 | 14,783,925 |
| Total | | 0 | 15,314,522 | 0 | 15,314,522 |
| Hedge derivatives for risk management: | | | | | |
| Interest rate | | 0 | 3,294,193 | 0 | 3,294,193 |
| Currency | | 0 | 75,616 | 0 | 75,616 |
| Total | | 0 | 3,369,809 | 0 | 3,369,809 |
| **Total derivatives assets** | **US$** | **0** | **18,684,331** | **0** | **18,684,331** |
| **Liabilities** | | | | | |
| Other derivatives: | | | | | |
| Credit | | 0 | 320,387 | 0 | 320,387 |
| Interest | | 0 | 7,859,108 | 0 | 7,859,108 |
| Total | | 0 | 8,179,495 | 0 | 8,179,495 |
| Hedge derivatives for risk management: | | | | | |
| Currency | | 0 | 2,515,832 | 0 | 2,515,832 |
| Total | | 0 | 2,515,832 | 0 | 2,515,832 |
| **Total derivatives liabilities** | **US$** | **0** | **10,695,327** | **0** | **10,695,327** |

The main valuation techniques, assumptions and inputs used to measure the fair value of derivatives are as follows:

| Derivative | Valuation technique | Inputs used | Level |
|---|---|---|---|
| **Organized Markets** | Quoted prices | Observable quoted prices in active markets | 1-2 |
| **Over the Counter (OTC)** | Discounted cash flows | Yield curves<br>Yield foreign exchange<br>Credit spreads<br>Assumed recovery<br>Volatility | 2 |

See Note 4, for the description of these Levels within the fair value hierarchy.

## 14. Concentration of Financial Assets and Liabilities

The geographical concentration the most of significant financial assets and liabilities is as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | **United States of America and Others** | **Panama** | **Latin America and the Caribbean** | **Total** |
| **Assets:** | | | | | |
| Due from banks | | 54,851,602 | 182,838,554 | 0 | 237,690,156 |
| Investments and other financial assets at fair value through profit or loss | | 219,527,867 | 638,579 | 16,467 | 220,182,913 |
| Investments and other financial assets at FVOCI | | 852,488,659 | 53,926,957 | 97,627,506 | 1,004,043,122 |
| Investments and other financial assets at amortized cost | | 0 | 13,078,105 | 0 | 13,078,105 |
| Loans, gross | | 0 | 34,725,630 | 541,080,575 | 575,806,205 |
| **Total** | US$ | 1,126,868,128 | 285,207,825 | 638,724,548 | 2,050,800,501 |
| **Liabilities:** | | | | | |
| Due to depositors | | 0 | 1,078,206,642 | 25,369,416 | 1,103,576,058 |
| Other liabilities at fair value | | 84,069,803 | 0 | 0 | 84,069,803 |
| **Total** | US$ | 84,069,803 | 1,078,206,642 | 25,369,416 | 1,187,645,861 |
| Commitments and contingencies | US$ | 0 | 2,116,230 | 0 | 2,116,230 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | **United States of America and Others** | **Panama** | **Latin America and the Caribbean** | **Total** |
| **Assets:** | | | | | |
| Due from banks | | 20,104,134 | 180,883,685 | 0 | 200,987,819 |
| Investments and other financial assets at fair value through profit or loss | | 268,533,638 | 709,384 | 15,365 | 269,258,387 |
| Investments and other financial assets at FVOCI | | 1,105,489,641 | 74,026,785 | 74,644,641 | 1,254,161,067 |
| Investments and other financial assets at amortized cost | | 0 | 13,160,159 | 0 | 13,160,159 |
| Loans, gross | | 0 | 32,358,593 | 466,679,798 | 499,038,391 |
| **Total** | US$ | 1,394,127,413 | 301,138,606 | 541,339,804 | 2,236,605,823 |
| **Liabilities:** | | | | | |
| Due to depositors | | 0 | 1,252,899,881 | 34,063,711 | 1,286,963,592 |
| Securities sold under repurchase agreements | | 50,424,418 | 0 | 0 | 50,424,418 |
| Other liabilities at fair value | | 38,498,676 | 0 | 0 | 38,498,676 |
| **Total** | US$ | 88,923,094 | 1,252,899,881 | 34,063,711 | 1,375,886,686 |
| Commitments and contingencies | US$ | 0 | 12,554,596 | 0 | 12,554,596 |

## 15. Fair Value of Financial Instruments

The following assumptions, where appropriate, have been made by Management to estimate the fair value of financial assets and liabilities not measured at fair value:

(a) *Deposits due from banks/accrued interest receivable/other assets/demand deposits from customers/savings deposits from customers/accrued interest payable/securities sold under repurchase agreements.*
For the financial instruments described above, the carrying values approximate their fair value due to their short-term nature.

(b) *Investment and other financial assets*
For investments and others financial assets, the fair value measurement is determined using quoted prices in active markets, prices from a third party pricing vendors, brokers, custodians, investment management companies and banks. In addition, for some cases the Bank uses valuation techniques that are presented in Note 4, to calculate their investments mainly by discounting cash flows at the appropriate discount rate for that instrument.

(c) *Loans*
Fair value of the loan portfolio was determined by discounting the future cash flows at an interest rate that represents: (i) current market rates, and (ii) the future expected interest rates, for a term that considers the expected anticipated prepayments in the loan portfolio.

(d) *Time deposits due from banks/ time deposits from customers*
Fair value of these financial instruments was determined by discounting the future cash flows at an interest rate that reflects: (i) current market rates, and (ii) the future expected interest rates, for a term that represents the remaining life of these instruments.

Fair value estimates are made at a specific date based on relevant market estimates and information about the financial instruments. These estimates do not reflect any premium or discount that could result from the offer to sell a specific financial instrument at a given date. These estimates are subjective in nature and involve uncertainties and significant judgment; therefore, these estimates cannot be determined with precision. Changes in the assumptions or criteria could significantly affect the estimates.

The following table summarizes the carrying value and fair value of those financial assets and liabilities not measured at fair value on the Bank's consolidated statement of financial position:

| | | **2023** | | **2022** | |
|---|---|---|---|---|---|
| | | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Assets:** | | | | | |
| Due from banks | | 238,270,704 | 234,462,575 | 201,403,641 | 194,280,985 |
| Investments at amortized cost | | 13,289,025 | 12,210,961 | 13,371,079 | 12,354,770 |
| Loans, net | | 578,968,263 | 574,862,170 | 500,526,034 | 502,621,052 |
| Other financial assets | | 91,206,479 | 91,206,479 | 54,900,382 | 54,900,382 |
| | US$ | 921,734,471 | 912,742,185 | 770,201,136 | 764,157,189 |
| **Liabilities:** | | | | | |
| Due to depositors | | 1,108,795,541 | 1,108,664,193 | 1,289,791,860 | 1,289,660,512 |
| Securities sold under repurchase agreements | | 0 | 0 | 50,769,887 | 51,026,149 |
| Other financial liabilities | | 69,606,391 | 69,606,391 | 113,196,592 | 113,196,592 |
| | US$ | 1,178,401,932 | 1,178,270,584 | 1,453,758,339 | 1,453,883,253 |

The following table analyzes the fair value of the financial instruments not measured at fair value, according to the fair value hierarchy level:

| | | **2023** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Due from banks | | 234,462,575 | 0 | 0 | 234,462,575 |
| Investments at amortized cost | | 12,210,961 | 0 | 12,210,961 | 0 |
| Loans | | 574,862,170 | 0 | 0 | 574,862,170 |
| Other financial assets | | 91,206,479 | 0 | 0 | 91,206,479 |
| | US$ | 912,742,185 | 0 | 12,210,961 | 900,531,224 |
| **Liabilities:** | | | | | |
| Due to depositors | | 1,108,664,193 | 0 | 0 | 1,108,664,193 |
| Other financial liabilities | | 69,606,391 | 0 | 0 | 69,606,391 |
| | US$ | 1,178,270,584 | 0 | 0 | 1,178,270,584 |

| | | 2022 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Due from banks | | 194,280,985 | 0 | 0 | 194,280,985 |
| Investments at amortized cost | | 12,354,770 | 0 | 12,354,770 | 0 |
| Loans | | 502,621,052 | 0 | 0 | 502,621,052 |
| Other financial assets | | 54,900,382 | 0 | 0 | 54,900,382 |
| | US$ | 764,157,189 | 0 | 12,354,770 | 751,802,419 |
| **Liabilities:** | | | | | |
| Due to depositors | | 1,289,660,512 | 0 | 0 | 1,289,660,512 |
| Securities sold under repurchase agreements | | 51,026,149 | 0 | 0 | 51,026,149 |
| Other financial liabilities | | 113,196,592 | 0 | 0 | 113,196,592 |
| | US$ | 1,453,883,253 | 0 | 0 | 1,453,883,253 |

See Note 4, for the description of these Levels.

## 16. Financial Instrument 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 consolidated statement of financial position is primarily composed of financial instruments.

Financial instruments expose the Bank to various types of risks. The Board of Directors of the Controller of the parent company has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors of the Controller of the parent company has created the Credit Risk Committee of the Board of Directors, to oversee the credit, liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors of the Controller of the parent company has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established polices and limits in order to control and manage these risks. There is also an Audit Committee, composed of members of the of the Controller of the parent company Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

The main risks identified by the Bank are credit, counter-party, market, liquidity and financing, operational and capital management risks which are described as follows:

*(a) Credit Risk*

Credit risk 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 terms and conditions agreed upon when the financial asset was acquired or originated by the Bank.

To mitigate the credit risk, risk management policies establish limits by country, industry, and debtor.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position.

| | | **2023 (in thousands)** | | | |
|---|---|---|---|---|---|
| | | 12-months ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit – impaired | Total |
| **Loans at amortized cost** | | | | | |
| Grade 1: Standard | | 574,608 | 1,198 | 0 | 575,806 |
| Gross amount | | 574,608 | 1,198 | 0 | 575,806 |
| Loan losses allowance | | (1,112) | (17) | 0 | (1,129) |
| **Net carrying amount** | US$ | **573,496** | **1,181** | **0** | **574,677** |

| | | **2022 (in thousands)** | | | |
|---|---|---|---|---|---|
| | | 12-months ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit – impaired | Total |
| **Loans at amortized cost** | | | | | |
| Grade 1: Standard | | 498,664 | 374 | 0 | 499,038 |
| Gross amount | | 498,664 | 374 | 0 | 499,038 |
| Loan losses allowance | | (1,124) | (5) | 0 | (1,129) |
| **Net carrying amount** | US$ | **497,540** | **369** | **0** | **497,909** |

At the reporting date there were no loans or investments on a watch list or for which terms have been renegotiated. At December 31, 2023 and 2022, the Bank has no impaired deposits due from banks.

The aging of the loan portfolio delinquency is presented as follows:

| | **2023** | **2022** |
|---|---|---|
| Current | 554,367,620 | 499,027,473 |
| From 31 to 90 days | 21,430,762 | 0 |
| More than 30 days past due (capital at maturity) | 7,823 | 10,918 |
| Total | 575,806,205 | 499,038,391 |

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital amounting to US$655,047 (2022: US$724,749), which are not subject to credit risk:

| | | | | 2023 | | |
|---|---|---|---|---|---|---|
| | | 12-months ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit-impaired | Purchased credit-impaired | Total |
| **At Amortized Cost** | | | | | | |
| AA+ to BBB- | | 13,078,105 | 0 | 0 | 0 | 13,078,105 |
| **Total carrying amount** | **US$** | **13,078,105** | **0** | **0** | **0** | **13,078,105** |
| **At FVOCI** | | | | | | |
| AAA | | 537,096,875 | 0 | 0 | 0 | 537,096,875 |
| AA+ to BBB- | | 273,273,198 | 0 | 0 | 0 | 273,273,198 |
| Lower than BBB- | | 193,477,681 | 124,368 | 0 | 71,000 | 193,673,049 |
| **Total carrying amount** | US$ | **1,003,847,754** | **124,368** | **0** | **71,000** | **1,004,043,122** |
| Valuation of credit risk | US$ | (2,020,133) | (468,000) | 0 | (51,323) | (2,539,456) |
| **At Fair Value through profit or loss** | | | | | | |
| AAA | | 73,054,110 | | | | |
| AA+ to BBB- | | 146,403,099 | | | | |
| Lower than BBB- | | 70,657 | | | | |
| **Total carrying amount** | **US$** | **219,527,866** | | | | |

| | | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | 12-months ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit-impaired | Purchased credit-impaired | Total |
| **At Amortized Cost** | | | | | | |
| AA+ to BBB- | | 13,160,159 | 0 | 0 | 0 | 13,160,159 |
| **Total carrying amount** | **US$** | **13,160,159** | **0** | **0** | **0** | **13,160,159** |
| **At FVOCI** | | | | | | |
| AAA | | 728,351,591 | 0 | 0 | 0 | 728,351,591 |
| AA+ to BBB- | | 305,441,423 | 0 | 0 | 0 | 305,441,423 |
| Lower than BBB- | | 212,547,597 | 6,672,181 | 755,523 | 392,752 | 220,368,053 |
| **Total carrying amount** | US$ | **1,246,340,611** | **6,672,181** | **755,523** | **392,752** | **1,254,161,067** |
| Valuation of credit risk | US$ | (3,261,393) | (507,053) | (1,894,827) | (99,661) | (5,762,934) |
| **At Fair Value through profit or loss** | | | | | | |
| AAA | | 104,871,491 | | | | |
| AA+ to BBB- | | 154,553,486 | | | | |
| Lower than BBB- | | 9,108,661 | | | | |
| **Total carrying amount** | **US$** | **268,533,638** | | | | |

Investments were classified based on their highest international risk rating amongst Fitch Ratings Inc., Moody's and Standard and Poor´s. In the case of local investments that do not have an international rating, the Bank uses an internal rating, which is consistent with international risk ratings.

**Deposits with banks**
The deposits with banks are held with financial institution counterparties that are rated at least between AA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to US$237,690,156 (2022: US$200,987,819).

(b) *Counterparty Risk*

Counterparty risk is the risk that a counterparty does not comply with the settlement of a purchase or sale of securities or other instruments traded in financial markets.

Risk management policies set counterparty limits that determine, at every moment, the maximum amount of net exposure of unsettled transactions that the Bank can hold with a counterparty. The Assets and Liabilities Committee is responsible for identifying those acceptable counterparties taking into consideration the counterparty's history with respect to the fulfillment of obligations, as well as indications of its capability and position to comply with is obligations.

(c) *Market Risk*

Market risk is the risk that the value of the Bank's financial assets are reduced as a result of changes in interest rates, foreign currency exchange rates, stock prices, and also the impact of other financial variables, that are not controlled by the Bank.

Risk management policies provide for compliance limits by type of financial instrument, limits related to maximum loss amounts that trigger the settlement of positions that caused such loss; and the requirement that, except upon approval of the Board of Directors, substantially all assets and liabilities are denominated in US Dollars.

The composition and analysis of the market risks are described as follows:

- *Exchange rate Risk*

  Is the risk that the value of a financial instrument fluctuates as a consequence of variations in foreign currency exchange rates and other financial variables, as well as the market participants' reactions to political and economic events. At December 31, 2023 and 2022, the Bank does not hold significant positions in foreign currencies.

  Currently, foreign exchange exposure is low considering the Bank's policy is not to hold foreign exchange position, unless their intention is to cover clients' needs and those arising from portfolios managed by third parties, which have maximum exposure limits, according to those established by Bank's Board of Directors.

The table below sets out the Bank´s maximum exposure limits to foreign currency. The assets and liabilities are presented at their carrying amount, except derivatives which are presented at their nominal value within other assets/other liabilities.

| | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Euros, expressed in USD** | **Sterling Pounds, expressed in USD** | **Japanese Yen, expressed in USD** | **Canadian Dollar, expressed in USD** | **Other currencies, expressed in USD*** | **Total** |
| **Exchange rate** | | **1.10** | **1.27** | **141.03** | **1.32** | | |
| **Assets** | | | | | | | |
| Due from banks | | 178,192 | 20,341 | 23,095 | 130,497 | 2,025 | 354,150 |
| Investments and other financial assets | | 29,647,009 | 16,607,192 | 0 | 352,714 | 0 | 46,606,915 |
| Other assets | | 299,743 | 5,396,946 | 0 | 0 | 0 | 5,696,689 |
| | **US$** | 30,124,944 | 22,024,479 | 23,095 | 483,211 | 2,025 | 52,657,754 |
| **Liabilities** | | | | | | | |
| Other liabilities | | 13,256,455 | 10,159,107 | 51,128 | 0 | 14,680 | 23,481,370 |
| | **US$** | 13,256,455 | 10,159,107 | 51,128 | 0 | 14,680 | 23,481,370 |
| **Net currency position** | **US$** | 16,868,489 | 11,865,372 | (28,033) | 483,211 | (12,655) | 29,176,384 |

| | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Euros, expressed in USD** | **Sterling Pounds, expressed in USD** | **Japanese Yen, expressed in USD** | **Canadian Dollar, expressed in USD** | **Other currencies, expressed in USD*** | **Total** |
| **Exchange rate** | | **1.07** | **1.21** | **131.07** | **1.35** | | |
| **Assets** | | | | | | | |
| Due from banks | | 595,315 | 1,411,376 | 323,540 | 127,587 | 2,228 | 2,460,046 |
| Investments and other financial assets | | 76,242,275 | 17,963,727 | 0 | 0 | 0 | 94,206,002 |
| Other assets | | 8,904,357 | 2,369,700 | 0 | 0 | 0 | 11,274,057 |
| | **US$** | 85,741,947 | 21,744,803 | 323,540 | 127,587 | 2,228 | 107,940,105 |
| **Liabilities** | | | | | | | |
| Other liabilities | | 86,513,765 | 21,534,251 | 203,996 | 0 | 0 | 108,252,012 |
| | **US$** | 86,513,765 | 21,534,251 | 203,996 | 0 | 0 | 108,252,012 |
| **Net currency position** | **US$** | (771,818) | 210,552 | 119,544 | 127,587 | 2,228 | (311,907) |

**Other currencies include Australian Dollar, Turkish Lira, Singapore Dollar, South African Rand, Mexican Peso, Polish Zloty and Swiss Franc.*

- *Interest Rate Risk of the Cash flows and the Fair Value*

The interest rate risk on cash flows and the interest rate risk on fair value 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 net interest margin of the Bank may vary as a result of unanticipated movements in interest rates.

In order to mitigate this risk, the Bank's management has defined exposure limits to the interest rate risk.

The table below summarizes the Bank's exposure based on the re-pricing terms of interest rates on interest-bearing financial assets and liabilities:

| 2023 | | Up to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 5 years | From 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Time deposits | | 1,766,230 | 0 | 0 | 170,000,000 | 0 | 0 | 171,766,230 |
| Investments and other financial assets | | 262,876,195 | 21,323,345 | 33,060,068 | 550,600,125 | 221,767,969 | 84,064,853 | 1,173,692,555 |
| Loans, gross | | 475,515,031 | 97,052,088 | 1,534,325 | 1,704,761 | 0 | 0 | 575,806,205 |
| Total | US$ | 740,157,456 | 118,375,433 | 34,594,393 | 722,304,886 | 221,767,969 | 84,064,853 | 1,921,264,990 |
| **Liabilities:** | | | | | | | | |
| Time and savings deposits | | 1,085,425,814 | 9,721,332 | 2,422,285 | 6,000,000 | 0 | 0 | 1,103,569,431 |
| Total | US$ | 1,085,425,814 | 9,721,332 | 2,422,285 | 6,000,000 | 0 | 0 | 1,103,569,431 |
| Total interest sensitivity gap | US$ | (345,268,358) | 108,654,101 | 32,172,108 | 716,304,886 | 221,767,969 | 84,064,853 | 817,695,559 |

| 2022 | | Up to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 5 years | From 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Time deposits | | 0 | 0 | 0 | 171,766,230 | 0 | 0 | 171,766,230 |
| Investments and other financial assets | | 408,978,186 | 57,328,056 | 49,668,350 | 615,412,084 | 218,466,561 | 92,547,659 | 1,442,400,896 |
| Loans, gross | | 446,635,763 | 47,946,500 | 2,262,627 | 2,193,501 | 0 | 0 | 499,038,391 |
| Total | US$ | 855,613,949 | 105,274,556 | 51,930,977 | 789,371,815 | 218,466,561 | 92,547,659 | 2,113,205,517 |
| **Liabilities:** | | | | | | | | |
| Time and savings deposits | | 687,049,821 | 463,110,289 | 129,530,625 | 7,266,230 | 0 | 0 | 1,286,956,965 |
| Securities sold under repurchase agreements | | 50,424,418 | 0 | 0 | 0 | 0 | 0 | 50,424,418 |
| Total | US$ | 737,474,239 | 463,110,289 | 129,530,625 | 7,266,230 | 0 | 0 | 1,337,381,383 |
| Total interest sensitivity gap | US$ | 118,139,710 | (357,835,733) | (77,599,648) | 782,105,585 | 218,466,561 | 92,547,659 | 775,824,134 |

In order to assess the 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.

Management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Bank's sensitivity to an (increase) or decrease in market interest rates is as follows:

| | **Sensitivity of the net interest income** | | | |
|---|---|---|---|---|
| | **100bp increase** | | **100bp decrease** | |
| | **2023** | **2022** | **2023** | **2022** |
| At the end of the year | (4,943,254) | (2,175,570) | 5,013,481 | 2,231,340 |
| Average for the year | (2,783,453) | (3,418,222) | 2,844,480 | 2,603,515 |
| Maximum for the year | (4,943,254) | (3,996,130) | 5,013,481 | 4,094,658 |
| Minimum for the year | (1,550,404) | (2,175,570) | 1,611,371 | 336,006 |

| | **Sensitivity in profit or loss for investments at fair value** | | | |
|---|---|---|---|---|
| | **100bp increase** | | **100bp decrease** | |
| | **2023** | **2022** | **2023** | **2022** |
| At the end of the year | (4,211,969) | (6,873,264) | 5,700,546 | 6,565,966 |
| Average for the year | (7,123,819) | (7,292,303) | 7,458,061 | 6,894,863 |
| Maximum for the year | (8,421,922) | (8,393,837) | 8,449,765 | 8,052,866 |
| Minimum for the year | (4,211,969) | (5,654,905) | 5,700,546 | 5,020,847 |

| | **Sensitivity of other comprehensive income** | | | |
|---|---|---|---|---|
| | **100bp increase** | | **100bp decrease** | |
| | **2023** | **2022** | **2023** | **2022** |
| At the end of the year | (33,922,423) | (37,479,528) | 32,840,950 | 37,845,106 |
| Average for the year | (32,802,412) | (35,801,005) | 32,849,545 | 35,828,213 |
| Maximum for the year | (34,193,948) | (37,479,528) | 34,384,201 | 37,845,106 |
| Minimum for the year | (31,309,585) | (34,274,279) | 31,984,744 | 32,615,617 |

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

*(d) Liquidity and Financing Risk*

Liquidity and financing risk is the risk that the Bank cannot comply with all its obligations for, among other reasons, an unexpected withdrawal of funds by depositors, the deterioration of the quality of the loan portfolio, impairment 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.

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

The table below summarizes the Bank's assets and liabilities grouped by their residual maturities with respect to the contractual maturity date, except investments and other financial assets, net which are based on their liquidity (possible sale date):

**2023**

| | | Up to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 5 years | From 5 to 10 years | More than 10 years | With no maturity | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Due from banks | | 67,690,156 | 0 | 0 | 170,000,000 | 0 | 0 | 0 | 237,690,156 |
| Investment and others financial assets, net | | 1,176,746,560 | 1,054,182 | 43,360,907 | 15,487,444 | 0 | 0 | 655,047 | 1,237,304,140 |
| Loans, net | | 69,142,340 | 99,401,428 | 69,691,713 | 232,322,820 | 104,118,624 | 0 | 0 | 574,676,925 |
| Accrued interest receivable | | 0 | 0 | 14,239,266 | 0 | 0 | 0 | 0 | 14,239,266 |
| Other assets | | 91,543,974 | 0 | 0 | 40,376,205 | 0 | 0 | 0 | 131,920,179 |
| Total | US$ | 1,405,123,030 | 100,455,610 | 127,291,886 | 458,186,469 | 104,118,624 | 0 | 655,047 | 2,195,830,666 |
| **Liabilities:** | | | | | | | | | |
| Due to depositors | | 1,085,432,441 | 9,721,332 | 2,422,285 | 6,000,000 | 0 | 0 | 0 | 1,103,576,058 |
| Accrued interest payable | | 0 | 0 | 5,220,057 | 0 | 0 | 0 | 0 | 5,220,057 |
| Other liabilities | | 166,350,471 | 0 | 0 | 26,548,545 | 0 | 0 | 0 | 192,899,016 |
| Total | US$ | 1,251,782,912 | 9,721,332 | 7,642,342 | 32,548,545 | 0 | 0 | 0 | 1,301,695,131 |
| Net liquidity gap | US$ | 153,340,118 | 90,734,278 | 119,649,544 | 425,637,924 | 104,118,624 | 0 | 655,047 | 894,135,535 |

**2022**

| | | Up to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 5 years | From 5 to 10 years | More than 10 years | With no maturity | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Due from banks | | 29,221,589 | 0 | 0 | 171,766,230 | 0 | 0 | 0 | 200,987,819 |
| Investment and others financial assets, net | | 1,463,009,754 | 3,429,230 | 62,524,133 | 6,891,747 | 0 | 0 | 724,749 | 1,536,579,613 |
| Loans, net | | 61,668,116 | 50,433,694 | 41,219,795 | 202,530,430 | 137,634,133 | 4,422,943 | 0 | 497,909,111 |
| Accrued interest receivable | | 0 | 0 | 12,213,941 | 0 | 0 | 0 | 0 | 12,213,941 |
| Other assets | | 55,203,582 | 0 | 0 | 33,382,784 | 0 | 0 | 0 | 88,586,366 |
| Total | US$ | 1,609,103,041 | 53,862,924 | 115,957,869 | 414,571,191 | 137,634,133 | 4,422,943 | 724,749 | 2,336,276,850 |
| **Liabilities:** | | | | | | | | | |
| Due to depositors | | 687,056,447 | 463,110,289 | 129,530,626 | 7,266,230 | 0 | 0 | 0 | 1,286,963,592 |
| Securities sold under repurchase agreements | | 50,424,418 | 0 | 0 | 0 | 0 | 0 | 0 | 50,424,418 |
| Accrued interest payable | | 0 | 0 | 3,174,170 | 0 | 0 | 0 | 0 | 3,174,170 |
| Other liabilities | | 161,304,409 | 0 | 0 | 25,249,240 | 0 | 0 | 0 | 186,553,649 |
| Total | US$ | 898,785,274 | 463,110,289 | 132,704,796 | 32,515,470 | 0 | 0 | 0 | 1,527,115,829 |
| Net liquidity gap | US$ | 710,317,767 | (409,247,365) | (16,746,927) | 382,055,721 | 137,634,133 | 4,422,943 | 724,749 | 809,161,021 |

The liquidity index of the Bank, that is primary liquid assets to total deposits and borrowings, measured at the consolidated statement of financial position date, is detailed as follows:

| | **2023** | **2022** |
|---|---|---|
| At the end of the year | 98.41% | 95.58% |
| Average for the year | 99.16% | 100.72% |
| Maximum for the year | 103.18% | 103.87% |
| Minimum for the year | 96.27% | 95.58% |

(e) *Operational Risk*

Operational risk is the possibility that losses may occur due to the inadequate, failure or deficiencies in the processes, of personnel, internal systems or external events. The definition includes the legal risk associated with those factors.

The Controller of the parent company has designed a decentralized operational risk management model in the Bank which has gradually been implemented.

The operational risk management model, addresses within its key functions the following:

- Definition of strategies and implementation of Business Continuity Plans for the critical processes
- Identification and assessment of risks
- Reporting of incidents and loss events
- Evaluation and follow up of risk mitigating actions
- Assessment of operational risks in new initiatives
- Periodic training with the areas staff.

In addition to the Operational Risk Unit, the following areas manage operational risk intrinsically within its functions:

- Operational Risk Unit
- Risk Management of Information Technology
- Information Security
- Prevention and Fraud Control
- Corporative Security.

As part of the Corporate Governance Model; strategy, methodology and monitoring of action plans for events and risks measured as critical and high are reported to the Executive Committee of Operational Risk and, on a quarterly basis, to the Board’s Risk Committee.

The Corporate Internal Audit Department reviews and validates compliance of defined policies and methodologies in accordance with existing regulations, the results of which are presented to the Corporate Audit Committee.

The Bank has the majority of its investment portfolio under custody with the Bank of New York Mellon, which has an international rating of A1 by Moody's, A from Standard and Poor's and is regulates by the Federal Reserve System of the United States of America, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

*(f) Capital Management*

The Bank´s regulatory capital consists of the following elements:

- Tier 1 capital, which includes common share capital, preferred share capital, additional paid-in capital, valuation reserve, retained earnings, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, and certain allowances for loan losses that are presently unidentified on an individual basis, and elements of the fair value reserve relating to gains (losses) on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The amount of qualifying tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying subordinated term loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of the loan loss allowance that may be included as part of tier 2 capital.

The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognized and the Bank recognizes the need to maintain a balance between higher returns that might be achievable with greater gearing and the advantages and security afforded by a sound capital position.

The Bank’s individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes to the Bank’s capital management during the year.

In addition to risk-based capital requirements, the Basel III reforms introduced a simpler, non risk-based Leverage ratio requirement to act as a supplementary measure to its risk-based capital requirements. The Leverage ratio is defined as a ratio of Basel III Tier 1 capital to a leverage exposure measure which includes on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

Effective 1 December 2019, CIMA implemented the Basel III Leverage Ratio Liquidity Risk Management Rules and Guidelines, which outline the application and disclosure of the Basel III Leverage ratio in the Cayman Islands. The minimum ratio of 3% is applicable to all banks, except in specific cases where the Authority, in its sole discretion, decides that difference leverage ratio requirements should be set.

The Bank's regulatory capital position at December 31 was as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| | | (in thousands) | |
| **Tier 1 capital** | | | |
| Common shares | | 119,158 | 119,158 |
| Preferred shares | | 65,000 | 65,000 |
| Additional paid-in capital | | 15,842 | 15,842 |
| Valuation reserve | | (33,430) | (76,955) |
| Retained earnings | | 725,708 | 686,116 |
| Total | US$ | 892,278 | 809,161 |
| **Risk-weighted assets** | US$ | 1,538,500 | 1,551,127 |
| **Capital ratios** | | | |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | | 58.00% | 52.17% |

## 17. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank's management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, results, commitments and contingencies, based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Any changes in assumptions or criteria could significantly affect estimates.

(a) *Impairment losses on loans:*

The Bank reviews its loan portfolios at the reporting date to determine whether there is objective evidence of impairment on a loan or loan portfolio that should be recognized in the profit or loss of the year.

The assessment of whether the credit risk of a loan has increased significantly is one of the critical judgements in the impairment model. Loss allowances are measured either at amounts equal to 12-month ECL or at lifetime ECL. See note 3 for a more detailed description of impairment losses on loans.

(b) *Impairment of investment and other financial assets:*

The Bank assesses its investment and other financial assets at the reporting date to determine whether there is objective evidence of impairment. The Bank considers investment and other financial assets to be impaired when there has been a significant increase in credit risk evidenced by a downgrade in risk ratings from initial recognition, default in payments, debt restructuring, and other similar events.

(c) *Fair value of derivative instruments:*

The fair value of derivative instruments that are not quoted in active markets is determined by using valuation techniques. Models are reviewed before they are used and are calibrated to ensure that outputs reflect actual data and comparative fair values of market prices of similar instruments.

To the extent of practicality, only observable data are used as inputs, although certain inputs such as counterparty credit risk, volatility measures and correlations require management to make certain estimates.

**BANCO GENERAL (OVERSEAS), INC.**

**Appendix 1**

Consolidated appendix information on the Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

| | | BANCO GENERAL (OVERSEAS), INC. | BG TRUST, INC. FID (0109-INV-22) | SUB- TOTAL | ELIMINATIONS | TOTAL CONSOLIDATED |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Due from banks: | | | | | | |
| Demand deposits | | 63,066,038 | 2,857,888 | 65,923,926 | - | 65,923,926 |
| Time deposits | | 171,766,230 | - | 171,766,230 | - | 171,766,230 |
| Accrued interest receivable | | 580,548 | - | 580,548 | - | 580,548 |
| **Total due from banks** | | 235,412,816 | 2,857,888 | 238,270,704 | - | 238,270,704 |
| Investment and other financial assets, net | | 1,237,515,060 | - | 1,237,515,060 | - | 1,237,515,060 |
| Loans | | 541,080,575 | 34,725,630 | 575,806,205 | - | 575,806,205 |
| Accrued interest receivable | | 4,137,687 | 153,651 | 4,291,338 | - | 4,291,338 |
| Less: | | | | | | |
| loan losses allowance | | 851,371 | 277,909 | 1,129,280 | - | 1,129,280 |
| **Loans, net** | | 544,366,891 | 34,601,372 | 578,968,263 | - | 578,968,263 |
| Investments in special purpose vehicle | | 35,000,000 | - | 35,000,000 | 35,000,000 | - |
| Investments and other financial assets sold pending settlement | | 91,206,479 | - | 91,206,479 | - | 91,206,479 |
| Derivative instruments - assets | | 16,818,254 | - | 16,818,254 | - | 16,818,254 |
| Other assets | | 33,008,959 | 42,947 | 33,051,906 | - | 33,051,906 |
| **Total assets** | US$ | 2,193,328,459 | 37,502,207 | 2,230,830,666 | 35,000,000 | 2,195,830,666 |

*See the report of the Independent Auditors.*

**BANCO GENERAL (OVERSEAS), INC.**

**Appendix 1**

Consolidated appendix information on the Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

| | | BANCO GENERAL (OVERSEAS), INC. | BG TRUST, INC. FID (0109-INV-22) | SUB- TOTAL | ELIMINATIONS | TOTAL CONSOLIDATED |
|---|---|---|---|---|---|---|
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Due to depositors: | | | | | | |
| Demand | | 6,627 | - | 6,627 | - | 6,627 |
| Savings | | 75,989,222 | - | 75,989,222 | - | 75,989,222 |
| Time deposits | | 1,027,580,209 | - | 1,027,580,209 | - | 1,027,580,209 |
| Accrued interest payable | | 5,219,483 | - | 5,219,483 | - | 5,219,483 |
| **Total due to depositors** | | 1,108,795,541 | - | 1,108,795,541 | - | 1,108,795,541 |
| Investments and other financial assets purchased pending settlement | | 69,606,391 | - | 69,606,391 | - | 69,606,391 |
| Derivative instruments - liabilities | | 12,674,277 | - | 12,674,277 | - | 12,674,277 |
| Other financial liabilities at fair value | | 84,069,803 | - | 84,069,803 | - | 84,069,803 |
| Other liabilities | | 25,904,748 | 644,371 | 26,549,119 | - | 26,549,119 |
| **Total liabilities** | | 1,301,050,760 | 644,371 | 1,301,695,131 | - | 1,301,695,131 |
| **Equity** | | | | | | |
| Common share capital | | 119,158,140 | 35,000,000 | 154,158,140 | 35,000,000 | 119,158,140 |
| Preferred share capital | | 65,000,000 | 0 | 65,000,000 | - | 65,000,000 |
| Additional paid-in capital | | 15,841,860 | 0 | 15,841,860 | - | 15,841,860 |
| Valuation reserve | | (33,430,589) | 0 | (33,430,589) | - | (33,430,589) |
| Retained earnings | | 725,708,288 | 1,857,836 | 727,566,124 | - | 727,566,124 |
| **Total equity** | | 892,277,699 | 36,857,836 | 929,135,535 | 35,000,000 | 894,135,535 |
| **Total liabilities and equity** | US$ | 2,193,328,459 | 37,502,207 | 2,230,830,666 | 35,000,000 | 2,195,830,666 |

**BANCO GENERAL (OVERSEAS), INC.**

**Appendix 2**

Consolidated appendix information on the Consolidated Statement of Income and Retained Earnings

Year ended December 31, 2023

*(Stated in United States dollars)*

| | | BANCO GENERAL (OVERSEAS), INC. | BG TRUST, INC. FID (0109-INV-22) | SUB- TOTAL | ELIMINATIONS | TOTAL CONSOLIDATED |
|---|---|---|---|---|---|---|
| **Operating income** | | | | | | |
| Interest on investments and other financial assets | | 68,951,594 | - | 68,951,594 | - | 68,951,594 |
| Interest on deposits with banks | | 6,360,297 | 20,480 | 6,380,777 | - | 6,380,777 |
| Interest on loans | | 37,349,034 | 2,449,550 | 39,798,584 | - | 39,798,584 |
| Reversal provision for impairment of investments | | 3,223,478 | - | 3,223,478 | - | 3,223,478 |
| Net realized loss on sale of investments and other financial assets | | (29,181,383) | - | (29,181,383) | - | (29,181,383) |
| Net unrealized gain on investments and other financial assets | | 13,361,919 | - | 13,361,919 | - | 13,361,919 |
| Net loss on derivative instruments | | (2,637,902) | - | (2,637,902) | - | (2,637,902) |
| Dividends received | | 52,485 | - | 52,485 | - | 52,485 |
| Other income | | 218,617 | - | 218,617 | - | 218,617 |
| **Total operating income, net** | | 97,698,139 | 2,470,030 | 100,168,169 | - | 100,168,169 |
| **Operating expenses** | | | | | | |
| Interest on deposits and financing | | 54,642,170 | - | 54,642,170 | - | 54,642,170 |
| General and administrative expenses: | | | | | | |
| Professional services | | 55,240 | - | 55,240 | - | 55,240 |
| Management fees and other bank charges | | 2,999,755 | - | 2,999,755 | - | 2,999,755 |
| License fee | | 140,346 | - | 140,346 | - | 140,346 |
| Other expenses | | 268,272 | 399 | 268,671 | - | 268,671 |
| **Total operating expenses** | | 58,105,783 | 399 | 58,106,182 | - | 58,106,182 |
| **Net income before tax** | | 39,592,356 | 2,469,631 | 42,061,987 | - | 42,061,987 |
| **Income tax** | | - | 612,295 | 612,295 | - | 612,295 |
| **Net income** | | 39,592,356 | 1,857,336 | 41,449,692 | - | 41,449,692 |
| **Retained earnings at the beginnig of the year** | | 686,115,932 | 500 | 686,116,432 | - | 686,116,432 |
| **Retained earnings at the end of the year** | US$ | 725,708,288 | 1,857,836 | 727,566,124 | - | 727,566,124 |

*See the report of the Independent Auditors.*

**BANCO GENERAL (OVERSEAS), INC.**

**Appendix 3**

Consolidated appendix information on the Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

*(Stated in United States dollars)*

| | | BANCO GENERAL (OVERSEAS), INC. | BG TRUST, INC. FID (0109-INV-22) | SUB- TOTAL | ELIMINATIONS | TOTAL CONSOLIDATED |
|---|---|---|---|---|---|---|
| Net income | | 39,592,356 | 1,857,336 | 41,449,692 | - | 41,449,692 |
| **Other comprehensive income (expense)** | | | | | | |
| **Items that are or may be reclassified to the consolidated statement of income:** | | | | | | |
| Valuation of investments and other financial assets: | | | | | | |
| Net changes in valuation of investments at FVOCI | | 82,597,109 | - | 82,597,109 | - | 82,597,109 |
| Transfer to profit or loss for sales of investments at FVOCI | | (35,848,809) | - | (35,848,809) | - | (35,848,809) |
| Valuation of investments credit risk at FVOCI | | (3,223,478) | - | (3,223,478) | - | (3,223,478) |
| **Total other comprehensive income, net** | | 43,524,822 | - | 43,524,822 | - | 43,524,822 |
| **Total comprehensive income** | US$ | 83,117,178 | 1,857,336 | 84,974,514 | - | 84,974,514 |

*See the report of the Independent Auditors.*