MMG Bank & Trust Ltd.

Report and Financial Statements
September 30, 2023

MMG Bank & Trust Ltd.

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September 30, 2023

Independent auditors' report

To the shareholder of MMG Bank & Trust Ltd.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MMG Bank & Trust Ltd (the Bank) as at September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at September 30, 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Other matters

The financial statements of the Bank for the year ended September 30, 2022 were audited by another firm of auditors whose report, dated February 15, 2023, expressed an unmodified opinion on those statements.

This report, including the opinion, has been prepared for and only for the Shareholder in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

January 26, 2024

MMG Bank & Trust Ltd.

Statement of Financial Position
September 30, 2023

(Expressed in United States dollars)

Assets	**Notes**	**2023**	**2022**
Due from banks			
Non-interest earning deposits, net		15,896,739	13,431,483
Interest earning deposits		3,028,431	4,497,419
Total due from banks	5, 14	18,925,170	17,928,902
Investment securities	6, 14	26,036,658	62,041,765
Loans receivable, net	7, 14	132,993,116	172,419,285
Intangible assets	9	1,300,999	638,272
Right-of-use assets	10	-	33,208
Other assets	11, 14	629,926	1,609,614
Total assets		179,885,869	254,671,046
Liabilities and Equity			
Liabilities:			
Customers' non-interest bearing deposits	12, 14	15,013,546	75,960,342
Customers' interest bearing deposits	12, 14	116,253,296	134,141,140
Lease liabilities	10	-	33,208
Other liabilities	13, 14	3,161,556	1,960,177
Total liabilities		134,428,398	212,094,867
Equity:			
Common stock, with a par value of $1 per share; authorized, issued and outstanding: 5,000,000	15	5,000,000	5,000,000
Regulatory reserve	8, 23	1,531,796	1,534,443
Reserve for expected losses in investment securities		45,000	124,652
Reserve for net changes in fair value of investment securities		(709,551)	(1,891,344)
Retained earnings		39,590,226	37,808,428
Total equity		45,457,471	42,576,179
Total liabilities and equity		179,885,869	254,671,046

See notes to financial statements.

These financial statements are approved by the Board of Directors on December 21, 2023 and are signed on its behalf by:

Director

Director

MMG Bank & Trust Ltd.

Statement of Comprehensive Income
For the year ended September 30, 2023
(Expressed in United States dollars)

	Notes	2023	2022
Interest income	14, 16	10,762,785	10,841,341
Interest expense on customers deposits	14	(5,778,560)	(6,324,442)
Net interest income		4,984,225	4,516,899
Reversal of allowance for regulatory reserve	7	2,415	10
Reversal of allowance for expected losses on loans	7	32,128	24,678
Allowance for expected losses on investment securities	6	(720,600)	(35,585)
Allowance for expected losses on deposits	5	(6,738)	-
Net interest income, after allowance for loan losses		4,291,430	4,504,790
Income from contracts	14, 17	3,805,209	3,564,110
Commission expenses		(845,129)	(1,185,756)
Net interest and commission income		7,251,510	6,883,144
Other income			
Loss from sale of investment securities measured at FVOCI		(101,268)	(530,424)
Net loss from securities measured at FVTPL		(69,046)	(653,193)
Other income		95,447	236,311
		(74,867)	(947,306)
Expenses			
Personnel expenses	14, 19	(272,589)	(250,996)
Professional fees	14	(121,132)	(591,447)
Amortization	9	(93,839)	(113,087)
Right-of-use asset depreciation	10	(33,208)	(32,140)
Interest expense on lease liabilities	10	(1,228)	(1,212)
Other	20	(875,496)	(785,221)
		(1,397,492)	(1,774,103)
Profit for the year		5,779,151	4,162,947
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on changes in valuation of secutities		1,181,793	(1,886,180)
Total comprehensive income		6,960,944	2,276,767

See notes to financial statements.

MMG Bank & Trust Ltd.

Statement of Changes in Equity
For the year ended September 30, 2023
(Expressed in United States dollars)

			Regulatory reserves			Reserve for	Net changes in		
	Note	**Common shares**	**Dynamic loan reserve**	**Regulatory loan reserve**	**Total Regulatory reserve**	**expected losses investment securiti**	**fair value of investment securiti**	**Retained earnings**	**Total**
Balance at October 1, 2021		5,000,000	1,531,796	2,657	1,534,453	89,067	(5,164)	41,645,471	48,263,827
Regulatory reserve for modified loans		-	-	(10)	(10)	-	-	10	-
Provision for impairment of investment		-	-	-	-	35,585	-	-	35,585
Gain on changes in valuation of secutities	6	-	-	-	-	-	(1,886,180)	-	(1,886,180)
Dividends paid		-	-	-	-	-	-	(8,000,000)	(8,000,000)
Profit for the year		-	-	-	-	-	-	4,162,947	4,162,947
Balance at September 30, 2022		5,000,000	1,531,796	2,647	1,534,443	124,652	(1,891,344)	37,808,428	42,576,179
Regulatory reserve for modified loans		-	-	(2,647)	(2,647)	-	-	2,647	-
Provision for impairment of investment		-	-	-	-	720,600	-	-	720,600
Impairment loss on securities		-	-	-	-	(800,252)	-	-	(800,252)
Loss on changes in valuation of securities	6	-	-	-	-	-	1,181,793	-	1,181,793
Dividends paid		-	-	-	-	-	-	(4,000,000)	(4,000,000)
Profit for the year		-	-	-	-	-	-	5,779,151	5,779,151
Balance at September 30, 2023		5,000,000	1,531,796	-	1,531,796	45,000	(709,551)	39,590,226	45,457,471

See notes to financial statements.

MMG Bank & Trust Ltd.

Statement of Cash Flows
For the year ended September 30, 2023
(Expressed in United States dollars)

	Notes	2023	2022
Cash flows from operating activities			
Profit for the year		5,779,151	4,162,947
Adjustments for non-cash items			
Amortization	9	93,839	113,087
Right-of-use asset depreciation	10	33,208	32,140
Reversal of allowance for regulatory reserve	7	(2,415)	(10)
Reversal of allowance provision for expected losses on loans	7	(32,128)	(24,678)
Allowance for expected losses on securities	6	720,600	35,585
Allowance for expected losses on deposits	5	6,738	-
Loss from sale of securities measured at FVTOCI	6	101,268	530,424
Net loss from securities measured as FVTPL		69,046	653,193
Interest income	16	(10,762,785)	(10,841,341)
Interest expense		5,779,788	6,325,654
Changes in operating assets and liabilities:			
Decrease (increase) in loans receivable		39,242,971	(18,463,118)
Decrease (increase) in other assets		518,787	(518,850)
Decrease in customers' non-interest bearing deposits		(60,946,796)	(4,386,332)
(Decrease) increase in customers' interest bearing deposits		(17,850,338)	28,370,689
(Increase) decrease in other liabilities		1,201,379	(695,516)
Interest received		11,213,914	10,571,911
Interest paid		(5,817,294)	(6,187,328)
Cash (outflow) inflow from operating activities		(30,651,067)	9,678,457
Cash flows from investing activities			
Purchase of securities measured as FVTPL		(158,848,525)	(172,468,214)
Disposal of securities measured as FVTPL		161,409,582	176,447,268
Purchase of securities at amortized cost	6	(1,273,540)	-
Purchase of securities measured as FVTOCI	6	(81,559,058)	(81,523,799)
Disposal of securities measured as FVTOCI	6	116,708,650	63,399,121
Acquisition of intangible assets	9	(756,566)	(77,139)
Net cash inflow (outflow) from investing activities		35,680,543	(14,222,763)
Cash flows from financing activities			
Repayment of lease liabilities		(33,208)	(33,222)
Dividends paid	15	(4,000,000)	(8,000,000)
Net cash outflows in financing activities		(4,033,208)	(8,033,222)
Net increase (decrease) in cash and cash equivalents		996,268	(12,577,528)
Cash and cash equivalents at beginning of year		17,928,902	30,506,430
Cash and cash equivalents at the end the of year	5	$ 18,925,170	17,928,902
Non- monetary transactions			
Lease (right-of-use-asset) and Lease liabilities		-	33,208

See notes to financial statements.

1. General Information

MMG Bank & Trust Ltd. (the “Bank”) is a limited liability company established under The Companies Act, 1992 of The Commonwealth of The Bahamas and is licensed under the Banks and Trust Companies Regulation Act, 20 20 to carry on trust and banking services. The Bank’s objective is to promote and participate in all kinds of banking, financing and investing activities from The Commonwealth of The Bahamas.

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

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

2. New and Revised International Accounting Standards and Interpretations

(a) New standards and amendments adopted by the Bank.

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after October 1, 2022.

Annual Improvements to IFRS Standards 2018–2020
The following improvements were finalized in May 2020:
IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of these standards and amendments did not represent a significant impact in the financial statements of the Bank.

(b) New standards, interpretations and amendments issued but not yet adopted by the Bank

Classification of Liabilities as Current or Non-current – Amendments to IAS 1
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023 (deferred from January 1, 2021).

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023.

Definition of Accounting Estimates – Amendments to IAS 8
The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments are effective for annual periods beginning on or after January 1, 2023.

Management is evaluating the impact of the changes that this amendment would have on the Bank financial statements and disclosures.

3. Significant Accounting Policies

Basis of Presentation

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

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other direct valuation techniques. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The financial statements have been prepared by Management assuming that the Bank will continue to operate as a going concern.

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

Due from Banks

Due from banks includes unrestricted balances held with central banks and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

For purposes of the cash flow statement, the Bank considers time deposits in banks with original maturities equal to or less than ninety days as cash equivalents.

Interest Income and Expense

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

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

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

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

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

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

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

Classification

The Bank classifies its financial assets according to its subsequent measurement at amortized cost, at FVOCI or FVTPL, based on the Bank's business model for the management of financial assets and contractual cash flow characteristics of financial assets.

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

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. nonrecourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial assets at amortized cost

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

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

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

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

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

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

Unrealized and realized gain or loss and other comprehensive income on trading assets and liabilities are recorded in the statement comprehensive income as gain or loss on financial instruments at fair value through profit or loss.

Financial assets and liabilities at fair value through other comprehensive income (FVOCI)

These securities are composed of debt instruments not classified as securities at (VRCGP) or securities at amortized cost and are subject to the same approval criteria as the rest of the credit portfolio. These values are recorded at fair value if the following two conditions are met:

- The financial asset is maintained within the business model whose objective is to maintain financial assets to obtain contractual cash flows, and the sale of financial assets; and
- The contractual conditions of the financial asset give rise, on the specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

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

For an equity instrument designated as FVOCI, the accumulated gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit and loss.

Reclassification

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

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

Derecognition of financial assets

Financial assets

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

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Bank has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:

    - The Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or
    - The Bank has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

Financial liabilities
The derecognition of a financial liability is the elimination or reduction of a financial liability previously recognized in the Bank's statement of financial position. Financial liabilities are Impairment of financial assets.

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

Impairment of financial assets is recognized in three stages:

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

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

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

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

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

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

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

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

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

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

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

Write-off of loans and advances
A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received.

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

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

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

Leases
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the Bank under residual value guarantees.
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

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

Provisions
Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Dividends
Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Expressed in United States Dollars)

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

2023	ECLs during the next 12 months	ECLs during lifetime (not impaired and collectively evaluated)	ECLs during lifetime (impaired - individually evaluated)	Total
Classification				
Indicators 1-3: Normal or low risk	133,013,116	-	-	133,013,116
Less:				
Allowance for possible uncollectible loans	(20,000)	-	-	(20,000)
Loans and advances, net				132,993,116

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

5. Due from Banks

Due from banks is detailed as follows:

	2023	2022
Due on demand	15,903,477	13,431,483
Interest earning deposits	3,028,431	4,497,419
Provision for credit loss on deposits	(6,738)	-
Total due from banks	18,925,170	17,928,902

The interest rates earned by time deposits was 5.67% (2022: 3.7%).

(Expressed in United States Dollars)

6. Investments Securities

Investment securities is comprised by the following types of investments:

	2023	2022
Investment securities at Fair Value Through Other Comprehensive Income	21,953,587	55,921,386
Investment securities at Fair Value Through Profit or Loss	2,809,531	6,120,379
Investment securities at amortized cost	1,273,540	-
	26,036,658	62,041,765

Investment securities at fair value through other comprehensive incomes are described as follows:

Securities as of September 30	2023	2022
Debt securities with rating "BBB-" or better	14,201,624	42,431,841
Debt securities with rating below "BBB-"	7,751,963	13,489,545
	21,953,587	55,921,386

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

	Stage 1	Stage 2	Stage 3	Total
Balance as of October 1, 2022	55,779,903	-	141,483	55,921,386
Transfer of credit-impaired financial instruments	-	-	-	-
Disposals (sales and redemptions)	(116,567,167)	-	(141,483)	(116,708,650)
Additions	81,559,058	-	-	81,559,058
Net realized profit	101,268	-	-	101,268
Changes in fair value	1,080,525	-	-	1,080,525
Balance as of September 30, 2023	21,953,587	-	-	21,953,587

(Expressed in United States Dollars)

	Stage 1	Stage 2	Stage 3	Total
Balance as of October 1, 2021	39,682,888	-	-	39,682,888
Transfer of credit-impaired financial instruments	(800,253)	-	800,253	-
Disposals (sales and redemptions)	(63,399,121)	-	-	(63,399,121)
Additions	81,523,799	-	-	81,523,799
Impairment	(203,100)		-	(203,100)
Net realized profit	327,324	-	203,100	530,424
Changes in fair value	(1,351,634)	-	(861,870)	(2,213,504)
Balance as of September 30, 2022	55,983,003	-	141,483	55,921,386

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

	Stage 1	Stage 2	Stage 3	Total
Balance as October 1st, 2022	99,449	-	25,203	124,652
Adjustment to provision for expected credit loss on securities	720,600	-	-	720,600
Impairment losses	(775,049)	-	(25,203)	(800,252)
Expected credit loss for the end September 30, 2023	45,000	-	-	45,000

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

Investment securities at fair value through profit or loss are described as follows:

Securities as of September 30	2023	2022
Institutional cash funds rating AAA by International Agencies	148,034	460,068
Debt securities and equity securities - no rating	2,661,497	5,660,311
	2,809,531	6,120,379

(Expressed in United States Dollars)

Investment securities at amortized cost are described as follows:

Securities as of September 30	2023	2022
Debt securities and equity securities - no rating	1,273,540	-

7. Loans Receivable, Net

Loans receivable are summarized as follows:

	2023	2022
Commercial	87,726,323	120,861,319
Personal	20,487,262	24,965,404
Margin loans	21,662,664	25,356,713
Mortgage	3,116,867	1,235,849
	132,993,116	172,419,285

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

The range of annual interest rates on loans granted during the year ranged between 1.75% and 11.33% (2022: 1.75% and 10.75%).

As of September 30, 2023, 62% (2022: 73%) of the loans receivable were fully collateralized by customer's deposits placed with the Bank.

As of September 30, 2023, the Bank recognized an impairment provision for the amount US$20,000 for doubtful loans (2022: US$54,543).

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

(Expressed in United States Dollars)

	Stage 1	Stage 2	Stage 3	Total
Gross book value as as of October 1, 2022	172,473,828	-	-	172,473,828
Settlement made during the year	(57,843,748)	-	-	(57,843,748)
New facilities given during the year	18,363,036	-	-	18,363,036
Net write-offs.	-	-		-
Gross book value as of September 30, 2023	132,993,116	-	-	132,993,116

	Stage 1	Stage 2	Stage 3	Total
Gross book value as as of October 1, 2021	153,700,533	-	-	153,700,533
Settlement made during the year	(11,509,807)	-	-	(11,509,807)
New facilities given during the year	30,283,102	-	-	30,283,102
Gross book value as of September 30, 2022	172,473,828	-	-	172,473,828

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

	Stage 1	Stage 2	Total
Balance at October 1, 2022	54,543	-	54,543
Reversion of allowance for bad loans	(32,128)	-	(32,128)
Allowance for expected credit lossed as of September 30, 2023	22,415	-	22,415
Reversion of Generic provision for "modified loans" (a)	(2,415)	-	(2,415)
Total allowance for expected credit losses as of September 30, 2023	20,000	-	20,000
Balance at October 1, 2021	52,451	-	52,451
Reversion of allowance for bad loans	(24,678)	-	(24,678)
Reclasification from contingent liabilities	26,780	-	26,780
Reserve for expected credit lossed as of September 30, 2022	54,553	-	54,553
Reversion of Generic provision for "modified loans" (a)	(10)	-	(10)
Total allowance for expected credit losses as of September 30, 2022	54,543	-	54,543

a) The Superintendency of Banks of Panama issued Agreement No. 9-2020 dated September 11, 2020, which modifies Agreement No.2-2020 through which additional, exceptional and temporary measures are established for compliance with the provisions contained in Agreement No.4-2013 on credit risk related to modified loans, 1.5% must be calculated as a generic provision. Numeral 2, literal b, of Article 7, establishes that when there is an excess of generic provision over the IFRS provision, the Bank must record the difference until the said percentage is completed, charged to results. Since this regulation expired on December 2022 the remaining balance of this provision was reversed for US$2,415 (2022: the amount reversed was US$10).

(Expressed in United States Dollars)

8. Regulatory Reserves

The statutory loan reserves are summarized as follows:

	2023	2022
Generic provision for "modified loans"	-	2,647
Dynamic loan reserve	1,531,796	1,531,796
	1,531,796	1,534,443

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

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

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

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

	2023	2022
Generic provision for modified loans	-	2,647

The Bank also maintains a statutory loan reserve in accordance with the requirements of the Republic of Panama. Those requirements stipulate to recognize a dynamic reserve as described in the Note 23.

	2023	2022
Balance at beginning and end the of year	1,531,796	1,531,796

(Expressed in United States Dollars)

9. Intangible Assets

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

	2023	2022
Cost		
Balance at beginning of year	3,456,129	3,378,990
Additions	756,566	77,139
At end of year	4,212,695	3,456,129
Accumulated Amortization		
Balance at beginning of year	2,817,857	2,704,770
Amortization expense	93,839	113,087
At end of year	2,911,696	2,817,857
Net balance	1,300,999	638,272

10. Right of Use Assets

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

	2023	2022
Cost		
Balance at beginning of year	97,487	64,279
Additions	-	33,208
At end of year	97,487	97,487
Accumulated Amortisation		
Balance at beginning of year	64,279	32,139
Amortization expense	33,208	32,140
At end of year	97,487	64,279
Net balance	-	33,208

(Expressed in United States Dollars)

The amounts recognized in the statement of comprehensive incomes are:

	2023	2022
Depreciation expense on right-of-use-assets	33,208	32,139
Interest expense on lease liabilities	1,228	1,212

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

	2023	2022
Amounts due for settlement within twelve months	-	33,208

11. Other Assets

Other assets are summarized below:

	2023	2022
Accounts receivable related companies	298,793	1,194,754
Commissions receivable	226,521	133,936
Expense paid in advance	91,724	268,617
Warranty deposits	12,307	12,307
Other	581	-
Total	629,926	1,609,614

(Expressed in United States Dollars)

12. Customer Deposits

Customer deposits are summarized below:

	Demand	Time Deposit
2023		
Deposit from clients	10,226,493	116,253,296
Deposit from banks	4,787,053	-
Total	15,013,546	116,253,296

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

13. Other Liabilities

Details of other liabilities are summarized below:

	2023	2022
Escrow account	1,564,916	1,506,483
Transitory investment purchases	1,298,944	-
Expenses payable	176,181	95,653
Commissions payable	121,499	144,732
Account payable	-	212,707
Other	16	602
Total	3,161,556	1,960,177

(Expressed in United States Dollars)

14. Balances and Transactions with Related Parties

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

2023	Directors and Managerial personnel	Parent Company	Total
Assets			
Due from bank	-	5,105,903	5,105,903
Investment securities at fair value through other comprehensive income	-	2,008,540	2,008,540
Loans	2,397,355	22,393,636	24,790,991
Other assets	-	298,793	298,793
Total assets	2,397,355	29,806,872	32,204,227
Liabilities			
Customers' non-interest bearing deposits	194,858	12,418,729	12,613,587
Customers' interest bearing deposits	102,504	21,297,186	21,399,690
Other liabilities	1,099	1,591,878	1,592,977
Total liabilities	298,461	35,307,793	35,606,254
Income			
Interest income	82,463	1,446,706	1,529,169
Interest expenses	(3,406)	(1,422,151)	(1,425,557)
Commissions	10,481	281,946	292,427
Total income	89,538	306,501	396,039
Other expenses			
Personnel expenses	108,133	-	108,133
Professional fees	18,000	175	18,175
Total other expenses	126,133	175	126,308

(Expressed in United States Dollars)

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

Loans granted to directors and key management personnel have various maturities ranging from 2023 to 2029 (2022: 2022 to 2029) and bear an annual interest rate between 2% and 7.5% in 2023 (2022: 2% and 6%).

At September 30, 2023, term deposits with affiliates companies earned an annual interest rate between 3.75% and 7.5% (2022: 1% and 7.5%).

15. Share Capital

At September 30, 2023, the authorized issued and outstanding share capital consisted of 5,000,000 (2022: 5,000,000) common and registered shares with a nominal value of US$1 each.

In January 2023, the Board of Directors authorized the payment of dividends to the shareholder for the amount of US$4,000,000 (December 2022: US$8,000,000).

(Expressed in United States Dollars)

16. Interest Income

For the year ended September 30, interest income is detailed below:

	2023	2022
Loans	8,671,783	9,135,529
Investments	1,889,705	1,684,754
Deposits	201,297	21,058
Total	10,762,785	10,841,341

17. Income from Contracts

The income from contracts earned by the Bank totaled US$3,805,209 (2022: US$3,564,110). Ninety five percent 95% (2022: 90%) of these commissions are generated by the main business areas: wealth management, investment banking and banking services. The Company derives revenue from the transfer of services at a point in time.

18. Assets Under Management

The Bank holds assets outside the statement of financial position at the risk of clients for a total of US$960,157,434 (2022: US$855,293,169). These assets consist of financial portfolios in custody for a total of US$933,565,509 (2022: US$832,701,244) of which US$165,648,217 (2022: US$79,346,339) are managed under discretionary mandates. The Bank does not anticipate any loss as a result of the services provided.

19. Personnel Expenses

At September 30, the personnel expenses are detailed below:

	2023	2022
Salaries and other compensations	239,763	208,620
Employee benefits	32,826	42,376
Total	272,589	250,996

(Expressed in United States Dollars)

20. Other Expenses

At September 30, the other expenses are detailed below:

	2023	2022
Repairs and maintenance	448,553	413,458
Subscription fee	179,485	158,549
Taxes and licenses	116,255	144,866
Communications	19,872	19,402
Program license maintenance	50,000	-
Travel and lodging	21,322	1,086
Advertising and public relations	21,254	35,379
Others	18,755	12,481
Total	875,496	785,221

21. Income Taxes

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

22. Financial Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

Settlement Risk

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

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

Credit Risk Management

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

(Expressed in United States Dollars)

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

As of September 30, 2023, 62% (2022: 73%) of the loan portfolio was backed by cash deposits. The rest of the portfolio is guaranteed by financial assets, real and personal property, bonds or guarantees and other guarantees.

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

	Maximum exposure	
	2023	**2022**
Due from banks	18,925,170	17,928,902
Securities	26,036,658	62,041,765
Loans receivable (net)	132,993,116	172,419,285
Total	177,954,944	252,389,952

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

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

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

(Expressed in United States Dollars)

For the assets of the statement of financial position, the exposures described above are based on the net book balances reported in the statement of financial position as further disclosed below:

	Loan		Securities	
	2023	2022	2023	2022
Maximum exposure				
Book value	132,993,116	172,419,285	26,036,658	62,041,765
At amortized cost				
Risk Level				
Level 1 - normal	133,013,116	172,166,903	-	-
Level 1 - modified loans	-	306,925	-	-
Doubtful loans reserve	(20,000)	(52,128)	-	-
Regulatory provision	-	(2,415)	-	-
Book Value, net	132,993,116	172,419,285	-	-
Securities at fair value through other comprehensive income				
Books Value, net	-	-	21,953,587	55,779,903
Securities at fair value through profit or loss				
Books Value, net	-	-	2,809,531	6,120,379
Securities at amortized cost				
Books Value, net	-	-	1,273,540	-
Not overdue, neither impaired				
Level 1 - normal	133,013,116	172,473,828	-	-
Individually impaired				
Level 5 - unrecoverable	-	-	-	141,483
Impairment reserve				
Individually	(20,000)	(52,128)	-	-
Total impairment reserve	(20,000)	(52,128)	-	-
Regulatory reserve	-	(2,415)	-	-
Total	132,993,116	172,419,285	26,036,658	62,041,765

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

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

(Expressed in United States Dollars)

As at September 30, 2023, 57% (2022: 61%) of demand deposits and time deposits are placed in financial institutions rated between A+ and BBB-, based on the rating agencies mentioned above.

The information in the table below shows the investment assets composition of the Bank. As of September 30, 2023, the Bank had placed 55% (September 30, 2022: 70%) of their investment assets in deposits in banks of investment-grade and debt issuers and assets secured by cash deposits.

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

	2023		2022	
	Amount	Percentage	Amount	Percentage
Grading investments				
AAA	148,034	1%	460,239	1%
AA+, AA, AA-	7,953,774	31%	26,372,689	43%
A+, A, A-	-	0%	7,963,915	13%
BBB+, BBB, BBB-	6,247,850	23%	8,095,066	13%
Total with international investment grade	14,349,658	55%	42,891,909	70%
Local BBB- or better - Banks	2,507,889	10%	1,494,875	2%
Local BBB- or better - Corporate	3,610,117	14%	827,032	1%
International BB+ to B-	4,242,241	16%	11,952,735	19%
Local corporates not classified	1,326,753	5%	4,875,214	8%
Total without international investment grade	11,687,000	45%	19,149,856	30%
Total	26,036,658	100%	62,041,765	100%

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

	2023		2022	
	Amount	Percentage	Amount	Percentage
Loan secured by cash deposits	82,976,450	46%	125,428,487	49%
Cash in banks with investment grade rating	10,746,992	6%	11,011,472	4%
Securities with investment grade rating	14,349,658	8%	42,891,909	17%
Sub-total	108,073,100	60%	179,331,868	70%
Loans with other guarantees than cash	50,016,666	27%	46,990,798	18%
Cash in banks without investment grade rating	8,178,178	5%	6,917,430	3%
Securities without investment grade rating	10,360,247	6%	14,274,642	6%
Securities without rating	1,326,753	1%	4,875,214	2%
Other assets	1,930,925	1%	2,281,094	1%
Total other	71,812,769	40%	75,339,178	30%
Total assets	179,885,869	100%	254,671,046	100%

(Expressed in United States Dollars)

Collateral and other guarantees against credit exposure.

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

Types of loan -	Main type of guarantee	Maximum exposure 2023	Maximum exposure 2022	Guarantees 2023	Guarantees 2022
Consumer loans					
Personal		20,487,262	24,965,404	70,234,138	31,110,599
	Deposits	1,142,095	19,015,369	1,143,240	19,015,369
	Transfer of promissory notes	725,478	1,299,589	910,729	1,856,729
	Investments	15,981,281	1,138,384	64,267,900	5,686,730
	Bonds and guarantees	2,638,408	3,512,062	3,912,269	4,551,771
Mortgages	Property	2,751,249	1,175,217	3,040,795	1,006,795
Margin loans	Investments	5,311,829	18,812,135	15,659,975	142,080,974
Overdrafts	Bonds and guarantees	180,226	255	271,163	-
Sub-total		28,730,566	44,953,011	89,206,071	174,198,368
Corporate loans					
Commercial		87,545,998	120,860,735	90,735,561	151,898,497
	Deposits	81,909,563	106,413,118	81,909,563	106,413,118
	Investments	1,414,431	5,500,000	2,832,380	34,820,529
	Bonds, guarantees and others	4,222,004	8,947,617	5,993,618	10,664,850
				-	-
Mortgages	Properties	365,618	60,632	888,452	518,452
Margin loans	Bonds, guarantees and others	16,350,835	6,544,578	67,846,977	23,085,999
Others	Bonds, guarantees and others	99	329	-	-
Sub-total		104,262,550	127,466,274	159,470,990	175,502,948
Total		132,993,116	172,419,285	248,677,061	349,701,316

	2023	**2022**	**Collateral Type**
Loans portfolio	62%	73%	Cash deposits
	29%	19%	Investments
	1%	1%	Promissory notes
	3%	2%	Properties
	4%	5%	Bonds, Guarantees & others

(Expressed in United States Dollars)

Credit Risk Concentration

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

	Loans		Securities	
	2023	**2022**	**2023**	**2022**
Concentration by sector:				
Corporate	104,262,550	127,466,274	-	-
Consumer	28,730,566	44,953,011	-	-
	132,993,116	172,419,285	-	-

	Assets		Liabilities	
	2023	**2022**	**2023**	**2022**
Geographic concentration:				
United States of America	14,865,037	42,330,845	308,153	839,810
Panama	147,435,121	151,316,764	27,396,704	73,127,474
Europe	5,124,368	6,981,618	236,364	97,664
South America	5,318,394	32,496,166	29,654,029	29,926,153
Bahamas	1,378,261	1,303,565	12,826,949	12,051,430
Others	164	847,011	634,149	354,955
Central America and Caribbean	5,764,524	19,395,077	63,372,050	95,697,381
	179,885,869	254,671,046	134,428,398	212,094,867

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

Liquidity Risk

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

Liquidity Risk Management

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

(Expressed in United States Dollars)

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

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

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

Exposure to Liquidity Risk

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

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

	2023	**2022**
At end of year	44%	45%
Average of year	56%	44%
Maximum of year	72%	47%
Minimum of year	44%	39%

(Expressed in United States Dollars)

Analysis of Maturities for Financial Liabilities and Financial Assets

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

2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities						
Customers' non-interest bearing deposits	15,013,546	-	-	-	-	15,013,546
Customers' interest bearing deposits	30,647,052	34,663,884	20,977,539	29,964,821	-	116,253,296
Total liabilities	45,660,598	34,663,884	20,977,539	29,964,821	-	131,266,842
Assets						
Due from banks	15,896,739	3,028,431	-	-	-	18,925,170
Securities	10,763,305	-	2,776,102	12,275,555	221,696	26,036,658
Loans receivable, net	19,963,390	37,012,326	36,373,622	39,381,575	262,203	132,993,116
Total assets	46,623,434	40,040,757	39,149,724	51,657,130	483,899	177,954,944
Commitments and contingencies	-	-	-	-	-	-
Net position	962,836	5,376,873	18,172,185	21,692,309	483,899	46,688,102

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

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

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

(Expressed in United States Dollars)

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

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

2023	Carrying value	Gross nominal amount inputs/ (outputs)	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Liabilities							
Customers' non-interest bearing deposits	15,013,546	15,013,546	15,013,546	-	-	-	-
Customers' interest bearing deposits	116,253,296	118,602,451	30,647,530	35,006,894	21,657,197	31,290,830	-
Total liabilities	131,266,842	133,615,997	45,661,076	35,006,894	21,657,197	31,290,830	-
Assets							
Due from banks	18,925,170	18,943,746	15,896,739	3,047,007	-	-	-
Securities	26,036,658	28,323,714	10,763,305	-	2,888,638	14,355,508	316,263
Loans receivable, net	132,993,116	138,883,930	19,966,817	37,401,922	37,788,549	43,316,191	410,451
Total assets	177,954,944	186,151,390	46,626,861	40,448,929	40,677,187	57,671,699	726,714
Net position	46,688,102	52,535,393	965,785	5,442,035	19,019,990	26,380,869	726,714

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

In Management's opinion, in the investment portfolio and other financial assets of the Bank, there are highly liquid investments (rated AAA to BBB-) for US$14,349,658 (2022: US$42,891,909), which may be converted into cash in a period less than one week.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by:

- factors specific to the individual financial statement or its issuer, or
- factors affecting all similar financial instruments traded in a market.

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

(Expressed in United States Dollars)

Market Risk Management

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

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

Exchange Rate Risk

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

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

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

	Exposure to currency exchange risk							
2023	**USD**	**EURO**	**GBP**	**CHF**	**CAD**	**AUD**	**Others**	**Total**
Financial assets								
Due from banks	14,349,280	2,493,883	308,376	1,029,722	504,567	51,427	187,915	18,925,170
Securities	25,889,024	147,634	-	-	-	-	-	26,036,658
Loans receivable, net	132,992,936	-	-	-	180	-	-	132,993,116
Total financial assets	173,231,240	2,641,517	308,376	1,029,722	504,747	51,427	187,915	177,954,944
Financial liabilities								
Customers' non-interest bearing deposits	13,506,057	483,182	52,623	552,393	418,974	-	317	15,013,546
Customers' interest bearing deposits	113,159,716	2,095,131	250,466	477,291	85,265	47,575	137,852	116,253,296
Total financial liabilities	126,665,773	2,578,313	303,089	1,029,684	504,239	47,575	138,169	131,266,842
Net position	46,565,467	63,204	5,287	38	508	3,852	49,746	46,688,102

(Expressed in United States Dollars)

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

Interest Rate Risk

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

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

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

	Increase of 100 bp	**Decrease of 100 bp**
2023		
Due from bank – interest bearing deposits	(30,458)	30,458
Securities	(247,556)	247,556
Loans receivable, net	(1,174,607)	1,174,607
Customers´ interest bearing deposits	1,168,369	(1,168,369)
Net impact	(253,794)	253,794

(Expressed in United States Dollars)

	Increase of 100 bp	Decrease of 100 bp
2022		
Due from bank – interest bearing deposits	(45,232)	45,232
Securities	(529,794)	529,794
Loans receivable, net	(20,487)	20,487
Customers´ interest bearing deposits	4,700,785	(4,700,785)
Net impact	4,150,504	(4,150,504)

	Sensitivity to equity in relation to rate movements			
	Increase of 50 bp	Decrease of 50 bp	Increase of 100 bp	Decrease of 100 bp
2023				
As of September 30	(123,778)	123,778	(247,556)	247,556
Annual average	(215,515)	215,515	(438,858)	438,858
Annual maximun	(307,291)	307,291	(539,225)	539,225
Annual minimun	(120,611)	120,611	(247,556)	247,556
2022				
As of September 30	(264,897)	264,897	(529,794)	529,794
Annual average	(215,515)	215,515	(431,029)	431,029
Annual maximun	(307,291)	307,291	(614,582)	614,582
Annual minimun	(120,611)	120,611	(241,222)	241,222

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

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

(Expressed in United States Dollars)

2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Interest Bearing	Total
Assets							
Due from banks	5,552,922	3,028,431	-	-	-	10,343,817	18,925,170
Securities	4,787,294	5,958,178	2,776,102	12,275,555	221,696	17,833	26,036,658
Loans receivable, net	19,963,390	37,012,326	36,373,622	39,381,575	262,203	-	132,993,116
Total assets	30,303,606	45,998,935	39,149,724	51,657,130	483,899	10,361,650	177,954,944
Liabilities							
Customers' non-interest bearing deposits	-	-	-	-	-	15,013,546	15,013,546
Customers' interest bearing deposits	30,376,626	270,426	34,663,884	20,977,539	29,964,821	-	116,253,296
Total liabilities	30,376,626	270,426	34,663,884	20,977,539	29,964,821	15,013,546	131,266,842
Net position	(73,020)	45,728,509	4,485,840	30,679,591	(29,480,922)	(4,651,896)	46,688,102
Accumulated position	(73,020)	45,655,489	50,141,329	80,820,920	51,339,998	46,688,102	

2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Interest Bearing	Total
Assets							
Due from banks	5,012,905	4,497,419	-	-	-	8,418,578	17,928,902
Securities available Securities	6,034,515	29,406,946	7,915,588	11,387,560	1,176,777	6,120,379	62,041,765
Loans receivable, net	26,013,322	37,505,009	35,993,405	72,650,826	256,723	-	172,419,285
Total assets	37,060,742	71,409,374	43,908,993	84,038,386	1,433,500	14,538,957	252,389,952
Liabilities							
Customers' non-interest bearing deposits	-	-	-	-	-	75,960,342	75,960,342
Customers' interest bearing deposits	9,006,999	32,314,552	32,029,956	60,789,633	-	-	134,141,140
Total liabilities	9,006,999	32,314,552	32,029,956	60,789,633	-	75,960,342	210,101,482
Net position	28,053,743	39,094,822	11,879,037	23,248,753	1,433,500	(61,421,385)	42,288,470
Accumulated position	28,053,743	67,148,565	79,027,602	102,276,355	103,709,855	42,288,470	

Operational Risk

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

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

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

The operational risk management aims to:

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

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

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

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

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

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

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

The Bank manages its capital to ensure:

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

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

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

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

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

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

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

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

(Expressed in United States Dollars)

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

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

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

Financial instruments measured at fair value - Fair value Hierarchy

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

Financial assets / Financial liabilities	Fair value September 30, 2023	2022	Fair value hirarchy	Valuation techniques and main data entry	Significant unobservable data input
Institutional funds of daily liquidity rated AAA	199,614	510,084	1	Market prices	Observable market prices in active markets
Bills issued by the US Government	7,953,774	26,024,483	1	Market prices	Observable market prices in active markets
Obligations of private issuers with investment grade	3,887,200	5,114,167	1	Market prices	Observable market prices in active markets
Obligations issued by the Republic of Panama	2,360,650	2,980,899	1	Market prices	Observable market prices in active markets
Obligations issued by Governments without investment grade	1,001,229	838,399	1	Market prices	Observable market prices in active markets
Obligations of private issuers without investment grade	3,241,012	10,475,334	1	Market prices	Observable market prices in active markets
Investments in mutual funds	-	1,878,945	1	Market prices	Observable market prices in active markets
Investments in shares	1,633	1,633	1	Market prices	Observable market prices in active markets
	18,645,112	47,823,944			

(Expressed in United States Dollars)

Obligation of private issuers with investment grade	-	8,312,121	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days.
Obligations issued by Governments without investment grade	-	639,173	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days.
Obligations of private issuers without investment grade	3,509,722	1,536,810	2	Discounted cash flows	Referral rates of markets, volumes, observable prices not over 90 days.
Investments in mutual funds	2,592,084	3,712,020	2	Market prices	Observable market prices
Investments in shares	16,200	17,697	2	Market prices	Observable market prices in active markets
	6,118,006	14,217,821			
	24,763,118	62,041,765			

Financial Instruments not measured at fair value

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

2023	Fair value Level 3	Carrying amount Level 3
Assets		
Interest earning deposits	3,029,006	3,028,431
Securities at amotized cost	1,297,412	1,273,540
Loans receivable, net	134,249,268	132,993,116
Total financial assets	138,575,686	137,295,087
Liabilities		
Customers' non-interest bearing deposits	14,910,656	15,013,546
Customers' interest bearing deposits	116,118,592	116,253,296
Total financial liabilities	131,029,248	131,266,842

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

Assumptions used to determine fair value of assets and liabilities

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

Due from banks

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

Loans receivable

The estimated fair value for loans represents the discounted amount of estimated future cash flows to be received. Portfolio flows were discounted to present value at a rate of 6.76% (2022: 6.03%).

Customer deposits

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

The fair value of time deposits was calculated based on the flow methodology discounted at a rate of 3.21% (2022: 1.77%).

23. Applicable Main Laws and Regulations

Capital adequacy

According to the Supervisory and Regulatory Guideline: 2022 issued on April 15, 2005 and last revised on July 15, 2022 of the Central Bank of The Bahamas, licensed banks must maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10.5%. (2022: 8%).

As of September 30, 2023, the Bank's capital adequacy ratio was 53.9% (2022: 44.5%).

Dynamic provision

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

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

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

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

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

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

Restrictions:

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

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

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

Accounting treatment:

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

(Expressed in United States Dollars)

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

	2023	2022
Component 1		
Risk-weighted assets (credit facilities)	50,654,514	39,695,739
By Alfa coefficient (1.5%)		
	759,818	595,436
Component 2		
Quarterly variation of Beta coefficient (5.00%)	771,978	936,360
Component 3		
Quarterly change in specific reserves	-	-
Total dynamic provision	1,531,796	1,531,796
Restrictions:		
Total dynamic provision:		
Low (1.25% of risk-weighted assets - category to normal)	633,181	496,197
Maximum (2.50% of risk-weighted assets - category to normal)	1,266,363	992,393

24. Subsequent Events

The Bank has evaluated the events after September 30, 2023, to assess the need for possible recognition or disclosure in the accompanying financial statements. Such events were evaluated until January 26, 2024, the date these financial statements were available to be issued. Based on this evaluation, it was determined that there were no subsequent events that require recognition or disclosure in the financial statements.

25. Approval of Financial Statements

The financial statements for the year ended September 30, 2023, were approved by the Board of Directors on December 21, 2023.