A Journey of Strategic Growth.

ANNUAL REPORT 2024

Banesco

Banesco USA Financial Highlights

As of December 31, 2024
Audited

Total Assets	**$4.41 billion**
Total Loans	**$3.32 billion**
Net Loans	**$3.28 billion**
Total Deposits	**$3.62 billion**
Net Profit	**$43.22 million**
Branches	**6**
Employees	**358**
BauerFinancial Rating	**5 Star**

Kroll Rating

Action: Affirm 12/5/2024

Outlook/Watch LTR	**Stable**
Deposit	**BBB**
Senior Unsecured Debt	**BBB**
Subordinated Debt	**BBB-**
Short-Term Deposit	**K3**
Short-Term Debt	**K3**

Driven by its unwavering determination to guide clients in achieving their financial goals, Banesco USA is proud to have reached $4.4 billion in assets as of year-end 2024, a continued demonstration of our strong financial results.

Our journey of strategic deliberate growth centers on key pillars that serve as our driving force, chiefly providing unparalleled tailored customer experiences, enhancing our talent and our values propositions, investing in innovation and supporting causes that greatly benefit and help shape the communities we serve.

In 2024, Banesco USA delivered strong financial performance across key performance indicators, with assets, loans and deposits reaching the highest levels since the Bank's inception. These milestone achievements reflect the powerful combination of our clients' trust, our banking professionals' dedication and the flawless execution of our strategic growth plan.

Banesco USA Geographical Expansion

As part of our strategic growth plan, Banesco USA opened a modern Loan and Deposit Production office space in West Palm Beach to cater to this high-potential market.

The seasoned banking team is led by Palm Beach native Roland Valdivieso, Senior Vice President, Corporate Banking Leader, who brings an extra personal touch to relationship banking and custom financing solutions to this market and positions us for continued growth.

Given our strengthening position in Palm Beach and long-established presence in Miami-Dade, the timing was perfect to expand the Banesco brand to the third piece of the South Florida marketplace: Broward County. In the fall of 2024, we hired a team of four experienced banking professionals to expand the Bank's presence here to meet the evolving business needs of the community. The seasoned banking team, led by Joshua Montagna, Senior Vice President, Broward Market Executive, is focused on growing our client relationships and expanding our banking services to serve the local community.

With our continued dedication to the Puerto Rico market, this past year we executed on our expansion strategy with the opening of a larger office location in San Juan's bustling business district to increase our physical presence and accommodate our growing banking team.

At the helm is Maritza Abadía, Executive Vice President, Puerto Rico Market President, the island's only female bank president. Her keen understanding of and familiarity with the market has propelled the Bank to outpace growth projections with an increase in loans and deposits across key sectors driving Puerto Rico's economy, including construction, food distribution and real estate. We intend to continue our investment in this important market by growing our team and reaching new business segments.

Assets

2022	$3.0B
2023	$3.8B
2024	$4.4B

Deposits

2022	$2.4B
2023	$3.0B
2024	$3.6B

Loans

2022	$2.3B
2023	$2.8B
2024	$3.3B

Net Income

2022	$23.1M
2023	$22.7M
2024	$43.2M

Strengthening Our Services and Attracting Top Talent

The substantial growth Banesco USA achieved over the past year is a testament to the Bank's targeted investments and robust expansion across all service lines, including strengthening our commercial and industrial (C&I) sector, bolstering our residential lending capabilities and launching the innovative Business and Professional (B&P) division.

Already proven successful, our investment in building C&I banking capabilities is led by 25-year industry veteran Carlos Lamourtte, Head of C&I Banking. Looking beyond traditional commercial real estate lending to explore opportunities in C&I lending, we are diversifying our portfolio by serving more business owners in high-growth industries such as manufacturing, wholesaling and retail, transportation and logistics, and other related sectors. With the lowering of interest rates spurring economic activity, the team is capitalizing on new opportunities to support clients in the C&I space as they increase sales, acquire equipment and finance properties.

Driven by a strong resolve to support South Florida's business community, the Bank appointed Reynaldo Santana, Head of the Business and Professional (B&P) Division, to redefine the traditional banking experience by providing tailored financial solutions for enterprises and entrepreneurs. The ongoing migration of businesses into the South Florida tri-county region over the past five years has presented opportunities to grow our client base by serving the banking needs of small businesses, wholesalers and manufacturers; professional firms and practices such as attorneys, physicians, dentists and certified public accountants; and entrepreneurs including real estate developers and real estate investors.

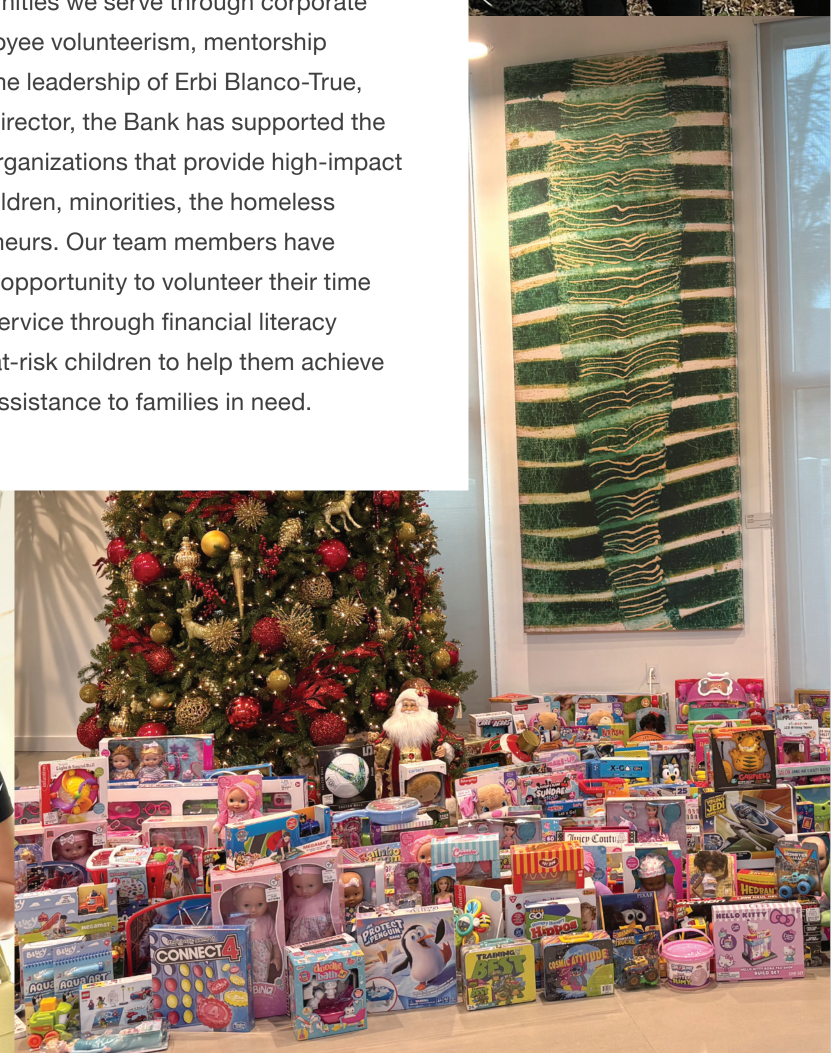
Another key addition to our executive team is Jose Morales, Executive Vice President, Chief Risk Officer, to lead the strategic direction of the Bank's risk management and compliance programs. He and his team collaborate with our banking professionals and clients to achieve the optimal balance between risk and business objectives. Additionally, we welcomed Antonio Ponte as Treasurer. With over 25 years in banking, he is committed to a deep focus on balance sheet management, investment strategies and liquidity risk management.

These strategic investments showcase our dedication to remaining at the forefront of delivering innovative, relevant and value-driven solutions to the communities we serve.

BanescoSelect, the Bank's premium brand, was introduced in 2023 to international customers with U.S. banking needs. Following that success, in 2024 we introduced the brand to our domestic business and high-net-worth individual clients. The response to these curated experiences has been overwhelmingly positive as clients appreciate the added value of customized products and personalized service from a dedicated BanescoSelect Relationship Manager.

Meaningful Contributions to Our Communities

Our dedication to excellence extends to corporate social responsibility. We have formed strong, committed, long-term partnerships with nearly two dozen non-profit organizations to empower the communities we serve through corporate financial support, employee volunteerism, mentorship and education. Under the leadership of Erbi Blanco-True, Community Relations Director, the Bank has supported the success of esteemed organizations that provide high-impact services for women, children, minorities, the homeless and emerging entrepreneurs. Our team members have also benefited from the opportunity to volunteer their time to provide meaningful service through financial literacy programs, support for at-risk children to help them achieve their full potential and assistance to families in need.



Strengthening Our Communities Through Lending

Banesco USA has continued to focus on serving the diverse businesses in South Florida and Puerto Rico by leveraging a $250 million investment from the U.S. Treasury Department Emergency Capital Investment Program (ECIP). As reported at the end of 2024, the Bank originated over 600 loans and extended more than $2 billion in ECIP and deep impact qualified loans to eligible borrowers. This influx of capital has supported our efforts to stimulate job creation, infrastructure development and overall economic vitality to significantly boost businesses and the communities they serve. The U.S. Treasury Department has recognized Banesco USA as one of the top originators among ECIP-participating lenders.

Investing in Banking Innovation

Committed to a client-centric approach, we have invested in cutting-edge technology to enhance customer banking experiences as a competitive differentiator. While innovation involves adopting the latest technology, our focus is centered around finding creative ways to explore, anticipate and address the unique needs of our clients and the communities we serve. To this end, the Bank continues to develop and implement initiatives such as Business Process Management (BPM), Robotics Process Automation (RPA) and Generative Artificial Intelligence (GenAI) to accelerate and streamline employee workflows and customer experiences while maintaining our quality service standards. Expansion of our Treasury Management services with an expanded portfolio of digital solutions, such as same day ACH services, has also accelerated receipt of incoming payments to our clients' accounts.

Achieving Excellence

Banesco USA earned a five-star superior rating from BauerFinancial, an independent bank rating firm, as well as a favorable rating affirmation from the Kroll Bond Rating Agency. Our Bank's leadership in the banking sector and the business community has also earned us several prestigious awards, including the South Florida Business Journal 2024 Business of the Year, Power Leaders 250 and Influential Businesswomen Awards; Coral Gables Chamber of Commerce Diamond Awards in the "Large Business" category; and South Florida Business & Wealth Apogee Awards.

These accomplishments are possible thanks to the loyalty of our customers, the dedication of our team and the unwavering support of our directors. As we progress through 2025, we are excited for the journey ahead and look forward to continuing to deliver value to our stakeholders.

Calixto

Calixto (Cali) García-Vélez
President & CEO

Capitalizing on Business Growth & Migration

The influx of businesses and individuals to South Florida has spurred investment, opening up new financing opportunities in the state's dynamic economic environment. In anticipation of this trend, Banesco USA strategically positioned itself to serve existing clients and attract new relationships.

Banesco USA has consistently proven to be a reliable, agile partner to small- and medium-sized businesses by providing nuanced financial solutions, maintaining deep client relationships and supporting local enterprises through periods of both unprecedented growth and economic uncertainty.

Over the last year, the Bank has significantly expanded our physical presence and enhanced service offerings, solidifying our role as a trusted financial partner for businesses and individuals. Strategic investments have yielded impressive results, with the Bank reporting 16 percent asset growth during 2024.

We expanded in the fast-growing West Palm Beach and Broward counties, marking a critical step in the Bank's strategy to strengthen its presence across South Florida and capitalize on the region's robust economic growth. These expansions underscore the importance of aligning services with the unique needs of each community, ensuring a more localized and impactful approach to banking.

We continue to identify opportunities for the expansion of our brand into high-potential, strategic markets.

Recognizing the importance of human capital, Banesco USA has invested heavily in recruiting top-tier banking professionals, growing our team by 30 employees in 2024. By attracting professionals with specific skill sets, deep local knowledge and industry connections, the Bank is enhancing expertise to structure complex credit facilities and serve clients with unprecedented speed and flexibility.

Fostering Client Relationships

Banesco USA is a vital pillar of support for local businesses and entrepreneurs, fostering economic growth while understanding and catering to the unique needs of our customers.

We continue to create value for our clients with innovative product offerings and convenient, secure delivery channels. To complement technological innovation, we are firmly committed to nurturing the trust and confidence that our team has built in their relationships with our clients, a testament to our agility, local decision-making and commitment to serving relationships, not just facilitating transactions.

Building Trust Through Relationship Servicing

An agriculture grower and importer based in Central America whose produce is available in stores throughout the U.S. needed financial support to achieve their long-term vision. When their long-standing relationship with another financial institution was unable to meet their needs, our C&I team seized the opportunity to structure and close a substantial credit facility, supporting their success and earning their trust.

Investing in Our Strategic Growth

Expanding our Presence in Puerto Rico

Local Leadership

Puerto Rico is experiencing significant growth and attracting investments from around the world. We've planned for these opportunities and executed on our strategy, including the expansion of our team and the opening of a larger office location in Hato Rey, San Juan's bustling financial district, to increase our physical presence and accommodate our growing banking team.

At the helm is Maritza Abadía, Executive Vice President, Puerto Rico Market President, promoted to this leadership role in 2024 in recognition of her deep knowledge and keen insight into the local economy, dynamic markets and opportunities for sustainable growth. As the island's only female bank president, her knowledge of the market has propelled the Bank to outpace growth projections with increases in loans and deposits across key sectors driving Puerto Rico's economy, including construction, food distribution and real estate development.

Focused on the Needs of Local Businesses

Our new, modern facility accommodates the addition of experienced professionals, bankers and support staff, and positions the Bank to offer a portfolio of products and services that align with our clients' financial goals. Our personal banking customers, corporate and professional services clients, and newcomers to the area who seek a connection with a U.S.-based bank as they transform the island, receive tailored services and exceptional customer experiences.

We continue to deploy the $250 million in capital awarded to Banesco USA by the U.S. Department of the Treasury Emergency Capital Investment Program (ECIP). Deploying these funds and leveraging the Bank's capital resources, we have extended impactful loans to eligible businesses in Puerto Rico since the program's inception in 2022.

Secure, convenient digital banking technologies, including Online Banking and a mobile app, provide real-time access to accounts. Treasury Management Services, coupled with our FDIC-insured accounts, provide small businesses, wholesalers, manufacturers and professionals, such as attorneys, dentists, doctors and CPAs, ease of access to facilitate electronic transactions, offer efficient payment processing and provide more control over cash flow.

Our commitment to investing in the local economy is driven by forging connections – connections between the Bank and our customers, and between our customers, too. Throughout the year, we host networking events, workshops and other gatherings to introduce our business clients to each other to share information about the scope and pace of projects island-wide, create awareness of opportunities and open the door to explore mutually beneficial collaboration.

A Commitment That Goes Beyond Banking

Banesco USA remains actively engaged with a variety of non-profit organizations that invest in meaningful change in communities across Puerto Rico. We formalized our alliance with CREARTE, a non-profit organization that supports vulnerable children, teens and adults, by leading financial education workshops on how to establish banking relationships, manage personal and business finances and start a business. Our support of Hogares Rafaela Ybarra, founded by the Sisters of the Guardian Angels to provide shelter, care and protection to homeless girls and young women who lack access to healthcare, included financial support and team member volunteer time to beautify and repair their facilities and mentor residents on entrepreneurship, financial planning and strategies to build their savings.

Our commitment to investing in the local economy is rooted in forging connections with our customers and the community.

With a focus on investing in the future of local youth and building sustainable communities, our partnership with the Project Management Student Association at the University of Puerto Rico, Mayagüez Campus provides scholarships for students to participate in an intensive seven-month program, based on internationally recognized methodologies and adapted to the specific needs of projects in Puerto Rico. We awarded an additional $50,000 in grants to 16 non-profit organizations that serve socially and economically disadvantaged communities in Puerto Rico by providing a wide range of affordable housing, economic development, educational and social services.

Empowering Growth Through Tailored Products, Services & Innovation

In today's rapidly evolving financial landscape, community banks embrace technology to serve customers and remain competitive. Banesco USA is a leader in this transformation, consistently introducing solutions that drive efficiency, enhance security and streamline the customer experience. By listening to our clients' needs and anticipating trends, the Bank has redefined our operational strategies to support our customers' success in a digital-first world.

Expanding Treasury Management Services

Recognizing the demand for speed, security and convenience, Banesco USA significantly enhanced our Treasury Management Services. The introduction of SFTP processing brought enhanced security for file transfers, allowing customers to seamlessly and safely exchange sensitive financial information. Our ICS® (Insured Cash Service) and CDARS® (Certificate of Deposit Account Registry Service) program provides access to higher FDIC insurance coverage for deposit balances above $250,000 and provides peace of mind for clients managing substantial cash balances. The Bank also adopted cutting-edge contactless payments and tokenization technologies, enabling customers to conduct secure, efficient and convenient digital transactions.

Enhancing Operational Efficiency & the Customer Experience

With a goal of streamlining systems to facilitate transfer transaction processing for customer convenience and internal workflow efficiency, we leveraged leading automation technologies to expedite processes. This move not only reduced processing time, but also enhanced the accuracy and security of transactions, reducing manual errors and delays.

In addition to our Artificial Intelligence (AI) efforts, the Bank launched ACH and Check Positive Pay, an added layer of security that ensures clients are notified of exceptions with the ability to reject or approve transactions before they are processed.

Delivering Service Offerings to Meet Diverse Needs

At the core of the Bank's B&P strategy is a comprehensive suite of services designed to support diverse business sectors. From wholesalers and manufacturers to professional service providers like attorneys, physicians, dentists and CPAs, the division offers specialized lending, deposit services, residential mortgages and Treasury Management solutions. This targeted approach ensures that each client receives financial tools precisely aligned with their specific business and personal objectives.

We welcomed Reynaldo R. Santana, Head of the B&P Division, who brings over two decades of banking expertise to the team. His extensive background in commercial and retail lending, coupled with a deep understanding of South Florida's economy, positions Banesco USA to deliver innovative financial solutions to local entrepreneurs and businesses.

We also recognize that customers have unique digital banking needs and introduced Multi Wire functionality via Online Banking. This feature empowers businesses to process multiple wire transfers in a single transaction, reducing complexity and time required to manage large-scale payments.

To support our growing customer base, plans are underway to introduce a Professional client segment to the Puerto Rico market, along with revamped deposit products. This specialized banking area will target professionals such as doctors, lawyers and small business owners, providing tailored financial solutions designed to meet their unique needs and enhance their banking experience.

Domestic Expansion of BanescoSelect

BanescoSelect is our premium banking brand that embodies our commitment to delivering exceptional value and service to our most discerning clients.

BanescoSelect represents a strategic evolution in client service. By prioritizing personalization and proactive attention, we've designed a banking experience that seamlessly aligns with our clients' changing professional and personal financial visions.

In 2024, we expanded this offering to the domestic market, building on our success serving international BanescoSelect clients with U.S. banking needs and further solidifying our position as a leader in personalized banking.

Central to BanescoSelect is our client-centric philosophy. We prioritize service quality by limiting the number of clients each Relationship Manager serves, ensuring time for thoughtful conversations and tailored service. As clients' needs grow in complexity, BanescoSelect Relationship Managers consult with our internal banking, lending and cash management teams to provide comprehensive support and insights.

Accelerating Growth through Strategic Sales Excellence

In parallel with technological advancements, Banesco USA launched SalesX, a Sales Excellence & Effectiveness team with the mission to accelerate growth, optimize sales processes and better serve clients by aligning internal resources with customer needs. In response to a growing demand for flexible payment solutions, the Bank also launched a new suite of Credit Card and Purchase Card products. These products provide individuals and businesses with the flexibility to manage cash flow, improve purchasing power and streamline payments, with options to earn rewards that contribute to their long-term success.

Unwavering Commitment to the Community

Community involvement is a powerful force that strengthens local communities and inspires meaningful change. Through strategic partnerships, financial contributions and employee volunteerism, Banesco USA has made significant strides in supporting a wide range of initiatives, from economic mobility to education, housing and healthcare. In 2024, corporate financial contributions and team members' volunteer time supported nearly two dozen non-profit organizations in South Florida. The Bank also hosted events to share expertise, insight and resources that support the success of the business community.

For instance, through a partnership with Junior Achievement of Greater Miami, a group that inspires and prepares local youth for professional success, more than 40 team members volunteered their time and talent during Banesco Day, teaching classes at an elementary school in Miami-Dade County. Our commitment to empowering minority communities, fostering long-term social change and transforming lives includes relationships with Cristo Rey Miami High School's Corporate Work Study Program, offering students internships that provide real-world work experience, and Prospera which provides bilingual training, support and resources to help Hispanic entrepreneurs thrive in the U.S. and achieve community prosperity. Team members contributed more than 200 toys to Chapman Partnership and the I Have a Dream Foundation, empowering children from under-resourced communities to succeed in school and in pursuit of their careers.

Board of Directors

Carlos Palomares
Chairman of the Board

Juan Carlos Escotet Rodríguez
Vice Chairman of the Board

Calixto (Cali) García-Vélez
President & CEO

Seno Bril
Director

Carlos Eduardo Escotet Alviarez
Director

Alvaro Morales
Director

Edward Holden
Director

José B. Carrión III
Director

Executive Management from left to right, front to back ▸

Leticia Pino, Executive Vice President, Chief Administrative Officer; Maritza Abadía, Executive Vice President, Puerto Rico Market President; Norma Sabo, Senior Vice President, General Counsel; Mercedes Escotet, Executive Vice President, Chief Corporate Governance Officer; Nelson Hidalgo, Executive Vice President, Head of Corporate Banking; Julio Valle, Executive Vice President, Chief Information Officer; Calixto (Cali) García-Vélez, President & CEO; José Morales-Santiago, Executive Vice President, Chief Risk Officer; Gustavo Rengifo, Senior Vice President, Customer Success Officer; Michel Vogel, Senior Vice President, Chief Credit Officer; Kenneth Schoeni, Executive Vice President, Chief Financial Officer; Luis Pereda, Senior Vice President, Head of International Banking.

Building a Global Financial Brand

In 1991, Juan Carlos Escotet Rodríguez, a successful Spanish economist, businessman and banker, acquired Bancentro Group. Renamed Banesco, the organization pursued a strategy of growth. Independent banks with a presence in Panama, the Dominican Republic, Puerto Rico, Venezuela, Curaçao and the United States were established, forming the Banesco International brand.

In 2012, Mr. Escotet Rodríguez purchased ownership of Banco Echevarría, a 300-year-old Spanish bank. The organization later acquired ABANCA, resulting in his majority ownership in Spain-based ABANCA with a presence in 11 countries.

Core Markets

Banesco International together with ABANCA

As of December 31, 2024

Total Assets	**$99 billion**
Total Loans	**$59 billion**
Total Deposits	**$79 billion**
Net Profit	**$1.4 billion**
Net Equity	**$7 billion**
Countries	**14**
Clients	**7 million**
Branches	**1,136**
Employees	**13,400**

Banesco

- Curaçao
- Dominican Republic
- Panama
- Puerto Rico
- United States
- Venezuela

ABANCA

- Brazil
- France
- Germany
- Mexico
- Panama
- Portugal
- Spain
- Switzerland
- United Kingdom
- United States
- Venezuela

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Banesco
Banking Together

TABLE OF CONTENTS:

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Banesco USA and Subsidiaries
Miami, Florida

Opinion

We have audited the consolidated financial statements of Banesco USA and Subsidiaries ("Banesco USA"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banesco USA as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Banesco USA's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 28, 2025 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Banesco USA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Banesco USA's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Banesco USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
March 28, 2025

Management's Report on Internal Control Over Financial Reporting

Banesco USA and subsidiaries internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with generally accepted accounting principles (GAAP) accepted in the United States of America and financial statements for regulatory purposes and the Consolidated Reports of Condition and Income. Because management's assessment was conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our assessment of internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory purposes. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management of Banesco USA and subsidiaries is responsible for designing, implementing, and maintaining effective internal control over financial reporting, including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of Banesco USA and subsidiaries internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income as of December 31, 2024, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). Based on that assessment, management concluded that, as of December 31, 2024, Banesco USA and subsidiaries internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for the Consolidated Reports of Condition and Income is effective, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA).

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for the Consolidated Reports of Condition and Income, as of December 31, 2024, has been audited by Crowe LLP, an independent public accounting firm, as stated in their report dated March 28, 2025.

Banesco USA and Subsidiaries

Miami, Florida
March 28, 2025

CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

ASSETS	2024	2023
CASH AND CASH EQUIVALENTS:		
Cash and due from banks	$ 15,127,185	$ 13,546,926
Interest bearing deposits in other financial institutions	192,614,244	160,393,738
TOTAL CASH AND CASH EQUIVALENTS	207,741,429	173,940,664
Investment securities available for sale, at fair value (amortized cost $547,373,819 and $410,630,391) as of December 31, 2024 and 2023, respectively	514,951,092	382,372,785
Investment securities held to maturity, at amortized cost (fair value $171,196,762 and $189,637,656) as of December 31, 2024 and 2023, respectively	183,328,874	193,654,843
Equity securities	6,831,299	6,601,564
Federal Home Loan Bank stock, at cost	13,355,900	4,471,100
Loans, net of allowance for credit losses of $37,513,326 and $35,595,228 as of December 31, 2024 and 2023, respectively	3,278,346,319	2,845,881,025
Property and equipment, net	32,739,025	32,457,004
Accrued interest receivable	14,422,854	13,567,868
Net Deferred tax assets	31,625,384	28,818,959
Bank-owned life insurance ("BOLI")	111,310,773	109,414,141
Prepaid expenses and other assets	12,109,320	12,537,550
TOTAL ASSETS	**$ 4,406,762,269**	**$ 3,803,717,503**
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS:		
Noninterest bearing demand deposits	$ 1,293,101,999	$ 1,045,336,494
Interest bearing demand deposits	389,913,123	289,867,428
Money market and savings accounts	792,224,081	530,445,346
Time deposits of $250,000 or more	394,142,229	320,124,220
Time deposits of less than $250,000	750,730,970	785,785,001
TOTAL DEPOSITS	3,620,112,402	2,971,558,489
Federal Home Loan Bank advances	225,000,000	50,000,000
Other borrowings - Bank term funding program (BTFP)	-	284,000,000
Subordinated Debt	14,934,082	14,868,163
Accrued interest payable	3,740,358	16,218,378
Accrued expenses and other liabilities	22,129,053	18,926,396
TOTAL LIABILITIES	3,885,915,895	3,355,571,427
COMMITMENTS AND CONTINGENCIES (NOTES 14 AND 16)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $1,000 par value, 250,000 shares authorized, issued and outstanding in 2024 and 2023	250,000,000	250,000,000
Common stock, $5 par value; 16,000,000 shares authorized; 8,986,044 and 8,214,277 shares issued and outstanding in 2024 and 2023	44,930,220	41,071,385
Additional paid-in capital	109,747,936	83,606,771
Retained earnings	164,292,148	122,577,725
Accumulated other comprehensive (loss) income, net of taxes	(48,123,930)	(49,109,805)
TOTAL STOCKHOLDERS' EQUITY	520,846,374	448,146,076
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 4,406,762,269**	**$ 3,803,717,503**

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

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2024	2023
INTEREST AND DIVIDEND INCOME:		
Loans and fees on loans	$ 188,009,502	$ 147,851,425
Investment securities	28,343,966	16,024,162
Federal funds sold and other	13,173,104	15,109,596
Federal Home Loan Bank stock	1,022,807	348,411
TOTAL INTEREST AND DIVIDEND INCOME	230,549,379	179,333,594
INTEREST EXPENSES:		
Deposits	94,571,516	65,141,604
Federal Home Loan Bank advances	10,350,390	3,387,612
Subordinated Debt	900,085	874,877
Other borrowings	2,714,691	10,129,669
TOTAL INTEREST EXPENSES	108,536,682	79,533,762
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	122,012,697	99,799,832
PROVISION FOR CREDIT LOSSES	4,599,115	8,183,853
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	117,413,582	91,615,979
NONINTEREST INCOME:		
Service fees on loans and deposits	11,566,227	7,170,102
Other service charges	7,631,032	6,486,315
Bank-owned life insurance income	5,855,406	2,935,641
Net gain/(loss) on sales of investment securities	1,720,881	(2,816,834)
Unrealized gain/(loss) on equity securities	(20,514)	25,281
Gain on resolution of acquired assets	13,924	11,057
Loss on sales of other real estate owned	-	(158,612)
TOTAL NONINTEREST INCOME	26,766,956	13,652,950
NONINTEREST EXPENSES:		
Salaries and employee benefits	56,474,688	48,276,325
Occupancy	3,166,748	2,667,139
Electronic data processing	6,771,888	5,738,298
Professional fees	5,444,914	4,973,032
Depreciation and amortization	2,865,252	2,717,050
FDIC insurance	1,708,383	1,319,252
Advertising	1,586,927	1,464,198
Insurance and license fees	1,344,973	1,413,858
Communication	966,485	913,535
Travel and entertainment	486,464	397,239
Other	4,241,100	2,918,078
TOTAL NONINTEREST EXPENSES	85,057,822	72,798,004
INCOME BEFORE INCOME TAXES	59,122,716	32,470,925
PROVISION FOR INCOME TAXES	15,906,556	9,758,556
NET INCOME	43,216,160	22,712,369
PREFERRED STOCK DIVIDENDS	1,501,736	-
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	**$ 41,714,424**	**$ 22,712,369**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
NET INCOME	$ 43,216,160	$ 22,712,369
OTHER COMPREHENSIVE INCOME(LOSS)		
Available for sale securities:		
Unrealized holding gain/(losses) on available for sale investments	(2,444,239)	6,859,158
Reclassification adjustment for (gain) losses included in net income	(1,720,881)	2,816,834
Tax effect	1,041,280	(2,418,998)
Other comprehensive gain/(losses) on available for sale investments	(3,123,840)	7,256,994
Held to maturity securities:		
Reclasification adjustment for amortization/(accretions) realized in income	3,764,770	4,006,146
Tax effect	(941,193)	(1,001,537)
Other comprehensive gain/(losses) on held to maturity investments	2,823,577	3,004,610
Derivatives:		
Change in fair value of derivatives	1,714,850	(2,558,062)
Tax effect	(428,713)	639,515
Other comprehensive gain/(losses) on derivatives	1,286,137	(1,918,546)
TOTAL OTHER COMPREHENSIVE INCOME	985,875	8,343,058
COMPREHENSIVE INCOME	**$ 44,202,035**	**$ 31,055,427**

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

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common Stock		Preferred Stock					
	Shares	**Par value**	**Shares**	**Par value**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss), Net of Taxes**	**Total**
BALANCES AT JANUARY 1, 2023	7,502,701	37,513,505	250,000	250,000,000	72,164,651	101,941,130	(57,452,863)	404,166,424
Cumulative change in accounting principle (Note 2)	-	-	-	-	-	(2,075,775)	-	(2,075,775)
Balance at January 1, 2023 (as adjusted for change in accounting principle)	7,502,701	37,513,505	250,000	250,000,000	72,164,651	99,865,355	(57,452,863)	402,090,649
Capital contribution	711,576	3,557,880	-	-	11,442,120	-	-	15,000,000
Net Income	-	-	-	-	-	22,712,369	-	22,712,369
Other comprehensive Income	-	-	-	-	-	-	8,343,058	8,343,058
BALANCES AT DECMEBER 31,2023	8,214,277	41,071,385	250,000	250,000,000	83,606,771	122,577,724	(49,109,805)	448,146,076
Capital contribution	771,767	3,858,835	-	-	26,141,165	-	-	30,000,000
Dividend on Preferred Shares	-	-	-	-	-	(1,501,736)		(1,501,736)
Net Income	-	-	-	-	-	43,216,160	-	43,216,160
Other comprehensive Income	-	-	-	-	-	-	985,875	985,875
BALANCES AT DECMEBER 31,2024	**8,986,044**	**$ 44,930,220**	**250,000**	**$ 250,000,000**	**$ 109,747,936**	**$ 164,292,148**	**$ (48,123,930)**	**$ 520,846,374**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 43,216,160	$ 22,712,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	4,843,905	7,878,708
Depreciation and amortization	2,865,252	2,717,050
Net amortization of discounts on investment securities available for sale	597,176	2,099,004
Net amortization of discounts on investment securities held to maturity	433,182	326,072
(Gain) / loss on sales of investment securities avaiable for sale	(1,720,881)	2,816,835
Loss / (gain) on equity securities	20,514	(25,281)
Loss on sale of forclosed assets	-	158,612
Change in cash surrender value of bank owned life insurance	(5,855,406)	(2,935,641)
Amortization of deferred loan fees	(2,757,607)	(2,478,176)
Amortization of intangible assets	19,286	19,286
Deferred income tax provision (benefit)	(3,135,050)	(1,077,678)
Changes in operating assets and liabilities:		
Accrued interest receivable	(854,986)	(3,221,856)
Prepaid expenses and other assets	2,123,794	(2,194,536)
Accrued interest payable	(12,478,020)	12,846,344
Accrued expenses and other liabilities	3,202,658	(2,119,302)
Debt issuance cost	65,918	65,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,585,895	37,587,728
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities available for sale	(313,817,015)	(198,033,572)
Reduction of Federal Home Loan Bank stock	(8,884,800)	2,588,200
(Purchase) of equity securities	(250,249)	(4,750,000)
Maturities and principal repayments on investment securities available for sale	68,606,346	14,155,609
Proceeds from sales of investment securities available for sale	109,590,947	25,646,000
Principal repayments on investment securities held to maturity	13,657,558	28,230,571
Net increase in loans	(434,551,592)	(541,362,979)
(Purchase) of bank owned life insurance	-	(45,000,000)
Proceeds from bank owned life insurance	3,958,773	-
Sale of foreclosed assets	-	347,388
Net purchase of property and equipment	(3,147,273)	(4,478,232)
NET CASH USED IN INVESTING ACTIVITIES	(564,837,305)	(722,657,015)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	648,553,911	561,591,428
Net (Decrease) increase in Bank Term Funding Program borrowings	(284,000,000)	284,000,000
Proceeds from Federal Home Loan Bank advances	1,240,000,000	755,000,000
Repayments on Federal Home Loan Bank advances	(1,065,000,000)	(846,000,000)
Additional capital	30,000,000	15,000,000
Cash Dividend Paid	(1,501,736)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	568,052,175	769,591,428
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,800,765	84,522,141
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	173,940,664	89,418,523
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 207,741,429**	**$ 173,940,664**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on deposits and borrowed funds	**$ 121,014,702**	**$ 66,687,418**
Cash paid for income taxes	**$ 17,050,000**	**$ 13,187,000**
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
ASC 326 - Allowance for Credit Losses - CECL Day 1 Impact	**$ -**	**$ 2,075,775**
Lease Liability Arising from Obtaining Right-of-Use Assets	**$ 1,829,457**	**$ 91,990**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. GENERAL

Banesco USA and subsidiaries (collectively the “Bank”) was founded in 2006 and is an independent, Florida state-chartered bank with six branches between South Florida and Puerto Rico, and a loan and deposit production office in West Palm Beach. The Bank is a member of the Federal Deposit Insurance Corporation (“FDIC”) and is supervised and regulated by the Office of the Financial Regulation of the State of Florida and by the FDIC.

Banesco USA serves the commercial real estate sector, small and middle-market businesses, as well as professionals who work in the community. The Bank services domestic and international clients and operating companies with a suite of products and services.

Additionally, as of December 31, 2024 and 2023, the Bank owned 100% of Banesco Estate Holdings, LLC, Brickell Global Markets, Inc. (“BGM”), Brickell Global Advisors (“BGA”) and Brickell Global Insurance, Inc. (“BGI”), all Florida corporations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accounting policies and reporting practices of the Bank conform to the predominant practices in the banking industry and are based on U.S. GAAP. The following is a summary of the significant accounting policies followed by the Bank.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Acquisitions

The Bank accounts for all business combinations under the acquisition method of accounting in accordance with Accounting Standard Codification (“ASC”) Topic 805. Accordingly, the acquiring institution should recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in the acquiree, if any.

Intangible Assets

Intangible assets other than goodwill, which are determined to have finite lives, are amortized over the period benefited, generally five to fifteen years and are periodically reviewed for reasonableness. The recoverability of other intangibles is evaluated if events or circumstances indicate possible impairment. At December 31, 2024 and 2023, intangible assets amounted to $32,143 and $51,429, respectively and are included in prepaid expenses and other assets on the accompanying consolidated balance sheets.

Cash and Cash Equivalents

The Bank considers cash and cash equivalents with a maturity of three months or less from their original purchase date to be cash equivalents. Cash equivalents include cash and due from banks and interest-bearing deposits in other financial institutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities

Investment securities consist of U.S. government agency issued securities, collateralized mortgage obligations, mortgage-backed securities, corporate bonds, and municipal securities. Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held-to-maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. Any unrealized holding gains or losses at the date of transfer are retained in other comprehensive income and in the amortized cost of the held-to-maturity securities. Such amounts are amortized or accreted over the remaining life of the security.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. As of December 31, 2024 and 2023, total equity securities amounted to $6,831,299 and $6,601,564, respectively. Total equity securities are comprised of one community development fund and one SBIC fund. In 2024 and 2023, the Bank had investments in a Small Business Investment Company (SBIC) in Puerto Rico of $800,249 and $550,000, respectively.

Federal Home Loan Bank Stock

Federal Home Loan Bank ("FHLB") stock is a restricted asset, carried at cost, and evaluated for impairment. As of December 31, 2024 and 2023, FHLB stock amounted to $13,355,900 and $4,471,100, respectively.

Loans

Loans are reported at their amortized cost net of deferred loan fees or costs, unearned income and the allowance for credit losses. Interest income is generally recognized when income is earned using the simple interest or effective yield method.

In many lending transactions, collateral is obtained to provide an additional measure of security. Generally, the cash flow and earnings power of the borrower represent the primary source of repayment and collateral is considered as an additional safeguard on an acceptable credit risk. The need for collateral is determined on a case-by-case basis after considering the current and prospective creditworthiness of the borrower, terms of the lending transaction and economic conditions.

The Bank classifies all loans and leases past due when the payment of principal and interest, based upon contractual terms, is not made as of its due date. Charge-offs on commercial loans are recorded when available information confirms the loan is not fully collectible and the loss is reasonably quantifiable. Consumer loans are subject to mandatory charge off at a specified delinquency date consistent with regulatory guidelines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Purchased Loans</u>:

Loans acquired in a business combination are recorded at their fair value at the acquisition date. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of expected principal, interest, and other cash flows.

The Bank considers substantially all loans acquired via FDIC assisted transactions to meet the criteria of loans acquired with evidence of impairment. Loans acquired with evidence of impairment are classified as Purchased Credit Deteriorated ("PCD") loans. Loans are identified as PCD when they have experienced more-than-insignificant deterioration in credit quality since origination. An allowance for expected credit losses on PCD loans is recorded using the same methodology as other loans on the date of acquisition through an adjustment to the loans' amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.

The Bank makes an estimate of the loans' contractual principal and contractual interest payments as well as the total cash flows it expects to collect from the pools of loans, which includes undiscounted expected principal and interest. The excess of contractual amounts over the total cash flows expected to be collected from the loans is referred to as non-accretable difference, which is not accreted into income. The excess of the expected undiscounted cash flows over the fair value of the loans is referred to as accretable discount. Accretable discount is recognized as interest income on a level-yield basis over the life of the loans. Management has not included prepayment assumptions in its modeling of contractual or expected cash flows. The Bank continues to estimate cash flows expected to be collected over the life of the loans. Subsequent increases in total cash flows expected to be collected are recognized as an adjustment to the accretable yield with the amount of periodic accretion adjusted over the remaining life of the loans. Subsequent decreases in cash flows expected to be collected over the life of the loans are recognized as impairment in the current period through allowance for credit losses. Gain on resolution of acquired assets represents the net settlement amount between the proceeds received and the carrying amount of the loans.

<u>Non-accrual Loans and Restructured Loans</u>:

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off, the loan has been restructured but is not meeting the terms of the restructure, or the loan reaches 90 days past due. All interest accrued but not collected for loans that are placed on non-accrual status or loans that are charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying to return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Bank has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the borrower's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into non-accrual status, if applicable.

When the ultimate collectability of the total principal of a loan is doubtful and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of a loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses ("ACL") - Loans

The Bank licensed three models from Moody's Analytics (MA) along with its Impairment Studio (IS) platform to calculate lifetime loss rates for their entire loan portfolio, excluding individually evaluated loans. The Bank only has historical data on its loan performance from 2010 onwards, with low defaults cases, and a shorter horizon for other data points. For that reason, it chose to use Off the Shelf (OTS) models that followed the CECL best practice of using development data that includes a full economic cycle. MA used proprietary data from multiple sources to develop and calibrate their lifetime loss rate models.

The Bank uses three MA models, each with loan portfolio sub-segments based on portfolio composition, risk exposure, and MA's model capabilities: 1) MA's CRE Loss Rate: Commercial Real Estate (CRE) Income Producer, Residential Corporate (since it behaves as a CRE Multifamily but with a longer lifetime) and Construction loans; 2) MA's C&I Loss Rate: C&I loans and CRE Owner Occupied loans; 3) MA's ECCL: Residential Mortgage and Other Retail. While the MA's C&I Loss rate and ECCL models have prepayment amounts implied, the MA CRE loss rate model does not and BUSA has estimated and applied a prepayment rate with internal data except for Construction loans, where it's a 0% rate.

The three MA's lifetime loss rate models are bucket-level and product of Probability-of-Default (PD), Loss-given-Default (LGD), and Exposure-at-Default (EAD) components throughout the lifetime of the loan. While EAD is a function of the loan's structure, both PD and LGD are directly influenced by macroeconomic components and their estimation relies on economic scenarios besides borrower specific variables such as FICO score for ECCL, Regulatory Rating for MA's C&I Loss Rate, and delinquency MA's CRE Loss Rate.

The three MA lifetime loss rates models are used in conjunction with the Banks credit data and MA's weighted economic scenario (baseline, upside, and downside). MA's economic scenario which are created using a US level structural econometric model with thousands of simultaneous equations describing the entire economy. Each month MA's economic team generates a detailed Baseline scenario for the US economy and from it generates several other scenarios by adjusting the assumptions included in the Baseline that would improve or worsen economic conditions to represent upside and downside alternative and cover other segments of the probability distribution that the Baseline alone cannot properly represent. MA's scenarios revert to a historical and long-term trend within 5-6 years. In general changes in expectation indicated by the CRE price index have the most significant impact on the estimate of the expected losses for CRE loans and the Unemployment Rate for the other portfolio segments. Changes in the assumptions and forecast of economic conditions could significantly affect the estimate for the Bank estimate of expected credit losses at the balance sheet date or lead to significant changes in the estimate from one reporting period to the next.

The Bank also developed a Qualitative Factor Framework aligned with regulatory guidelines. A Qualitative ACL is applied when one of the 9 factors are not embedded in the Model, based on a specific quantitative criterion developed for each applicable factor for which a measurement or scale was developed to determine the need & level of qualitative adjustments on each balance sheet date. The Qualitative Factor Framework include Lending Policy Changes, Economic Changes, Portfolio Composition, Staff Changes, Changes in Credit Quality Volumes, Loan Review System, Collateral Values, Concentration Volume, and External Influences.

Loans fully backed by insurance or government guarantees are treated with a zero-loss assumption given that recoveries typically cover any losses.

Non-performing loans and loans rated substandard, doubtful or loss are individually evaluated considering collateral values on a case-by-case basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses ("ACL") – Held-to-Maturity ("HTM") Securities

The Bank measures credit losses on HTM securities on a collective basis by major security type and industry using Moody's Industry Probability-of-Default and Loss Given Default assumptions, evaluating expected cash flows for security types other than those issued by U.S. government entities or agencies (which do not require an ACL, as detailed below).

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Bank classifies the HTM portfolio into the following major security types: U.S. Treasuries, U.S. Government Agency Issued Securities, Collateralized Mortgage Obligations, and Residential Mortgage-backed Securities. At December 31, 2024, all of the Bank's HTM securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses.

Allowance for Credit Losses ("ACL") – Available-for-Sale ("AFS") Securities

For AFS debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectability of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

At December 31, 2024, the Bank did not intend to sell, nor was it more likely than not that the Bank will be required to sell, any of the AFS securities in an unrealized loss position. For these AFS securities, the Bank concluded that the decline in fair value did not result from credit losses but was predominantly a result of market interest rate movements. At December 31, 2024 an ACL was not required for the AFS securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses – Impact of ASC 326 Adoption

Using the methodology explained above on January 1, 2023, the Day 1 CECL Allowance was estimated at $30.6 million compared with the allowance under incurred model that amounted to $28.6 million, implying that differences between CECL and the previous methodology accounted for $2.0 million.

	As of January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Loans			
Land and Land Development	64,230	22,682	41,548
Real Estate Construction	3,320,138	1,957,152	1,362,986
Residential Real Estate	6,397,385	2,743,110	3,654,275
Commercial Real Estate	16,580,473	16,375,547	204,926
Commercial and Industrial	1,524,483	5,353,839	(3,829,356)
Consumer	1,765	1,804	(39)
Allowance for credit losses on loans	27,888,474	26,454,134	1,434,340
Liabilities:			
Allowance for credit losses on Off-Balance Sheet credit exposures	2,679,163	2,133,365	545,798

Derivative Instruments and Hedging Activities

As required by ASC 815, the Bank records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Bank has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Bank may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Bank elects not to apply hedge accounting.

In accordance with the FASB's fair value measurement guidance in ASU 2011-04, the Bank made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining term of the applicable leases or their useful lives, whichever is shorter. Estimated useful lives of these assets are as follows:

Buildings	39 years
Computer equipment and software	3 to 5 years
Furniture and equipment	3 to 7 years
Leasehold improvements	Shorter of life or term of lease

Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to income.

Leases

Arrangements are analyzed at inception to determine the existence of a lease. Right-of-use assets (ROUAs) represent the right to use the underlying asset and lease liabilities represent the obligation to make lease payments for the lease term. Operating lease ROUAs and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Bank's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the appropriate term and information available at commencement date in determining the present value of lease payments. ROUAs and operating lease liabilities are reported in Other Assets and Other Liabilities, respectively, in the Consolidated Balance Sheet. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. At December 31, 2024 and 2023, the Bank did not hold foreclosed assets.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are classified as secured borrowings and are reflected at the amount of cash in connection with the transaction. The Bank may be required to provide additional collateral based on the fair value of the underlying securities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other noninterest expense, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Bank's long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The Bank did not recognize an impairment charge during the years ended December 31, 2024 and 2023.

Interest Rate Risk

The Bank's performance is dependent to a large extent on its net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. The Bank, like most financial institutions, is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities (the interest rate sensitivity gap). More liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive, or a negative gap. An asset-sensitive position will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Bank has implemented asset and liability management strategies to mitigate the impact to net interest income resulting from changes in market interest rates.

Concentration of Credit Risk

Credit risk represents the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank does not have a significant exposure to any individual customer or counterparty. Most of the Bank's business activity is with customers located within its primary market area, which includes South Florida and Puerto Rico. The Bank's loan portfolio is concentrated largely in real estate and commercial loans in South Florida. Circumstances, which negatively impact the South Florida real estate industry or the South Florida economy, in general, could adversely impact the Bank's loan portfolio.

At various times during the year, the Bank has maintained deposits with other financial institutions in excess of amounts received. The exposure to the Bank from these transactions is solely dependent upon daily balances and the financial strength of the respective institution.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. The Bank is also party to various litigation actions. However, such actions are on its early stages and, therefore, it is management's belief that it is too soon to determine the eventual financial impact, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk and Uncertainties

We are subject to risks and uncertainties that could potentially negatively impact our business, financial condition, results of operations, and cash flows. This section describes the risks and uncertainties identified by management that could, individually or in combination, harm our business, results of operations, liquidity, and financial condition, as well as our financial instruments and our securities. We may face other risks not listed here, including additional risks that are not presently known, or that we presently deem immaterial.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, proceeds from loan repayments or sales, and other sources could have a substantial negative effect on our liquidity. While market events in 2023, including bank failures, led to uncertainty and concerns regarding liquidity positions in the banking sector, the banking environment has stabilized in 2024. However, continued vigilance and proactive liquidity management remain crucial. The Bank's main source of funds is core deposits of both consumer and commercial customers. Furthermore, the Bank has available a wide array of secondary sources of funding which vary from broker deposits to listing service time deposits, various fed fund lines from correspondent banks, secured lending from its collateralized loans held at the Federal Home Loan Bank, and secured loans from the collateralization of the bank's investment portfolio.

Market conditions and external factors may unpredictably impact the competitive landscape for deposits in the banking industry. While the interest rate environment has shown signs of stabilization in 2024, competition for deposits remains. The bank believes its sources of liquidity are sufficient to meet its needs. An unexpected increase in withdrawals of deposits could adversely impact the bank's ability to rely on organic deposits to primarily fund its operations, potentially requiring greater reliance on secondary sources of liquidity to meet withdrawal demands or to fund continuing operations. Such reliance on secondary funding sources could increase the Bank's overall cost of funding and thereby reduce net income.

The Bank believes its liquidity management through both on-balance sheet and off-balance sheet sources is adequate to fund operations and meet stress events of liquidity demands by having enough liquidity sources to meet the need for all deposits beyond the FDIC insurance coverage amount.

A decline in general economic conditions, whether caused by inflation, recession, unemployment, geopolitical events, or other factors beyond our control, would impact local economic conditions and could negatively affect our earnings and financial condition. The potential for economic slowdown or recession in 2024, coupled with ongoing global uncertainties, requires careful monitoring and proactive risk management.

Commercial Real Estate (CRE) loans, as well as other loans in our portfolio, are secured by real estate. We may experience a level of nonperforming real estate loans if the economic conditions of the markets where we operate deteriorate, or in areas where real estate market conditions become distressed. The value of the collateral securing those loans and the revenue stream from those loans could be negatively impacted, and additional provisions for the allowance for credit losses could be required. While interest rates have stabilized somewhat in 2024, the potential for future rate increases or prolonged periods of higher rates could impact borrowers' ability to repay loans, particularly those with variable rates or those needing to refinance.

The Bank believes that it has in place sound risk practices in adequately managing CRE concentration under challenging economic conditions, which are well aligned with regulatory guidance. The Bank maintains a strong capital risk appetite framework to ensure its adequacy relative to exposures, which is complemented by satisfactory allowance levels, conservative underwriting standards supported by adequate systems, a granular and tight monitoring process, including frequent stress tests, and workout capacity in place if needed. We continually assess and refine these practices in light of evolving economic conditions and regulatory expectations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on securities available for sale, and unrealized losses related to factors other than credit on debt securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in NOTE 17. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Subsequent Events

The Bank has evaluated subsequent events through March 28, 2025, which is the date the consolidated financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

The amendments in this Update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require the following disclosures for equity securities subject to contractual sale restrictions:

- The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet
- The nature and remaining duration of the restriction(s)
- The circumstances that could cause a lapse in the restriction(s)

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

The adoption of this standard did not have a material effect on the Bank's operating results or financial condition.

Recent Accounting Pronouncements

Improvement to Income Tax Disclosures

The amendments enhance the transparency and decision usefulness of income tax disclosures. The Update requires that public business entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet the quantitative threshold. All entities will be required to disclose 1) the amount of income tax paid (net of refunds received) disaggregated by federal, state and foreign taxes; 2) the amount of income taxes pad (net refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received). The amendments also require entities to disclose 1) Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and 2) income tax expense (or benefit) from continuing operations disaggregated be federal (national), state and foreign.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

The adoption of this standard is not expected to have a material effect on the Bank's operating results or financial condition.

3. INVESTMENT SECURITIES

Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of investment securities available for sale, by major security type, as of December 31, 2024 and 2023 are as follows:

December 31, 2024	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available for sale:				
U.S. treasury securities	$ 9,992,539	$ 10,293	$ -	$ 10,002,832
U.S. government agencies issued securities	80,636,293	45,005	(2,998,191)	77,683,107
Municipals	22,746,272	-	(5,689,987)	17,056,285
Collateralized mortgage obligations	36,062,672	15,377	(153,344)	35,924,705
Collateralized loan obligations	47,219,189	137,069	(124,814)	47,231,444
Mortgage-backed securities	262,187,542	71,333	(15,481,553)	246,777,322
Asset backed Securities	3,438,962	-	(18,490)	3,420,472
Corporate bonds	85,090,350	204,239	(8,439,664)	76,854,925
	$ 547,373,819	**$ 483,316**	**$ (32,906,043)**	**$ 514,951,092**

December 31, 2023	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available for sale:				
U.S. treasury securities	$ 14,903,153	$ 49,467	$ (3,401)	$ 14,949,219
U.S. government agencies issued securities	88,225,194	93,676	(3,449,986)	84,868,884
Municipals	22,788,000	-	(5,242,540)	17,545,460
Collateralized mortgage obligations	13,980,123	33,602	(113,456)	13,900,269
Collateralized loan obligations	55,629,391	111,170	(64,265)	55,676,296
Mortgage-backed securities	128,701,379	1,680,352	(11,123,755)	119,257,976
Asset backed Securities	4,860,140	-	(8,274)	4,851,866
Corporate bonds	81,543,012	41,994	(10,262,191)	71,322,815
	$ 410,630,392	**$ 2,010,262**	**$ (30,267,870)**	**$ 382,372,785**

Investment securities pledged to secure borrowings from the Federal Reserve's Bank Term Funding Program ("BTFP") had an outstanding balance of approximately $295,767,000 at December 31, 2023. The Bank did not have securities pledged to secure borrowings at December 31, 2024.

Proceeds from the sales of investment securities available for sale for the year ended December 31, 2024 and 2023, amounted to $109,590,947 and $25,646,000, respectively. For the year ended December 31, 2024 the Bank realized net gains of $1,720,881 with an estimated tax expense of $454,000. For the year ended December 31, 2023 the Bank realized losses of $2,816,834 with an estimated tax benefit of $746,000 and no securities were sold for a gain in 2023. As of December 31, 2024 and 2023, there were no holdings of securities of any one issuer in an amount greater than 10% of stockholders' equity.

3. INVESTMENT SECURITIES (CONTINUED)

Available for Sale (continued)

Expected maturities of securities available for sale will differ from contractual maturities because borrowers have the right to call or repay obligations with or without call or repayment penalties. The amortized cost and fair value of securities available for sale by contractual maturity are as follows, as of December 31:

	2024 Securities Available for Sale	
	Amortized Cost	Fair Value
Within one year	$ 14,932,593	$ 14,979,540
One to five years	18,155,272	18,172,843
Five to ten years	121,170,343	109,301,133
Beyond ten years	44,207,246	39,143,632
Collateralized mortgage obligations	36,062,672	35,924,705
Collateralized loan obligations	47,219,189	47,231,444
Mortgage-backed securities	262,187,542	246,777,322
Asset backed securities	3,438,962	3,420,472
	$ 547,373,819	**$ 514,951,092**

Information pertaining to securities with gross unrealized holding losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31 are as follows:

	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
December 31, 2024						
U.S. treasury securities	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government agencies issued securities	13,342,492	(53,614)	35,858,198	(2,944,577)	49,200,690	(2,998,191)
Municipals	-	-	17,056,285	(5,689,987)	17,056,285	(5,689,987)
Collateralized mortgage obligations	23,347,254	(73,880)	5,216,146	(79,464)	28,563,400	(153,344)
Collateralized loan obligations	15,064,350	(124,814)	-	-	15,064,350	(124,814)
Mortgage-backed securities	184,792,665	(4,236,105)	43,709,178	(11,245,447)	228,501,843	(15,481,553)
Asset backed Securities	3,420,472	(18,490)	-	-	3,420,472	(18,490)
Corporate bonds	3,942,218	(25,266)	56,680,950	(8,414,398)	60,623,168	(8,439,664)
	$ 243,909,451	**$ (4,532,169)**	**$ 158,520,757**	**$ (28,373,873)**	**$ 402,430,208**	**$ (32,906,043)**

	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
December 31, 2023						
U.S. treasury securities	$ 4,954,297	$ (3,401)	$ -	$ -	$ 4,954,297	$ (3,401)
U.S. government agencies issued securities	30,582,236	(133,984)	44,220,812	(3,316,002)	74,803,048	(3,449,986)
Municipals	-	-	17,545,460	(5,242,540)	17,545,460	(5,242,540)
Collateralized mortgage obligations	9,610,954	(113,456)	-	-	9,610,954	(113,456)
Collateralized loan obligations	10,375,784	(209)	5,878,445	(64,056)	16,254,229	(64,265)
Mortgage-backed securities	-	-	44,676,547	(11,123,755)	44,676,547	(11,123,755)
Asset backed Securities	4,851,866	(8,274)	-	-	4,851,866	(8,274)
Corporate bonds	10,942,682	(99,007)	55,546,914	(10,163,184)	66,489,596	(10,262,191)
	$ 71,317,819	**$ (358,331)**	**$ 167,868,177**	**$ (29,909,538)**	**$ 239,185,996**	**$ (30,267,869)**

3. INVESTMENT SECURITIES (CONTINUED)

Available for Sale (continued)

The Bank is proactive in determining what possible negative effects could impact the investment portfolio. In accordance with ASC 326, the Bank measures its credit losses on its investment portfolio on a quarterly basis. The Bank performs assessments to determine whether a security on which there is an unrealized loss declined in fair value below amortized cost as a result of credit loss or other factors. Management considers many factors in their analysis including the (1) severity and duration of the impairment, (2) the specific credit rating of the security, (3) the intent and ability to hold these securities for a period of time until the value of the security recovers, (4) whether the current market is considered an inactive market where most sales are considered distressed sales or disorderly transactions, and (5) management estimates the portion of loss attributable to credit using a discounted cash flow model. The Bank estimates the expected cash flows of the underlying collateral using interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions, such as default rates, loss severity and prepayment rates. If a portion of the decline in fair value below amortized cost is due to credit factors, then a allowance for credit losses will be taken.

At December 31, 2024, the Bank concluded that the decline in fair value did not result from credit losses but was predominantly a result of market interest rate movements and other market conditions. The Bank's AFS securities are reflected on the balance sheet at fair value. Based on the expected cash flows derived from the model, the Bank expects the fair value to recover as the securities approach maturity. In addition, Management does not intend to sell any of the AFS securities with unrealized losses and it is likely that management will not be required to sell any of these securities prior to their anticipated recovery. Thus, at December 31, 2024 an ACL was not required for the AFS securities.

At December 31, 2024, the Bank had $2,988,192 in unrealized losses relating to thirteen U.S. government agencies issued securities and US treasury securities. The losses relate principally to interest rate changes, credit spread widening and reduced liquidity in applicable markets. However, the contractual cash flows of these securities are guaranteed by an agency of the U.S. government. As of December 31, 2024, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2024, the Bank had $278,158 in unrealized losses relating to nine collateralized loan obligation and collateralized mortgage obligation. Recent changes in interest rates and central bank activity in financial markets have caused changes in the value of collateralized mortgage obligations to fluctuate unsteadily. As of December 31, 2024, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2024, the Bank had $15,500,043 in unrealized losses relating to thirty-two mortgage-backed securities and asset-backed securities. Recent changes in interest rates and central bank activity in financial markets have caused changes in the value of mortgage-backed securities to fluctuate unsteadily. The contractual cash flows of these securities are from U.S. government sponsored agencies. As of December 31, 2024, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2024, the Bank had $5,689,987 in unrealized loss relating to seven municipal bonds. As of December 31, 2024, the Bank does not consider the municipal bonds to require an allowance for credit losses because the decline in market value is mainly attributable to changes in interest rates and not credit quality, the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2024, the Bank had $8,439,664 in unrealized loss relating to twelve corporate bonds. As of December 31, 2024, the Bank does not consider the corporate bonds to require an allowance for credit losses because the decline in market value is mainly attributable to changes in interest rates and not credit quality, the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

3. INVESTMENT SECURITIES (CONTINUED)

Held to Maturity

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of investment securities held to maturity, by major security type, as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. treasury securities	$ 9,912,612	$ -	$ (7,221)	$ 9,905,391
U.S. government agencies issued securities	9,122,670	-	(1,380,957)	7,741,713
Collateralized mortgage obligations	254,832	-	(2,817)	252,015
Mortgage-backed securities	164,038,760	-	(10,741,117)	153,297,643
	$ 183,328,874	**$ -**	**$ (12,132,112)**	**$ 171,196,762**

	December 31, 2023			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. treasury securities	$ 9,691,855		$ (47,324)	$ 9,644,531
U.S. government agencies issued securities	9,041,806	-	(1,021,397)	8,020,409
Collateralized mortgage obligations	285,646	-	(2,020)	283,626
Mortgage-backed securities	174,635,536	78,043	(3,024,489)	171,689,090
	$ 193,654,843	**$ 78,043**	**$ (4,095,230)**	**$ 189,637,656**

During the second and fourth quarters of 2022, the Bank reclassified debt securities with an amortized cost of $259,022,719 from available for sale to held to maturity, as it has the ability and intent to hold these securities to maturity. These securities had net unrealized losses of $42,136,815 at the date of transfer, which will continue to be reported in accumulated other comprehensive loss and will be amortized over the remaining life of the transferred securities as an adjustment of yield. The Bank did not transfer any securities from available for sale to held to maturity in 2024 and 2023, respectively.

Expected maturities of securities held to maturity will differ from contractual maturities because borrowers have the right to call or repay obligations with or without call or repayment penalties. The amortized cost and fair value of securities held to maturity by contractual maturity are as follows, as of December 31:

	2024 Securities Held to Maturity	
	Amortized Cost	Fair Value
Within one year	$ -	$ -
One to five years	9,912,612	9,905,391
Five to ten years	-	-
Beyond ten years	9,122,670	7,741,713
Collateralized mortgage obligations	254,832	252,015
Collateralized loan obligations	-	-
Mortgage-backed securities	164,038,760	153,297,643
Asset backed securities	-	-
	$ 183,328,874	**$ 171,196,762**

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following is a summary of loans outstanding as of December 31:

	2024	2023
Land and land development	$ 7,485,325	$ 9,766,647
Real estate construction	123,662,055	189,648,982
Residential real estate	675,901,909	608,899,038
Commercial real estate	1,856,809,667	1,619,121,285
Commercial and Industrial	653,585,503	456,935,741
Consumer	577,332	273,783
	3,318,021,791	2,884,645,476
Less:		
Allowance for credit losses	(37,513,326)	(35,595,228)
Deferred loan fees/unamortized discount	(2,162,146)	(3,169,223)
Net Loans	**$ 3,278,346,319**	**$ 2,845,881,025**

A reconciliation of the recorded investment in loans, is as follows:

	2024	2023
Gross Loans	$ 3,318,021,791	$ 2,884,645,476
Plus: Accrued interest recivable	10,348,717	9,842,359
Less: Unearned income	2,162,146	3,169,223
Recorded investments in loans	**$ 3,326,208,362**	**$ 2,891,318,612**

The Bank has pledged $1,530,448,007 and $1,320,376,853 of mortgage loans as collateral for advances from the Federal Home Loan Bank of Atlanta as of December 31, 2024 and 2023, respectively. The loans pledged are unencumbered and retain full liquidity, allowing the Bank the flexibility to reallocate assets as needed to fully secure our line at FHLB. As of December 31, 2024 and 2023, the Bank's total line at FHLB amounts to $1,059,348,250 and $929,518,500, respectively.

Management has an established methodology to determine the adequacy of the allowance for credit losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for credit losses, the Bank has segmented the loans in the portfolio by product type. Loans are segmented into the following pools: land and land development, real estate construction, residential real estate, commercial real estate, commercial and industrial, and consumer.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The total allowance reflects management's estimate of losses inherent in the loan portfolio at the balance sheet date. The Bank considers the allowance for credit losses of $37,513,324 and $35,595,228 adequate to cover the loan losses inherent in the loan portfolio at December 31, 2024 and 2023, respectively.

Changes in the allowance for credit losses and the outstanding balances in loans are as follows:

For the Year Ended December 31, 2024

	Land and Land Development	Real Estate Construction	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
Allowance for Credit Losses:								
Beginning balance	$ 169,559	$ 4,598,656	$ 8,464,210	$ 19,247,112	$ 3,115,279	$ 412	$ -	$ 35,595,228
Credit loss expense	9,076	(2,756,221)	316,307	4,142,365	3,135,782	(3,403)	-	4,843,906
Recoveries	-	-	-	-	141,986	14,245	-	156,231
Chargeoffs	-	-	-	-	(3,082,038)	-	-	(3,082,038)
Total ending allowance balance	**$ 178,635**	**$ 1,842,435**	**$ 8,780,517**	**$ 23,389,477**	**$ 3,311,009**	**$ 11,254**	**$ -**	**$ 37,513,326**
Loans:								
Ending balance	**$ 7,485,325**	**$ 123,662,055**	**$ 675,901,909**	**$ 1,856,809,667**	**$ 653,585,503**	**$577,332**	**$ -**	**$3,318,021,791**

For the Year Ended December 31, 2023

	Land and Land Development	Real Estate Construction	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
Allowance for Credit Losses:								
Beginning balance, prior to adoption of ASC 326	$ 22,682	$ 1,957,152	$ 2,743,110	$ 16,375,547	$ 5,353,839	$ 1,804	$ -	$ 26,454,134
Impact of adopting ASC 326	41,548	1,362,986	3,654,275	204,926	(3,829,356)	(39)	-	1,434,340
Credit loss expense	105,329	1,278,518	2,066,826	2,666,639	1,778,289	(1,353)	(15,540)	7,878,708
Recoveries	-	-	-	-	177,537	-	15,540	193,077
Chargeoffs	-	-	-	-	(365,030)	-	-	(365,030)
Total ending allowance balance	**$ 169,559**	**$ 4,598,656**	**$ 8,464,210**	**$ 19,247,112**	**$ 3,115,279**	**$ 412**	**$ -**	**$ 35,595,228**
Loans:								
Ending balance	**$ 9,766,647**	**$ 189,648,982**	**$ 608,899,038**	**$ 1,619,121,285**	**$ 456,935,741**	**$273,783**	**$ -**	**$2,884,645,476**

During the year ended December 31, 2024, the provision for credit losses amounted to $4,843,905. During the year ended December 31, 2023, the provision for credit losses amounted to $7,878,708 in addition to a day 1 CECL adjustment of $1,434,340 for the on-balance sheet loan provision.

The Bank maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Bank's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Bank has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Bank can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Bank or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

On January 1, 2023, the Bank recorded an adjustment for unfunded commitments of $545,798 for the adoption of CECL. For the year ended December 31, 2024 and 2023, the Company recorded a provision for credit losses for unfunded commitments of ($244,791) and $305,145, respectively. At December 31, 2024 and 2023, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was $2,739,518 and $2,984,308, respectively.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Total loan credit exposures by internally assigned grades are as follows:

December 31, 2024		**Special**			
Land and land development and real estate construction	**Pass**	**Mention**	**Substandard**	**Doubtful**	**Total**
Land and land development	$ 7,485,325	$ -	$ -	$ -	$ 7,485,325
Real estate construction	$ 119,212,957	$ 4,449,098	$ -	$ -	$ 123,662,055
Residential real estate					
1-4 family first lien	$ 669,478,264	$ -	$ 4,758,926	$ -	$ 674,237,190
1-4 family second lien	$ 1,664,719	$ -	$ -	$ -	$ 1,664,719
Commercial real estate					
Commercial real estate term	$ 1,389,778,038	$ 85,825,660	$ 18,512,797	$ -	$ 1,494,116,495
Owner occupied commercial real estate	$ 349,856,106	$ 3,083,703	$ 9,753,363	$ -	$ 362,693,172
Commercial and industrial	$ 621,121,710	$ 13,774,699	$ 17,439,094	$ 1,250,000	$ 653,585,503
Consumer	$ 577,332	$ -	$ -	$ -	$ 577,332
Total loans	**$ 3,159,174,451**	**$ 107,133,160**	**$ 50,464,180**	**$ 1,250,000**	**$ 3,318,021,791**

December 31, 2023		**Special**			
Land and land development and real estate construction	**Pass**	**Mention**	**Substandard**	**Doubtful**	**Total**
Land and land development	$ 9,766,647	$ -	$ -	$ -	$ 9,766,647
Real estate construction	189,648,982	-	-	-	189,648,982
Residential real estate					
1-4 family first lien	607,947,377	-	827,765	-	608,775,141
1-4 family second lien	123,897	-	-	-	123,897
Commercial real estate					
Commercial real estate term	1,258,767,728	2,921,177	29,778,147	-	1,291,467,052
Owner occupied commercial real estate	321,370,120	233,378	6,050,735	-	327,654,233
Commercial and industrial	433,105,773	17,206,940	6,623,027	-	456,935,741
Consumer	273,783	-	-	-	273,783
Total loans	**$ 2,821,004,306**	**$ 20,361,496**	**$ 43,279,674**	**$ -**	**$ 2,884,645,476**

As of December 31, 2023, the Bank did not classify any loans to be considered “doubtful” or “loss.”

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Performing and nonperforming loans based on payment activity are as follows:

December 31, 2024		**Non**	
Land and land development and real estate construction	**Performing**	**Performing**	**Total**
Land and land development	$ 7,485,325		$ 7,485,325
Real estate construction	123,662,055		123,662,055
Residential real estate			
1-4 family first lien	670,197,989	4,039,201	674,237,190
1-4 family second lien	1,664,719		1,664,719
Commercial real estate			
Commercial real estate term	1,494,116,495		1,494,116,495
Owner occupied commercial real estate	357,154,204	5,538,968	362,693,172
Commercial and industrial	651,054,596	2,530,907	653,585,503
Other Loans			
Consumer	577,332		577,332
Total loans	**$ 3,305,912,715**	**$ 12,109,076**	**$ 3,318,021,791**

December 31, 2023		**Non**	
Land and land development and real estate construction	**Performing**	**Performing**	**Total**
Land and land development	$ 9,766,647		$ 9,766,647
Real estate construction	189,648,982		189,648,982
Residential real estate			
1-4 family first lien	607,947,377	827,765	608,775,141
1-4 family second lien	123,897		123,897
Commercial real estate			
Commercial real estate term	1,291,467,052		1,291,467,052
Owner occupied commercial real estate	327,654,233		327,654,233
Commercial and industrial	450,463,606	6,472,135	456,935,741
Other Loans			
Consumer	273,783		273,783
Total loans	**$ 2,877,345,576**	**$ 7,299,900**	**$ 2,884,645,476**

Nonperforming loans also include certain loans that have been modified where economic concessions have been granted to borrowers who have experienced financial difficulties.

Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when the loan is greater than 90 days delinquent. Certain modified loans that are greater than 90 days past due are considered performing, based on their adherence with their modified terms.

Nonperforming loans, non-accrual loans and 90 days or more past due loans represent 0.36% and 0.25% of total loans as of December 31, 2024 and 2023, respectively.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following tables include an aging analysis of the outstanding balances of past due loans as of December 31, 2024 and 2023.

As of December 31, 2024

Age Analysis of Past Due Loans by Loan Class	30-90 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Land and land development and real estate construction					
Land and land development	$ -	$ -	$ -	$ 7,485,325	$ 7,485,325
Real estate construction	-	-	-	123,662,055	123,662,055
Residential real estate					
1-4 family first lien	7,239,080	2,184,304	9,423,384	664,813,806	674,237,190
1-4 family second lien	-	-	-	1,664,719	1,664,719
Commercial real estate					
Commercial real estate term	-	-	-	1,494,116,495	1,494,116,495
Owner occupied commercial real estate	550,030	5,538,968	6,088,998	356,604,174	362,693,172
Commercial and industrial	6,895	2,530,907	2,537,802	651,047,701	653,585,502
Other Loans					
Consumer	-	-	-	577,332	577,332
Total loans	**$ 7,796,005**	**$ 10,254,179**	**$ 18,050,184**	**$ 3,299,971,607**	**$ 3,318,021,791**

As of December 31, 2023

Age Analysis of Past Due Loans by Loan Class	30-90 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Land and land development and real estate construction					
Land and land development	$ -	$ -	$ -	$ 9,766,647	$ 9,766,647
Real estate construction	-	-	-	189,648,982	189,648,982
Residential real estate					
1-4 family first lien	3,198,591	827,765	4,026,356	604,748,785	608,775,141
1-4 family second lien	-	-	-	123,897	123,897
Commercial real estate					
Commercial real estate term	-	-	-	1,291,467,052	1,291,467,052
Owner occupied commercial real estate	-	-	-	327,654,233	327,654,233
Commercial and industrial	50,000	6,472,135	6,522,135	450,413,606	456,935,741
Other Loans					
Consumer	-	-	-	273,783	273,783
Total loans	**$ 3,248,591**	**$ 7,299,900**	**$ 10,548,491**	**$ 2,874,096,985**	**$ 2,884,645,476**

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Loans on non-accrual status by loan segment are as follows:

	December 31, 2024	December 31, 2023
Residential real estate		
1-4 family first lien	$ 4,039,201	$ 827,765
Commercial real estate		
Owner occupied	5,538,968	-
Commercial and industrial	2,530,907	6,472,135
Total loans	**$ 12,109,076**	**$ 7,299,900**

Loans on non-accrual with no allowance for credit loss:

As of December 31, 2024	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans > 90 days and Accruing
Residential real estate			
1-4 family first lien	$ 4,039,201	$ -	$ -
Commercial real estate			
Owner occupied	5,538,968	-	-
Commercial and industrial	75,081	2,455,826	-
	$ 9,653,250	**$ 2,455,826**	**$ -**

As of December 31, 2023	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans > 90 days and Accruing
Residential real estate			
1-4 family first lien	$ 827,765	$ -	$ -
Commercial and industrial	-	6,472,135	-
	$ 827,765	**$ 6,472,135**	**$ -**

As of December 31, 2024, the Bank did not modify any loans during the year.

As of December 31, 2023, the Bank had one loan, with an amortized cost of $10.9 million, that was experiencing financial difficulty and was modified during the year.

The following table includes the amortized cost basis of collateral-dependent loans for individually evaluated loans as of December 31,2024:

	2024	2023
Residential real estate		
1-4 family first lien	$ 4,758,926	$ 827,765
Commercial real estate		
Commercial real estate term	18,512,797	29,778,147
Owner occupied commercial real estate	9,753,363	6,050,735
Commercial and industrial	16,233,268	1,417,201
	$ 49,258,354	**$ 38,073,848**

5. DERIVATIVES AND HEDGING ACTIVITIES

Cash Flow Hedges of Interest Rate Risk

The Bank's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Bank primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. During 2023 and 2024, such derivatives were used to hedge the variable cash flows associated with existing variable-rate FHLB.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis, as documented at hedge inception in accordance with the Company's accounting policy election. The earnings recognition of excluded components is presented in interest expense. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Bank's variable-rate debt. During the next 12 months, the Bank estimates that an additional $99,300 will be reclassified as a reduction to interest expense.

Fair Value Hedges of Interest Rate Risk

The Bank is exposed to changes in the fair value of certain pools of fixed-rate assets due to changes in benchmark interest rates. The Bank uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

As of December 31, 2024, the following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges:

	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	2024	2023	2024	2023
AFS Securities	$ 65,238,682	$ 50,917,558	$ -	$ (1,691,704)
Fixed Rate Loans	-	201,635,456	-	1,635,456
Total [1]	**$ 65,238,682**	**$ 252,553,014**	**$ -**	**$ (56,247)**

[1] These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedged period. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was $157,223,052 and $121,510,400, respectively.

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31:

	Derivative Assets			Derivative Liabilities		
			2024			2024
	Notional Amount	Balance Sheet Location	Fair Value	Notional Amount	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments						
Interest Rate Products	90,000,000	Other Assets	$ 327,183	25,000,000	Other Liabilities	$ 314,495
Total derivatives designated as hedging instruments			$ 327,183			$ 314,495
Net Derivatives on the Balance Sheet			$ 327,183			$ 314,495
Gross Amounts Not Offset in the Statement of Financial Position						
Financial Instruments			327,183			327,183
Cash collateral (1)			-			(12,689)
Net Derivative Amounts			$ -			$ -

(1) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess cash collateral, if any, is not reflected above.

	Derivative Assets			Derivative Liabilities		
			2023			2023
	Notional Amount	Balance Sheet Location	Fair Value	Notional Amount	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments						
Interest Rate Products	50,000,000	Other Assets	$ 94,789	250,000,000	Other Liabilities	$ 2,407,247
Total derivatives designated as hedging instruments			$ 94,789			$ 2,407,247
Net Derivatives on the Balance Sheet			$ 94,789			$ 2,407,247
Gross Amounts Not Offset in the Statement of Financial Position						
Financial Instruments			94,789			94,789
Cash collateral (1)			-			2,312,459
Net Derivative Amounts			$ -			$ -

(1) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess cash collateral, if any, is not reflected above.

The table below presents the effect of fair value and cash flow hedge accounting on Accumulated Other Comprehensive Income as of December 31, 2024:

	Amount of Gain or (Loss) Recognized in OCI on Derivative	Amount of Gain or (Loss) Recognized in OCI Included Component	Amount of Gain or (Loss) Recognized in OCI Excluded Component
Derivatives in Cash Flow Hedging Relationships			
Interest Rate Products	$ (14,018)	$ -	$ 201,982
Total	**$ (14,018)**	**$ -**	**$ 201,982**

	Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component
Derivatives in Cash Flow Hedging Relationships				
Interest Rate Products	Interest Expense	$ (4,651)	$ -	$ (4,651)
Total		**$ (4,651)**	**$ -**	**$ (4,651)**

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

The table below presents the effect of the Company's derivative financial instruments on the Income Statement as of December 31, 2024:

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	
	Interest Expense	**Interest Income**
Total amounts of income and expense line items presented in the statement of financial performance in which the effects of fair value or cash flow hedges are recorded	$ 14,018	5,088
The effects of fair value and cash flow hedging:		
Interest contracts		
Hedged items		(122,308)
Derivatives designated as hedging instruments		127,396
Gain or (loss) on cash flow hedging relationships in Subtopic 815-20		
Interest contracts		
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	14,018	
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income as a result that a forecasted transaction is no longer probable of occurring	-	
Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income - Included Component	-	
Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income - Excluded Component	(4,651)	

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, is summarized as follows at December 31:

	2024	2023
Land	4,638,710	4,638,710
Building	22,120,687	21,716,848
Leasehold improvements	3,946,827	2,664,597
Furniture and equipment	3,062,547	2,990,412
Computer equipment and software	9,530,671	8,660,060
Work in progress	1,732,999	1,555,517
Art work	483,070	445,780
	45,515,511	42,671,925
Less:		
Accumulated depreciation and amortization	12,776,486	10,214,920
Property and equipment, net	**$ 32,739,025**	**$ 32,457,004**

Depreciation and amortization of property and equipment amounted to $2,865,252 and to $2,717,050 for the years ended December 31, 2024 and 2023, respectively.

7. DEPOSITS

At December 31, 2024, the scheduled maturities of time deposits are as follows:

2025	$ 1,113,816,448
2026	29,765,727
2027	1,291,024
2028	-
Thereafter	-
	$ 1,144,873,199

At December 31, 2024, the bank had a total of $1.1 billion in time deposits maturing over the next 3 years. Callable Brokered deposits account for $39.0 million.

8. FORECLOSED ASSETS, NET

The Bank did not have any inventory of foreclosed assets at December 31, 2024 and 2023.

Foreclosed assets are presented net of allowance for credit losses. At December 31, 2024 and December 31, 2023 there was no allowance for losses associated to foreclosed assets.

Expenses applicable to foreclosed assets include the following at December 31:

	2024	2023
Loss/(gain) on sales of foreclosed assets	$ -	$ 158,612
Operating expenses	3,120	33,530
	$ 3,120	**$ 192,142**

9. OTHER BORROWINGS - BTFP

The following sets forth information concerning securities sold under agreements to repurchase as of December 31:

	2024	2023
Bank Term Funding Program Borrowing	$ -	$ 284,000,000
Securities pledged as collateral	$ -	$ 295,766,873
Interest rate	-	4.38%

Market events that occurred in the first quarter of 2023, which led to the 2nd and 3rd largest bank failure in US history, led to uncertainty and concerns regarding liquidity positions of the banking sector. In response to the economic conditions, the Bank participated in the Federal Reserve's Bank Term Funding Program (BTFP). The Plan offered loans/borrowings of up to one year to institutions pledging collateral for purchase by the FED. As a precaution to the runoff of liquidity from the large banks, the Bank borrowed a total of $300 million under the BTFP at a rate of 4.38%. As of December 31, 2024, the Bank held no outstanding borrowed funds from the BTFP and ceased making new loans under the program on March 11, 2024.

10. FEDERAL HOME LOAN BANK ADVANCES

At December 31, the Bank had Federal Home Loan Bank ("FHLB") advances as follows:

Year of Maturity	Interest Rate	2024	2023
2024	5.45%		50,000,000
2025	4.74%	50,000,000	-
2026	4.53%	100,000,000	-
2027	4.08%	75,000,000	-
		$ 225,000,000	**$ 50,000,000**

The FHLB advances agreement requires the Bank to maintain certain loans or securities as collateral for these advances. The collateral pledged is unencumbered and retain full liquidity, allowing the Bank the flexibility to relocate assets as needed to fully secure our line. As of December 31, 2024 and 2023, the Bank has pledged $1,530,448,007 and $1,320,376,853 of mortgage loans as collateral, respectively, and was in compliance with the FHLB membership agreement. At December 31, 2024 and 2023, FHLB stock held by the Bank amounted to $13,355,900 and $4,471,100, respectively.

The Bank's line of credit with FHLB of Atlanta allows drawing up to 25% of total assets. As of December 31, 2024 and 2023, the unused portion of the line amounted to approximately $831,648,250 and $744,874,338, respectively. Additionally, the Bank maintains secured and unsecured lines of credits with other financial institutions for approximately $90,612,619 and $75,000,000, respectively.

11. INCOME TAXES

The provision for (benefit from) income taxes is as follows as of December 31:

	December 31, 2024	December 31, 2023
Current Expense (Benefit):		
Federal	$ 10,291,828	$ 4,923,829
State	2,345,691	1,908,137
Foreign	6,404,087	4,004,267
	19,041,606	10,836,233
Deferred (Benefit) Expense:		
Federal	$ (2,549,264)	$ (870,691)
State	(485,574)	(171,811)
Foreign	(100,212)	(35,175)
	(3,135,050)	(1,077,677)
Total	$ 15,906,556	$ 9,758,556

11. INCOME TAXES (CONTINUED)

The actual income tax expense for 2024 and 2023 differs from the statutory tax expense for the year (computed by applying the U.S. federal corporate tax rate of 21% to income before provision for (benefit from) income taxes) as follows:

	2024	Effective Tax Rate
Federal taxes at statutory rate	$ 12,415,770	21.0%
State income taxes, net of federal tax benefit	2,067,399	3.5%
Foreign taxes	3,034,597	5.1%
Bank-owned life insurance	(1,229,635)	(2.1%)
Other, net	(381,575)	(0.6%)
	$ 15,906,556	26.9%

	2023	Effective Tax Rate
Federal taxes at statutory rate	$ 6,943,086	21.0%
State income taxes, net of federal tax benefit	1,596,152	4.8%
Foreign taxes	2,376,778	7.2%
Bank-owned life insurance	(616,485)	(1.9%)
Other, net	(540,975)	(1.6%)
	$ 9,758,556	29.5%

The Bank's deferred tax assets and deferred tax liabilities are as follows as of December 31:

	2024	2023
Deferred tax assets:		
Net unrealized losses on securities available for sale	$ 16,041,310	$ 16,369,935
Allowance for loan losses	10,897,023	10,311,432
Net operating losses	2,165,193	2,206,996
Accruals	357,551	938,459
Loan discounts	200,732	200,732
Loan fees	1,632,202	1,481,053
Non-accrual interest	521,592	156,135
Provision for off balance sheet risk	726,046	793,096
	32,541,649	32,457,838
Less valuation allowance	-	-
Deferred tax assets	32,541,649	32,457,838
Deferred tax liabilities:		
Core deposit intangibles	13,272	13,044
Depreciable property	902,993	3,625,835
Deferred tax liability	916,265	3,638,879
Net deferred tax asset	**$ 31,625,384**	**$ 28,818,959**

As of December 31, 2024 and 2023, the Bank had federal and state net operating loss carryforwards remaining of approximately $8,661,000 and $8,828,000, respectively, which is available to reduce the taxable income of the consolidated federal and state tax returns. As a result of the Brickell Bank acquisition, the future utilization of these carryforwards is limited pursuant to the provisions of Internal Revenue Code section 382. The annual limitation amount is $167,000. For the years ended on December 31, 2017 and prior, the net operating loss carryforwards expire in various years through 2037. For the years ended December 31, 2019 and 2018, the net operating loss carryforwards do not expire.

11. INCOME TAXES (CONTINUED)

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

The U.S. Federal jurisdiction, Florida, and Puerto Rico are the major tax jurisdictions where the Bank files income tax returns. The Bank is generally no longer subject to U.S. Federal, State, or foreign examinations by tax authorities for years before 2021.

For the years ended December 31, 2024 and 2023, the Bank did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

12. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank grants loans to and accepts deposits from its executive officers, principal shareholders, directors, and its affiliates. At December 31, these amounts are summarized as follows:

	2024		
	Range of Interest Rate		Balance
Loans	4.63% to 8.50%	$	23,064,126
Deposits	0.00% to 5.14%	$	70,519,191

	2023		
	Range of Interest Rate		Balance
Loans	4.63% to 7.75%	$	18,817,767
Deposits	0.00% to 5.25%	$	80,331,714

As of December 31, 2024, related party transactions amounted to $1,599,510 in interest income and $674,548 in interest expense. As of December 31, 2023, related party transactions amounted to $696,472 in interest income and $354,758 in interest expense. In 2024 and 2023, the Bank sold participations of approximately $1 million and $38 million in loans to related parties, respectively.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

13. EMPLOYEE BENEFIT PLAN

The Bank has adopted a retirement savings plan (the “Retirement Plan”) (a 401k plan) covering substantially all eligible employees effective January 1, 2005. The Retirement Plan includes a provision that the Bank may contribute to the accounts of eligible employees for whom a salary deferral is made. Employees may contribute up to 90% of their compensation subject to certain limits based on federal tax laws. The Bank contributed $1,239,644 and $1,062,642 towards the Retirement Plan in 2024 and 2023, respectively.

In 2023, the Bank offered a Long-Term Incentive Plan (LTI) to align the interest of management, key employees and equity holders, to attract and retain key leadership, and to reward key executives and employees for the achievement of the Bank’s long-term strategies, priorities, and objectives. As of December 31, 2024 and 2023, the Bank provisioned $1,950,365 and $123,000 towards the LTI Plan, respectively.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit and standby letters of credit.

The Bank’s exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit, unused lines of credit, standby letters of credit are represented by the contractual amount of those instruments. The Bank uses the same credit policies in making these commitments as it does for on-balance-sheet instruments.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are usually collateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Bank is committed.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed-expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management’s credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Bank’s standby letters of credit are secured by cash collateral at December 31, 2024 and 2023 in the amount of $9,973,811 and $5,095,784, respectively. A summary of the amounts of the Bank’s financial instruments, with off-balance sheet risk, is as follows at December 31:

	2024	2023
	Contract Amount	Contract Amount
Unused lines of credit	553,599,640	385,433,130
Commitment to extend credit	28,624,000	37,675,000
Standby letters of credit	15,879,010	9,817,040

15. REGULATORY CAPTIAL MATTERS

The Bank, as a state-chartered bank, is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Management believes, as of December 31, 2024, that the Bank meets all capital adequacy requirements to which it is subject.

In 2023, the Bank elected to opt into the community bank leverage ratio framework (CBLR framework), which was established in 2019 by the federal banking agencies. The rule allows qualifying community banking organizations to opt-out of calculating and reporting risk-based capital and allow banks to only be required to calculate and report Tier 1 to average assets ratio, also known as Tier 1 Capital, or Leverage Ratio. In addition, to qualify into the CBLR framework, a bank must maintain a ratio greater than the required minimum of 9%. As of December 31, 2024, the Bank has maintained a ratio greater than 9%, which meets the requirements for the CBLR.

Additionally, the Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

As of December 31, 2024, the Bank was well-capitalized under the CBLR regulatory framework. There are no conditions or events since December 31, 2024 that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are presented in the following table:

	Actual		To be Well Capitalized	
As of December 31, 2024	Amount	Ratio	Amount	Ratio
Tier I capital (to average total assets	$ 566,780,641	12.9%	$ 394,702,517	9.0%
	Actual		**To be Well Capitalized**	
As of December 31, 2023	Amount	Ratio	Amount	Ratio
Tier I capital (to average total assets	$ 495,007,699	13.2%	$ 337,139,216	9.0%

On June 22, 2022, the Bank issued 250,000 shares of Senior Non-Cumulative Perpetual Preferred stock, Series (the "Designated Senior preferred Stock"), for the capital investment of $250 million from the U.S. Treasury under the Emergency Capital Investment Program ("ECIP"). ECIP investment is treated as Tier 1 Capital for the regulatory capital treatment.

The Designated Senior preferred Stock may be redeemed at the option of the Bank on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment), subject to the approval of the appropriate federal banking regulator in accordance with the federal banking agencies' regulatory capital regulations.

The initial dividend rate of the Designated Senior preferred Stock is zero percent for the first two years after issuance, and thereafter the floor dividend rate is 0.50% and the ceiling dividend rate is 2.00%.

In 2024 the Bank received $30,000,000 in additional capital from its shareholders to support continued organic growth in line with the Bank's strategic plan.

16. LEASES

Lessee Arrangements

The Bank enters into leases in the normal course of business primarily for financial centers, back-office operations locations, business development offices, information technology data centers, and equipment. The Bank's leases have remaining terms ranging from 1 to 5 years, some of which include renewal options to extend the lease for up to 5 years.

	2024	2023
Right-of-use assets:		
Operating leases	$ 5,103,810	$ 4,446,468
Finance leases	63,938	80,870
Total right-of-use assets	**$ 5,167,748**	**$ 4,527,338**
Lease liabilities:		
Operating leases	$ 5,513,253	$ 4,719,294
Finance leases	65,598	82,488
Total lease liabilities	**$ 5,578,851**	**$ 4,801,782**

Lease Expense

The components of total lease cost were as follows for the period ending:

	2024	2023
Finance lease expense		
Amortization of ROU assets	$ 39,576	$ 33,741
Interest on lease liabilities	3,087	3,166
Operating lease expense	1,283,236	1,095,339
Total lease expense	**$ 1,325,899**	**$ 1,132,246**

Lease Obligations

Future undiscounted lease payments for finance and operating leases with initial terms of one year or more as of December 31, 2024:

	Operating Leases	Finance Leases
2025	$ 1,453,679	$ 43,088
2026	1,270,251	18,383
2027	1,252,202	5,494
2028	1,276,334	1,563
2029	600,608	-
Thereafter	-	-
Total undiscounted cash flows	5,853,074	68,528
Less: imputed interest	339,821	2,930
Total lease liabilities	**$ 5,513,253**	**$ 65,598**

16. LEASES (CONTINUED)

Supplemental Lease Information

	2024	2023
Finance lease weighted average remaining lease term (years)	1.85	2.30
Finance lease weighted average discount rate	4.31%	3.64%
Operating lease weighted average remaining lease term (years)	4.31	5.03
Operating lease weighted average discount rate	2.71%	1.70%
Cash paid for amounts included in the measurement of Lease Liabilities:		
Operating cash flows from finance leases (i.e. Interest)	$ 2,998	$ 3,166
Financing cash flows from finance leases (i.e. principal portion)	$ 38,557	$ 32,519
Operating cash flows from operating leases	$ 1,146,873	$ 1,078,284
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 21,579	$ 91,990
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,807,878	$ -

17. FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

17. FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practicable to estimate fair value:

Cash and Cash Equivalents - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investment Securities Available for Sale and Held to Maturity - When instruments are traded in secondary markets and quoted market prices do not exist for such securities, management generally relies on prices obtained from independent vendors or third-party broker-dealers. Management reviews pricing methodologies provided by the vendors and third-party broker-dealers in order to determine if observable market information is being utilized. Securities measured with pricing provided by independent vendors or third-party broker-dealers are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses utilizing inputs observable in the market where available. The specific investment holdings which are included in the Level 2 classification are U.S government issued securities; U.S. government agencies, collateralized mortgage obligations, mortgage-backed securities, corporate bonds and municipal securities.

Equity securities – The fair value of equity securities is based on quoted prices in active markets for identical assets or liabilities that the Bank can access at the measurement date and is considered a Level 1 classification. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Loans - For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on amortized costs. Fair values for certain fixed-rate mortgage (e.g. one-to-four family residential), commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued Interest Receivable and Payable - Carrying amounts of accrued interest receivable and payable approximates its fair value due to the short-term nature of these financial instruments.

Deposits - Fair value of demand deposits, money market and saving accounts is the amount payable on demand (carrying amount) at December 31, 2024 and 2023. The fair value of fixed-maturity time deposits are estimated using discounted cash flow analysis, using the rates currently offered for deposits of similar remaining maturities.

17. FAIR VALUE MEASUREMENTS (CONTINUED)

Determination of Fair Value (continued)

Borrowed Funds - Borrowings under repurchase agreements and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other long-term borrowings are estimated using discounted cash flow analysis based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Unused Lines of Credit, Commitments to Extend Credit, and Standby Letters of Credit - The fair value of off-balance-sheet, credit-related financial instruments are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties.

The following table represents the Bank's financial instruments measured at fair value on a recurring basis for each of the fair value hierarchy levels:

	Level 1	Level 2	Level 3	Total
December 31, 2024				
U.S. treasury securities	$ -	$ 10,002,832	$ -	$ 10,002,832
U.S. government agencies is sued securities	$ -	$ 77,683,107	$ -	$ 77,683,107
Municipals	$ -	$ 17,056,285	$ -	$ 17,056,285
Collaterized mortgage obligations	$ -	$ 35,924,705	$ -	$ 35,924,705
Collaterized loan obligations	$ -	$ 47,231,444	$ -	$ 47,231,444
Mortgage-backed securities	$ -	$ 246,777,322	$ -	$ 246,777,322
Asset backed securities	$ -	$ 3,420,472	$ -	$ 3,420,472
Corporate bonds	$ -	$ 76,854,925	$ -	$ 76,854,925
Equity Securities	$ 6,831,299	$ -	$ -	$ 6,831,299
	$ 6,831,299	**$ 514,951,092**	**$ -**	**$ 521,782,391**

	Level 1	Level 2	Level 3	Total
December 31, 2023				
U.S. treasury securities	$ -	$ 14,949,219	$ -	$ 14,949,219
U.S. government agencies is sued securities	$ -	$ 84,868,884	$ -	$ 84,868,884
Municipals	$ -	$ 17,545,460	$ -	$ 17,545,460
Collaterized mortgage obligations	$ -	$ 13,900,269	$ -	$ 13,900,269
Collaterized loan obligations	$ -	$ 55,676,296	$ -	$ 55,676,296
Mortgage-backed securities	$ -	$ 119,257,976	$ -	$ 119,257,976
Asset backed securities	$ -	$ 4,851,866	$ -	$ 4,851,866
Corporate bonds	$ -	$ 71,322,815	$ -	$ 71,322,815
Equity Securities	$ 6,601,564	$ -	$ -	$ 6,601,564
	$ 6,601,564	**$ 382,372,785**	**$ -**	**$ 388,974,349**

There were no financial liabilities measured at fair value on a recurring basis at December 31, 2024 and 2023.

Items Measured at Fair Value on a Nonrecurring Basis

Individually Evaluated Loans

Certain assets that are considered individually evaluated are not measured at fair value on an ongoing basis but are subject to fair value measurements. These instruments are measured at fair value on a nonrecurring basis and include certain loans that have been deemed to necessitate an impairment analysis.

When a loan is deemed individually evaluated, the Bank's management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical method, impairment may be measured based on the fair value of the loan or on the fair value of the underlying collateral if the loan is collateral dependent.

As of December 31, 2024 and 2023, loans deemed to be individually evaluated based on fair value measurement totaled $18,614,013 and $5,205,826, respectively, with the portion deemed to be individually evaluated included in the allowance for credit losses.

17. FAIR VALUE MEASUREMENTS (CONTINUED)

Items Measured at Fair Value on a Nonrecurring Basis (continued)

Collateral dependent loans and loans based on the present value of expected future cash flows discounted at the loan's effective interest rate are classified in Level 3 of the fair value hierarchy as the valuation technique requires inputs that are both significant and unobservable.

The following table represents the Bank's financial instruments measured at fair value on a nonrecurring basis for each of the fair value hierarchy levels:

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Individually Evaluated loans	$ -	$ -	$ 16,092,876	$ 16,092,876
Foreclosed assets	-	-	-	-
	$ -	**$ -**	**$ 16,092,876**	**$ 16,092,876**

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Individually Evaluated loans	$ -	$ -	$ 3,085,243	$ 3,085,243
Foreclosed assets	-	-	-	-
	$ -	**$ -**	**$ 3,085,243**	**$ 3,085,243**

There were no financial liabilities measured at fair value on a nonrecurring basis at December 31, 2024 and 2023.

18. BANK OWNED LIFE INSURANCE

Bank owned life insurance ("BOLI") is carried at the amount that could be realized under the contract at the balance sheet date, which is typically the cash surrender value. Changes in cash surrender value are recorded in non-interest income. The Bank maintained BOLI policies with five insurance carriers with a combined cash surrender value of $109,414,141 at December 31, 2023. At December 31, 2024, the Bank maintained BOLI policies with five insurance carriers with a combined realizable cash surrender value of $111,310,773. The Bank is the beneficiary of these policies, which covers certain present and former executives and officers.

19. REVENUE RECOGNITION

Revenue from Contracts with Customers (Topic 606), ASU 2014-09, implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Bank has elected to apply the ASU and all related ASUs using the modified retrospective method. The implementation of the guidance had no material impact on the measurement or recognition of revenue of prior periods. The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. All of the Bank's revenue from contracts with customers in the scope of topic 606 is recognized within noninterest income on the accompanying consolidated statements of earnings.

19. REVENUE RECOGNITION (CONTINUED)

A description of the Bank's revenue streams accounted for under Topic 606 follows:

Service Charges and Fees on Deposit Accounts – Deposits are included as liabilities in the consolidated balance sheets. Service charges and fees on deposit accounts include: overdraft fees, which are charged when customers overdraw their accounts beyond available funds; automated teller machine (ATM) fees charged for withdrawals by deposit customers from other financial institutions' ATMs; and a variety of other monthly or transactional fees for services provided to retail and business customers, mainly associated with checking accounts.

All deposit liabilities are considered to have one-day terms and therefore related fees are recognized in income at the time when services are provided to the customers. Incremental cost of obtaining deposit contracts are not significant and are recognized within noninterest expense in the accompanying consolidated statements of operations.

20. SUBORDINATED DEBT

On December 29, 2020, the Bank completed an offering of $15,000,000 in Subordinated Debt with various institutions. The issuance is of a 10-year term, which is callable after the first five years, with fixed semiannual payments at 5.50% for the first five years and floating rate quarterly payments thereafter. The issuance cost amounted to $322,080 and is presented as a direct reduction of the debt payable on the accompanying consolidated balance sheets. The debt issuance cost is amortized over five years, which is the initial call date.

Decmeber 31, 2024	
Subordinated Debt	$ 15,000,000
Unamortized Debt Issuance Cost	(65,918)
	$ 14,934,082

Products & Services

Deposit Products

Certificates of Deposit

Checking

Money Market

Savings

Lending

Commercial & Industrial

Commercial Real Estate

Commercial Lines of Credit

Commercial Term Loans

Construction

Equipment Financing

Owner-Occupied Commercial Real Estate

Residential Mortgage

SBA Loans

Treasury Management

ACH Services

ACH and Payee Positive Pay

Lockbox Services

Merchant Services

Remote Deposit Capture

Digital Banking

Intrabank & Interbank Electronic Transfers

Mobile Banking

Online Banking

Visa Debit Card with Card Controls

Wire Transfers

Zelle® and Zelle® for your business

Specialty Banking & Services

Business & Professional Banking

Foreign Correspondent Banking

Multinational Client Employee Accounts

Locations & Addresses

Corporate Headquarters

3155 NW 77th Ave.
Miami, FL 33122

Aventura

Aventura Parksquare
2980 NE 207th St., Suite 106
Aventura, FL 33180

Brickell

Brickell Arch
1395 Brickell Ave.
Miami, FL 33131

Coral Gables

150 Alhambra Circle, Suite 100
Coral Gables, FL 33134

East Doral

3155 NW 77th Ave.
Doral, FL 33122

Hialeah

1950 W 49th St., Unit 5
Hialeah, FL 33012

Palm Beach

Loan & Deposit Production Office
250 S Australian Ave.
West Palm Beach, FL 33401

Puerto Rico

Lobby MCS Plaza
255 Ponce de León Ave., Suite 124
Hato Rey, PR 00917

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