MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Interim
Financial Statements

As of September 30, 2024

_ __*[Signed]*___________
Juan Carlos Mejía
General Manager

_ __*[Signed]*___________
Juan Carlos Morán
Senior Vice President of Operating and Tecnology

_ __*[Signed]*___________
Luis Tem
Financial Standards Manager
CPA No. 705-2004

"This document was prepared with the knowledge that their content will be made available to the public investor and the general public"

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

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PUBLIC ACCOUNTANT REPORT

We have analytically reviewed the condensed consolidated interim financial statements of Multibank Inc. and Subsidiaries which, comprise the condensed consolidated financial statements of financial position as of September 30, 2024, the condensed statements of profit or loss, other comprehensive loss, changes in equity and cash flows for the nine months then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these condensed financial statements in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting of International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

We are not aware of any material modifications that should be made to the accompanying interim condensed financial statements. In our consideration, the interim condensed financial statements present fairly, in all material respects, the financial position of Multibank, Inc. and Subsidiaries as of September 30, 2024, and its financial performance and its cash flows for the nine months then ended, in accordance with International Accounting Standard No. 34 - Interim Financial Reporting of International Financial Reporting Standards.

[Signed]
Lic. Luis Tem
C.P.A.: 705-2004

October 30, 2024
Panama, Republic of Panama

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Statement of Financial Position

September 30, 2024

(In U.S. dollars)

Assets	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash and cash equivalents		18,747,130	24,735,176
Deposits in banks:			
Demand		60,367,533	58,276,397
Time deposits		118,293,956	100,893,555
Total deposits in banks		178,661,489	159,169,952
Total cash, cash equivalents and deposits in banks	6	197,408,619	183,905,128
Investments in securities	4, 7	962,174,537	876,513,300
Loans	4, 8	3,771,667,830	3,641,709,911
Allowance for loan losses	4	(70,717,797)	(64,897,475)
Loans at amortized cost, net		3,700,950,033	3,576,812,436
Property, furniture, equipment and improvements, net		45,840,544	47,336,009
Acceptances outstanding		10,851,309	40,706,425
Other accounts receivable	4	122,161,520	115,836,357
Provision for accounts receivable	4	(1,004,952)	(910,716)
Intangible assets		6,957,407	7,471,985
Deferred income tax	15	29,806,490	28,837,557
Other assets		61,905,055	47,734,837
Total assets		5,137,050,562	4,924,243,318

The condensed consolidated statement of financial position must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Statement of Financial Position

September 30, 2024

(In U.S. dollars)

Liabilities and Equity	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Liabilities:			
Deposits from customers:			
Demand		541,814,110	535,882,505
Savings		516,493,972	464,999,355
Time deposits		2,463,263,965	2,332,636,637
Total deposits from customers	9	3,521,572,047	3,333,518,497
Securities sold under repurchase agreements		241,389,443	37,565,243
Financial obligations	10	477,374,171	690,330,185
Other financial obligations	11	355,877,007	360,582,005
Lease liabilities	12	10,774,951	11,397,438
Acceptances outstanding		10,865,055	40,762,169
Income tax payable		427,344	205,075
Deferred income tax		96,252	98,608
Other liabilities		100,050,713	65,758,023
Total liabilities		4,718,426,983	4,540,217,243
Equity:			
Common stock	13	183,645,893	183,645,893
Additional paid in capital		(152,873)	(152,873)
Retained earnings		198,907,852	193,864,270
Capital reserves		177,769	177,769
Regulatory reserves		81,005,460	79,998,877
Other comprehensive loss		(44,960,522)	(73,507,861)
Total equity		418,623,579	384,026,075
Total liabilities and equity		5,137,050,562	4,924,243,318

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income (Loss)

For the period of nine months ended September 30, 2024

(In U.S. dollars)

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Net income	5,995,991	4,067,034
Other comprehensive results:		
Items that will not be reclassified to the condensed consolidated income statement		
Employee benefits plan - change in actuarial effect	(115,885)	(66,187)
Deferred tax related to asset revaluation	5,139	494
Items that are or can be reclassified to the condensed consolidated income statement		
Valuation of investments at FVOCI:		
Net change in fair value	28,838,836	1,909,255
Net change in fair value hedges reclassified to profit or loss	0	1,422,413
Other comprehensive results	28,728,090	3,265,975
Comprehensive loss	34,724,081	7,333,009

The condensed consolidated statement of other comprehensive income (loss) should be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Income

For the period of nine months ended September 30, 2024

(In U.S. dollars)

	Note	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Interest income:			
Deposits in banks		5,449,980	5,201,831
Investments at fair value		16,196,566	10,734,336
Investments at amortized cost		2,745,990	3,177,336
Loans		197,812,028	192,592,044
Total interest income		222,204,564	211,705,547
Interest expense:			
Deposits from customers		115,188,939	87,982,677
Financial obligations		24,437,090	43,953,049
Other financial obligations		20,920,518	18,699,510
Securities sold under repurchase agreements		5,965,903	2,588,404
Lease liabilities		616,333	692,451
Total interest expense		167,128,783	153,916,091
Interest income, net		55,075,781	57,789,456
Provision for loan and interest losses	4	16,647,947	15,364,918
Release of provision for credit risk of investments and deposits in banks	4	(101,916)	(443,871)
Provision (release) for account receivable losses	4	94,263	(109,837)
Interest income, net after provisions		38,435,487	42,978,246
Other income (expenses):			
Gain on financial instruments, net	14	963,996	10,097
Service charges		13,261,586	12,835,650
Insurance premiums, net		9,442,393	7,926,931
Commissions and other fees, net		4,595,734	3,789,323
(Loss) gain on foreign currency exchange, net		(37,349)	3,099
Release (impairment) of assets held for sale		66,570	(97,338)
Other income		4,903,753	2,884,875
Total other income, net		33,196,683	27,352,637
General and administrative expenses:			
Salaries and employee benefits		35,886,847	35,371,571
Depreciation and amortization		4,825,228	5,059,846
Administrative		4,849,888	4,054,661
Occupancy and related expenses		2,463,409	2,630,237
Other operating expenses		16,277,581	16,542,601
Total general and administrative expenses		64,302,953	63,658,916
Income before income tax		7,329,217	6,671,967
Current income tax	15	(2,260,748)	(1,287,732)
Deferred income tax	15	927,522	(1,317,201)
Net income		5,995,991	4,067,034

The condensed consolidated statement of profit and loss must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Changes in Equity

For the period of nine months ended September 30, 2024

(In U.S. dollars)

	Attributable to the Company's owners						
	Common shares	Excess paid in acquisition of non-controlling interests	Retained earnings	Capital reserve	Regulatory reserves	Other comprehensive losses	Total
Balance as of January 01, 2023	183,645,893	(152,873)	188,035,920	177,769	81,362,144	(91,089,582)	361,979,271
Net income	0	0	4,067,034	0	0	0	4,067,034
Other comprehensive results							
Net change in valuation of investments at FVOCI:							
Net amount transferred to profit or loss	0	0	0	0	0	(15,486)	(15,486)
Net change in fair value	0	0	0	0	0	1,909,255	1,909,255
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	1,422,413	1,422,413
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(66,187)	(66,187)
Deferred tax related to asset revaluation	0	0	0	0	0	494	494
Transfer to retained earnings	0	0	48,027	0	0	(48,027)	0
Total other comprehensive results	0	0	48,027	0	0	3,202,462	3,250,489
Total comprehensive results	0	0	4,115,061	0	0	3,202,462	7,317,523
Other changes in equity							
Regulatory reserves	0	0	386,589	0	(386,589)	0	0
Transactions with the Bank's owners							
Advanced dividend tax	0	0	76,191	0	0	0	76,191
Total transactions with the Bank's owners	0	0	76,191	0	0	0	76,191
Balance as of September 30, 2023	183,645,893	(152,873)	192,613,760	177,769	80,975,555	(87,887,120)	369,372,985
Balance as of January 01, 2024	183,645,893	(152,873)	193,864,270	177,769	79,998,877	(73,507,861)	384,026,075
Net income	0	0	5,995,991	0	0	0	5,995,991
Other comprehensive results							
Net change in valuation for investments at FVOCI:							
Net amount transferred to income statement	0	0	0	0	0	(132,724)	(132,724)
Net change in fair value	0	0	0	0	0	28,838,836	28,838,836
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(115,885)	(115,885)
Deferred tax related to asset revaluation	0	0	0	0	0	5,139	5,139
Transfer to retained earnings	0	0	48,027	0	0	(48,027)	0
Total other comprehensive results	0	0	48,027	0	0	28,547,339	28,595,366
Total comprehensive results	0	0	6,044,018	0	0	28,547,339	34,591,357
Other changes in equity							
Regulatory reserves	0	0	(1,006,583)	0	1,006,583	0	0
Transactions with the Bank's owners							
Advanced dividend tax	0	0	6,147	0	0	0	6,147
Total transactions with the Bank's owners	0	0	6,147	0	0	0	6,147
Balance as of September 30, 2024	183,645,893	(152,873)	198,907,852	177,769	81,005,460	(44,960,522)	418,623,579

The condensed consolidated statement of changes in equity must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the period of nine months ended September 30, 2024

(In U.S. dollars)

	Note	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Cash flows from operating activities:			
Net income		5,995,991	4,067,034
Adjustments to reconcile net income to net cash provide by (used in) operating activities:			
Depreciation and amortization		3,464,397	3,697,480
Amortization of the right-of-use assets		1,360,831	1,362,365
Provision for loan losses	4	16,647,947	15,364,918
Release of provision for credit risk of investments and deposits in banks	4	(101,916)	(443,871)
Provision (release) for accounts receivable losses	4	94,263	(109,837)
(Release) impairment of assets held for sale		(66,570)	97,338
(Release) provision for losses on undisbursed commitments		(256)	143,173
Interest income, net		(55,075,781)	(57,789,456)
Gain on financial instruments, net	14	(963,996)	(10,097)
Loss (gain) on sale and disposal of property and equipment, net		70,781	(4,872)
Gain on sale of assets held for sale		(631,513)	(83,417)
Dividends earned on investments in securities		(1,241,523)	(1,082,864)
Income tax expense	15	1,333,226	2,604,933
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		1,000,000	0
Investments at fair value		0	(1,392,253)
Loans		(148,096,008)	27,371,468
Securities sold under agreements to repurchase		203,026,590	(73,114,370)
Other accounts receivables and other assets		(6,325,190)	15,655,277
Other assets		(16,292,947)	(390,255)
Deposits from customers		186,762,353	188,477,311
Other liabilities		34,872,168	1,051,427
Cash generated by operations:			
Interest received		231,283,397	223,792,068
Interest paid		(173,073,809)	(152,729,808)
Dividends received		1,241,523	1,082,864
Income tax paid		(2,038,480)	(1,297,769)
Net cash provided by operating activities		283,245,478	196,318,786
Cash flows from investing activities:			
Proceeds from sale of investments securities		3,490,343	1,476,933
Maturities and prepayments of investments securities		84,483,603	171,744,607
Purchase of investments at securities		(147,373,365)	(90,764,502)
Purchase of property and equipment		(1,606,793)	(4,549,738)
Proceeds from sale of property and equipment		266,722	2,960,753
Acquisition of intangible assets		(817,288)	(1,256,549)
Proceeds from sale of intangible assets		2,503	43,056
Proceeds from sale of assets held for sale		3,814,186	8,897,054
Net cash (used in) / provided by investing activities		(57,740,089)	88,551,614
Cash flows from financing activities:			
Payment of other financial obligations		(9,475,000)	(26,195,651)
Proceeds from financial obligations		335,075,609	840,848,718
Payment of financial obligations		(535,234,533)	(1,134,849,964)
Payment of lease liabilities		(1,354,616)	(2,067,492)
Advanced dividend tax		6,147	76,191
Net cash used in financing activities		(210,982,393)	(322,188,198)
Increase (decrease) in cash and cash equivalents		14,522,996	(37,317,798)
Cash and cash equivalents at beginning of the period		177,374,517	212,791,404
Cash and cash equivalents at the end of the period	6	191,897,513	175,473,606

The condensed consolidated statement of cash flows must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

Table of Contents to the Notes to the Condensed Financial Statements

(In U.S. dollars)

(1) Organization

Multibank Inc. is incorporated under the laws of the Republic of Panama and started operations on July 12, 1990, under a general banking license issued by the Superintendency of Banks of Panama (hereinafter referred to as “the Superintendency”), by means of Resolution N° 918 dated March 28, 1990, which allows it to provide banking services, indistinctly, in Panama or abroad, and conduct any other activity authorized by the Superintendency.

On May 22, 2020, the sale of the shares of the Multi Financial Group, Inc. (Parent Company up to that date), 99.57% by the AVAL Group (based in Colombia), was formalized through its subsidiary Leasing Bogota, S.A. Panama. Leasing Bogota, S.A. Panama is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

On September 29, 2021, the spin-off of the shares of Multi Financial Group, Inc. was carried out by BAC Holding International Corp. (formerly Leasing Bogota, S. A. Panama) to Multi Financial Holding Inc., an entity constituted in accordance with the laws of the Republic of Panama, through Public Deed No.5,469 of September 29, 2021.

Multibank Inc. is a 100% subsidiary of Multi Financial Group, Inc. (MFG), an entity incorporated in accordance with the laws of the Republic of Panama, through Public Deed No.27,702 dated November 9, 2007. As of September 29, 2021, MFG is 99.57% owned by Multi Financial Holding Inc. (the “Parent Company”). Multi Financial Holding Inc. is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

The Bank consolidates directly and indirectly with the following entities:

Subsidiary	Activity	Location	Total voting rights
Multi Securities, Inc.	Dealer/Broker	Panama	100%
Multi Trust, Inc.	Trust Company	Panama	100%
Multibank Seguros, S. A.	Insurance	Panama	100%
MB Creditos, S. A. and subsidiaryest	Financial institution	Costa Rica	100%

Multibank Inc. and Subsidiaries; will be referred to collectively as “the Bank”.

During the month of August 2022, the Board of Directors of the Multi Trust subsidiary approved to initiate the voluntary liquidation process, a process that was approved by the Superintendency of Banks of Panama through resolution SBP-BAN-R-2023-01031, dated April 11, 2023.

On May 21, 2024, approval of the merger is received between the subsidiaries MB Créditos, S. A. with MB Leasing, S. A., by the SBP through the resolution SBP-2024-03271.

(2) Basis of Preparation of the Condensed Financial Statements

(a) Condensed consolidated financial statements

The Bank prepares its condensed financial statements incorporating its controlled entities. The Bank controls an entity if and only if it complies with the following elements:

- Power over the entity that entitles the Bank to direct any relevant activity that significantly affects the entity's performance.
- Exposure or rights to variable returns from their participation in the entity.
- Ability to affect those returns through its power over the entity.

To comply with this requirement, the Bank conducts an annual reassessment of all its contractual relationships. New entities are not required to be condensed as a result of this process, including structured entities.

The financial statements of the Bank's subsidiaries are included in the condensed financial statements from the date the Bank acquired control or until the date control is lost.

During the consolidation process, the Bank consolidates the assets, liabilities, and gains or losses of the entities under control, previously aligning the accounting policies of all its subsidiaries. This process includes eliminating balances and transactions within the bank and any unrealized and realized income and expenses (except foreign currency translation gains or losses and taxes that are not subject to elimination) arising from transactions within the bank. Unrealized and realized losses are eliminated in the same way as unrealized and realized gains, but only to the extent that there is no evidence of impairment.

(b) Compliance with International Financial Reporting Standards ("IFRS")

The condensed consolidated interim financial statements of the Bank have been prepared in accordance with the International Accounting Standard No.34, Interim Financial Information of the International Financial Reporting Standards (IFRS), they should be read in conjunction with the condensed financial statements for the period ended December 31, 2023.

IAS No. 34 does not require disclosure in the interim financial information of all the notes that are prepared when preparing the annual financial statements according to the IFRS requirements; however, a selection of informative notes have been included to explain the events and transactions that are important to understand the change and performance of the Bank in its financial position since its last annual financial statement.

The condensed results of operations for the Interim periods are not necessarily indicative of the results that can be expected for the whole year.

These condensed consolidated interim financial statements were authorized for issuance by the Audit Committee and ratified by the Board of Directors on October 30, 2024.

(2) Basis of Preparation of the Condensed Financial Statements, continued

(c) Basis of measurement

The condensed financial statements have been prepared on a historical and amortized cost, except for the following accounts in the condensed financial statements:

- Investments at fair value
- Derivatives financial instruments
- Real estate; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed. Investments in securities and loans at amortized costs are recorded when settled.

(d) Material Accounting Policies

The Bank consistently applied the following accounting policies to all periods presented in these condensed financial statements, unless otherwise noted.

In addition, the Bank adopted the Accounting Policy Disclosure (Amendment to IAS 1 and IFRS 2 Practice Document) as of January 2023. The amendments require the disclosure of material rather than significant accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they did impact the accounting policy information related to the disclosed financial instruments in certain cases.

(e) Functional and presentation currency

These interim condensed consolidated financial statements are presented in dollars of the United States of America (US) and are the presentation and functional currency of the Bank. US dollars are expressed in units unless otherwise indicated. The balboas ($), the monetary unit of the Republic of Panama, which is at par and is freely exchangeable with the dollar (US $) of the United States of America (E.U.A). The Republic of Panama does not issue its own paper money and, instead, the dollar (US $) of the United States of America is used as the legal and functional currency.

(f) Use of estimates and judgments

Preparation of the condensed consolidated financial statements requires the Bank's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Final results may differ from these estimates. These also require the Bank's management to apply its judgment when applying the Bank's accounting policies.

The information on the most significant areas of uncertainty estimation and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the condensed financial statements is disclosed in Note 5.

(3) Summary of Significant Accounting Policies
The Bank has applied the policies to the condensed consolidated financial statements in a manner consistent with those of the condensed consolidated financial statements as of December 31, 2023, which are detailed below:

(a) Basis of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To determine the control, the potential voting rights that are currently executable or convertible are considered. The subsidiaries' financial statements are included in the condensed financial statements from the date on which the control begins until the control ceases.

Investment Entities and Separate Legal Vehicles
The Bank manages and administrates assets held in trust funds and other investment instruments on behalf of investors. The financial statements of these entities are not part of these condensed consolidated financial statements, except when the Bank has control over the entity.

Balances and Transactions Eliminated in the Consolidation
Intragroup transactions, balances, revenue, and expenses in transactions among subsidiaries are eliminated. Losses and gains arising from intragroup transactions recognized as assets or liabilities are also eliminated.

Changes in the ownership of the subsidiaries that do not result in a change of control
Transactions with non-controlling interest that do not result in a loss of control are accounted for as equity transactions, such as transactions with the owners. Any difference between the carrying value of the interest and the amount of the transaction is recorded as an adjustment in retained earnings.

Loss of control
When the Bank ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the condensed statement of income. Any retained interest in the former subsidiary is measured at fair value when control is lost.

(b) Foreign Currency
Assets and liabilities maintained in foreign currency are converted to the functional currency at the current exchange rate on the reporting date. Gains or losses resulting from foreign currency conversion are reflected in other revenues or other expense accounts in the condensed consolidated statement of income.

(3) Summary of Significant Accounting Policies, continued

Subsidiaries of the Bank

The financial position and results of all the Bank's subsidiaries that have a functional currency different from the Bank's functional currency are converted into the presentation currency as follows:

- Assets and liabilities: at the exchange rate at the period closing date.
- Revenues and expenses: at the average exchange rate.
- Equity accounts: at the historical exchange rate.

The resulting conversion adjustment is carried directly to a separate account in the "Equity" section, under "other comprehensive loss."

(c) Financial assets and liabilities

Financial assets are classified on the date of initial recognition based on the nature and purpose of the financial asset's acquisition.

Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

At initial recognition, financial assets are classified as measured at AC, FVOCI, or FVTPL.

A financial asset is measured at amortized cost and not at FVTPL if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the outstanding balance.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated as FVTPL:

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the current outstanding balance.

During the initial recognition of investments in equity instruments not traded, the Bank may elect to irrevocably record subsequent changes in fair value as part of other comprehensive profit and loss in equity. This election is made on an instrument-by-instrument basis.

(3) Summary of Significant Accounting Policies, continued

All financial assets not classified as measured at AC or FVOCI as described above are measured at FVTPL.

In addition, in the initial recognition, the Bank may irrevocably designate a financial asset that meets the measurement requirements at AC or FVOCI to be measured at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that may occur if not done. For now, the Bank does not use this option.

A financial asset is classified in one of the referenced categories at the time of its initial recognition.

An embedded derivative where the main contract is a financial contract covered under IFRS 9 is not separated, and instead, the hybrid financial instrument is jointly assessed for classification.

Business Model Assessment

The Bank assesses the business models' objectives that hold the financial assets in a portfolio to represent better how each subsidiary manages the business and how management information is reported. The information considered include:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance, or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;

- How they are evaluated or reported to key management personnel for each Bank subsidiary on portfolio performance.

- The risks that affect the performance of the portfolios (and the financial assets maintained in the business model) and the way those risks are managed.

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

- The frequency, value, and timing of sales in prior fiscal periods, the reasons for those sales, and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation but rather as part of an assessment of how Bank objectives established for managing financial assets are achieved and how cash flows are realized.

Financial assets, held or managed for trading and where their performance is evaluated on a fair value basis, are measured at FVTPL, because these are not held to cover contractual cash flows or obtain and sell these financial assets.

(3) Summary of Significant Accounting Policies, continued

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

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as compensation for the time value of money and credit risk associated with holding the current principal for a period of time and for other basic risk from loan agreements and other associated costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether contractual cash flows are solely payment of principal and interest, the Bank considered the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it does not meet this condition. In making this assessment the Bank considers:

- Contingent events that will change the amount and timing of cash flows;
- Leverage conditions;
- Prepayment and extension terms;
- Terms that limit the Bank to obtain cash flows for specific assets (e.g., unfunded asset agreements); and
- Characteristics that modify the considerations of the time value of money, for example, periodic review of interest rates.

The interest rates on certain consumer and commercial loans are based on variable interest rates that are established at the discretion of the Bank. Variable interest rates are generally established in accordance with practices in each of the countries in which the Group operates, and in accordance with established policies. In these cases, the Bank assesses whether the discretionary characteristic is consistent with the principal and interest-only criterion considering a number of factors which include if:

- Debtors can prepay the loans without significant penalties;
- Competitive market factors ensure that interest rates are consistent among banks; and;
- Any regulatory protection standard in favor of customers in the country requiring banks to treat customers reasonably (e.g., regulated rates).

All consumer and commercial fixed-rate loans contain conditions for prepayment.

(3) Summary of Significant Accounting Policies, continued

A prepaid feature is consistent with the solely principal and interest criteria, if the prepayment amount substantially represents unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

In addition, a prepayment feature is consistent with these criteria, if a financial asset is acquired or originates from a premium or discount to the contractual par amount and the prepayment amount substantially represents the contractual par amount, plus accrued, but unpaid contractual interest (which may include fair compensation for early termination) and the fair value of the prepayment feature is insignificant in the initial recognition.

Impairment of Financial Assets

The Bank assesses the impairment of financial assets with an Expected Credit Losses model (ECL). This model requires the application of considerable judgment regarding how changes in economic factors impact ECL, which is determined on a weighted average basis.

The expected credit loss model requires the Bank to measure expected losses and consider forward-looking information, reflecting "an unbiased and probability-weighted amount determined by assessing a range of possible outcomes" and taking into account "reasonable information and supporting it from being available at no cost or undue effort on that date on past events", current conditions, and forecasts of future economic conditions As widely stated in Note 32 to the condensed financial statements, the Superintendency of Panama, as well as the Panamanian Executive Branch, issued important regulations to mitigate the impacts on projected cash flows of individuals and companies.

The impairment model applies to the following financial assets that are not measured at FVTPL:

- Debt instruments;
- Lease payments receivable;
- Other accounts receivable;
- Loan portfolio;
- Financial guarantee contracts issued; and
- Loans commitments issued.

(3) Summary of Significant Accounting Policies, continued

The Bank recognizes a provision for impairment of financial assets at AC and FVOCI in an amount equal to the expected impairment losses in a period of twelve months after the end date of financial statements or during the remaining life of the loan. Expected losses during the remaining life of the loan are the losses expected from all possible impairment events during the expected life of the financial instrument, while expected losses in a twelve-month period are the portion of expected losses arising from impairment events resulting from impairment events that are possible during the twelve months following the date of the report.

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,

- Other financial assets (other than short-term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

Impairment requirements are complex and require estimated judgments and significant assumptions by management, particularly in the following areas:

- Assess whether the credit risk has increased significantly from initial recognition; and;

- Incorporate prospective information in the measurement of expected impairment losses.

Measuring of ECL

Expected credit loss (ECL) is the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example, the difference between Bank cash flow debt in accordance with the contract and cash flows that the Bank expects to receive);

- Impaired financial assets to the reporting date: the difference between the gross book value and the present value of estimated future cash flows;

- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and

- Financially secured contracts: the present value of expected payments to reimburse the holder minus any amount the Bank expects to recover.

(3) Summary of Significant Accounting Policies, continued

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor willfully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if applicable); or

- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.

- For fixed-income financial instruments, the following concepts, among others, are included:

  - Downgrade on the issuer's credit risk rating;

  - Contractual payments are not made on the due date or in the term period stipulated;

  - There is a virtual certainty of default;

  - Issuer is likely to go bankrupt, or a bankruptcy petition is filed or similar action;

  - The financial asset stops trading in an active market given its financial difficulties.

To assess whether a debtor is impaired, the Bank considers indicators such as:

- Qualitative, e.g., breach of contractual clauses;

- Quantitative, e.g., delinquency status and no payment on another obligation of the same issuer to the Bank; and,

- Based on data developed internally and obtained from external sources.

Inputs used in the assessment of whether financial instruments are impaired, and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers reasonable and sustainable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert evaluation of the credit, including information with a forward looking projection.

(3) Summary of Significant Accounting Policies, continued

The Bank expect to identify if there has been a significant increase in the credit risk exposure comparing between:

- The probability of default (PD) during the remaining life of financial instrument at the closing date, with

- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly since initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For certain revolving credit (credit cards, overdrafts, among others), the date of the credit was granted might have been a long period of time. The modification of the contractual terms of a financial asset might affect its evaluation, which is discussed as follow.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to be capable of separating credit exposures into homogeneous risk groups. These risk groups, in turn, must meet the minimum criteria for separating and ordering risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors depend on the nature of the exposure and the type of borrower.

Credit risk grading is defined and calibrated so that the risk of losses increases exponentially as the credit risk is impaired and for the risk of loss between the ratings increases regardless of the portfolio. For example, the difference in the risk of losses between grade satisfactory and special mention is less than the difference of the credit risk between special mentions and sub-standard.

Each exposure is distributed in a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures are subject to continuous monitoring, which may result in the migration of exposure to a different credit risk rating.

Generating the Term Structure of the PD

Credit risk grading are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as the assigned credit risk rating.

(3) Summary of Significant Accounting Policies, continued

The Bank uses statistical models to analyze the collected data and generate estimates of the probability of impairment during the remaining life of the exposures and how these probabilities of impairment will change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain credit risk factors (for example loan write-offs). For most credits, key economic factors are likely to include gross domestic product growth, changes in market interest rates, and unemployment.

The Bank's approach to preparing forward-looking economic information within its assessment is indicated below:

Determine whether credit risk has increased significantly

The Bank has established a general framework that incorporates quantitative and qualitative information to determine whether the credit risk of a financial asset has increased significantly since its initial recognition.

The initial framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and include limits based on defaults.

The Bank assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on the Bank's quantitative model, the expected probability of credit loss in the remaining life has increased significantly since initial recognition. In determining increased credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities.

In certain circumstances, using the judgment of credit experts and on the basis of relevant historical information, the Bank may determine that an exposure has experienced a significant increase in credit risk if certain qualitative factors can indicate that, and those factors may not be fully captured by quantitative analyses performed periodically. As a limit, the Bank will presume that significant credit risk occurs no later than when the asset is delayed by more than 30 days.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk based on regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is impaired;

- The criteria do not align with the point in time when an asset is more than 30 days past due;

(3) Summary of Significant Accounting Policies, continued

- Exposures are generally not transferred directly from the PCE 12 months following the measurement of impaired default loans;

- There is no unjustified volatility in the provision for impairment of transfers between the groups of the expected loss in the following twelve months and the expected loss for the remaining life of the loans.

Modified financial assets

The contractual terms of the loans may be modified for a number of reasons, including changes in market conditions, client retention and other factors unrelated to an actual or potential impairment of the client's loan.

When the terms of a financial asset are modified and the modification does not result in a derecognition of the asset in the condensed statement of financial position, the determination of whether the credit risk has significantly increased reflects comparisons of:

- The PD during the remaining life on the date of the balance sheet based on the terms modified with;

- The PD on the estimated remaining life based on the date of initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximize the opportunities to collect and to minimize the probability of default. Under the Bank's renegotiation policies, customers in financial difficulties are given concessions that generally involve a decrease in interest rate, extension of the payment term, reductions in the balances due or a combination of these.

After a follow-up period, the Bank will assess whether, based on its payment capacity and compliance with its obligations, if there are grounds for its classification in a lower risk category or, on the contrary, it should be classified in a higher risk category.

For financial assets modified as part of the Bank's renegotiation policies, the PD estimate will reflect whether the modifications have improved or restored the Bank's ability to collect interest and principal, and the Bank's prior experiences of similar actions. As part of this process, the Bank evaluates the debtor's compliance with the modified terms of the debt and considers various indicators of the behavior of the debtor or group of modified debtors.

Generally, restructuring indicators are a relevant factor in the increase of credit risk. Consequently, a restructured obligor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered credit impaired or that the PD has decreased such that the provision can be reversed and the credit can be measured for impairment in a period of twelve months after the reporting date.

(3) Summary of Significant Accounting Policies, continued

Inputs in Measuring ECL

Key inputs in measuring ECL are usually the structure of terms of the following variables:

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

The above parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect forward-looking information as described below:

PDs are estimated on certain cut-off dates. They are calculated using survival models, based on historical default vectors. If a counterparty or exposure migrates between different ratings, then this will result in a change in the estimated PD for that group. PDs are estimated considering the contractual expiration terms of the exposures and the estimated prepayment rates.

The historical PD is then transformed to a prospective PD, using macroeconomic sensitivity models.

LGD is the magnitude of probable losses if there is a default. The Bank estimates the LGD parameters based on historical loss recovery rates against the defaulted parties. LGD models consider the structure, collateral and the recovery costs of any collateral when there are mortgage guarantees.

For unsecured loans, a cash flow recovery model is used at present value, ordered by vintage. For loans guaranteed with mortgages and/or pledges, a history of the relationship between the sale price of goods available for sale and sold with respect to the balance of the credits is used as a recovery parameter. The calculation is made on a net cost recovery basis, discounted using the effective interest rate of the loan.

EAD represents the expected exposure at the non-compliance event. The Bank derives the EAD from the counterparty's current exposure and potential changes in the current amount allowed under the contract terms including amortization and prepayments for decreasing and revolving exposures with no commitment to disburse. For loan commitments and financial guarantees, the EAD considers the amount disbursed, as well as future potential amounts that could be removed or repaid under the contract, which are estimated to be based on historical issues. Finally, for credit cards, due to its relative nature, the Bank determines the EAD by modeling a percentage of historical utilization over the approved credit limit.

The Bank measures the EAD considering the risk of noncompliance during the maximum contractual period (including options to extend the customer’s debt) on which there is an exposure to credit risk, even if, for purposes of risk management, the Bank considers a longer period of time. The maximum contractual period is extended to the date on which the Bank has the right to require payment of a loan or terminate a loan commitment or security given.

(3) Summary of Significant Accounting Policies, continued

For credit card balances the Bank measures EADs over a period greater than the maximum period if the contractual ability of the Bank to demand payments and pay off the commitment does not limit the Bank's exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Bank learns of an increase in credit risk at the level of each loan. This longer period is estimated considering the credit risk management actions that the Bank takes and that serve to mitigate EAD. These measures include a reduction in limits and cancellation of loan contracts.

Where parameter modeling is performed on a collective basis, the financial assets are pooled on the basis of similar risk characteristics that include:

- Type of instrument.
- Credit risk rating.
- Warranty.
- Initial recognition date.
- Remaining term for maturity.
- Debtor's geographical location.

Previous groupings are subject to regular reviews to ensure that exposures of a particular group remain homogeneous.

Projection of future conditions

On a quarterly basis, macroeconomic scenarios forecast for twelve months are approved for the six countries where the Bank operates, and they are divided into three categories: upside, base and downside scenario. These scenarios are prepared based on the Bank's macroeconomic simulation model and are complemented by (i) projections from supranational organizations such as the International Monetary Fund, the World Bank, ECLAC, etc. (ii) the macroeconomic program of the Central American central banks and (iii) economists outside the Bank.

- **Base case scenario:** It goes with current expectations. In the current situation, it contemplates stability in the nominal macroeconomic variables, exchange rate, interest rates, and inflation. Forecasts from other organizations that carry out economic research are used as a reference, for example, the International Monetary Fund, the World Bank and the central banks of each country. External references bring fairness to the exercise.

(3) Summary of Significant Accounting Policies, continued

- **Upside and downside case scenarios:** These are the probable macroeconomic scenarios before the realization of some of the main risks associated with each country. They are categorized as upside and downside risks; furthermore, divided between internal and external risks.

- **External Risks:** The Central American countries, being small and open economies, are exposed to the economic performance of the large economies and main trading partners, mainly the United States and Europe. The economic activity of these countries affects the Central American countries in a generalized way, mainly through income from remittances, exports, tourism, and foreign direct investment.

- **Internal Risks:** These are risks specific to each country. They include risks associated with the internal social, political, and economic situation. In the current situation, the risks associated with the performance of governments predominate public finance management, natural disasters, health policies, etc.

The external information includes economic data and publication of projections by government committees, monetary authorities (mainly in the countries where the Bank operates), supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund and others), academic projections, private sector, and credit risk rating agencies.

The base case represents the most probable outcome. Other scenarios represent a more optimistic or downside outcome. In addition, the Bank also periodically performs stress tests to calibrate the determination of these other representative scenarios.

Financial liabilities
Financial liabilities are listed at amortized cost using the effective interest rate method, except when there are financial liabilities that account for at fair value through profit or loss.

Recognition, derecognition and measurement
The Bank regularly recognizes the purchase or sale of financial instruments on the trading date of each negotiation, the date on which the Bank agrees to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value.

Transaction costs are recorded as expenses in the condensed statement of income when incurred for financial assets and liabilities at fair value with changes in the condensed statement of income, and they are recorded as part of the initial value of the instrument for assets and liabilities at amortized cost and available for sale securities. Transaction costs are incremental costs incurred to acquire assets or to sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock exchanges, as well as taxes and other rights.

(3) Summary of Significant Accounting Policies, continued

Financial assets are derecognized from the condensed statement of financial position when the rights to receive cash flows from the investments have expired or have been transferred, and the Bank has substantially transferred all the risks and benefits derived from their ownership.

After initial recognition, all financial assets and financial liabilities classified at amortized cost are measured based on the amortized cost method. Accrued interests are recorded in the interest income or expense account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the condensed statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Presentation of reserve for ECL in the condensed statement of financial position

The provision for ECL is presented in the condensed statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from gross book value of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Debt instruments measured at FVOCI: no reserve is recognized for losses in the condensed statement of financial position since its carrying amount is their fair value. However, the provision for losses is disclosed and recognized in other comprehensive income.

(d) Loans

Loans are initially measured at fair value plus incremental direct costs; subsequently measured at amortized cost using the effective interest rate method. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

(e) Assets held for sale

Assets acquired or foreclosed in the settlement of a loan are held for sale and are initially recognized at the lower of the balance of the loan and fair value less selling costs as of the foreclosure date, establishing a new cost basis. After the foreclosure, management conducts periodic assessments and assets are recognized at the lower of carrying value or fair value less costs to sell. Operating income and expenses originated and changes in the provision for the valuation of those assets are included in other operating expenses. The costs related to the maintenance of these properties are included as expenses when incurred.

(3) Summary of Significant Accounting Policies, continued

(f) Recognition of the most significant income and expenses

Interest income and expenses

Interest income and expenses are recognized in the condensed statement of income using the effective interest method. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable or payable throughout the expected life of the financial instrument or when appropriate (in a shorter period) with the net carrying value of the financial asset or liability. To calculate the effective interest rate, the Bank will estimate cash flows considering all of the contractual conditions of the financial instrument, but not considering future credit losses.

The calculation of the effective interest rate includes all commissions and basis points paid or received that are part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fees and commissions

Fees and commissions that are part of the effective interest rate in a financial asset or liability instrument are included in the measurement of the effective interest rate.

Other incomes from fees and commissions, including services fees, asset management, sales commissions, loan syndication, among others, are recognized when the corresponding services are provided.

Annual credit card memberships, net of direct card-origination incremental costs, are deferred and amortized by applying the straight-line method during a term of one year. Commissions charged to affiliated commercial establishments are determined based on the amount and type of purchase by the cardholder and are recognized when invoiced.

Other fees and commissions received mainly relating to fees for transactions and services are recognized as income when they are received.

Loyalty programs

The Bank offers loyalty programs that allow cardholders to earn points that can be redeemed for a variety of awards, including cash, travel and products at a discount. The points are recognized as a separately identifiable component of the initial transaction of credit card consumption income.

The estimated fair value of loyalty programs and those points redeemed are recognized in the commissions account in the condensed statement of income. The Bank recognizes the points based on the earned points expected to be redeemed and the fair value of the points to be redeemed. The points to be redeemed are estimated based on redemption history, card product type, account transaction activity and the historical performance of the cards.

(3) Summary of Significant Accounting Policies, continued

(g) Cash and cash equivalents

The Bank considers all highly liquid time deposits with maturities of 90 days or less as cash equivalents. Cash and cash equivalents consist of cash, demand deposits at banks, certain securities and deposits that generate interests, with original maturities of 90 days or less.

(h) Property, furniture, equipment and improvements

Property, furniture, equipment and improvements comprise buildings, furniture and improvements used by branches and offices. Property, furniture, equipment and improvements are presented at their historical cost, less accumulated depreciation and amortization, except for land and buildings, which since December 31, 2014, are recognized under the revalued cost method.

The cost of renewals and improvements is capitalized when they increase the asset's useful life; while repairs and maintenance that do not extend the useful life or improve the asset are recorded in profit or loss during the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Bank depreciates amounts with a charge to the period's profit or loss with a credit to the accumulated depreciation account. Land is not depreciated. The estimated useful lives of assets are as follows:

Category	Year/Base
Buildings	Up to 60
Furniture and equipment	3 – 10
Vehicles	3 – 7
IT Equipment	3 – 10
Leasehold improvements	5 – 10

The amount equivalent to the depreciation expense associated with the revaluation of buildings is transferred from the equity account of property revaluation reserve to retained earnings as these assets are being used, without affecting profit or loss.

Leasehold improvements are amortized during the lower of the estimated useful life or the term of the lease contract.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is immediate reduced to its recoverable value if the carrying amount of the asset is greater than the estimated recoverable value. The recoverable amount is the highest between the fair value of the asset less the cost of selling and its value in use.

(3) Summary of Significant Accounting Policies, continued

(i) Leases

At the inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and must be physically identifiable or represent substantially all of the capacity of a physically identifiable asset. If the supplier has a substantial right of substitution, then the asset is not identified;

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either

  - The Bank has the right to operate the asset; or

  - The Bank designed the asset so that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank assigns the consideration in the contract to each lease component based on their independent relative prices. However, for land and building leases where the Bank is a lessee, the Bank has elected not to separate the non-lease components and to treat the lease and non-lease components as a single component of the lease.

i. As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease inception date. The right-of-use asset is initially measured at cost, which is the initial amount of the lease liability adjusted for any lease payments made on or before the inception date, plus initial costs incurred and an estimate of the costs to dismantle and dispose of the underlying asset or to restore the underlying asset or its site, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, furniture, equipment and improvements. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for possible revaluation of the lease financial liability.

(3) Summary of Significant Accounting Policies, continued

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank’s incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including essentially fixed payments;

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the start date;

- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a call option that the Bank may reasonably exercise, lease payments on an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to effect early termination.

The lease liability is measured at amortized cost using the effective interest rate method. A remeasurement is made when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be paid under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase option, extension or termination.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in “property, furniture, equipment and improvements” and lease liabilities in “lease liabilities” in the condensed statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term machine leases that have a term of 12 months or less and leases of low value assets. The Bank recognizes the lease payment associated with these leases as an expense on a straight-line basis over the term of the lease.

(3) Summary of Significant Accounting Policies, continued

ii. As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment to determine whether the lease transfers substantially all the risks and benefits associated with ownership of the underlying asset. If this is the case, then the lease is a financial lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for most part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other income”

(j) Intangible assets

Intangible assets represent identifiable non-monetary assets and are acquired separately or through a business combination or are generated internally. The Bank's intangible assets are recognized at cost or at fair value and mainly comprised of relations with the depositors, relations with credit card clients, relations with affiliated businesses, technological programs and trade names.

Cash-generating units to which intangible assets have been attributed are periodically analyzed to determine whether they have deteriorated. This analysis is performed at least annually, or whenever there are signs of deterioration.

The amortization expense of intangible assets is presented in the condensed statement of income as depreciation and amortization expenses.

Trade names are non-amortizable intangible assets.

(k) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, the investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the results of the period in which they arise.

An investment property is written off at the time of disposition or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposition. Any gain or loss that arises when the property is derecognized (calculated as the difference between the net proceeds of the disposition and the carrying value of the asset) is included as gain or loss in the period in which the property is written off, from the accounting records.

(3) Summary of Significant Accounting Policies, continued

(l) Securities Sold under Repurchase Agreements

The securities bought under resale agreements are transactions of short-term financing with a securities guarantee, in which the Bank takes possession of the securities at a discount of the market value and agrees to resell them to the debtor at a future date and at a certain price. The difference between the value of purchase and the future sale price is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless there is a breach of the contract by the counterparty, which gives the right to the Bank to take possession of the securities.

(m) Factoring Receivables

Factoring consists of the purchase of invoices, which are presented at their principal outstanding value, less unearned interest and commissions, and the allowance for loan losses. These invoices receivable reflect the present value of the contract.

(n) Deposits, Bonds Payable, Borrowings Received and Negotiable Commercial Papers

These instruments result from the funds received by the Bank, which are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost, using the effective interest rate method, except for liabilities that the Bank decides to measure at fair value through profit or loss.

(o) Financial Guarantees

Financial guarantees are contracts that require the Bank to make specific payments on behalf of its customers for purposes of reimbursing the guarantee beneficiary, in the event that the customer fails to make payment when due, in accordance with the terms and conditions of the arrangement.

Liabilities arising from financial guarantees are initially measured at fair value, which is amortized over the term of the financial guarantee. Subsequently, the guarantee is carried at the highest amount between the amortized amount and the present value of expected future payments. Financial guarantees are included in the condensed statement of financial position within other liabilities.

(p) Income Tax

Tax expense for the period includes current and deferred taxes. Taxes are recognized in the condensed consolidated statement of income, insofar as they refer to items recognized in the condensed consolidated statement of income or directly in equity.

The current tax expense is calculated based on the laws enacted on the balance sheet date in the countries where the parent company and its subsidiaries operate, and where they generate positive taxable bases. The Bank’s management periodically assesses the assumptions taken in tax returns regarding situations in which applicable tax regulation is subject to interpretation, and when necessary, recognizes provisions for the amounts expected to be paid to the tax authorities.

(3) Summary of Significant Accounting Policies, continued

Deferred taxes are recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the condensed financial statements. However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; deferred taxes are not recognized if they arise from an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect the accounting results nor taxable income or loss. Deferred tax is determined using tax rates (and laws) enacted on the balance sheet date and expected to be applicable when the corresponding deferred tax asset is realized, or the liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future economic tax benefits will be available with which to offset the temporary differences.

Deferred taxes are recognized over temporary differences that arise from investments in subsidiaries and associates, except for those deferred tax liabilities for which the Bank can control the date on which the temporary differences will be reversed, and it is likely that they will not be reversed in the near future. Deferred tax assets are recognized in deductible temporary differences that arise from investments in subsidiaries only to the extent that it is likely that the temporary differences will be reversed in the future, and there is a sufficient future taxable income against which the temporary differences can be used.

Deferred tax assets and deferred tax liabilities are set off only if there is a legally recognized right to offset the current tax assets with the current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from income tax corresponding to the same tax authority, and the authority allows the Bank to pay or receive a single amount that settle the existing net balance.

(q) Employee benefits

The Bank is subject to the labor laws where it operates. The Bank provides an employment benefit when such benefit is related to employee services already provided, the employee has earned the right to receive the benefit, the benefit payment is probable, and the amount of such benefit can be estimated.

(r) Trust Operations and Securities Management

Trust contracts and custody of securities are not considered part of the Bank, and accordingly, such securities and their corresponding income are not included in these condensed financial statements. It is the obligation of the Bank to manage and safeguard the assets under contract and independently of its equity.

The Bank charges a fee for the management of trust contracts and custody of securities, which is paid according to agreements between the parties. These fees are recognized as income according to the terms of the contracts either monthly, quarterly, or annually on an accrual basis.

(3) Summary of Significant Accounting Policies, continued

(s) Insurance Operations

Insurance arrangements correspond to those arrangements whereby the Bank assumes the significant insurance risk of a counterparty (the insurer), committing to compensate the policyholder or other beneficiary when an uncertain future event (the insured event) adversely affects the policyholder or beneficiary. By general rule, the Bank determines if the arrangement has a significant insurance risk by comparing premiums collected for benefits to be paid if the insured event occurs. An insurance arrangement might also transfer financial risks. Insurance arrangements are maintained for the rest of their effective term, notwithstanding if the insurance risk significantly decreases, until all the risks and obligations terminate or expire. During the normal course of operations, the Bank has entered into reinsurance arrangements with reinsurance companies.

The reinsurance payable corresponds to the portion of premiums generated by sharing the risks. This sharing is agreed in the reinsurance arrangements; however, reinsurance arrangements do not release the Bank from contracted obligations, retaining overall responsibility for the policyholders or beneficiaries. The reinsurance receivable represents the balance of the amounts receivable from reinsurance companies originating from events occurred, whereby it assumes the indemnity on behalf of the policyholder, and for the reinsurances accepted by other insurance companies. The amounts expected to be recovered from reinsurance companies are recognized in conformity with the terms and conditions included in the arrangements entered into by both parties.

Any gain or loss from the reinsurance arrangement is recognized in the condensed statements of profit or loss at the inception of the arrangement and they are not amortized. Income and expenses from insurance operations are recorded as follows:

Premiums receivables are recognized when the insurance policy is issued. Income from insurance premiums corresponding to the period contracted in the policy is recognized upon the inception of the insurance without considering the payment status of the premium. Insurance begins with the acceptance of the insurance request submitted by the client and collection of the premium, which may be fractioned or deferred when collected in one single installment, during the term of the policy. Expenses from reinsurance and commissions and other income and expenses related to the policy issuance are recognized upon recognition of income from insurance premiums.

(t) Segment Information

An operating segment is a component of the Bank, whose operating results are reviewed on a regular basis by Management to make decisions about resources allocated to each segment and assess its performance, and for which financial information is available.

(u) Fair value estimates

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

(3) Summary of Significant Accounting Policies, continued

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market

- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

A market is considered active if quoted prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices reflect actual market transactions with sufficient frequency and volume to provide pricing market information.

The fair value of a demand deposit is not less than the amount to be paid when it becomes payable, discounted from the first date on which payment may be required.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the period during which the change occurred.

(v) Transactions between entities under common control

Transfers of assets between entities under common control, including transactions with intermediate holding companies, are initially recorded at book value of the Bank transferring the assets at the date of transfer. If the carrying amount of the assets and liabilities transferred differs from the historical cost of the Parent Company of entities under common control, then the Bank receiving the assets and liabilities will recognize them at the historical cost of the Parent Bank.

The Bank enters into transactions with related parties, which according to the internal policies of the Bank, are carried out at market conditions.

(w) New Standards and amendments to International Financial Reporting Standards ("IFRSs").

Several rules and amendments to the rules were published during 2023, which are effective for annual periods beginning January 1, 2024. The Bank has adopted the amendments in the preparation of the condensed financial statements.

(3) Summary of Significant Accounting Policies, continued

The adoption of these amendments had no significant impact on the Bank's condensed financial statements.

- Classification of Liabilities as Current or Non-Current (amendment to IAS 1)
- Supplier Financing Agreements (amendment to IAS 7)
- Lease-on-Sale Liabilities (amendment to IFRS 16)

As of the date of the condensed consolidated interim financial statements, there are standards and amendments that have not yet been applied in their preparation:

IFRS 17 Insurance Contracts, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides consistent and principled accounting for insurance contracts. This information provides a basis for users to assess the effect that insurance contracts have on financial statements.

The International Accounting Standards Board set an effective date of January 1, 2023. The Superintendence of Insurance and Reinsurance of Panama, through Circular No. SSRP-DSES-025-2022, of July 20, 2022, agreed to move the effective date to January 1, 2024. Through Circular SBP-DR-0070-2023 dated September 23, 2022, the Superintendency of Banks of Panama, where the regulatory entity leaves to the discretion of each Banking Group the decision to adopt for the purposes of its condensed financial statements for periods beginning on January 1, 2023. On October 27, 2023, through Circular No. SSRP-DSES-034-2023, the adoption deadline was extended to January 1, 2025.

The Bank has decided to take advantage of the extension granted at the level of its regulators in Panama, and will implement IFRS 17 for the period beginning January 1, 2025. Due to the nature of the Bank's financial operations, the adoption of this standard does not imply significant changes to the financial information as of December 31, 2023.

IFRS 18 Presentation and Disclosure in Financial Statements establishes specific requirements on how income and expenses that would otherwise be classified in the investment and financing categories are classified into the operating category. IFRS 18 replaces IAS 1 Presentation of Financial Statements and will be effective for annual financial reporting periods beginning on or after January 1, 2027.

Currency Convertibility (Amendment to IAS 21). The application date is January 1, 2025, and early application is allowed.

(4) Risk Management

Risk management is a fundamental part of the Bank. It has an infrastructure to comprehensively manage risks, in order to ensure a responsible and sustainable growth in time, to maintain the confidence of its stakeholders, and to assure with reasonable certainty the fulfillment of its short, medium and long-term goals, through a balance between meeting objectives and taking risks, in line with the corporate strategy.

Financial assets classification

See classification under IFRS 9 in accounting policies in Note 3(c)

The following table provides a reconciliation between line items in the condensed statement of financial position and categories of financial instruments.

September 30, 2024	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	Amortized cost	Total
Cash, cash equivalents and deposits in banks	0	0	0	197,408,619	197,408,619
Investments in securities	28,933,636	1,067,205	874,734,929	57,438,767	962,174,537
Loans at amortized costs	0	0	0	3,700,950,033	3,700,950,033
Other accounts receivable	0	0	0	121,156,568	121,156,568
Total financial assets	28,933,636	1,067,205	874,734,929	4,076,953,987	4,981,689,757

December 31, 2023	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	Amortized cost	Total
Cash, cash equivalents and deposits in banks	0	0	0	183,905,128	183,905,128
Investments in securities	29,883,321	1,047,592	783,483,809	62,098,578	876,513,300
Loans at amortized costs	0	0	0	3,576,812,436	3,576,812,436
Other accounts receivable	0	0	0	114,925,641	114,925,641
Total financial assets	29,883,321	1,047,592	783,483,809	3,937,741,783	4,752,156,505

As of September 30, 2024, all financial liabilities held by the Bank are classified at amortized cost.

The Bank is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk and
- Operational risk.

(4) Risk Management, continued

For the management of these risk, an organizational framework based on current regulations in the region on risk management has been defined. This framework includes policies, procedures and a human and technical infrastructure to identify, analyze and assess risks, as well as to set adequate limits and controls, monitor risk management and compliance with defined limits. These policies and risk management systems are periodically reviewed, updated and reported to the respective committees, to ensure they reflect changes in market conditions, products and services offered.

Through its management procedures and standards, the Bank aims to develop a disciplined and constructive control environment where all employees understand their roles and duties.

The periodic oversight and management of risks is conducted through the following corporate governance bodies, established both regionally and in the countries where the Bank operates: Committee of Comprehensive Risk Management, Assets and Liabilities Committee (ALICO), Compliance Committee, Credit Committee, and Audit Committee.

(a) Credit Risk

This is the risk of financial loss faced by the Bank when a client or counterparty fails to meet their contractual obligations, and is mainly originated from deposits, investments in securities and loans receivable.

To mitigate credit risk, risk management policies follow established processes and controls for the approval of loans or credit facilities. The Bank structures acceptable credit risk levels by setting limits on the amount of risk that is assumed in relation to one borrower, or group of borrowers, and geographic segment. These credits are constantly controlled and subject to periodic review.

Exposure to credit risk is managed through a periodic analysis of the borrowers' or potential borrowers' capacity to pay principal and interest. Exposure to credit risk is also mitigated in part through collateral, corporate and personal guarantees.

Credit is managed through policies that have been clearly defined by the Board of Directors and they are reviewed and modified periodically based on changes and expectations in the market where the Bank operates, regulations and other factors considered while preparing these policies.

The Bank uses a series of credit reports to assess its portfolio's performance, provision requirements and specially to anticipate events that could affect its debtor’s condition in the future.

(4) Risk Management, continued

Establishing Authorization Limits:
Approval limits for credits are established depending on the percentage that each amount represents of the Bank's equity. These limit levels are submitted before the consideration of the Risk Committee and ratified by the Board of Directors.

Exposure Limits:
In order to limit the exposure, maximum limits have been established for an individual debtor or economic group, based on the Bank's capital funds.

Concentration Limits:
In order to limit concentration per activity or industries, exposure limits have been approved based on capital distribution and the strategic orientation to be given to the loan portfolio.

Furthermore, the Bank has limited its exposure to different geographies through the country risk policy, in which it has defined countries where it would like to have exposure based on the Bank's strategic plan; also, credit and investment exposure limits have been implemented in such countries, based on their credit risk rating and the approved risk appetite.

Policy Compliance Review:
Each business unit is responsible for the quality and performance of their loan portfolios, as well as for the control and monitoring of risks. However, through Loan Management and Control, the debtor's financial position and payment capacity are periodically assessed. For loans that are not individually significant, they are monitored through the delinquency day ranges that their installments present and the particular characteristics of said portfolios.

In relation to investments, the Bank has a regional guideline that defines the general profile that the investment portfolio must have and establishes two large levels of maximum limits to control the exposure of investments: limit at the level of country risk and risk of issuer. Country risk limits are established based on an internal rating scale and measured as percentages of the Bank's equity or as absolute amounts. In addition, the guideline includes the attributions and approval schemes for new limits or increases to existing ones. Additionally, the Group maintains other internal guidelines approved by ALICO and ratified by the Board of Directors.

Compliance with this guideline is monitored daily by the Market Risk and Liquidity Vice-presidency, part of the Comprehensive Risk Management area, which monitors all transactions to identify any acquisition or purchase outside the parameters and immediately notifies the originating area.

The Board of Directors has delegated the responsibility of managing credit risk to the Credit Committee and Assets and Liabilities Committee (ALICO); both periodically monitors the financial condition of the respective debtors and issuers which involve a credit risk for the Bank.

(4) Risk Management, continued

Portfolio quality information

Bank deposits portfolio quality

The Bank maintains deposits in banks for $197,408,619 as of September 30, 2024 (December 31, 2023: $159,169,952). Deposits are maintained at central banks and other financial institutions, most of which have AA to BB risk ratings, based on Standard & Poor's, Moody's, and/or Fitch Ratings.

Securities under resale agreements are mostly classified based on the ratings assigned by Standard & Poor's, Moody's, and/or Fitch Ratings.

Quality of the investment portfolio in securities

The Bank segregates the investment portfolio into investments at FVTPL, investments at AC and investments at FVOCI. As of September 30, 2024, investments amounted to $962,174,537 (December 31, 2023: $876,513,300).

As September 30, 2024, the other assets at FVTPL include investments equity $1,067,205 (December 31, 2023: $1,047,592) and mutual funds of $21,932,122 (December 31, 2023: $21,517,410) which are excluded from the following risk analyses.

- Investments at FVTPL

  The credit quality of investment is monitored according to the international risk rating of the issuer provided by Standard & Poor's, Moody's, and/or Fitch Ratings.

  The following table summarizes investments at FVTPL categories:

	September 30, 2024	December 31, 2023
Governments and agencies		
BBB	7,001,514	8,293,127
Total governments and agencies	7,001,514	8,293,127
Corporate		
Unrated	0	72,784
Total Corporate	0	72,784
Total investments at FVTPL	7,001,514	8,365,911

(4) Risk Management, continued

- Investments at FVOCI

  The following table summarizes the investments at FVOCI categories:

	September 30, 2024			December 31, 2023		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AAA	51,082,937	0	51,082,937	53,131,036	0	53,131,036
AA+	255,929,214	0	255,929,214	279,777,472	0	279,777,472
BBB	411,948,966	0	411,948,966	298,208,290	0	298,208,290
BB+ to B-	18,404,911	0	18,404,911	17,910,238	0	17,910,238
Total Governments and agencies	737,366,028	0	737,366,028	649,027,036	0	649,027,036
Corporate						
AA	14,599,141	0	14,599,141	14,211,578	0	14,211,578
A-	4,866,385	0	4,866,385	0	0	0
BBB+	0	0	0	4,726,323	0	4,726,323
BBB	19,538,573	0	19,538,573	22,183,823	0	22,183,823
BBB-	12,032,776	0	12,032,776	13,395,336	0	13,395,336
BB+ a B	54,247,078	8,291,152	62,538,230	46,455,955	8,433,732	54,889,687
Unrated	23,793,796	0	23,793,796	25,050,026	0	25,050,026
Total Corporates	129,077,749	8,291,152	137,368,901	126,023,041	8,433,732	134,456,773
Total	866,443,777	8,291,152	874,734,929	775,050,077	8,433,732	783,483,809
Allowance for ECL	450,902	201,062	651,964	482,907	201,774	684,681

- Investment in AC

  The following table summarizes the AC investment portfolio ratings:

	September 30, 2024			December 31, 2023		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Corporate						
Range BB+ to B-	29,925,371	24,718,725	54,644,096	34,427,945	24755325	59,183,270
Unrated	2,794,671	0	2,794,671	2,915,308	0	2,915,308
Total Corporate	32,720,042	24,718,725	57,438,767	37,343,253	24,755,325	62,098,578
Total	32,720,042	24,718,725	57,438,767	37,343,253	24,755,325	62,098,578
Allowance for ECL	149,539	1,382,440	1,531,979	191,377	1,409,002	1,600,379

(4) Risk Management, continued

Quality of the loan portfolio

Note 3 (c) contains an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

The following table presents the loan portfolio according to its risk category, in accordance with the grading used for each period indicated:

September 30, 2024	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,527,509,867	2,206,025	0	1,529,715,892
Special mention	0	105,666,378	0	105,666,378
Sub-standard	0	0	96,170,772	96,170,772
Doubtful	0	0	72,130,662	72,130,662
Loss	0	0	84,005,001	84,005,001
Gross amount	1,527,509,867	107,872,403	252,306,435	1,887,688,705
Allowance for ECL	(10,161,487)	(4,073,846)	(32,720,975)	(46,956,308)
Net amount	1,517,348,380	103,798,557	219,585,460	1,840,732,397
Small Company				
Satisfactory	97,146,236	12,977,264	0	110,123,500
Special mention	41,922	9,517,373	0	9,559,295
Sub-standard	0	0	1,776,085	1,776,085
Doubtful	0	0	3,665,979	3,665,979
Loss	0	0	2,593,481	2,593,481
Gross amount	97,188,158	22,494,637	8,035,545	127,718,340
Allowance for ECL	(598,930)	(1,567,919)	(1,710,478)	(3,877,327)
Net amount	96,589,228	20,926,718	6,325,067	123,841,013
Mortgage				
Satisfactory	655,460,879	102,468,490	0	757,929,369
Special mention	3,223,812	24,992,460	0	28,216,272
Sub-standard	0	0	4,651,781	4,651,781
Doubtful	0	0	5,613,349	5,613,349
Loss	0	0	11,629,752	11,629,752
Gross amount	658,684,691	127,460,950	21,894,882	808,040,523
Allowance for ECL	(1,594,624)	(1,839,363)	(2,428,632)	(5,862,619)
Net amount	657,090,067	125,621,587	19,466,250	802,177,904
Personal banking				
Satisfactory	508,068,640	19,765,003	684	527,834,327
Special mention	670	1,531,217	41	1,531,928
Sub-standard	0	0	1,285,362	1,285,362
Doubtful	0	0	742,539	742,539
Loss	0	0	1,069,411	1,069,411
Gross amount	508,069,310	21,296,220	3,098,037	532,463,567
Allowance for ECL	(4,031,077)	(1,524,763)	(1,276,179)	(6,832,019)
Net amount	504,038,233	19,771,457	1,821,858	525,631,548
Vehicles				
Satisfactory	314,148,700	16,779,240	0	330,927,940
Special mention	494,292	8,317,308	0	8,811,600
Sub-standard	0	0	507,259	507,259
Doubtful	0	0	373,832	373,832
Loss	0	0	23,599	23,599
Gross amount	314,642,992	25,096,548	904,690	340,644,230
Allowance for ECL	(1,009,638)	(574,498)	(429,752)	(2,013,888)
Net amount	313,633,354	24,522,050	474,938	338,630,342
Credit Card				
Satisfactory	67,725,455	247,729	1,751,407	69,724,591
Special mention	97,358	3,305,746	194,517	3,597,621
Doubtful	0	1,519,059	0	1,519,059
Loss	0	0	271,194	271,194
Gross amount	67,822,813	5,072,534	2,217,118	75,112,465
Allowance for ECL	(3,400,411)	(642,750)	(1,132,475)	(5,175,636)
Net amount	64,422,402	4,429,784	1,084,643	69,936,829
Net carrying amount, loans at amortized cost	3,153,121,664	299,070,153	248,758,216	3,700,950,033

(4) Risk Management, continued

December 31, 2023	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,444,428,274	4,503,789	0	1,448,932,063
Special mention	0	117,858,451	0	117,858,451
Sub-standard	0	0	106,659,909	106,659,909
Doubtful	0	0	45,934,206	45,934,206
Loss	0	0	86,325,728	86,325,728
Gross amount	1,444,428,274	122,362,240	238,919,843	1,805,710,357
Allowance for ECL	(10,287,935)	(4,783,344)	(26,438,815)	(41,510,094)
Net amount	1,434,140,339	117,578,896	212,481,028	1,764,200,263
Small Company				
Satisfactory	88,534,330	14,615,581	0	103,149,911
Special mention	180,831	8,101,250	0	8,282,081
Sub-standard	0	0	1,850,735	1,850,735
Doubtful	0	0	790,833	790,833
Loss	0	0	2,318,395	2,318,395
Gross amount	88,715,161	22,716,831	4,959,963	116,391,955
Allowance for ECL	(644,462)	(825,637)	(500,583)	(1,970,682)
Net amount	88,070,699	21,891,194	4,459,380	114,421,273
Mortgage				
Satisfactory	682,020,615	78,203,049	0	760,223,664
Special mention	5,518,027	28,463,958	0	33,981,985
Sub-standard	0	0	2,443,866	2,443,866
Doubtful	0	0	3,728,001	3,728,001
Loss	0	0	11,704,715	11,704,715
Gross amount	687,538,642	106,667,007	17,876,582	812,082,231
Allowance for ECL	(1,812,482)	(1,646,145)	(1,480,850)	(4,939,477)
Net amount	685,726,160	105,020,862	16,395,732	807,142,754
Personal banking				
Satisfactory	485,778,294	16,040,147	19,560	501,838,001
Special mention	3,634	1,581,967	0	1,585,601
Sub-standard	0	0	480,195	480,195
Doubtful	0	0	765,161	765,161
Loss	0	0	1,119,568	1,119,568
Gross amount	485,781,928	17,622,114	2,384,484	505,788,526
Allowance for ECL	(3,840,230)	(1,207,259)	(948,349)	(5,995,838)
Net amount	481,941,698	16,414,855	1,436,135	499,792,688
Vehicles				
Satisfactory	296,466,954	15,129,452	0	311,596,406
Special mention	730,166	11,146,197	0	11,876,363
Sub-standard	0	0	465,733	465,733
Doubtful	0	0	505,556	505,556
Loss	0	0	26,004	26,004
Gross amount	297,197,120	26,275,649	997,293	324,470,062
Allowance for ECL	(848,160)	(538,588)	(503,355)	(1,890,103)
Net amount	296,348,960	25,737,061	493,938	322,579,959
Credit Card				
Satisfactory	56,028,607	34,366	1,714,103	57,777,076
Special mention	138,659	3,066,495	251,627	3,456,781
Doubtful	0	1,441,493	0	1,441,493
Loss	0	0	402,847	402,847
Gross amount	56,167,266	4,542,354	2,368,577	63,078,197
Allowance for ECL	(4,656,383)	(815,873)	(1,407,536)	(6,879,792)
Net amount	51,510,883	3,726,481	961,041	56,198,405
Net carrying amount, loans at amortized cost	3,048,765,010	281,223,017	246,824,409	3,576,812,436

(4) Risk Management, continued

The following table presents the balances of credit commitments and guarantee according to its risk categories, as per current classification for each indicated period:

September 30, 2024	PCE 12 months	PCE Expected Life – No Deterioration	PCE expected life – with deterioration	Total
Corporate				
Satisfactory	243,081,344	0	0	243,081,344
Special Mention	0	15,600	0	15,600
Sub-standar	0	0	88,219	88,219
Doubful	0	0	170,000	170,000
Gross Amount	243,081,344	15,600	258,219	243,355,163
Allowance for ECL	(306,669)	(144)	(13,630)	(320,443)
Net Book Value	242,774,675	15,456	244,589	243,034,720
Small Business				
Satisfactory	217,061	0	0	217,061
Gross Amount	217,061	0	0	217,061
Allowance for ECL	(276)	0	0	(276)
Net Book Value	216,785	0	0	216,785
Personal Banking				
Satisfactory	39,187,621	0	0	39,187,621
Gross Amount	39,187,621	0	0	39,187,621
Allowance for ECL	(48,125)	0	0	(48,125)
Net Book Value	39,139,496	0	0	39,139,496
Total commitments on loans and guarantees, net	282,130,956	15,456	244,589	282,391,001

December 31, 2023	PCE 12 months	PCE Expected Life – No Deterioration	PCE expected life – with deterioration	Total
Corporate				
Satisfactory	216,802,091	0	0	216,802,091
Special Mention	0	15,600	0	15,600
Doubtful	0	0	170,000	170,000
Gross Amount	216,802,091	15,600	170,000	216,987,691
Allowance for ECL	(290,138)	(141)	(10,002)	(300,281)
Net Book Value	216,511,953	15,459	159,998	216,687,410
Small Business				
Satisfactory	240,000	0	0	240,000
Gross Amount	240,000	0	0	240,000
Allowance for ECL	329)	0	0	(329)
Net Book Value	239,671	0	0	239,671
Personal Banking				
Satisfactory	50,489,178	0	0	50,489,178
Doubtful	50,489,178	0	0	50,489,178
Allowance for ECL	(68,489)	0	0	(68,489)
Net Book Value	50,420,689	0	0	50,420,689
Total commitments on loans and guarantees, net	267,172,313	15,459	159,998	267,347,770

(4) Risk Management, continued

Guarantees and other improvements to reduce credit risk and its financial effect

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The types of mortgage guarantees include residential and commercial, buildings and land. The types of collateral include private vehicles, commercial use, leasing, machinery and other equipment.

The table below shows the main types of guarantees taken with respect to different types of financial assets.

	September 30, 2024				
	Mortgage	Pledge	Certificates of deposit	Unsecured	Total
Investments in securities	0	0	0	961,107,332	961,107,332
Loans at amortized cost					
Corporate					
Corporate	1,062,134,108	37,202,793	180,244,360	600,635,379	1,880,216,640
Corporate leases, net	0	7,472,065	0	0	7,472,065
Total corporate	1,062,134,108	44,674,858	180,244,360	600,635,379	1,887,688,705
Personal Banking and Small company					
Small company					
Small company	107,512,300	1,203,761	11,855,425	7,038,450	127,609,936
Small company leases, net	0	108,404	0	0	108,404
Total Small company	107,512,300	1,312,165	11,855,425	7,038,450	127,718,340
Personal Banking					
Mortgage	808,040,523	0	0	0	808,040,523
Personal	37,143,233	0	40,249,439	455,070,895	532,463,567
Vehicles	0	339,262,945	0	0	339,262,945
Personal leases, net of interest	0	1,381,285	0	0	1,381,285
Credit cards	0	0	0	75,112,465	75,112,465
Total Personal Banking	845,183,756	340,644,230	40,249,439	530,183,360	1,756,260,785
Total Personal Banking and Small company	952,696,056	341,956,395	52,104,864	537,221,810	1,883,979,125
Allowance for ECL	(44,413,208)	(2,368,568)	(266,986)	(23,669,035)	(70,717,797)
Total loans	1,970,416,956	384,262,685	232,082,238	1,114,188,154	3,700,950,033
Credit commitments and financial guarantees	0	446,431	2,877,488	279,067,082	282,391,001

	December 31, 2023				
	Mortgage	Pledge	Certificates of deposit	Unsecured	Total
Investments in securities	0	0	0	875,465,708	875,465,708
Loans at amortized cost					
Corporate					
Corporate	1,081,825,892	39,825,643	176,831,659	526,583,240	1,825,066,434
Corporate leases, net	0	6,678,610	0	0	6,678,610
Total corporate	1,081,825,892	46,504,253	176,831,659	526,583,240	1,831,745,044
Personal Banking and Small company					
Small company					
Small company	93,878,129	1,389,398	10,520,685	4,744,084	110,532,296
Small company leases, net	0	113,870	0	0	113,870
Total Small company	93,878,129	1,503,268	10,520,685	4,744,084	110,646,166
Personal Banking					
Mortgage	818,772,381	0	0	0	818,772,381
Personal	35,744,683	0	39,713,374	427,118,665	502,576,722
Vehicles	0	317,309,389	0	0	317,309,389
Personal leases, net of interest	0	1,225,833	0	0	1,225,833
Credit cards	0	0	0	59,434,376	59,434,376
Total Personal Banking	854,517,064	318,535,222	39,713,374	486,553,041	1,699,318,701
Total Personal Banking and Small company	(38,443,590)	(2,604,430)	(194,346)	(23,655,109)	(64,897,475)
Allowance for ECL	1,991,777,495	363,938,313	226,871,372	994,225,256	3,576,812,436
Total loans	2,029,065,270	329,421,699	213,494,061	1,081,033,904	3,653,014,934
Credit commitments and financial guarantees	0	371,741	3,296,851	263,679,178	267,347,770

(4) Risk Management, continued

The table below shows the portfolio and identifiable value of collateral (primarily commercial properties) backing up the loan. For each loan, the corresponding value of its guarantees is capped by the guaranteed nominal amount.

	September 30, 2024		December 31, 2023	
Corporates	**Loans**	**Covered amount**	**Loans**	**Covered amount**
Stage 1 and 2	1,032,778,949	1,004,642,631	1,035,702,648	1,015,075,772
Stage 3	253,468,588	239,472,334	235,866,900	221,321,773
Total	1,286,247,537	1,244,114,965	1,271,569,548	1,236,397,545

The following are the non-financial assets that the Bank seized as collaterals to secure collection during the period:

	September 30, 2024	December 31, 2023
Property	6,557,676	7,105,626
Furniture and equipment	1,356,320	1,322,250
Total	7,913,996	8,427,876

The Bank's policy is to sell these assets to cover the balances due. Using foreclosed assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the ratio of loans to the value of collaterals for the mortgage portfolio. LTV is calculated as a percentage of the loan gross amount with respect to the collateral value. The gross amount of the loan does not include any impairment loss. The collateral value for mortgages is based on the original value of the guarantee at disbursement. The corresponding values are updated based on the requirements of local regulators, new disbursements with the same guarantee, restructuring of the credit or judicial processes that imply execution.

	September 30, 2024		December 31, 2023	
LTV Ratio	**Loans**	**Credit and guarantee commitments**	**Loans**	**Credit and guarantee commitments**
Less than 50%	71,214,443	5,139,076	66,865,010	4,922,040
51-70%	150,331,595	2,600,397	155,071,792	2,551,203
71-80%	132,712,021	4,161,285	122,027,477	3,578,125
81-90%	353,790,086	13,149,637	332,722,320	12,885,348
91-100%	87,750,088	13,774,448	132,745,313	26,552,462
More than 100%	12,242,290	362,777	9,340,469	0
Total	808,040,523	39,187,620	818,772,381	50,489,178

(4) Risk Management, continued

Impaired Loans

LTV Ratio	September 30, 2024	December 31, 2023
Less than 50%	767,067	858,541
51-70%	3,834,984	4,399,260
71-80%	3,411,438	1,837,392
81-90%	6,066,651	4,941,550
91-100%	4,325,358	6,008,516
More than 100%	3,489,384	2,030,961
Total	21,894,882	20,076,220

ECL allowance

Projection of future conditions

The upside, base and downside scenarios are described below, along with the main risks taken into consideration to define them.

External sector:

External Risks	Optimistic	Base	Pessimistic
Political/Social/Fiscal Conditions:	1. The risk is tilted towards an optimistic scenario due to the health of the financial system; It continues to be a solvent financial center and high levels of liquidity continue to be variables that denote a stable financial system.	1. Despite the economic shocks we have seen recently, Panama continues to be a stable country in its growth, its growth rate for this year 2024 is projected by some international organizations at 2.5%.	1. The outlook is not favorable if the increase in public spending continues, which has already led to a downgrade by Fitch in the country's rating.

The scenarios for each country are detailed below:

Scenario	Scenario Synthesis	Optimistic	Base	Pessimistic
Panama	1. GDP growth is expected to be close to 2.5% according to recent estimates by Multilateral organizations. El Niño's effect has diminished and minimizes the impact on the Canal's water levels. They consider increasing the number of Ships that transit per day. The country's high levels of indebtedness may push it down grade.	The recent news of no rate hikes for 2024 prospects to maintain the growth of economies, despite notifying that they will not yet decrease for this quarter. New president-elect caused favorable effects for the country	Despite the conflict with the mining company, Panama continues to maintain its expected growth levels, as mining is not the country's main activity. THE IQ GDP stood at 1.7%.	The outlook could be pessimistic if high levels of debt and public spending are not brought under control. Extension of drought could affect water levels in the Canal.

(4) Risk Management, continued

The scenario probability weightings applied in measuring ECL in each of the countries where the Bank operates, are as follows:

Scenario probability weighting	September 30, 2024 Panama	December 31, 2023 Panama	December 31, 2023 Costa Rica
Optimistic	40%	40%	40%
Base	50%	50%	50%
Downside	10%	10%	10%

Periodically, the Bank carries out stress tests of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios, advised by at least one external economist.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for loans' portfolios are: Monthly Economic Activity Index, Consumer Price Index, Exchange Rate, Local Currency Interest Rate and Dollars Interest Rate.

The Bank estimates each key driver for credit risk over the active forecast period of one year.

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the forecasted period.

		September 30, 2024	December 31, 2023	
		Panama	Costa Rica	Panama
		%	%	%
Monthly Economic Activity Index	Upside	8.25%	8.25%	8.25%
	Base	7.64%	7.64%	7.64%
	Downside	7.03%	7.03%	7.03%
Consumer Price Index	Upside	1.83%	1.83%	1.83%
	Base	2.32%	2.32%	2.32%
	Downside	2.80%	2.80%	2.80%
Exchange Rate	Upside	-	-	-
	Base	-	-	-
	Downside	-	-	-
Local Currency Interest Rate	Upside	-	-	-
	Base	-	-	-
	Downside	-	-	-
Dollars Interest Rate	Upside	0.48%	0.48%	0.48%
	Base	0.52%	0.52%	0.52%
	Downside	0.57%	0.57%	0.57%

(4) Risk Management, continued

Sensitivity of ECL to future economic conditions

The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognized on material classes of its financial assets.

The table below shows the loss allowance on loans assuming each forward-looking scenario were weighted at 100% instead of applying scenario probability weights across the three scenarios, See note 3 (c).

September 30, 2024	Upside	Base	Downside
Book Value			
Corporate	1,887,688,705	1,887,688,705	1,887,688,705
Small company	127,718,340	127,718,340	127,718,340
Mortgage	808,040,521	808,040,521	808,040,521
Personal banking	532,463,567	532,463,567	532,463,567
Vehicles	340,644,231	340,644,231	340,644,231
Credit card	75,112,464	75,112,464	75,112,464
	3,771,667,829	3,771,667,829	3,771,667,829
ECL Allowance			
Corporate	102,197,942	102,197,942	102,197,942
Small company	20,347,292	25,809,278	27,441,154
Mortgage	114,911,741	124,459,596	134,540,804
Personal banking	19,899,510	20,448,733	21,445,823
Vehicles	23,596,107	23,596,107	23,596,107
Credit card	4,846,005	5,072,533	5,408,717
	285,798,597	301,584,190	314,630,548
Proportion of assets in Stage 2			
Corporate	5.41%	5.41%	5.41%
Small company	15.93%	20.21%	21.49%
Mortgage	14.22%	15.40%	16.65%
Personal banking	3.74%	3.84%	4.03%
Vehicles	6.93%	6.93%	6.93%
Credit card	6.45%	6.75%	7.20%
	7.58%	8.00%	8.34%

December 31, 2023	Upside	Base	Downside
Book Value			
Corporate	1,831,745,043	1,831,745,043	1,831,745,043
Small company	110,646,165	110,646,165	110,646,165
Mortgage	818,772,383	818,772,383	818,772,383
Personal banking	502,576,721	502,576,721	502,576,721
Vehicles	318,535,223	318,535,223	318,535,223
Credit card	59,434,376	59,434,376	59,434,376
	3,641,709,911	3,641,709,911	3,641,709,911
ECL Allowance			
Corporate	41,841,382	42,073,194	42,322,644
Small company	1,880,338	1,992,170	2,118,250
Mortgage	5,446,817	5,682,316	5,917,816
Personal banking	6,347,504	6,643,347	6,930,615
Vehicles	2,068,045	2,093,740	2,104,967
Credit card	6,463,262	6,964,975	7,466,689
	64,047,348	65,449,742	66,860,981
Proportion of assets in Stage 2			
Corporate	7.42%	7.42%	7.42%
Small company	17.09%	17.72%	20.89%
Mortgage	9.84%	9.84%	9.84%
Personal banking	3.09%	3.12%	3.17%
Vehicles	7.31%	7.40%	7.40%
Credit card	7.51%	7.53%	7.72%
	7.65%	7.69%	7.79%

(4) Risk Management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of September 30, 2024, of the financial assets' ECL allowance.

	September 30, 2024				December 31, 2023			
Deposits in banks	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	7,151	0	0	7,151	9,328	0	0	9,328
Provision expense - remeasurement	(1,925)	0	0	(1,925)	(4,316)	0	0	(4,316)
Provision expense - origination	1,126	0	0	1,126	2,139	0	0	2,139
Balance at period end	6,352	0	0	6,352	7,151	0	0	7,151

	September 30, 2024				December 31, 2023			
Investments at FVOCI	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	482,907	201,774	0	684,681	324,848	845,325	0	1,170,173
Transfer from stage 2 to 1	0	0	0	0	540,637	(540,637)	0	0
Provision expense - remeasurement	(97,515)	(712)	0	(98,227)	(634,398)	(102,914)	0	(737,312)
Provision expense - origination	65,510	0	0	65,510	251,820	0	0	251,820
Balance at period end	450,902	201,062	0	651,964	482,907	201,774	0	684,681

	September 30, 2024				December 31, 2023			
Investments at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	191,377	1,409,002	0	1,600,379	108,600	2,182,399	0	2,290,999
Transfer from stage 1 to 2	0	0	0	0	372,693	(372,693)	0	0
Provision expense - remeasurement	(41,030)	(35,176)	0	(77,014)	(391,328)	(400,704)	0	(792,032)
Provision expense - origination	0	8,614	0	8,614	101,412	0	0	101,412
Balance at period end	149,539	1,382,440	0	1,531,979	191,377	1,409,002	0	1,600,379

The investments' ECL allowance is not recognized within the condensed consolidated statement of financial position, because the book value of the investments at FVOCI is its fair value.

	September 30, 2024				December 31, 2023			
Loans at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	21,749,889	10,180,441	32,967,145	64,897,475	14,822,269	16,918,171	39,040,263	70,780,703
Transfer from stage 1 to 2	(2,936,704)	2,936,704	0	0	(3,501,456)	3,501,456	0	0
Transfer from stage 1 to 3	(22,605)	0	22,605	0	(11,927)	0	11,927	0
Transfer from stage 2 to 3	0	(3,805,601)	3,805,601	0	0	(5,281,806)	5,281,806	0
Transfer from stage 3 to 2	0	3,539,475	(3,539,475)	0	0	5,695,017	(5,695,017)	0
Transfer from stage 2 to 1	4,187,976	(4,187,976)	0	0	12,486,268	(12,486,268)	0	0
Transfer from stage 3 to 1	2,564,642	0	(2,564,642)	0	5,141,567	0	(5,141,567)	0
Provision expense – remeasurement	(1,761,600)	3,522,335	18,313,285	20,074,020	2,089,123	4,294,608	17,175,151	23,558,882
Provision expense – origination	13,215,022	1,494,713	7,917,314	22,627,049	14,700,816	4,389,422	19,589,349	38,679,587
Provision expense – cancellation	(16,200,453)	(3,456,952)	(6,395,717)	(26,053,122)	(23,976,771)	(6,850,159)	(10,695,196)	(41,522,126)
Write-offs	0	0	(36,114,525)	(36,114,525)	0	0	(73,923,253)	(73,923,253)
Recoveries	0	0	25,286,851	25,286,851	0	0	47,322,705	47,322,705
Foreign currency translation	0	0	49	49	0	0	977	977
Balance at period end	20,796,167	10,223,139	39,698,491	70,717,797	21,749,889	10,180,441	32,967,145	64,897,475

	September 30, 2024				December 31, 2023			
Other accounts receivable	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	910,716	0	0	910,716	888,481	0	0	888,481
Provision expense – remeasurement	(7,058)	0	0	(7,058)	(26,657)	0	0	(26,657)
Provision expense – origination	101,320	0	0	101,320	46,207	0	0	46,207
Write-offs	(27)	0	0	(27)	0	0	0	0
Recoveries	0	0	0	0	2,700	0	0	2,700
Foreign currency translation	0	0	0	0	(15)	0	0	(15)
Balance at period end	1,004,952	0	0	1,004,952	910,716	0	0	910,716

	September 30, 2024				December 31, 2023			
Contingencies	**PCE 12 months**	**PCE Expected Life – No deterioration**	**PCE Expected Life – with deterioration**	**Total**	**PCE 12 months**	**PCE Expected Life – No deterioration**	**PCE Expected Life – with deterioration**	**Total**
Balance as of January 1	358,957	141	10,001	369,099	226,389	141	114,490	340,879
Stage 1 to 3 Shift	(358,956)	0	358,956	0	(226,389)	0	226,389	0
Provision Expense – Remeasurement	435,064	3	(355,328)	79,739	403,310	0	(309,790)	93,661
Provisioning Expense – Origination	0	0	0	0	68,088	0	68,088	136,176
Provision Expense – Cancellation	(79,994)	0	0	(79,994)	(112,441)	0	(89,176)	(201,617)
Balance at the end of the period	355,071	144	13,629	368,844	358,957	141	10,001	369,099

(4) Risk Management, continued

Modified Financial Assets

The following table provides information on individually significant financial assets that were modified while having a provision for losses measured in an amount equal to the ECL for the expected life.

	September 30, 2024	December 31, 2023
Amortized cost before modification	6,412,213	49,495,770
Net loss due to modification	40,451	2,532,136
Total	6,371,762	46,963,634

Concentration of credit risk

The Bank follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. As for investments, they are based on the location of the issuer. The analysis of the concentration of credit risks at the reporting date is as follows:

	September 30, 2024					
	Loans at amortized cost	**Commitments and guarantees**	**Deposits in banks**	**Investments at FVOCI**	**Investments at FVTPL**	**Investments at AC**
Concentration by sector						
Government	0	0	30,804,650	737,366,028	7,001,514	0
Corporate						
Trade	604,231,889	24,852,153	0	0	0	0
Real estate	100,774,191	0	0	5,147,858	19,271,191	1,841,447
Services	132,584,603	1,765,548	0	0	0	2,794,671
General industry	277,375,448	3,176,444	0	0	0	0
Construction	470,538,732	223,251	0	31,140,448	0	0
Agriculture	275,912,770	142,921,999	0	0	0	0
Hotels and restaurants	42,658,520	88,219	0	0	0	0
Financial	71,596,908	70,517,658	147,856,839	67,216,373	2,660,931	0
Transportation	27,055,779	26,952	0	0	0	0
Oil and derivatives	0	0	0	12,035,550	0	0
Telecommunication	12,678,205	0	0	0	0	0
Energy	0	0	0	887,394	0	10,004,372
Real estate	0	0	0	20,941,278	0	42,798,277
Personal Banking	1,756,260,785	39,187,621	0	0	0	0
Allowance for ECL	(70,717,797)	(368,844)	0	0	0	0
Net carrying amount	3,700,950,033	282,391,001	178,661,489	874,734,929	28,933,636	57,438,767
Geographic concentration:						
Panama	3,470,844,742	56,427,038	43,666,778	513,132,415	28,933,636	47,434,395
Costa Rica	31,273,947	0	197,930	18,404,911	0	10,004,372
North America	3,262,445	0	61,120,230	315,622,934	0	0
Europe	20,924,116	0	50,397,168	0	0	0
South America	125,104,208	0	23,279,383	12,975,527	0	0
Others	115,919,358	226,332,807	0	14,599,142	0	0
Allowance for ECL	(70,717,797)	(368,844)	0	0	0	0
Net carrying amount	3,700,950,033	282,391,001	178,661,489	874,734,929	28,933,636	57,438,767

(4) Risk Management, continued

	December 31, 2023					
	Loans at amortized cost	**Commitments and guarantees**	**Deposits in banks**	**Investments at FVOCI**	**Investments at FVTPL**	**Investments at AC**
Concentration by sector						
Government	0	0	24,479,206	649,027,036	8,293,127	0
Corporate						
Trade	536,555,280	20,297,330	0	0	0	0
Real estate	98,153,210	0	0	5,398,674	18,889,790	2,125,815
Services	130,039,817	1,511,445	0	0	0	2,915,309
General industry	254,863,981	0	0	0	0	0
Construction	511,223,694	860,854	0	33,334,807	0	0
Agriculture	270,563,967	125,622,000	0	0	0	0
Hotels and restaurants	45,846,753	0	0	0	0	0
Financial	57,809,322	68,936,062	134,690,746	66,578,322	2,627,620	0
Transportation	23,394,841	0	0	0	0	0
Oil and derivatives	0	0	0	11,909,461	72,784	0
Telecommunication	13,940,345	0	0	0	0	0
Energy	0	0	0	832,225	0	9,855,504
Real estate	0	0	0	16,403,284	0	47,201,950
Personal Banking	1,699,318,701	50,489,178	0	0	0	0
Allowance for ECL	(64,897,475)	(369,099)	0	0	0	0
Net carrying amount	3,576,812,436	267,347,770	159,169,952	783,483,809	29,883,321	62,098,578
Geographic concentration:						
Panama	3,379,044,601	60,665,560	33,369,800	397,327,850	29,810,537	52,243,075
Costa Rica	17,632,936	0	158,566	17,910,238	0	9,855,503
North America	3,846,281	0	38,580,243	341,110,560	0	0
Europe	21,282,666	0	42,001,296	0	0	0
South America	128,927,513	0	15,009,500	12,923,582	72,784	0
Asia	0	0	0	0	0	0
Others	90,975,914	207,051,309	30,050,547	14,211,579	0	0
Allowance for ECL	(64,897,475)	(369,099)	0	0	0	0
Net carrying amount	3,576,812,436	267,347,770	159,169,952	783,483,809	29,883,321	62,098,578

The Bank has been and will continue to monitor the evolution of the liquidity and the quality of the portfolio of financial instruments placed or acquired in that country, in order to mitigate and manage the impacts of this situation.

(b) Liquidity Risk

Liquidity risk is defined as the contingency for not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the insufficient liquid assets available for this and/or the need to assume unusual funding costs.

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short-term liabilities and assets. The Bank's liquidity is carefully managed and adjusted daily based on the estimated flow of liquidity in expected and contingent scenarios.

(4) Risk Management, continued

The Bank's liquidity management best practices are in compliance with the policies and guidelines issued by Senior management and/or Regional and Local Board of Directors; the regulators of each country in which it operates and the contractual obligations. These best practices are primarily defensive, in the sense of seeking to always maintain appropriate levels of liquidity. In addition, the Bank has implemented the internal liquidity requirements that force it to keep excesses on regulatory requirements.

Specifically, the Bank's liquidity risk is managed through the calculation of liquidity coverage indicators in the short term, net of obligations and requirements, and in normal and stressful situations, as well as a stress model of liquidity based on the cash flow, which considers the activity of assets and liabilities in a time horizon of up to one year, under a variety of scenarios, which include both normal market conditions and more severe conditions. In addition, the Bank seeks to maintain a term matching, which enables it to meet its financial obligations over time.

As in the market risk, Senior Management engages actively in liquidity risk management through regional and local Assets and Liabilities Committee (ALICO) and Comprehensive Risk Management; thus, giving greater support to the strategic decision-making process. The liquidity risk assumed by the Bank is in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by Senior Management and/or Regional and Local Board of Directors.

At the level of the entire Bank is established the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

The following table shows the results of the ratios for high-quality liquidity coverage with respect to the outflow of deposits under normal and stressful conditions, calculated based on internal policies, reported as of the reporting date and during the period:

	% of Liquidity	
	September 30, 2024	December 31, 2022
At the end of the period/year	26.0%	31.3%
Maximum for the period/year	40.5%	38.1%
Average for the period/year	31.4%	30.7%
Minimum for the period/year	20.3%	20.3%

As of September 30, 2024, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

(4) Risk Management, continued

Quantitative information

The following table details the undiscounted cash flows of financial liabilities and financial assets, unrecognized commitments and guarantees and disbursements due to financial derivatives in contractual maturity groups from the remaining period from the report date:

	September 30, 2024						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	541,814	(541,401)	(541,401)	0	0	0	0
Savings deposits	516,494	(516,494)	(516,494)	0	0	0	0
Time deposits	2,463,264	(2,603,315)	(308,973)	(257,030)	(1,543,652)	(493,339)	(321)
Securities sold under repurchase agreements	241,389	(244,483)	(86,253)	(82,180)	(26,006)	(50,044)	0
Financial obligations	477,374	(492,697)	(81,952)	(50,571)	(325,248)	(34,926)	0
Other financial obligations	355,877	(417,847)	(270)	(602)	(35,933)	(340,465)	(40,577)
Lease Liabilities	10,775	(12,141)	(225)	(1,125)	(1,349)	(8,816)	(626)
Sub-total liabilities	4,606,987	(4,828,378)	(1,535,568)	(391,508)	(1,932,188)	(927,590)	(41,524)
Commitments and guarantees	56,427	(56,427)	(5,290)	(7,952)	(16,497)	(26,688)	0
Acceptances	10,865	(10,865)	(71)	(757)	(10,037)	0	0
Total liabilities	4,674,279	(4,895,670)	(1,540,929)	(400,217)	(1,958,722)	(954,278)	(41,524)
Assets							
Cash and cash equivalents	18,747	18,747	18,747	0	0	0	0
Deposits in banks	178,661	175,794	172,147	1,021	1,566	1,060	0
Investments at FVTPL (1)	30,001	29,010	0	17,286	197	1,052	10,475
Investments at FVOCI	874,735	1,052,795	5,349	2,461	257,005	535,136	252,844
Investments at AC	57,439	79,977	5	668	2,156	41,575	35,573
Loans	3,700,950	4,629,815	485,093	331,648	777,465	1,378,574	1,657,035
Sub-total assets	4,860,533	5,986,138	681,341	353,084	1,038,389	1,957,397	1,955,927
Acceptances outstanding	10,851	10,845	51	757	10,037	0	0
Total assets	4,871,384	5,996,983	681,392	353,841	1,048,426	1,957,397	1,955,927

	December 31, 2023						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	535,883	(535,883)	(535,883)	0	0	0	0
Savings deposits	464,999	(464,999)	(464,999)	0	0	0	0
Time deposits	2,332,637	(2,487,158)	(212,419)	(299,518)	(1,209,872)	(765,349)	0
Securities sold under repurchase agreements	37,565	(38,421)	0	0	(38,421)	0	0
Financial obligations	690,330	(723,759)	(76,507)	(114,779)	(222,085)	(307,975)	(2,413)
Other financial obligations	360,582	(429,899)	(2,342)	(13,632)	(18,529)	(359,228)	(36,168)
Lease Liabilities	11,397	(12,861)	(212)	(1,058)	(1,269)	(9,867)	(455)
Sub-total liabilities	4,433,393	(4,692,980)	(1,292,362)	(428,987)	(1,490,176)	(1,442,419)	(39,036)
Commitments and guarantees	60,666	(60,666)	(2,917)	(9,581)	(32,301)	(15,867)	0
Acceptances	40,762	(40,762)	(410)	0	(40,352)	0	0
Total liabilities	4,534,821	(4,794,408)	(1,295,689)	(438,568)	(1,562,829)	(1,458,286)	(39,036)
Assets							
Cash and cash equivalents	24,735	24,735	24,735	0	0	0	0
Deposits in banks	159,170	159,579	151,747	1,052	3,660	3,120	0
Investments at FVTPL (1)	30,931	33,860	0	31	17,497	1,259	15,073
Investments at FVOCI	783,484	974,660	9,394	7,162	42,800	651,686	263,618
Investments at AC	62,099	88,946	13	518	3,041	47,180	38,194
Loans	3,576,812	4,492,452	354,048	300,368	954,111	1,305,519	1,578,406
Sub-total assets	4,637,231	5,774,232	539,937	309,131	1,021,109	2,008,764	1,895,291
Acceptances outstanding	40,706	40,706	354	0	40,352	0	0
Total assets	4,677,937	5,814,938	540,291	309,131	1,061,461	2,008,764	1,895,291

(1) Includes investments in common shares.

(4) Risk Management, continued

The liquidity of the Bank is measured and monitored on a daily basis by the treasury of each country. In addition, the Bank maintains appropriate levels of cash in vaults, deposits in banks and short-term deposits which constitutes the Bank's basis of liquidity reserves. The fair value of liquidity approximates its book value, and its composition is presented in the following table:

	September 30, 2024	December 31, 2023
Cash and cash equivalents	18,747,130	24,735,176
Deposits due from banks maturing in less than 90 days	173,150,383	152,639,341
Deposits due from banks greater than 90 days	5,511,106	6,530,611
Total Cash, cash equivalents and deposits in banks	197,408,619	183,905,128
Not committed sovereign debt instruments	483,870,184	469,444,326
Other credit lines available (1)	1,050,635,773	891,414,228
Total liquidity reserve	1,731,914,576	1,544,763,682

(1) Amounts not disbursed as of the reporting date.

The available credit lines are for use in normal business scenarios. They may have restricted use in stress full situations.

The following table shows the availability of the Bank's financial assets to support the future financing:

September 30, 2024	Committed	Uncommitted		
	As Collateral	Available as Collateral	Other (2)	Total
Cash and cash equivalents	0	0	18,747,130	18,747,130
Deposits due from banks	110,984,920	5,511,105	62,165,464	178,661,489
Investments in securities at fair value	304,168,824	483,870,184	116,696,762	904,735,770
Investments in securities at amortized cost	25,825,502	0	31,613,265	57,438,767
Loans at amortized cost	564,999	0	3,700,385,034	3,700,950,033
Total assets	441,544,245	489,381,289	3,929,607,655	4,860,533,189

(2) It represents assets that are uncommitted for use as collateral.

December 31, 2023	Committed	Uncommitted		
	As Collateral	Available as Collateral	Other (2)	Total
Cash and cash equivalents	0	0	24,735,176	24,735,176
Deposits due from banks	81,099,198	6,530,611	71,540,143	159,169,952
Investments in securities at fair value	232,394,263	469,444,326	112,576,133	814,414,722
Investments in securities at amortized cost	29,974,922	0	32,123,656	62,098,578
Loans at amortized cost	1,231,460	0	3,575,580,976	3,576,812,436
Total assets	344,699,843	475,974,937	3,816,556,084	4,637,230,864

(2) It represents assets that are uncommitted for use as collateral.

(c) Market Risk

Market risks are those that may result in losses as a result of adverse price movements in the financial markets where positions are maintained. It comprises the following risks:

- Interest rate risk: is the possibility of an economic loss due to adverse changes in interest rates.

- Exchange rate risk: is the possibility of an economic loss due to adverse changes in the exchange rate.

(4) Risk Management, continued

The main objectives of the Bank's corporate governance structure include supervising the performance of the management team in each country, ensuring the proper functioning of the internal control system, monitoring the exposure to risks and managing them effectively. For such purpose, management engages actively in market risk management through the regional and local Assets and Liabilities Committees (ALICO) and the Comprehensive Risk Management Committee; thus, giving greater support to the strategic decision-making process.

The market risks assumed by the Bank are in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by management and/or regional and local board of directors.

The Bank establishes the requirement of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations, as well as ensuring that reports related to market risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of the content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

For the measurement, control and management of market risk, the Bank uses the indicators required by the regulator of each country as well as another set of indicators established in the internal regional guideline, which are calculated by country and in a condensed manner based on internal sources of information.

In the case of exchange risk, this is measured by determining the percentage of equity that is not dollarized (also known as monetary position). The sensitivity analysis for the exchange rate risk is considered mainly in the measurement of the position within a specific currency. The analysis consists of verifying how much the position in the functional currency would represent over the currency to which it would be converting and, therefore, the exchange rate risk mix

(4) Risk Management, continued

Quantitative information

The Bank maintains operations in the condensed statement of financial position, agreed in local currency other than US dollars, which are listed below:

September 30, 2024	Euro	Sterling pound	Canadian dollar	Swiss franc	Other currencies	Total
Cash, cash equivalents and deposits in banks	21,070,116	4,063,657	1,007,780	924,681	111,420	27,177,654
Investments in securities	22,044	0	0	0	0	22,044
Account receivable	0	0	0	0	319,202	319,202
Total assets	21,092,160	4,063,657	1,007,780	924,681	430,622	27,518,900
Deposits	20,861,722	4,055,474	1,000,063	914,975	81,212	26,913,446
Account Payable Gamishment	164,298	0	0	0	0	164,298
Total liabilities	21,026,020	4,055,474	1,000,063	914,975	81,212	27,077,744
Exchange risk exposure	66,140	8,183	7,717	9,706	349,410	441,156

December 31, 2023	Euro	Sterling pound	Canadian dollar	Swiss franc	Other currencies	Total
Cash, cash equivalents and deposits in banks	21,656,611	3,907,392	1,019,482	656,684	64,620	27,304,789
Investments in securities	21,878	0	0	0	0	21,878
Total assets	21,678,489	3,907,392	1,019,482	656,684	64,620	27,326,667
Deposits	21,442,056	3,891,760	1,011,242	646,902	42,172	27,034,132
Account Payable Gamishment	163,058	0	0	0	0	163,058
Total liabilities	21,605,114	3,891,760	1,011,242	646,902	42,172	27,197,190
						0
Exchange risk exposure	73,375	15,632	8,240	9,782	22,448	129,477

Bellow, the summary exposure of the Bank's condensed statement of financial position to interest rate risk. Assets and liabilities are included in the table at their carrying amount, classified by categories of time considering the next rate review date of the maturity date, as applicable:

September 30, 2024	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	18,747,130	0	0	0	18,747,130
Deposits due from banks	60,437,450	114,224,039	4,000,000	0	178,661,489
Investments in securities	7,505,317	319,690,424	470,642,714	164,336,082	962,174,537
Loans at amortized cost	56,663,058	2,625,705,237	204,136,219	814,445,519	3,700,950,033
Total assets	143,352,955	3,059,619,700	678,778,933	978,781,601	4,860,533,189
Deposits	355,630,309	2,719,568,937	446,052,801	320,000	3,521,572,047
Securities sold under repurchase Agreement	1,178,443	190,211,000	50,000,000	0	241,389,443
Obligations	5,553,175	418,855,214	52,965,782	0	477,374,171
Other obligations	3,902,262	11,983,077	302,251,972	37,739,696	355,877,007
Total liabilities	366,264,189	3,340,618,228	851,270,555	38,059,696	4,596,212,668
Exchange risk exposure	(222,911,234)	(280,998,528)	(172,491,622)	940,721,905	264,320,521

(4) Risk Management, continued

December 31, 2023	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	24,735,176	0	0	0	24,735,176
Deposits due from banks	58,408,086	97,761,866	3,000,000	0	159,169,952
Investments in securities	20,037,460	110,413,025	582,929,130	163,133,685	876,513,300
Loans at amortized cost	60,631,465	2,566,651,436	194,114,170	755,415,365	3,576,812,436
Total assets	163,812,187	2,774,826,327	780,043,300	918,549,050	4,637,230,864
Deposits	335,899,235	2,288,688,050	708,931,212	0	3,333,518,497
Securities sold under repurchase Agreement	380,833	37,184,410	0	0	37,565,243
Obligations	7,781,362	519,050,058	138,133,498	25,365,267	690,330,185
Other obligations	9,701,163	9,466,875	308,418,978	32,994,989	360,582,005
Total liabilities	353,762,593	2,854,389,393	1,155,483,688	58,360,256	4,421,995,930
Exchange risk exposure	(189,950,406)	(79,563,066)	(375,440,388)	860,188,794	215,234,934

Based on the above, the Bank calculates the total exposure of the condensed statement of financial position to interest rate risk. The Bank states that the interest rate risk should be measured for each currency in which assets and liabilities are maintained.

Interest rate risk is analyzed based on the gap analysis, in order to approximate the change in equity of the Bank's condensed statement of financial position and in the net income from interest from eventual changes in market interest rates. The economic value of an instrument involves an assessment of the current value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a financial entity can be seen as the present value of expected net cash flows from the entity, defined as expected cash flows from assets less expected cash flows from liabilities. In this sense, the perspective of economic value reflects a view of the sensitivity of the financial entity net value to interest rate fluctuations.

The estimate of the impact of variations in interest rates is conducted under a scenario of increase or decrease of 100 basis points in assets and liabilities at the different terms (parallel movement of the curve). The following table presents a summary of the impact on the Bank's economic value and on the net interest income applying these variations:

(4) Risk Management, continued

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
September 30, 2024	(125,080,680)	125,080,680
Average for the period	(117,504,548)	117,504,548
Maximum for the period	(125,080,680)	125,080,680
Minimum for the period	(109,881,556)	109,881,556
December 31, 2023	(116,190,498)	116,190,498
Average for the year	(108,546,069)	108,546,069
Maximum for the year	(116,190,498)	116,190,498
Minimum for the year	(91,846,617)	91,846,617
Impact on net income from interests		
September 30, 2024	7,870,234	(7,870,234)
Average for the period	8,269,704	(8,269,704)
Maximum for the period	8,860,476	(8,860,476)
Minimum for the period	7,772,213	(7,772,213)
December 31, 2023	7,671,814	(7,671,814)
Average for the year	7,531,734	(7,531,734)
Maximum for the year	8,315,697	(8,315,697)
Minimum for the year	4,697,170	(4,697,170)

(1) According to the nature of the instruments on demand, the sensitivity of annual income and expenses to a decrease or increase in rates for currencies with rates below 1% is measured using a variation of 25 basis points.

(d) Operating Risk

The Bank has established a minimum framework for operational risk management within its companies, which is intended to provide general guidelines to ensure the identification, assessment, control, monitoring and reporting of operational risks and materialized events that may affect the organization with the objective of ensuring the proper management, mitigation or reduction of the managed risks and contributing to provide a reasonable assurance with respect to the achievement of organizational objectives.

The operational risk management model considers best practices issued by the Basel Committee on Banking Supervision and by COSO (Committee of Sponsoring Organizations of the Treadway Commission). In addition, it complies with the regulatory requirements of the region, which have been defined by the regulators of the countries where the Bank operates.

Taking the foregoing as a reference, operational risk is defined as the possibility that the events resulting from personnel, information technologies or inadequate or failed internal processes, or produced by external causes, generate negative impacts that go against the objectives. By its nature, it is present in all of the organization's activities.

The priority of the Bank is, therefore, identifying and managing the major risk factors, regardless of whether they can produce monetary losses. The measurement also contributes to the establishment of priorities in the management of operational risk.

(4) Risk Management, continued

The operational risk management system is properly documented in the Operational Risk Guideline and Manual. It is a continuous process with several stages:

- Measurement of the perspective of control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and review
- Registration and accounting of losses due to operational risk incidents

Additionally, the Bank has policies formally established for the management of information security, business continuity, fraud prevention and code of ethics that support the proper management of operational risks in the organization.

At the regional level and in all countries where the Bank operates, there is an operational risk management unit that monitors, advises and assesses the management conducted by the administration with regard to operational risks. In addition, there is a specialized Operational Risk Committee (OR Committee) to which we report and OR Management gives monitoring of business continuity management. The OR Committee reports to the Comprehensive Risk Management Committee, monitors management and ensures that identified operational risks are kept at accepted levels by the Bank.

Compliance with Bank standards is supported by a program of periodic reviews undertaken by Internal Audit, which reports the results to the Audit Committee.

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies

The Bank's management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

Determination of Control Over Investees:
Control indicators mentioned in Note 3 (a) are subject to management’s judgment and may have a significant effect on the Bank’s interests or participation in investment companies and separate vehicles.

- *Investment Entities and Separate Legal Vehicles*
  The Bank acts as an asset manager on behalf of third parties through investment companies and separate vehicles. When evaluating if the Bank controls those investment companies and vehicles, factors such as the following have been considered: the reach of its authority to make decisions on behalf of the investee, the rights maintained by third parties, the consideration vested in conformity with the compensation agreements and its exposure to return fluctuations. Accordingly, the Bank has concluded that it acts as investment agent for all cases; therefore, it does not consolidate these investment companies and separate vehicles.

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies, continued

Loan Impairment Losses

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the condensed statement of income, the Bank makes decisions as to whether observable information exists indicating that there is a measurable reduction in estimated future cash flows from a loan portfolio before such reduction may be identified with an individual loan in that portfolio. This evidence includes observable information indicating that an adverse change in the payment condition of borrowers in a group, national or local economic conditions that correlate with non-compliance instances in Bank's assets have occurred.

Fair Value of Financial Instruments

Fair value of financial instruments that are not quoted in active markets is determined using valuation techniques. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices.

To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates by management. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

Impairment of Investments at FVOCI

In debt instruments, impairment may be appropriate when there is evidence of impairment in the financial health of the issuer, industry or sector performance, changes in technology, and operational and financial cash flows.

Income Tax

The Bank uses the asset and liability method to record income tax. Under this method, the deferred tax assets and liabilities are recognized by the estimates of future tax consequences attributable to temporary differences between the amounts of assets and liabilities in the condensed financial statements and their respective tax bases and due to accumulated tax losses. The deferred tax assets and liabilities are valued using the enacted tax rates that are expected to be applied to the taxable income for the years in which they are expected to be recovered, or temporary differences are settled. The effect on deferred tax assets and liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

Management regularly assesses the realization of deferred tax assets for it recognition. Management evaluates whether it is more likely than not that a portion or all deferred tax assets are not realizable.

(6) Cash, Cash Equivalents and Deposits

Cash and cash equivalents are listed below for reconciliation purposes with the condensed statement of cash flow:

	September 30, 2024	September 30, 2023
Cash and cash equivalents	18,747,130	22,435,587
Deposits in banks and deposits due in less than 90 days	173,150,383	216,457,226
Cash and cash equivalents in the condensed consolidated statement of cash flow	191,897,513	238,892,813
Deposits in banks greater than 90 days and pledged	5,511,106	7,596,112
Total cash, cash equivalents and deposits in banks	197,408,619	246,488,925

(7) Investments in Securities

As of September 30, 2024, investments in securities amounted to $962,174,537 (December 31, 2023: $876,513,300) are summarized as follows:

(a) *Investments at FVTPL*

The portfolio of investments in securities at FVTPL is detailed as follows:

	September 30, 2024	December 31, 2023
Government bonds	7,001,514	8,293,127
Corporates bonds	0	72,784
Mutual funds	21,932,122	21,517,410
Equity	1,067,205	1,047,592
	30,000,841	30,930,913

(b) *Investment at FVOCI*

The portfolio of investments at FVOCI is detailed as follows:

	September 30, 2024	December 31, 2023
Governments:		
United States of America	307,012,151	332,908,509
Other Governments	430,353,877	316,118,527
	737,366,028	649,027,036
Corporate bonds	137,368,901	134,456,773
	874,734,929	783,483,809

As of September 30, 2024, they maintain operations of securities sold under a repurchase agreement for $240,211,000 (December 31, 2023: $37,184,410), which are guaranteed with investments in securities for a nominal value of $259,370,000 (December 31, 2023: $47,042,068).

(c) *Investments at AC*

The portfolio of investments to the AC is detailed as follows:

	September 30, 2024	December 31, 2023
Corporate bonds	57,438,767	62,098,578
	57,438,767	62,098,578

(8) Loans

The detail of the loan portfolio by product is presented below:

	September 30, 2024			December 31, 2023		
	Gross amount	Allowance for ECL	Net carrying amount	Gross amount	Allowance for ECL	Net carrying amount
Loans						
Corporate						
Corporate	1,880,216,640	(46,856,865)	1,833,359,775	1,825,066,434	(41,864,376)	1,783,202,058
Corporate leases, net (1)	7,472,065	(99,443)	7,372,622	6,678,610	(119,329)	6,559,281
Total corporate loans	1,887,688,705	(46,956,308)	1,840,732,397	1,831,745,044	(41,983,705)	1,789,761,339
Personal Banking and Small company						
Small company						
Small company	127,609,936	(3,876,850)	123,733,086	110,532,296	(1,895,949)	108,636,347
Small company leases, net (1)	108,404	(477)	107,927	113,870	(825)	113,045
Total Small company loans	127,718,340	(3,877,327)	123,841,013	110,646,166	(1,896,774)	108,749,392
Personal Banking						
Mortgage	808,040,523	(5,862,619)	802,177,904	818,772,381	(5,611,664)	813,160,717
Personals	532,463,567	(6,832,019)	525,631,548	502,576,722	(6,520,826)	496,055,896
Vehicles	339,262,945	(2,010,114)	337,252,831	317,309,389	(2,066,565)	315,242,824
Personal leases, net (1)	1,381,285	(3,774)	1,377,511	1,225,833	(3,480)	1,222,353
Credit Cards	75,112,465	(5,175,636)	69,936,829	59,434,376	(6,814,461)	52,619,915
Total Personal Banking	1,756,260,785	(19,884,162)	1,736,376,623	1,699,318,701	(21,016,996)	1,678,301,705
Total Personal Banking and Small company	1,883,979,125	(23,761,489)	1,860,217,636	1,809,964,867	(22,913,770)	1,787,051,097
Total loans at CA	3,771,667,830	(70,717,797)	3,700,950,033	3,641,709,911	(64,897,475)	3,576,812,436
(1) Total leases, net of interest	8,961,754	(103,694)	8,858,060	8,018,313	(123,634)	7,894,679

The following table presents the net value of finance leases receivable:

	September 30, 2024	December 31, 2023
Minimum lease payments receivable	11,235,916	9,748,233
Less: unearned interest	2,219,831	1,690,076
Minimum lease payments receivable, net	9,016,085	8,058,157
Less: allowance for loss in leases	103,694	123,634
Less: net deferred commissions	54,331	39,844
Net value of investment in finance leases	8,858,060	7,894,679

The following table summarizes the minimum lease payments receivable as of December 31, for each year ended:

Year ended:	September 30, 2024
2024	114,567
2025	717,927
2026	1,409,881
2027 onwards	6,773,710
	9,016,085

(9) Deposits from Customers

Deposits from customers are detailed below:

	September 30, 2024	December 31, 2023
Retail customers		
Demand	29,234,811	34,639,084
Savings	271,729,245	258,183,897
Time deposits	881,931,321	852,591,364
Corporate customers		
Demand	512,579,299	501,243,421
Savings	244,764,727	206,815,458
Time deposits	1,581,332,644	1,480,045,273
	3,521,572,047	3,333,518,497

(10) Financial Obligations

Financial obligations are detailed below:

	September 30, 2024		
	Interest rate	Maturity up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.5% a 7.75%	2024 a 2033	62,421,705
Floating rate	4.96% a 7.52%	2024 a 2028	414,952,466
Total financial obligations at amortized cost			477,374,171

	December 31, 2023		
	Interest rate	Maturity up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.50% to 6.00%	2024 to 2029	222,669,794
Floating rate	5.16% to 7.80%	2024 to 2028	467,660,391
Total financial obligations at amortized cost			690,330,185

The Bank has not defaulted on the payment of principal or interest of its financial obligations.

(11) Other Financial Obligations

The Bank has placed commercial bonds and securities, through the local and international Stock Exchange, which are detailed below:

	September 30, 2024		December 31, 2023	
	Interest rate	Carrying mount	Interest rate	Carrying mount
Payable in:				
US dollars	2.50% a 7.25%	365,400,491	2.50% a 7.75%	360,582,005
Total of other financial obligations		365,400,491		360,582,005

Serie	Interest rate	Due date	September 30, 2024	December 31, 2023
144A/Regulation S corporate bonds - February 2023 issue	7.75%	mar-28	300,000,000	300,000,000
Serie T - February 2020 issue	4.13%	feb-25	7,000,000	7,000,000
Serie W - April 2021 issue	2.50%	abr-24	0	2,000,000
Serie X – May 2021 issue	3.00%	may-26	4,000,000	4,000,000
Serie Y - June 2021 issue	3.00%	jun-26	2,000,000	2,000,000
Serie Z - August 2021 issue	2.50%	ago-24	0	3,000,000
Serie AA - September 2022 issue	4.00%	sep-24	0	2,500,000
			313,000,000	320,500,000
Related partie transactions			0	(2,500,000)
Accrued interest payable			3,766,667	9,584,722
Deferred commissions			(3,750,811)	(4,585,753)
Total corporate bonds			313,015,856	322,998,969

(11) Other Financial Obligations, continued

Subordinated Corporate Bonds Serie	Tasa de Interés	Due date	September 30, 2024	December 31, 2023
Series A - October 2022 Issue	7.25%	Oct -32	12,000,000	12,000,000
Series B - November 2022 Issue	7.25%	Nov-32	8,000,000	8,000,000
Series C - December 2022 issue	7.25%	Dec-32	8,000,000	8,000,000
Series C - February 2023 Issue	7.25%	Dec-32	1,000,000	1,000,000
Series C - February 2023 Issue	7.25%	Dec-32	1,000,000	1,000,000
Series D - December 2023 Issue	7.25%	Dec-33	3,250,000	3,250,000
Series D – January 2024 Issue	7.25%	Dec-33	1,500,000	0
Series D – February 2024 Issue	7.25%	Dec-33	3,250,000	0
			38,000,000	33,250,000
Accrued interest payable			122,444	105,326
Deferred commissions			(260,304)	(255,012)
Total subordinated bonds			37,862,140	33,100,314

Series	Issue Date	Expiration	Interest Rate	September 30, 2024	December 31, 2023
Series CF	21-Jun-24	20-Jun-25	6.00%	2,000,000	0
Series CE	27-May-24	27-May-25	6.00%	1,500,000	0
Series CD	13-May-24	13-May-25	6.00%	1,500,000	0
Series CC	14-jul-23	15-jul-24	5.75%	0	1,000,000
Series CB	8-feb-23	8-feb-24	5.50%	0	975,000
Series CA	3-feb-23	5-feb-24	5.50%	0	500,000
Series BX	19-jan-23	19-jan-24	5.00%	0	1,000,000
Series BW	12-Jan-23	12-jan-24	5.00%	0	1,000,000
				5,000,000	4,475,000
Accrued interest payable				13,151	11,114
Deferred commisions				(14,140)	(3,392)
Total negotiable commercial papers				4,999,011	4,482,722

The characteristics and guarantees for these issuances are described below:

December 2012 Issuance (placed in 2015, 2017, 2018, 2019, 2020 and 2021)
Public offering of the Corporate Bond Revolving Program for a value of up to $150,000,000 divided into $100,000,000 of Revolving Corporate Class A Bonds and $50,000,000 of Revolving Corporate Class B Bonds, authorized by the Superintendency of the Securities Market of Panama, through SMV Resolution No.436-12 of December 27, 2012 and by the Panamanian Stock Exchange.

Bonds are issued as nominative, revolving, registered, without coupons, and denominated in thousands of Balboas, in different series, with the maturity of Revolving Corporate Class A Bonds being determined by the "Issuer", whereas Corporate Class B Bonds will be issued for a 20-year term; however, after 15 years, they will be renewed automatically for additional 20-year terms each, from the date of maturity of the original 20-year term. Revolving Corporate Class A Bonds were issued during 2013, as Series A, B and C; during 2015; as Series D, E and F; during 2016 as Series G, H, I and J; during 2017 were issued as Series K, L, M, N and O, during 2018 were issued as Q and R, during 2019 were issued as Series S, and during 2020 were issued as Series T and U and for the year 2021 the Serie V, W, X, Y, Z and AA.
The annual interest rate of such Bonds may be fixed or variable at the Bank's discretion. For fixed rates, Bonds will earn an interest rate determined by the Issuer. For variable rates, Bonds will earn an annual interest rate equal to 3-month LIBOR plus a spread determined by the Issuer based on market demand.

(11) Other Financial Obligations, continued

Bond Issue October 2022

Public offering of the Rotating Program of Subordinated Corporate Bonds for a value of up to $100,000,000, authorized by the Superintendence of the Stock Market of Panama through Resolution SMV No.361-2022 of October 21, 2022 and by Latinex.

The Bonds are issued globally (but they can be issued individually at the request of a Registered Holder), nominative, revolving, registered and without coupons, in denominations of one thousand balboas and will be issued in as many series as the Issuer deems appropriate, according to its needs and market demand. During the period ended December 31, 2022, series A, B, C and D have been issued.

Bond Issuance June 2023

Multibank Inc. was authorized, according to Resolution No. SMV238-23 of June 16, 2023, of the Superintendence of the Securities Market of Panama, to offer through a public offering, Revolving Corporate Bond Program for a nominal value of up to $200,000,000.

Bond Issuance February 2023

During the month of February 2023, the Bank placed corporate bonds under the structure of 144A Reg(S) in the United States for a par value of $300,000,000 and a maturity date of February 3, 2028. Interest on the Notes will accrue at a rate of 7.75% per annum and will be paid semi-annually on February 3 and August 3 of each year, beginning August 3, 2023.

Negotiable Commercial Securities (VCN's)

Multibank, Inc. was authorized, according to Resolution No.405-17 of July 26, 2017 of the Superintendence of the Securities Market of Panama, to offer, through public offering, Negotiable Commercial Securities (VCN's) for a nominal value of up to $200,000,000 and with a maturity of up to one year from their respective date of issuance of each series. The VCNs will be issued in registered and couponless registered securities in denominations of one thousand dollars (US$1,000) or multiples. The VCNs of each series will accrue a fixed or variable annual interest rate, which will be determined by the Issuer prior to the Respective Offering Date. For each of the series, interest will be payable monthly on the fifteenth (15th) day of each month until its respective maturity date. The basis for the calculation of interest will be calendar days/365 for each of the series. The face value of each VCN will be paid in a single principal payment, on its respective maturity date. VCNs cannot be redeemed early.

During the period ended December 31, 2023, the BX, BW, BZ, CA, CB and CC series are issued and by 2024 the CD, CE and CF series.

The Bank has not defaulted on principal, interest or other contractual clauses in relation to its other financial obligations.

(12) Lease Liabilities

Leese liabilities are detailed below:

	September 30, 2024			
	Interest rate	**Maturities up to**	**Book value**	**Undiscounted cash flows**
Payable in US dollars	7.36%	2033	10,774,951	12,141,545
Total lease liabilities			10,774,951	12,141,545

	December 31, 2023			
	Interest rate	**Maturities up to**	**Book value**	**Undiscounted cash flows**
Payable in US dollars	7.36%	2033	11,397,438	12,860,479
Total lease liabilities			11,397,438	12,860,479

The following is the detail of the maturity of the undiscounted contractual cash flows related to lease liabilities:

	September 30, 2024	**December 31, 2023**
Less than a year	2,698,849	2,538,387
One to two years	2,673,444	2,538,387
Two to three years	2,620,885	2,494,073
Three to four years	2,563,878	2,459,228
Four to five years	958,185	2,375,760
More than five years	626,304	454,644
	12,141,545	12,860,479

The following are the items recognized in the condensed consolidated statement of income, related to lease liabilities.

	September 30, 2024	**September 31, 2023**
Interest on leases	616,333	692,451
Expense for leases with less than 12 months	443,588	542,126
Expense for leases of low-value assets	351,099	367,977
	1,411,020	1,602,554

(a) Real Estate Leases

The Bank leases buildings in which its administrative offices are located and branches. Office and branch lease agreements are typically running for a period of 2 to 10 years. Some lease agreements include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Extension Options

Termination and extension options are included in property leases estate. These clauses are used to maximize operational flexibility in terms of contract management. Most extension and termination options maintained are exercisable by the Bank and not by the respective lessor, with an advance notice of at least 30 days.

(13) Equity

	Number of Shares	
	September 30, 2024	December 31, 2023
Common shares:		
Authorized shares without par value	50,000,000	50,000,000
Issued and paid-in-shares:		
At beginning of the year	16,862,753	16,862,753
Total shares issued and outstanding shares, at the end of the period	16,862,753	16,862,753

As of September 30, 2024, the Bank's subsidiaries have capitalizations of retained earnings of $17,892,633 (December 31, 2023: $17,892,633), therefore, these, capitalized earnings are not available for dividend distributions.

Excess acquisition of stakes in subsidiaries
The following table summarises the excess paid in the acquisition of non-controlling interests in subsidiaries of the Group, generated by changes in the shares acquired in the following subsidiaries:

Entity	Acquisition Date	Acquired interest	Excess paid	
			September 30, 2024	December 31, 2023
MB Credito, S. A.	April 2014	25%	(152,873)	(152,873)
			(152,873)	(152,873)

(14) Net Gain (Loss) in Financial Instruments

Net gain (loss) in financial instruments, included in the condensed statement of income is summarized below:

	September 30, 2024	September 30, 2023
Net gain on sale of investments at FVTPL	132,724	15,487
Unrealized gain (loss) from securities at FVTPL	831,272	95,097
Net fair value gain (loss) on derivative financial instruments	0	(100,487)
	963,996	10,097

(15) Income Tax

The income tax expense is made up of:

	September 30, 2024	September 30 2023
Current tax	2,260,748	1,287,732
Deferred tax	(927,522)	1,317,201
	1,333,226	2,604,933

Income tax expense for the period ended September 30, 2024, was $1,333,226 (2023: $2,604,933), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	September 30, 2024	September, 30 2023
Calculation of "expected" income tax expense	1,832,304	1,667,991
Increase (decrease) in income tax as a result of		
Non-deductible expenses	20,173,668	23,183,098
Effect of tax losses on subsidiaries	0	1,785,062
Tax loss carryforwards	(688,842)	0
Foreign exempted and non-taxable income	(19,983,904)	(24,031,218)
Income tax	1,333,226	2,604,933

The temporary differences between the amounts of the condensed consolidated interim financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of September 30, 2024, are as follows:

	September 30, 2024					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	1,788	(200)	0	1,588	1,588	0
Allowances for loan losses	25,688,557	1,933,609	0	27,622,166	27,622,166	0
Reserve for loyalty rewards points	90,875	(54,838)	0	36,037	36,037	0
Reserve for legal Risk	0	99	0	99	99	0
Employee's benefit plan	232,285	(232,285)	0	0	0	0
Allowance for other accounts receivables	61,338	0	38,628	99,966	104,174	(4,208)
Properties revaluations	154,911	25,323	0	180,234	180,234	0
IFRS 16 leases	(580,657)	0	5,139	(575,518)	0	(575,518)
Investment properties	643,197	2,617	0	645,814	2,725,011	(2,079,197)
Off-balance sheet operations	(37,117)	0	0	(37,117)	0	(37,117)
Tax loss carry forward	106,212	(10,565)	0	95,647	95,647	0
Deferred tax asset (liability), net	2,377,560	(736,238)	0	1,641,322	1,641,322	0
Compensation of tax items	28,738,949	927,522	43,767	29,710,238	32,406,278	(2,696,040)
Total					(2,599,788)	2,599,788

	December 31, 2023					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,332	(544)	0	1,788	1,788	0
Allowances for loan losses	26,741,804	(1,053,247)	0	25,688,557	25,688,557	0
Reserve for loyalty rewards points	127,092	(36,217)	0	90,875	90,875	0
Reserve for legal Risk	511,372	(279,087)	0	232,285	232,285	0
Impairment of modified loans	(47,371)	0	108,709	61,338	64,696	(3,358)
Investments in local subsidiaries, by undistributed profits	(230,350)	230,350	0	0	0	0
Allowance for other accounts receivables	160,900	(5,989)	0	154,911	154,911	0
Properties revaluations	(375,509)	0	(205,148)	(580,657)	0	(580,657)
IFRS 16 leases	604,262	38,935	0	643,197	2,913,035	(2,269,838)
Investment properties	(36,617)	(500)	0	(37,117)	0	(37,117)
Off-balance sheet operations	90,737	15,475	0	106,212	106,212	0
Tax loss carry forward	2,530,699	(153,139)	0	2,377,560	2,377,560	0
Deferred tax asset (liability), net	30,079,351	(1,243,963)	(96,439)	28,738,949	31,629,919	(2,890,970)
Compensation of tax items					(2,792,362)	2,792,362
Total					28,837,557	(98,608)

(15) Income Tax, continued

The management presents the net deferred tax, which is derived from the taxes corresponding to the same jurisdiction, within the condensed consolidated statement of financial position.

Deferred taxes assets have not been recognized for $1,037,580 (December 31, 2023: $1,083,161) from accumulated tax losses of $3,398,218 (December 31, 2023: $3,398,218) and by portfolio reserve and other accounts receivable for $60,380, because there is not enough evidence that indicates that there will be sufficient future taxable income for the Bank to use the corresponding taxable benefits. These accumulated tax losses expire between 2024 and 2028.

As of September, 30 2024, the Bank has carry forward of net operating losses of $6,565,289 (December 31, 2023: $9,510,247), which are available to offset future taxable income of the subsidiaries as needed. Net operating losses begin to prescribe in 2028, based on annual percentages established by the country's regulation.

As of September 30, 2024, the Bank maintains an effective tax rate of 18.19% (September 30, 2023: 39.04%).

Tax losses accumulated by companies incorporated in Panama could be used for five years at a rate of 20% per year without exceeding 50% of the net taxable income and should not affect the estimated return.

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the furthest fiscal year subject to inspection: Costa Rica 2021 and Panama: 2020.

(16) Financial Instruments with Off-Balance Sheet Risk and Other Commitments

The Bank participated in 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, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the accompanying condensed financial position.

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

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. The commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

(16) Financial Instruments with Off-Balance Sheet Risk and Other Commitments, continued

The Bank generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Financial guarantees are used in various transactions to enhance the credit standing of the Bank's customers. They represent irrevocable assurances that the Bank will make payment in the event that the customer fails to fulfill its obligations to third parties.

The Bank uses the same credit policies in making commitments and conditional obligations as as those used when granting loans that are accounted for in the condensed statement of financial position. As of September 30, 2024, the outstanding amounts of letters of credit, financial guarantees and loan commitment letters are as follows:

	September 30, 2024	December 31, 2023
Stand-by letters of credit	127,343,325	127,220,538
Commercial letters of credit (1)	26,706,740	3,130,066
Financial guarantees	72,282,742	76,700,705
Loans commitments (disburement commitment letters)	56,427,038	60,665,560
	282,759,845	267,716,869

(1) Includes commercial and mortgage disbursement commitment letters.

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit, commercial guarantees and loan commitments as of September 30, 2024, are detailed as follows:

	September 30, 2024	December 31, 2023
Up to 1 year	212,889,551	241,264,407
Over to 1 year	43,163,554	23,322,396
	256,053,105	264,586,803

(16) Financial Instruments with Off-Balance Sheet Risk and Other Commitments, continued.

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other guarantees to cover for these guarantees issued. The assets held as collateral that the Bank can obtain and settle to collect all or part of the amounts paid under these guarantees as of September 30, 2024, amounted to $3,328,948 (December 31, 2023: $3,671,567).

(17) Disclosures on the Fair Value of Financial Instruments

The Bank established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability.

The judgments are developed by the Bank based on the best information available, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Bank believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

Recurrent Fair Value Measurement

The following is a description of the valuation methodologies used to value instruments carried at fair value, including a general classification of such instruments according to the fair value hierarchy.

Investment Securities

When there are market prices in an active market, investment securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid bonds from the government and agencies and investments in highly traded shares.

If market prices are not available for a specific security, the fair value is determined using market prices of securities with similar characteristics or discounted cash flows and are classified in Level 2. In certain cases where there is limited activity or less transparency in determining the assumptions used in the valuation, securities are classified in Level 3 of the fair value hierarchy.

Therefore, when valuing certain debt obligations, determining fair value may require comparisons with similar instruments or default and collection rate analysis.

(17) Disclosures on the Fair Value of Financial Instruments, continued

Assets and liabilities recorded at fair value on a recurring basis are summarized below:

	Level 1	Other significant observable Level 2	Significant unobservable Level 3	September 30, 2024
Assets				
Investments at FVTPL:				
Other governments	0	7,001,514	0	7,001,514
Corporates bonds	0	0	0	0
Mutual funds	0	2,635,931	19,296,191	21,932,122
Common stocks	0	441,277	625,928	1,067,205
Total investments at FVTPL	0	10,078,722	19,922,119	30,000,841
Investments at FVOCI:				
Governments:				
United States of America	255,929,214	51,082,937	0	307,012,151
Other governments	0	430,353,877	0	430,353,877
	255,929,214	481,436,814	0	737,366,028
Corporate bonds	393,893	136,975,008	0	137,368,901
Total investmets at FVOCI	256,323,107	618,411,822	0	874,734,929
Total Assets	256,323,107	628,490,544	19,922,119	904,735,770

	Level 1	Other significant observable Level 2	Significant unobservable Level 3	December 31, 2023
Assets				
Investments at FVTPL:				
Other governments	0	8,293,127	0	8,293,127
Corporates bonds	0	72,784	0	72,784
Mutual funds	0	2,602,620	18,914,790	21,517,410
Common stocks	0	453,495	594,097	1,047,592
Total investments at FVTPL	0	11,422,026	19,508,887	30,930,913
Investments at FVOCI:				
Governments:				
United States of America	279,777,472	53,131,037	0	332,908,509
Other governments	0	316,118,527	0	316,118,527
	279,777,472	369,249,564	0	649,027,036
Corporate bonds	381,248	134,075,525	0	134,456,773
Total investmets at FVOCI	280,158,720	503,325,089	0	783,483,809
Total Assets	280,158,720	514,747,115	19,508,887	814,414,722

The Bank's accounting policies include the recognition of transfers between the levels of the fair value hierarchy on the date of the event or change in the circumstances that caused the transfer.

The table below includes the movement of the figures in the condensed statement of financial position (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended September 30, 2024. When determining whether to classify a financial instrument in Level 3, the decision is based on the importance of unobservable inputs within the overall fair value measurement.

(17) Disclosures on the Fair Value of Financial Instruments, continued

	Investments	
September 30, 2024	Equity	Mutual funds
Assets		
Fair value at January 01, 2024	594,097	18,914,790
Valuation of investments at FVTPL	31,831	381,401
Fair value at September 30, 2024	625,928	19,296,191

	Investments	
December 31, 2023	Equity	Mutual funds
Assets		
Fair value at January 01, 2023	593,406	18,577,030
Valuation of investments at FVTPL	691	337,760
Fair value at December 31, 2023	594,097	18,914,790

The table below describes the valuation techniques and input data used in the financial instruments' recurring fair value measurements:

Financial instrument	Valuation technique and entry data used	Level
Corporate bonds and bonds issued by the government and agencies	Consensus prices obtained through price providers (Bloomberg). For part of these instruments discounted cash flows are applied using a market rate of an instrument with a similar remaining maturity. Market prices provided by price providers or local regulators, in less marketable markets. Discounted cash flows are used for various bonds using a rate of market for an instrument with a similar remaining maturity.	(2,3)
Equity	Discounted cash flows using a capital cost rate adjusted for premium for size.	(3)
Equity	Market prices provided by local stock exchanges.	(2)
Mutual funds and other stocks	Net Asset Value.	(2,3)
Embedded financial derivative instruments	Functional currency cash flows Foreign currency cash flows	(3)

Fair value of Financial Instruments, additional disclosures
A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approximate the fair value
Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the condensed statement of financial position, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans
To determine the fair value of the loan portfolio, the cash flows were discounted at a rate that reflects:

(17) Disclosures on the Fair Value of Financial Instruments, continued

a. Actual market rate, and
b. Future interest rate expectations, for a term that reflects the anticipated payments on the loan portfolio.

Deposits
To determine the fair value of these instruments, the cash flows were discounted at a rate that reflects:

a. Actual market rate, and
b. Future interest rate expectations, for the remaining term of these instruments.

Securities sold under repurchase agreements
There are no market price quotes for these instruments; therefore, their fair value is determined using discounted cash flow techniques. Cash flows are estimated based on the contractual terms, considering any incorporated derivative characteristic or other factors. Expected cash flows are discounted using market rates that approach the maturity of the instrument, as well as the nature and amount of the guarantee given or received.

Borrowings
The fair value is estimated based on current interest rates for debt with similar and adjusted maturities to reflect the credit rating of the Bank and its guarantees.

Other financial obligations
Fair value is estimated based on the market price quotes for the same issuance or similar issuances or on the current rates offered by the Bank for debts with the same terms, adjusted for credit quality.

The valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the condensed financial position are as follows:

September 30, 2024		Quantitative information of Level 3 fair values	
	Fair Value	Valuation technique	Unobservable assumptions
Equity	625,928	Quoted prices for similar instruments	Similar instruments quotes
Mutual funds	19,296,191	Quoted prices for similar instruments	Similar instruments quotes

December 31, 2023		Quantitative information of Level 3 fair values	
	Fair value	Valuation technique	Unobservable assumptions
Equity	594,097	Quoted prices for similar instruments	Similar instruments quotes
Mutual funds	18,914,790	Quoted prices for similar instruments	Similar instruments quotes

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

(17) Disclosures on the Fair Value of Financial Instruments, continued

September 30, 2024	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	18,747,130	18,747,130	18,747,130
Deposits in banks	0	178,661,489	178,661,489	178,661,489
Investments at AC	54,335,427	0	54,335,427	57,438,767
Loans, excluding financial leases	0	3,427,115,641	3,427,115,641	3,692,001,280
Acceptances outstanding	0	10,851,309	10,851,309	10,851,309
Total financial assets	54,335,427	3,635,375,569	3,689,710,996	3,957,699,975
Financial liabilities				
Deposits	1,027,667,963	2,533,377,061	3,561,045,024	3,521,572,047
Securities sold under repurchase agreements	0	241,389,443	241,389,443	241,389,443
Financial obligations	0	467,394,162	467,394,162	477,374,171
Other financial obligations	0	359,048,835	359,048,835	355,877,007
Acceptances outstanding	0	10,865,055	10,865,055	10,865,055
Total financial liabilities	1,027,667,963	3,612,074,556	4,639,742,519	4,607,077,723

December 31, 2023	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	24,735,176	24,735,176	24,735,176
Deposits in banks	0	159,169,952	159,169,952	159,169,952
Investments at AC	58,516,915	0	58,516,915	62,098,578
Loans, excluding financial leases	0	3,369,991,272	3,369,991,272	3,568,837,864
Acceptances outstanding	0	40,706,425	40,706,425	40,706,425
Total financial assets	58,516,915	3,594,602,825	3,653,119,740	3,855,547,995
Financial liabilities				
Deposits	1,000,881,860	2,434,381,694	3,435,263,554	3,333,518,497
Securities sold under repurchase agreements	0	37,565,243	37,565,243	37,565,243
Financial obligations	0	682,695,152	682,695,152	690,330,185
Other financial obligations	0	358,593,436	358,593,436	360,582,005
Acceptances outstanding	0	40,762,169	40,762,169	40,762,169
Total financial liabilities	1,000,881,860	3,553,997,694	4,554,879,554	4,462,758,099

(18) Trust Agreements Administration and Custody of Securities

As of September 30, 2024, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately $464,549,863 (December 31, 2023: $506,014,176).

The Bank maintains, within its portfolio of administered trust agreements, a total of $322,011,590 (December 31, 2023: $292,102,685), corresponding to investments of the Board of Directors of the Savings & Capitalization Pension System for Public Sector Employees (SIACAP). The administration of SIACAP was awarded to the Multibank/Multi Securities, through Service Contract No. 008-2017 published in the Official Gazette No.28379 of October 4, 2017. Some important clauses of this Contract establish the following:

- Operate as an investment manager of the resources of SIACAP members for a period of 5 years.
- Manage and invest the resources of affiliates according to Law No.27 of June 27, 1997, and Executive Decree No.32 of July 6, 1998.
- Deliver monthly investment reports to SIACAP.

As of September 30, 2024, the Administrator maintains a compliance bond in the amount of $3,500,000 (December 31, 2023: $3,000,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

(19) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. These transactions, according to the internal policies of the Bank are carried out at market conditions.

The following table shows the balances and transactions with related parties as of September 30, 2024:

	September 30, 2024		December 31, 2023	
	Key personnel And directors	Related Parties	Key personnel And directors	Related Parties
Assets				
Deposits due from banks	0	232,293	0	215,659
ECL deposits due from banks	0	3,000,000	0	3,000,000
Interest bearing deposits	0	(3,345)	0	(3,491)
Loans	2,441,622	0	2,933,465	9,635
Loans loss reserve	(22,783)	0	(18,674)	(1,239)
Accumulated interest receivable and other accounts receivable	2,035	51,529,421	2,143	52,837,819
	2,420,874	54,758,369	2,916,934	56,058,383
Liabilities:				
Demand deposits	993,240	201,574,993	1,025,363	202,696,120
Time deposits	895,177	41,165,000	1,970,027	46,014,500
Accumulated interest payable and other liabilities	13,125	482,645	9,810	498,661
	1,901,542	243,222,638	3,005,200	249,209,281

	September 30, 2024		September 30, 2023	
	Key personnel and directors	Related Parties	Key personnel and directors	Related Parties
Interest income and other income	723,514	463,979	68,322	196,224
Interest expense and other operating expenses	937,177	36,355,000	49,381	5,261,045
Key management personnel benefit	20,053	383,142	4,794,575	0

(20) Litigations

To the best of management's knowledge, the Bank is not involved in any litigation or claim that is likely to cause a significant adverse effect on its business, its consolidated financial position or its consolidated financial performance.

(21) Regulatory Aspects

Main Laws and Regulations applicable to banking operations in the Republic of Panama, regulated and supervised by the Superintendency of Banks of the Republic of Panama

The Bank's banking operations are subject to various regulatory requirements administered by the various regulators in which it operates or is licensed. Failure to comply with these regulatory requirements may give rise to certain mandatory actions, and possibly other discretionary actions, by regulators that, if assumed, may have a significant effect on the Bank's financial statements. Under the equity sufficiency guidelines and the regulatory framework for prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that contemplate quantitative measures of assets and certain elements outside the condensed statements of financial position, in accordance with regulatory accounting practices. The capital amounts of the Bank's banking operations and their classification are subject to qualitative judgments by regulators regarding their components, risk weights and other factors.

(21) Regulatory Aspects, continued

As of September 30, 2024, the Banking operations of the Bank meet all capital adequacy minimum requirements to which they are subject, which is of 8.00% and other regulatory requirements.

- *Director's Board General Resolution SBP-GJD-003-2013 issued by the Superintendency of July 9, 2013*.

  This Resolution establishes that in the event that the calculation of a provision or reserve in accordance with prudential rules applicable to banks, which present specific aspects in addition to those required by IFRS, is greater than the respective calculation determined under IFRS, the excess provision or reserve under prudential rules will be recognized within equity as a regulatory reserve.

- *Rule No. 4-2013 "By which provisions are established on the management and administration of credit risk inherent in the letter of credit and off-balance sheet transactions", issued by the Superintendency on May 28, 2013*.

  Among other aspects, this Rule defines the classification categories for credit facilities for specific and dynamic provisions, as well as the criteria of policies for restructured loans, acceptance of guarantees and write-off of operations. Specific impairment provisions of the loan portfolio should be determined and recognized in the financial statements according to the classification of credit facilities in the risk categories currently in use, according to certain weightings of calculations set out in the Rule and considering certain percentages of minimum provisions per category. Dynamic provisions, as a prudential regulatory criterion, will be determined and recognized quarterly as reserves, within equity following certain calculation criteria and restrictions that will be gradually applied.

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Rule No. 4-2013, as of September 30, 2024:

	30 de septiembre de 2024		31 de diciembre de 2023	
	Préstamos	Reservas	Préstamos	Reservas
Normal	3,031,540,329	0	2,881,159,262	0
Mención especial	247,958,646	11,376,019	270,152,548	12,286,786
Subnormal	226,223,493	20,908,313	274,359,309	26,630,892
Dudoso	122,298,421	29,680,158	81,716,485	19,562,232
Irrecuperable	80,826,918	47,411,512	68,939,023	44,897,792
Monto bruto	3,708,847,807	109,376,002	3,576,326,627	103,377,702

Rule No. 4-2013 defined past due loans as any credit facility with any unpaid amount for contractual principal, interest or fees, with an aging of more than 30 days up to 90 days, from the payment due date.

Rule No. 4-2013 defined non-performing loans as any credit facility which payments have remained past due for more than 90 days. This period shall be calculated from the date contractually set for payment. Operations with a lump-sum payment at maturity and overdrafts will become non - performing when the aging of defaulted payments exceeds 30 days from the date on which payment was required.

(21) Regulatory Aspects, continued

As of September 30, 2024, the classification of the amortized cost loan portfolio by maturity profile based on Rule No. 4-2013.

September 30, 2024

Past due	Non-performing loans	Total
47,793,332	126,576,640	174,369,972

December 31, 2023

Past due	Non-performing loans	Total
36,155,502	84,615,148	120,770,650

Based on Rule No. 8-2014, for regulatory purposes, suspension of accrual of interest income is based on days in arrears in payment of principal and/or interest and the type of credit transaction as follows:

a) For consumer and corporate loans; if payment is in arrears for more than 90 days; and
b) For residential mortgage loans, if payments is in arrears for more than 120 days.

Modified special mention category loans

As of November 1, 2022, Rule 12-2023 came into force, which repeals in all its parts Rule No. 2-2021 of June 11, 2021, and all its modifications and Rule No. 6-2021 of December 22, 2021 and all its modifications and which establishes the parameters and guidelines for the definitive restoration of the Modified Special Mention Category Loans to Rule No. 4-2013.

Article 1 of Rule No.11-2019 amends Article 27 of Rule No. 004-2013 as follows:

Article 27. Write-off of Operations: Each bank will write off all loans classified as unrecoverable within a period of no more than one year from the date on which it was classified in this category. The following loans shall be exempt from the application of this period:

- Mortgage loans, consumer loans with real estate guarantees and corporate loans with real estate guarantees, classified as risk mitigators in accordance with Article 42 of Rule No. 11-2019 and whose guarantee is found duly constituted in the Republic of Panama in favor of the Bank. In these cases, each bank will write off all loans classified as unrecoverable within a period of no more than two years, from the date on which it was classified in this category. The above provision may be extended only once for an additional year upon approval by the Superintendent.

(21) Regulatory Aspects, continued

- After the year of extension, if the Bank has not yet carried out the stated write off, it must create a reserve within the equity section, by appropriating retained earnings to which the loan value, net of regulatory credit loss reserve, will be charged, according to the percentages set out in the following table:

Type of Loans	Period	Applicable percentage
Mortgage loans and consumer loans with real estate guarantees	At the beginning of the first year after the extension (fourth year)	50%
	At the beginning of the second year after the extension (fifth year)	50%
Corporate loans with real estate guarantees	At the beginning of the third year	50%
	At the beginning of the fourth year	50%

As of September 30, 2024, the Bank established a capital reserve of $9,726,257 (December 31, 2023: $11,901,850), in compliance with Rule No. 11-2019.

As of September 30, 2024, in compliance with provisions indicated in articles 36 and 38 of Rule No. 4-2013, the Bank established a dynamic provision as an equity item that is assigned from retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but it does not replace or offset the requirements for the minimum capital adequacy percentage established by the Superintendency of Banks of Panama.

Rule No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor greater than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of September 30, 2024. These percentages represent the following amounts:

	September 30, 2024	December 31, 2023
1.25%	31,309,656	28,212,574
2.50%	62,619,312	56,425,147

The following table summarizes the balance constituted for dynamic provision by Multibank Inc. and Subsidiaries for each of the following subsidiaries:

	September 30, 2024	December 31, 2023
Multibank Inc.	56,425,147	56,425,147
	56,425,147	56,425,147

Resolution SBP-GJD-R-2023-01125, establishes the guidelines and parameters for the reinstatement of the dynamic provision provided for in Rule No. 4-2013.

(21) Regulatory Aspects, continued

Article 2 states that banks whose dynamic provision accounting balance is below 1.25% of their risk-weighted assets corresponding to the credit facilities classified in the “normal” category can take advantage of an adjustment period until September 30, 2024.

As for banks whose dynamic provision calculation is equal or higher than 1.25% of risk-weighted assets corresponding to the credit facilities classified in the “pass” category, and as of the enactment of this resolution, the accounting balance of the provision is below the required percentage, these banks may take advantage of a gradual adjustment period for the constitution of the corresponding dynamic provision, in accordance with the below table:

Gradual Adjustment Table

Quarter	Applicable Percentage
Quarter ending September 30, 2024	1.50%
Quarter ending September 30, 2024	1.75%
Quarter ending December 31, 2024	2.00%
Quarter ending March 31, 2025	2.25%
Quarter ending September 30, 2025	2.50%

Article 3 of this resolution states that banks whose dynamic provision accounting balance, as of the enactment of this resolution, exceeds 2.50% of the riskweighted assets corresponding to credit facilities classified in the “pass” category, can return any surplus up to 2.50% to undistributed profits.

- *Capital Management*

  Banking law in Panama states that general license banks must maintain a minimum paid-in or allocated minimum capital of $10 million; and a minimum capital adequacy rate of 8% of its risk-weighted assets, which should include off-balance sheet operations.

  Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets.

  Management considers that, as of September 30, 2024, the Bank meets all the financial adequacy requirements to which it is subject. The Bank presents its consolidated capital funds on its risk-weighted assets based on Rules No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

  Rule No.1-2015, which lays down capital adequacy rules for banks and banking groups, began to govern on 1 January 2016.

  Rule No.3-2016, which lays down rules for the determination of assets weighted by credit risks and counterparty risk, began to govern on 1 July 2016.

(21) Regulatory Aspects, continued

Rule No.2-2018, which lays down the provisions on liquidity risk management and the short-term liquidity hedging ratio, began to govern on January 1, 2020.

Rule No.11-2018, by which new provisions on Operational Risks are issued, began to govern on December 31, 2019.

Rule No. 9-2020, which establish additional, exceptional, and temporary measures are issued to comply with the provisions contained in Rule No. 4-2013, became effective on September 21, 2020.

Rule No. 1-2021, by means of which articles 5 and 7 of Rule No. 1-2015 are modified, which establishes the Capital Adequacy standards applicable to banks and Banking groups, came into force on March 23, 2021.

Rule No. 3-2022, by means of which article 2 of Rule No. 3-2016, which establishes rules for the determination of weighted assets for credit risk and counterparty risk, is modified, came into effect on April 19 of 2022.

Rule No. 8-2022, which modifies article 2 of Rule No. 3-2016 on assets weighted by credit risk and counterparty risk, came into force on August 2, 2022.

Resolution SBP-GJD-R-2023, which rescinds Resolution SBP-GJD-0005-2020 that established special and temporary considerations in relation to Article 2 of Agreement No. 3-2016 on risk-weighted assets.

(21) Regulatory Aspects, continued

The Bank presents consolidated capital funds on its weighted assets based on risks, in accordance with the requirements of the Superintendency of Banks of Panama, which are detailed below:

	September 30, 2024	December 31, 2023
Common Equity Tier 1 Capital		
Stockholders' equity	183,645,893	183,645,893
Excess paid in acquisition of non-controlling interests	(152,873)	(152,873)
Retained earnings	198,909,851	193,878,426
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Gain (loss) on securities at fair value through other comprehensive income and others	(46,687,171)	(75,391,307)
Employee benefits	(299,903)	(184,017)
Less: Reserve cash flow hedge deferred tax – tax los carryforward	(1,641,322)	(2,377,562)
Other intangible assets	(6,957,407)	(7,471,985)
Total Common Equity Tier 1 Capital	326,994,837	292,124,344
Tier 2 Capital		
Subordinated bonds	38,000,000	33,250,000
Total Tier 2 Capital	38,000,000	33,250,000
Dynamic Provision	56,425,147	56,425,147
Total Regulatory Capital Funds	421,419,984	381,799,491
Credit Risk Weighted Assets, Net of Deductions	3,196,545,959	2,882,813,257
Weighted Assets by Market Risk (Rule No. 03-2018)	0	0
Weighted Assets by Operational Risk (Rule No. 11-2018)	111,357,007	109,697,233
Total risk-weighted assets	3,307,902,966	2,992,510,490
Ratios:		
Capital Adequacy Ratio	12.74%	12.76%
Common Tier 1 Capital Ratio	9.89%	9.76%
Tier 1 Capital Ratio	9.89%	9.76%
Leverage Ratio	6.67%	6.25%

- *Capital Conservation Buffer*

  Through Agreement 05-2023 of October 10, 2023, which establishes the principles, general criteria and minimum procedures that banks must observe in the process of constitution and management of the capital conservation buffer.

  Banks must maintain a capital conservation buffer above the established minimum capital requirements.

  A capital conservation buffer of 2.5% of risk-weighted assets (credit, market and operating) must be established, consisting of ordinary primary capital and in addition to all the minimum regulatory capital requirements that are established.

(21) Regulatory Aspects, continued

In accordance with the guidelines established in this Agreement, the following table shows the capital adequacy ratio considering 2.5% of the conservation buffer:

Capital Conservation Index and Buffer (in Percentage)

	Ordinary Primary Capital	Total Primary Capital	Minimum Total (Regulatory) Capital
Minimal	4.5%	6.0%	8.0%
Conservation Mattress	2.5%		
Minimum Plus Conservation Mattress	7.0%	8.5%	10.5%

If, in the opinion of the Superintendency of Banks, the percentage of retained earnings is not sufficient to establish the capital conservation buffer at a reasonable pace, the Superintendency of Banks shall require the bank to provide a plan to obtain the capital increase necessary to comply with the Agreement.

This Agreement shall enter into force on 1 July 2024.

- *Liquidity Ratio*

  The percentage of the liquidity ratio reported by Multibank Inc. (Parent Bank) to the regulatory body, under the parameters of Rule No. 4-2008, as of September 30, 2024 was 42.55% (2023: 50.07%).

- *Foreclosed Assets*

  Rule No. 3-2009 issued by the Superintendency of Banks of Panama, through which the provisions on the foreclose of real estate are updated, sets the term of five (5) years for the sale of real estate acquired in lieu of unpaid loans.

  Foreclosed properties held for sale are recognized at the lower of the carrying amount of the unpaid loans or the estimated realizable value of the properties. The agreement establishes that the reserve for foreclosed properties, assigned from undistributed profits, progressively increases within a range of 10% for the first year of registration up to 90% in the fifth year of being foreclosed, through the establishment of an equity reserve. The progressive table for provision is presented below:

(21) Regulatory Aspects, continued

Years	Minimum percentage provision
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

As of September 30, 2024, the Bank constituted a reserve for foreclosed properties amounting to $7,114,954, (December 31, 2023: $4,434,772), as an equity item that is allocated from undistributed profits.

- *Regulation from the Republic of Costa Rica*
  A capital reserve must be created in compliance with article 143 of the Code of Commerce of Costa Rica, which requires allocation of 5% of liquid earnings for each business year, for constitution of a capital reserve, until this reserve becomes equivalent to 20% of the paid-in capital of each individual company.

- *Financial Companies Law*
  Financial companies in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.42 of July 23, 2001.

- *Finance Lease Laws*
  Leasing operations in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.7 of July 10, 1990.

- *Insurance and Reinsurance Laws*
  Insurance and reinsurance operations in Panama are regulated by the Superintendency of Insurance and Reinsurance of Panama pursuant to the regulations established by Insurance Law No.12 of April 3, 2012 and Reinsurance Law No.63 of September 19, 1996.

  Insurance Reserve
  Reserves for legal and catastrophic risks and/or contingencies and a provision for statistical deviations must be established in accordance with Article 213 of the Insurance Law of the Republic of Panama, which establishes that insurers in Panama are required to constitute and maintain in the country, a reserve fund equivalent to 20% of its net earnings before income tax, until the fund reaches two million dollars ($2,000,000) and, thereafter, 10% until reaching 50% of paid – in capital. As of September 30, 2024, it presents a reserve of $6,938,307 (December 31, 2023: $6,657,625).

(21) Regulatory Aspects, continued

- *Securities Law*

  Broker-dealer operations in Panama are regulated by the Superintendency of the Securities Market pursuant to the regulations established by Decree-Law No.1 of July 8, 1999, as amended by Law No. 67 of September 1, 2011.

  The operations of brokerage houses are currently in the process of being adapted to the Rule No. 4-2011, as amended in certain provisions by Rule No. 8-2013, issued by the Superintendency of the Securities Market, which provides that brokerage houses must comply with the capital adequacy rules and its models.

- *Trust Law*

  Trust operations are regulated in Panama by the Superintendency of Banks of Panama pursuant to the regulations established by Law No.1 of January 5, 1984, modified and partially rescinded by Law 21 of 2017, which establishes the standards for regulation and supervisory of the fiduciary and the trust business.