

**BAC INTERNATIONAL BANK, INC.  
AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Condensed Consolidated Interim  
Financial Statements**

As of March 31, 2024, and December 31, 2023 and for the three-month periods ended March 31, 2024 and 2023.

(With Independent Auditors' Report  
on review of Condensed Consolidated  
Interim Financial Statements)

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**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

Table of Contents

Independent Auditors' Report on review of Condensed Consolidated Interim Financial Statements

Condensed Consolidated Statement of Financial Position  
Condensed Consolidated Statement of Profit or Loss  
Condensed Consolidated Statement of Comprehensive Income  
Condensed Consolidated Statement of Changes in Equity  
Condensed Consolidated Statement of Cash Flows

Notes to the Condensed Consolidated Interim Financial Statements





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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the Board of Directors and Shareholders of  
BAC International Bank, Inc.

### **Report on the review of the condensed consolidated interim financial statements**

#### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of BAC International Bank, Inc and Subsidiaries (the "Bank") as of March 31, 2024 the condensed consolidated statements of profit and loss and comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

#### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review of condensed interim financial information consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of BAC International Bank, Inc and Subsidiaries as at March 31, 2024 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

## Other legal requests for information

In compliance with Law 280 of December 30, 2021, which regulates the profession of the certified public accountant in the Republic of Panama, we declare the following:

- That the management, execution and supervision of this review work has been carried out physically in Panamanian territory for those entities or business activities within the Group that carry out operations that are perfected, consumed or have effect within the Republic of Panama.
- The partner who prepared this report of the independent auditors is Ricardo A. Carvajal V.
- The work team that participated in the review referred to in this report is made up of Ricardo A. Carvajal V., Partner, and Pedro Coché, Senior Manager.

*KPMG*

Panama, Republic of Panama  
June 19, 2024

*Ricardo A. Carvajal V.*

Ricardo A. Carvajal V.  
Partner  
C.P.A. 4378

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Financial Position**

As of March 31, 2024

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>March 31, 2024 (Unaudited)</u>	<u>December 31, 2023</u>
Cash and cash equivalents		860,495,737	931,707,522
Securities purchased under resale agreements	4, 7	46,108,118	61,193,065
Deposits in banks:			
Demand		3,756,040,614	3,809,315,812
Time deposits		601,774,377	533,683,400
Allowance for impairment on deposits in banks		(70,618)	(85,973)
<b>Total deposits in banks, net</b>		<u>4,357,744,373</u>	<u>4,342,913,239</u>
<b>Total cash, cash equivalents and deposits in banks</b>	6	5,264,348,228	5,335,813,826
Investments in securities, net	4, 8	4,781,251,245	4,548,929,982
Loans:			
Loans granted		24,111,372,536	23,356,663,662
Accrued interest receivable		201,203,584	185,825,399
Unearned commissions		(68,096,733)	(64,023,709)
<b>Total loans</b>	4, 9	<u>24,244,479,387</u>	<u>23,478,465,352</u>
Allowance impairment for loan losses	4	(743,244,157)	(734,661,520)
<b>Loans, net</b>		<u>23,501,235,230</u>	<u>22,743,803,832</u>
Property and equipment, net		571,387,936	571,947,463
Acceptances outstanding		39,316,788	61,996,226
Other accounts receivable, net	4	519,400,070	594,677,078
Goodwill and intangible assets, net		415,958,087	413,833,555
Deferred income tax		48,780,046	51,014,984
Other assets		209,248,636	180,633,802
<b>Total assets</b>		<u><u>35,350,926,266</u></u>	<u><u>34,502,650,748</u></u>

*The unaudited condensed consolidated statement of financial position should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial statements.*

<b><u>Liabilities and Equity</u></b>	<b><u>Note</u></b>	<b>March 31, 2024 <u>(Unaudited)</u></b>	<b>December 31, 2023</b>
<b><u>Liabilities</u></b>			
Deposits from customers:			
Demand		10,164,910,274	9,883,922,827
Savings		6,238,081,309	6,214,269,103
Time deposits		10,261,114,394	9,917,991,462
<b>Total deposits from customers</b>	10	<u>26,664,105,977</u>	<u>26,016,183,392</u>
Securities sold under repurchase agreements		155,868,765	114,006,590
Financial obligations	11	2,458,073,835	2,443,136,750
Other financial obligations	12	1,476,808,794	1,365,943,096
Lease liabilities	13	117,651,876	119,512,038
Acceptances outstanding		39,316,788	61,996,226
Income tax payable		28,506,466	22,366,539
Deferred income tax		75,594,005	82,059,399
Other liabilities		864,895,469	923,721,921
<b>Total liabilities</b>		<u>31,880,821,975</u>	<u>31,148,925,951</u>
<b><u>Equity</u></b>			
Common stock	14	834,708,000	834,708,000
Additional paid in capital		140,897,488	140,897,488
Treasury stock		(5,218,370)	(5,218,370)
Retained earnings		2,419,690,394	2,393,292,250
Regulatory reserves		375,613,354	348,536,827
Other comprehensive losses		(295,857,914)	(358,751,532)
<b>Total stockholders' equity, excluding non-controlling interest</b>		<u>3,469,832,952</u>	<u>3,353,464,663</u>
Non-controlling interest		271,339	260,134
<b>Total equity</b>		<u>3,470,104,291</u>	<u>3,353,724,797</u>
<b>Total liabilities and equity</b>		<u>35,350,926,266</u>	<u>34,502,650,748</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Profit or Loss**

For the three-months period ended March 31, 2024 and 2023

(In U.S. dollars)

	<u>Note</u>	<u>March 31,</u> <u>2024</u>	<u>2023</u> <u>(Unaudited)</u>
<b>Interest income:</b>			
Deposits in banks		17,670,316	15,815,333
Investments in securities		72,831,529	58,913,438
Loans		642,527,893	534,909,648
<b>Total interest income</b>		<u>733,029,738</u>	<u>609,638,419</u>
<b>Interest expense:</b>			
Deposits from customers		182,165,716	144,182,013
Financial obligations		41,031,616	30,746,149
Other financial obligations		30,802,077	15,795,006
Securities sold under repurchase agreements		2,647,863	4,398,016
Lease liabilities	13	1,534,757	1,730,862
<b>Total interest expense</b>		<u>258,182,029</u>	<u>196,852,046</u>
<b>Net interest income</b>		<u>474,847,709</u>	<u>412,786,373</u>
<b>Credit risk impairment losses (recoveries):</b>			
Loans	4	108,837,410	80,139,355
Deposits in banks and investments in securities	4	2,949,121	(812,690)
Other accounts receivable	4	178,039	(1,267,804)
Total credit risk impairment loss, net		<u>111,964,570</u>	<u>78,058,861</u>
<b>Net interest income after credit risk impairment losses</b>		<u>362,883,139</u>	<u>334,727,512</u>
<b>Other income (expenses):</b>			
Gain on financial instruments, net	15	14,656,498	1,654,844
Service charges, net		148,871,258	139,321,461
Commissions and other fees income		258,102,259	227,099,795
Commissions and other fees expenses		(198,296,064)	(169,011,009)
Gain on foreign currency exchange, net		9,998,851	(43,091,799)
Impairment loss on assets held for sale		0	(233,043)
Other income		6,515,908	12,412,715
<b>Total other income, net</b>		<u>239,848,710</u>	<u>168,152,964</u>
<b>General and administrative expenses:</b>			
Salaries and employee benefits		171,908,323	153,848,014
Depreciation and amortization		32,622,587	31,607,021
Administrative		28,348,885	24,230,168
Occupancy and related expenses		8,383,237	8,046,710
Other expenses		157,072,073	140,479,319
<b>Total general and administrative expenses</b>		<u>398,335,105</u>	<u>358,211,232</u>
<b>Income before income tax</b>		204,396,744	144,669,244
Current income tax		(54,420,786)	(47,183,461)
Deferred income tax		3,607,573	2,055,330
<b>Net income</b>		<u>153,583,531</u>	<u>99,541,113</u>
<b>Net income attributable to:</b>			
Controlling interest		153,571,537	99,528,531
Non-controlling interest		11,994	12,582
		<u>153,583,531</u>	<u>99,541,113</u>

The unaudited condensed consolidated statement of profit and loss should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial statements.

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three-months period ended March 31, 2024 and 2023

(In U.S. dollars)

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	<u>2024</u>	<u>March 31,</u> <u>2023</u> <u>(Unaudited)</u>
Net income	<u>153,583,531</u>	<u>99,541,113</u>
<b>Other Comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Employee benefits plan - change in actuarial effect	(31)	0
Net change in foreign currency of common stocks	0	(78,603)
<b>Items that are or may be reclassified to profit or loss:</b>		
Foreign currency translation	58,156,811	118,806,476
Valuation of FVOCI securities:		
Net amount reclassified to profit or loss	(10,796,425)	307,191
Net change in fair value	<u>15,532,664</u>	<u>18,948,695</u>
<b>Total other comprehensive income</b>	<u>62,893,019</u>	<u>137,983,759</u>
<b>Total comprehensive income</b>	<u><u>216,476,550</u></u>	<u><u>237,524,872</u></u>
<b>Total comprehensive income attributable to:</b>		
Controlling interest	216,465,155	237,513,863
Non-controlling interest	<u>11,395</u>	<u>11,009</u>
	<u><u>216,476,550</u></u>	<u><u>237,524,872</u></u>

*The unaudited condensed consolidated statement of comprehensive income should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial statements.*



**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Changes in Equity**

For the three-months period ended March 31, 2024 and 2023

(In U.S. dollars)

	Attributable to the Bank's owners							Non-controlling interest	Total
	Common stock	Additional paid in capital	Treasury stocks	Retained earnings	Regulatory reserves	Other comprehensive income	Total controlling interest		
<b>Balance as of January 1, 2023</b>	834,708,000	140,897,488	(5,218,370)	2,346,577,551	259,511,063	(549,079,111)	3,027,396,621	273,006	3,027,669,627
Impact of IFRS 17 adoption, as of January 1, 2023	0	0	0	(2,834,733)	0	0	(2,834,733)	0	(2,834,733)
<b>Balance as of January 1, 2023</b>	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,343,742,818</u>	<u>259,511,063</u>	<u>(549,079,111)</u>	<u>3,024,561,888</u>	<u>273,006</u>	<u>3,024,834,894</u>
Net income	0	0	0	99,528,531	0	0	99,528,531	12,582	99,541,113
<b>Other comprehensive income:</b>									
Foreign currency translation	0	0	0	0	0	118,807,002	118,807,002	(526)	118,806,476
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	307,346	307,346	(155)	307,191
Net change in fair value	0	0	0	0	0	18,949,587	18,949,587	(892)	18,948,695
Net change in foreign currency of common stocks	0	0	0	0	0	(78,603)	(78,603)	0	(78,603)
Total other comprehensive income	0	0	0	0	0	137,985,332	137,985,332	(1,573)	137,983,759
Total comprehensive income	0	0	0	99,528,531	0	137,985,332	237,513,863	11,009	237,524,872
<b>Other changes in equity:</b>									
Regulatory reserves	0	0	0	1,265,580	(1,265,580)	0	0	0	0
<b>Transactions with the Bank's owners:</b>									
Complementary tax	0	0	0	116,000	0	0	116,000	0	116,000
<b>Contributions and distributions:</b>									
Dividends	0	0	0	(5,800,000)	0	0	(5,800,000)	(3,825)	(5,803,825)
Total transactions with the Bank's owners	0	0	0	(5,684,000)	0	0	(5,684,000)	(3,825)	(5,687,825)
<b>Balance as of March 31, 2023 (Unaudited)</b>	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,438,852,929</u>	<u>258,245,483</u>	<u>(411,093,779)</u>	<u>3,256,391,751</u>	<u>280,190</u>	<u>3,256,671,941</u>
<b>Balance as of January 1, 2024</b>	834,708,000	140,897,488	(5,218,370)	2,393,292,250	348,536,827	(358,751,532)	3,353,464,663	260,134	3,353,724,797
Net income	0	0	0	153,571,537	0	0	153,571,537	11,994	153,583,531
<b>Other comprehensive income:</b>									
Foreign currency translation	0	0	0	0	0	58,156,874	58,156,874	(63)	58,156,811
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	(10,796,433)	(10,796,433)	8	(10,796,425)
Net change in fair value	0	0	0	0	0	15,533,208	15,533,208	(544)	15,532,664
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(31)	(31)	0	(31)
Total other comprehensive income	0	0	0	0	0	62,893,618	62,893,618	(599)	62,893,019
Total comprehensive income	0	0	0	153,571,537	0	62,893,618	216,465,155	11,395	216,476,550
<b>Other changes in equity:</b>									
Regulatory reserves	0	0	0	(27,076,527)	27,076,527	0	0	0	0
<b>Transactions with the Bank's owners:</b>									
Complementary tax	0	0	0	903,134	0	0	903,134	0	903,134
<b>Contributions and distributions:</b>									
Dividends	0	0	0	(101,000,000)	0	0	(101,000,000)	(190)	(101,000,190)
Total transactions with the Bank's owners	0	0	0	(100,096,866)	0	0	(100,096,866)	(190)	(100,097,056)
<b>Balance as of March 31, 2024 (Unaudited)</b>	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,419,690,394</u>	<u>375,613,354</u>	<u>(295,857,914)</u>	<u>3,469,832,952</u>	<u>271,339</u>	<u>3,470,104,291</u>

The unaudited condensed consolidated statement of changes in equity should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial statements.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Cash Flows**

For the three-months period ended March 31, 2024 and 2023

(In U.S. dollars)

	<u>Note</u>	<u>2024</u>	<u>March 31,</u> <u>2023</u>
		<u>(Unaudited)</u>	
Cash flows from operating activities:			
Net Income		153,583,531	99,541,113
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		32,622,587	31,607,021
Credit risk impairment losses on loans	4	108,837,410	80,139,355
Credit risk impairment losses (recoveries) on deposits in banks and investments in securities	4	2,949,121	(812,690)
Credit risk impairment losses (recoveries) on other accounts receivable	4	178,039	(1,267,804)
Impairment loss on assets held for sale		0	233,043
Loss on undisbursed commitments		2,817,456	99,502
Net interest income		(474,847,709)	(412,786,373)
Gain on financial instruments, net	15	(14,656,498)	(1,654,844)
Net loss on sale and disposal of property and equipment		172,367	101,755
Net gain on sale of assets held for sale		(1,169,168)	(2,955,801)
Net loss on disposal of intangible assets		110,920	188
Dividends on equity securities		(1,391,808)	(90,747)
Income tax expense		50,813,213	45,128,131
<b>Changes in operating assets and liabilities:</b>			
Deposits with original maturities of 90 days or more		(1,620,691)	7,739,814
Investments in securities		9,545,557	632,961
Loans		(570,846,325)	40,700,741
Securities sold under agreements to repurchase		42,308,522	2,068,399
Other accounts receivable		90,756,260	138,676,096
Other assets		(25,634,196)	(9,400,372)
Deposits from costumers		323,096,133	(193,516,073)
Other liabilities		(105,913,021)	(143,429,350)
<b>Cash generated by operations:</b>			
Interest received		685,595,457	595,824,667
Interest paid		(255,147,754)	(188,466,795)
Dividends received		1,391,808	90,747
Income tax paid		(22,177,401)	(62,795,012)
<b>Net cash provided by operating activities</b>		<u>31,373,810</u>	<u>25,407,672</u>
Cash flows from investment activities:			
Proceeds from sale of investments in securities		231,740,309	74,554,809
Maturities and prepayments of investments in securities		1,326,378,322	1,185,886,870
Purchase of investments in securities		(1,732,855,125)	(1,468,410,185)
Purchase of property and equipment		(10,035,189)	(20,710,549)
Proceeds from sale of property and equipment		122,379	99,811
Acquisition of intangible assets		(6,681,692)	(7,621,091)
Proceeds from sale of assets held for sale		6,676,464	12,519,056
<b>Net cash used in investment activities</b>		<u>(184,654,532)</u>	<u>(223,681,279)</u>
Cash flows from financing activities:			
Proceeds from financial obligations		396,524,681	229,743,129
Payment of financial obligations		(393,169,642)	(450,666,344)
Proceeds from other financial obligations		85,612,492	33,463,051
Payment of lease liabilities		(7,874,037)	(7,500,586)
Paid dividends		(100,997,099)	(5,800,359)
<b>Net cash used in financing activities</b>		<u>(19,903,605)</u>	<u>(200,761,109)</u>
Effect of exchange rate fluctuations on cash held		99,988,427	222,406,901
Net decrease in cash and cash equivalents		(73,195,900)	(176,627,815)
Cash and cash equivalents at the beginning of the year		5,280,690,179	5,094,061,121
<b>Cash and cash equivalents at the end of the period</b>	6	<u>5,207,494,279</u>	<u>4,917,433,306</u>

*The unaudited condensed consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial statements.*

# **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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### **Table of Contents to the Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

- (1) Organization
- (2) Basis of preparation of the unaudited condensed consolidated interim financial statements
- (3) Material accounting policies
- (4) Risk management
- (5) Critical accounting estimates and judgments in the implementation of accounting policies
- (6) Cash, cash equivalents and deposits in banks
- (7) Securities purchased under resale agreements
- (8) Investments in securities
- (9) Loans
- (10) Deposits from customers
- (11) Financial obligations
- (12) Other financial obligations
- (13) Lease liabilities
- (14) Common stock
- (15) Gains on financial instruments
- (16) Income taxes
- (17) Off-Balance financial instruments with risk and other commitments
- (18) Disclosures on the fair value of financial instruments
- (19) Administration of trust contracts and securities custody
- (20) Related party transactions
- (21) Segments information
- (22) Litigations
- (23) Regulatory aspects
- (24) Subsequent events

# **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

March 31, 2024

(In U.S. dollars)

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### **(1) Organization**

BAC International Bank, Inc. ("the Parent Bank") was incorporated as a banking institution and bank holding company on August 25, 1995, in Panama City, Republic of Panama. The Parent Bank is owned in a 90.5339% by BAC International Corporation (BIC), 9.4622% by BAC Holding International Corp. (the "Parent Company") and 0.0039% by other shareholders. BIC is an indirect subsidiary of BAC Holding International Corp., a company listed on the Panama Stock Exchange ("Latinex") and the Colombian Stock Exchange ("BVC"). These unaudited condensed consolidated interim financial statements as of March 31, 2024, include the Bank and its subsidiaries, which together are referred to as the "Bank".

BAC International Bank, Inc. provides, directly and through its subsidiaries (direct and indirect), a wide variety of financial services to individuals and institutions in Central America: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, in accordance with the legislation established by Executive Decree No.52 of 30 April 2008, which adopts the sole text of Decree Law No.9 of 26 February 1998, as amended by Decree Law No.2 of 22 February 2008, establishing the banking system of the Republic of Panama and creating the Superintendency of Banks and the rules that govern it.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(1) Organization, continued**

The Parent Bank consolidates directly and indirectly with the following significant entities:

<u>Subsidiary</u>	<u>Core Business</u>	<u>Country</u>	<u>Total voting rights held by the Bank</u>
BAC Bahamas Bank Limited	Banking	Bahamas	100.0000%
BAC Valores (Panama) Inc.	Securities broker	Panama	100.0000%
Premier Assets Management Inc.	Mutual funds	Panama	100.0000%
BAC Latam SSC S.A.	Services	Costa Rica	100.0000%
BAC Latam Honduras, S.A.	Services	Honduras	100.0000%
Banco de America Central S.A.	Banking	Guatemala	99.9999%
Financiera de Capitales S.A.	Financial services	Guatemala	99.9996%
BAC Valores de Guatemala S.A.	Securities broker	Guatemala	99.9929%
BAC Bank Inc.	Inactive	Panama	100.0000%
Credomatic de Guatemala S.A.	Card Industry	Guatemala	99.9999%
Negocios y Transacciones Institucionales S.A.	Leasing	Guatemala	99.9958%
Banco de America Central Honduras S.A.	Banking	Honduras	99.9776%
Credomatic de Honduras S.A.	Card Industry	Honduras	99.9999%
Admin. de Fondos de Pensiones y Cesantias BAC Honduras	Mutual funds	Honduras	100.0000%
Inversiones Financieras Banco de America Central S.A.	Holding	El Salvador	99.9987%
Banco de America Central S.A.	Banking	El Salvador	99.9999%
Credomatic de El Salvador S.A.	Card Industry	El Salvador	99.9997%
Sistemas Internacionales S.A.	Holding	El Salvador	99.9948%
Viajes Credomatic El Salvador S.A.	Travel Agency	El Salvador	100.0000%
Corporacion Tenedora BAC COM S.A.	Holding	Nicaragua	99.9850%
Banco de America Central S.A.	Banking	Nicaragua	99.9999%
Almacenes Generales de Deposito BAC S.A.	Fiscal Warehouse	Nicaragua	99.9994%
Credito S.A.	Card Industry	Nicaragua	99.6631%
Corporacion de Inversiones Credomatic S.A.	Holding	Costa Rica	100.0000%
Corporacion Tenedora BAC Credomatic S.A.	Holding	Costa Rica	100.0000%
Banco BAC San Jose S.A.	Banking	Costa Rica	100.0000%
BAC San Jose Puesto de Bolsa S.A.	Securities broker	Costa Rica	100.0000%
BAC San Jose Leasing S.A.	Leasing	Costa Rica	100.0000%
BAC San Jose Soc. de Fondos de Inversion S.A.	Mutual funds	Costa Rica	100.0000%
BAC San Jose Pensiones S.A.	Mutual funds	Costa Rica	100.0000%
BAC Credomatic Corredora de Seguros S.A.	Insurance	Costa Rica	100.0000%
Coinca Corporation	Holding	British Virgin Islands	100.0000%
Comunicaciones Inalambricas de Centroamerica S.A de C.V.	Telematic services	El Salvador	100.0000%
Namutek S.A.	Telematic services	Costa Rica	100.0000%
Comunicaciones Inalambricas de Centroamerica S.A.	Telematic services	Nicaragua	97.0000%
Comunicaciones Inalambricas de Centroamerica S.A.	Telematic services	Honduras	100.0000%
COSIC, S.A.	Inactive	Guatemala	100.0000%
Agencia de Viajes Intertur S.A.	Travel Agency	Costa Rica	100.0000%
Credomatic of Florida, Inc.	Card Industry	United States of America	100.0000%
Red Land Bridge Reinsurance Ltd.	Reinsurance	Grand Cayman	100.0000%

**(2) Basis of preparation of the unaudited condensed consolidated interim financial statements**

**(a) Condensed consolidated interim financial statements**

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

- Power over the entity that gives the Bank the right 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 performs an annual reassessment of all its contractual relationships. No new entities are required to be consolidated as a result of this process, including structured entities.

## BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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**(2) Basis of preparation of the unaudited condensed consolidated interim financial statements, continued**

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

During the consolidation process, the Bank consolidates the assets, liabilities and profits or losses of the entities under control, previously aligning the accounting policies in all its subsidiaries. Such process includes the elimination of intragroup balances and transactions 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 intragroup transactions. 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) Basis of accounting**

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *"Interim Financial Reporting"* and should be read in conjunction with the last annual consolidated financial statements as at and for the year ended December 31, 2023 ("last annual consolidated financial statements"). The unaudited condensed consolidated interim financial statements do not include all the information required for a complete set of consolidated financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding the changes in the Bank's financial position and performance since the last annual consolidated financial statements.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Bank's Board of Directors on June 19, 2024.

**(c) Basis of measurement**

The condensed consolidated Interim financial statements have been prepared on a historical cost basis, except for the following accounts in the consolidated statement of financial position.

- Investments at fair value; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments on the date on which they are liquidated. Investments in securities are recorded when they are traded and loans at amortized cost when they are liquidated.

**(d) Functional and presentation currency**

Items included in the condensed consolidated interim financial statements of each entity of the Bank are determined using the currency of the primary economic environment in which each entity operates (functional currency).

## **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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#### **(2) Basis of preparation of the unaudited condensed consolidated interim financial statements, continued**

The Bank's condensed consolidated interim financial statements are presented in US dollars, the functional and presentation currency of the Bank's condensed consolidated interim financial statements.

##### *(e) Use of estimates and judgments*

Preparation of the condensed consolidated interim 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, liabilities, revenues and expenses. Final results may differ from these estimates. These also requires the Bank's management to apply its judgment when applying the Bank's accounting policies. The main judgments made by management in applying the Bank's accounting policies and the main sources of uncertainty in the estimates have been the same as those described in the last annual financial statements.

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

#### **(3) Material accounting policies**

The Bank has applied the policies to the condensed consolidated interim financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2023.

##### *(a) New IFRS Accounting Standards not yet adopted.*

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2024, and early application is permitted. The Bank has not adopted any of these new accounting standards or modifications early in the preparation of these condensed consolidated interim financial statements.

##### *(b) Non-material corrections*

Non-material amounts in the condensed consolidated interim financial statements as at March 31, 2023, have been corrected to be consistent with the presentation of the condensed consolidated interim financial statements as of March 31, 2024. The Bank applied non-material corrections to improve the presentation that have been included in the consolidated financial statements as of December 31, 2023, and condensed consolidated statements of profit or loss and cash flows for the period ended March 31, 2023.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(3) Material accounting policies, continued**

The following table shows a description of the non-material corrections identified:

	December 31, 2023		
	<u>Previously reported amount</u>	<u>Correction</u>	<u>Corrected Amount</u>
<b>Consolidated statement of financial position</b>			
Deposits in banks:			
Time deposits	533,682,534	866	533,683,400
Allowance for impairment on deposits in banks	(85,107)	(866)	(85,973)
Loans:			
Loans granted	23,368,747,987	(12,084,325)	23,356,663,662
Accrued interest receivable	173,741,074	12,084,325	185,825,399
	March 31, 2023		
	<u>Previously reported amount</u>	<u>Correction</u>	<u>Corrected Amount</u>
<b>Condensed consolidated statement of profit or loss</b>			
Other income (expenses):			
Services charges, net	133,487,928	5,833,533	139,321,461
Commissions and other fees expense	(165,182,796)	(3,828,213)	(169,011,009)
Gain on foreign currency exchange, net	(44,879,788)	1,787,989	(43,091,799)
Other income	20,670,836	(8,258,121)	12,412,715
General and administrative expense:			
Administrative	24,321,700	(91,532)	24,230,168
Other expense	144,852,599	(4,373,280)	140,479,319
<b>Condensed consolidated statement of cash flows</b>			
Other liabilities	(143,720,147)	290,797	(143,429,350)
Effect of exchange rate fluctuations on cash held	222,697,698	(290,797)	222,406,901
Cash and cash equivalents			
At the beginning of the year	5,133,228,501	(39,167,380)	5,094,061,121
At the end of the period	4,956,600,686	(39,167,380)	4,917,433,306

These corrections did not change the total assets, liabilities, equity or results of the respective period.

**(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.

***Classification of financial assets***

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



**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

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

	Designated FVPL – debt instruments	Designated FVPL - equity instruments	FVOCI - debt instruments	FVOCI - equity instruments	AC	Total
<b>March 31, 2024</b>						
Cash, cash equivalents and deposits in banks	0	0	0	0	5,264,348,228	5,264,348,228
Investments in securities, net	14,968,317	14,284,930	4,640,198,120	3,086,009	108,713,869	4,781,251,245
Loans, net	0	0	0	0	23,501,235,230	23,501,235,230
Other accounts receivable, net	0	0	0	0	519,400,070	519,400,070
<b>Total financial assets</b>	<u>14,968,317</u>	<u>14,284,930</u>	<u>4,640,198,120</u>	<u>3,086,009</u>	<u>29,393,697,397</u>	<u>34,066,234,773</u>
<b>December 31, 2023</b>						
Cash, cash equivalents and deposits in banks	0	0	0	0	5,335,813,826	5,335,813,826
Investments in securities, net	24,471,050	14,285,693	4,408,686,599	3,083,163	98,403,477	4,548,929,982
Loans, net	0	0	0	0	22,743,803,832	22,743,803,832
Other accounts receivable, net	0	0	0	0	594,677,078	594,677,078
<b>Total financial assets</b>	<u>24,471,050</u>	<u>14,285,693</u>	<u>4,408,686,599</u>	<u>3,083,163</u>	<u>28,772,698,213</u>	<u>33,223,224,718</u>

As of March 31, 2024 and December 31, 2023, all of the 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.

For the management of these risks, 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 comply 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.

The Bank, through its management standards and procedures, develops a disciplined and constructive control environment in which all employees understand their roles and obligations.

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.

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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### (4) Risk management, continued

#### *Information on the portfolio's quality*

##### *Quality of the portfolio of bank deposits and securities under resale agreements*

The Bank maintains deposits in banks for \$4,357,744,373 as of March 31, 2024 (December 31, 2023: \$4,342,913,239). Deposits are maintained at central banks and other financial institutions, most of which have A+ to B- risk ratings, (December 31, 2023: A+ to B- risk ratings) based on Standard & Poor's, Moody's, and/or Fitch Ratings. Of total deposits, excluding deposits in central banks, as of March 31, 2024, approximately \$9.3 million did not have a risk rating (December 31, 2023: \$11.3 million).

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

As of March 31, 2024, all securities under resale agreements and bank deposits are up to date on the payment of principal and interest.

##### *Quality of the investments in securities*

The Bank segregates the investment portfolio into investments at FVPL, investments at FVOCI, As of March 31, 2024, investments amounted to \$4,781,251,245 (December 31, 2023: \$4,548,929,982).

- Investments at FVPL

The credit quality of investments 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 debts investments at FVPL categories:

	March 31, <u>2024</u>	December 31, <u>2023</u>
Governments and agencies		
AA+	4,338,656	4,337,576
BB-	<u>10,629,661</u>	<u>20,133,474</u>
Total Governments and agencies	<u>14,968,317</u>	<u>24,471,050</u>
Total investments at FVPL	<u>14,968,317</u>	<u>24,471,050</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

• Investments at FVOCI

	March 31, 2024			December 2023		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>
<b>Governments and agencies</b>						
AA+	601,521,109	0	601,521,109	479,810,159	0	479,810,159
BBB	296,990,390	0	296,990,390	296,630,686	0	296,630,686
BB+ to B-	<u>3,266,770,085</u>	<u>0</u>	<u>3,266,770,085</u>	<u>3,189,424,962</u>	<u>0</u>	<u>3,189,424,962</u>
<b>Total governments and agencies</b>	<u>4,165,281,584</u>	<u>0</u>	<u>4,165,281,584</u>	<u>3,965,865,807</u>	<u>0</u>	<u>3,965,865,807</u>
<b>Corporate</b>						
AA	2,016,426	0	2,016,426	2,050,627	0	2,050,627
A	293,554	0	293,554	294,658	0	294,658
A-	119,528,679	0	119,528,679	102,978,816	0	102,978,816
BBB+	35,861,688	0	35,861,688	31,117,585	0	31,117,585
BBB	40,381,812	0	40,381,812	29,041,521	0	29,041,521
BBB-	60,398,606	0	60,398,606	43,698,038	0	43,698,038
BB+ to CCC+	216,435,771	0	216,435,771	232,631,433	0	232,631,433
No Qualification	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,008,114</u>	<u>0</u>	<u>1,008,114</u>
<b>Total corporate</b>	<u>474,916,536</u>	<u>0</u>	<u>474,916,536</u>	<u>442,820,792</u>	<u>0</u>	<u>442,820,792</u>
<b>Total</b>	<u>4,640,198,120</u>	<u>0</u>	<u>4,640,198,120</u>	<u>4,408,686,599</u>	<u>0</u>	<u>4,408,686,599</u>
<b>Allowance for ECL</b>	<u>9,076,311</u>	<u>0</u>	<u>9,076,311</u>	<u>6,107,894</u>	<u>0</u>	<u>6,107,894</u>

As of March 31, 2024, and December 31, 2023, investments at FVOCI are current and do not reflect impairment.

• Investments at AC

The following table summarizes the investments at AC categories:

	March 31, 2024			December 31, 2023		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at AC</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at AC</u>
<b>Governments and Agencies</b>						
BB+ to BB-	69,618,115	0	69,618,115	68,673,874	0	68,673,874
<b>Total Governments and Agencies</b>	<u>69,618,115</u>	<u>0</u>	<u>69,618,115</u>	<u>68,673,874</u>	<u>0</u>	<u>68,673,874</u>
<b>Corporate</b>						
BB+ to B+	39,095,754	0	39,095,754	6,476,893	0	6,476,893
No Qualification	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,252,710</u>	<u>0</u>	<u>23,252,710</u>
<b>Total Corporate</b>	<u>39,095,754</u>	<u>0</u>	<u>39,095,754</u>	<u>29,729,603</u>	<u>0</u>	<u>29,729,603</u>
<b>Total</b>	<u>108,713,869</u>	<u>0</u>	<u>108,713,869</u>	<u>98,403,477</u>	<u>0</u>	<u>98,403,477</u>
<b>Allowance for ECL</b>	<u>207,022</u>	<u>0</u>	<u>207,022</u>	<u>185,768</u>	<u>0</u>	<u>185,768</u>

*Quality of the loans portfolio*

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

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

The following table presents the loans portfolio and the debts commitments and guarantee according to its risk category, in accordance with the grading used for each stated term:

March 31, 2024	Loans			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
<b>Corporate</b>				
Satisfactory	9,412,751,636	11,983,727	0	9,424,735,363
Special mention	0	279,088,353	0	279,088,353
Sub-standard	0	0	124,099,032	124,099,032
Doubtful	0	0	33,183,764	33,183,764
Loss	0	0	44,335,508	44,335,508
<b>Gross amount</b>	<u>9,412,751,636</u>	<u>291,072,080</u>	<u>201,618,304</u>	<u>9,905,442,020</u>
Allowance for ECL	<u>(21,856,381)</u>	<u>(17,027,349)</u>	<u>(85,224,533)</u>	<u>(124,108,263)</u>
<b>Net amount</b>	<u>9,390,895,255</u>	<u>274,044,731</u>	<u>116,393,771</u>	<u>9,781,333,757</u>
<b>Small company</b>				
Satisfactory	1,129,315,683	57,817,605	0	1,187,133,288
Special mention	2,426,183	36,557,543	0	38,983,726
Sub-standard	0	0	4,589,503	4,589,503
Doubtful	0	0	6,617,749	6,617,749
Loss	0	0	4,316,358	4,316,358
<b>Gross amount</b>	<u>1,131,741,866</u>	<u>94,375,148</u>	<u>15,523,610</u>	<u>1,241,640,624</u>
Allowance for ECL	<u>(3,081,357)</u>	<u>(6,415,538)</u>	<u>(5,641,652)</u>	<u>(15,138,547)</u>
<b>Net amount</b>	<u>1,128,660,509</u>	<u>87,959,610</u>	<u>9,881,958</u>	<u>1,226,502,077</u>
<b>Mortgage</b>				
Satisfactory	3,282,491,078	138,244,638	0	3,420,735,716
Special mention	12,568,035	315,478,998	0	328,047,033
Sub-standard	0	0	113,709,863	113,709,863
Doubtful	0	0	34,629,474	34,629,474
Loss	0	0	28,137,438	28,137,438
<b>Gross amount</b>	<u>3,295,059,113</u>	<u>453,723,636</u>	<u>176,476,775</u>	<u>3,925,259,524</u>
Allowance for ECL	<u>(10,208,839)</u>	<u>(34,209,251)</u>	<u>(21,009,848)</u>	<u>(65,427,938)</u>
<b>Net amount</b>	<u>3,284,850,274</u>	<u>419,514,385</u>	<u>155,466,927</u>	<u>3,859,831,586</u>
<b>Personal Banking</b>				
Satisfactory	2,183,928,458	59,394,723	1,566,875	2,244,890,056
Special mention	1,120,528	81,442,836	1,182,451	83,745,815
Sub-standard	0	0	30,789,577	30,789,577
Doubtful	0	0	18,243,191	18,243,191
Loss	0	0	6,747,449	6,747,449
<b>Gross amount</b>	<u>2,185,048,986</u>	<u>140,837,559</u>	<u>58,529,543</u>	<u>2,384,416,088</u>
Allowance for ECL	<u>(50,107,891)</u>	<u>(24,274,365)</u>	<u>(29,987,959)</u>	<u>(104,370,215)</u>
<b>Net amount</b>	<u>2,134,941,095</u>	<u>116,563,194</u>	<u>28,541,584</u>	<u>2,280,045,873</u>
<b>Vehicles</b>				
Satisfactory	1,295,641,165	31,274,521	0	1,326,915,686
Special mention	2,910,311	67,769,915	0	70,680,226
Sub-standard	0	0	9,985,131	9,985,131
Doubtful	0	0	4,048,014	4,048,014
Loss	0	0	1,158,619	1,158,619
<b>Gross amount</b>	<u>1,298,551,476</u>	<u>99,044,436</u>	<u>15,191,764</u>	<u>1,412,787,676</u>
Allowance for ECL	<u>(2,677,801)</u>	<u>(3,415,008)</u>	<u>(2,968,694)</u>	<u>(9,061,503)</u>
<b>Net amount</b>	<u>1,295,873,675</u>	<u>95,629,428</u>	<u>12,223,070</u>	<u>1,403,726,173</u>
<b>Credit card</b>				
Satisfactory	4,475,627,181	260,588,052	3,854,783	4,740,070,016
Special mention	5,181,920	344,121,463	70,720,960	420,024,343
Sub-standard	0	0	14,002,388	14,002,388
Doubtful	204,649	70,789,204	13,750,498	84,744,351
Loss	0	0	116,092,357	116,092,357
<b>Gross amount</b>	<u>4,481,013,750</u>	<u>675,498,719</u>	<u>218,420,986</u>	<u>5,374,933,455</u>
Allowance for ECL	<u>(110,767,470)</u>	<u>(174,318,464)</u>	<u>(140,051,757)</u>	<u>(425,137,691)</u>
<b>Net amount</b>	<u>4,370,246,280</u>	<u>501,180,255</u>	<u>78,369,229</u>	<u>4,949,795,764</u>
<b>Net carrying amount of loans</b>	<u>21,605,467,088</u>	<u>1,494,891,603</u>	<u>400,876,539</u>	<u>23,501,235,230</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

<u>December 31, 2023</u>	<b>Loans</b>			<b>Total</b>
	<b>12 months ECL</b>	<b>Lifetime ECL - credit unimpaired</b>	<b>Lifetime ECL - credit impaired</b>	
<b>Corporate</b>				
Satisfactory	8,931,595,052	7,901,110	0	8,939,496,162
Special mention	0	281,447,989	0	281,447,989
Sub-standard	0	0	153,169,312	153,169,312
Doubtful	0	0	34,053,014	34,053,014
Loss	0	0	49,892,995	49,892,995
<b>Gross amount</b>	<u>8,931,595,052</u>	<u>289,349,099</u>	<u>237,115,321</u>	<u>9,458,059,472</u>
Allowance for ECL	<u>(20,470,447)</u>	<u>(17,667,195)</u>	<u>(90,976,218)</u>	<u>(129,113,860)</u>
<b>Net amount</b>	8,911,124,605	271,681,904	146,139,103	9,328,945,612
<b>Small company</b>				
Satisfactory	1,088,985,430	55,361,304	0	1,144,346,734
Special mention	3,474,964	36,772,837	0	40,247,801
Sub-standard	0	0	4,544,133	4,544,133
Doubtful	0	0	6,387,300	6,387,300
Loss	0	0	4,531,551	4,531,551
<b>Gross amount</b>	<u>1,092,460,394</u>	<u>92,134,141</u>	<u>15,462,984</u>	<u>1,200,057,519</u>
Allowance for ECL	<u>(3,096,450)</u>	<u>(6,281,727)</u>	<u>(5,086,478)</u>	<u>(14,464,655)</u>
<b>Net amount</b>	1,089,363,944	85,852,414	10,376,506	1,185,592,864
<b>Mortgage</b>				
Satisfactory	3,250,000,975	138,966,692	27,457	3,388,995,124
Special mention	14,754,134	314,088,213	18,708	328,861,055
Sub-standard	0	0	112,892,423	112,892,423
Doubtful	0	0	37,709,387	37,709,387
Loss	0	0	25,456,139	25,456,139
<b>Gross amount</b>	<u>3,264,755,109</u>	<u>453,054,905</u>	<u>176,104,114</u>	<u>3,893,914,128</u>
Allowance for ECL	<u>(10,434,402)</u>	<u>(35,078,389)</u>	<u>(21,507,065)</u>	<u>(67,019,856)</u>
<b>Net amount</b>	3,254,320,707	417,976,516	154,597,049	3,826,894,272
<b>Personal banking</b>				
Satisfactory	2,150,448,998	60,763,665	1,287,713	2,212,500,376
Special mention	697,951	73,365,452	1,100,420	75,163,823
Sub-standard	0	0	35,683,652	35,683,652
Doubtful	0	0	15,464,346	15,464,346
Loss	0	0	7,927,735	7,927,735
<b>Gross amount</b>	<u>2,151,146,949</u>	<u>134,129,117</u>	<u>61,463,866</u>	<u>2,346,739,932</u>
Allowance for ECL	<u>(48,475,060)</u>	<u>(21,045,517)</u>	<u>(32,733,695)</u>	<u>(102,254,272)</u>
<b>Net amount</b>	2,102,671,889	113,083,600	28,730,171	2,244,485,660
<b>Vehicles</b>				
Satisfactory	1,233,905,860	38,034,555	0	1,271,940,415
Special mention	1,338,013	70,419,935	0	71,757,948
Sub-standard	0	0	11,699,891	11,699,891
Doubtful	0	0	2,638,911	2,638,911
Loss	0	0	1,379,098	1,379,098
<b>Gross amount</b>	<u>1,235,243,873</u>	<u>108,454,490</u>	<u>15,717,900</u>	<u>1,359,416,263</u>
Allowance for ECL	<u>(2,558,961)</u>	<u>(3,538,038)</u>	<u>(3,158,142)</u>	<u>(9,255,141)</u>
<b>Net amount</b>	1,232,684,912	104,916,452	12,559,758	1,350,161,122
<b>Credit card</b>				
Satisfactory	3,566,801,897	1,046,036,465	3,144,214	4,615,982,576
Special mention	63,018,165	272,543,108	69,177,694	404,738,967
Sub-standard	0	0	13,372,735	13,372,735
Doubtful	682,024	59,130,543	12,612,821	72,425,388
Loss	0	0	113,758,372	113,758,372
<b>Gross amount</b>	<u>3,630,502,086</u>	<u>1,377,710,116</u>	<u>212,065,836</u>	<u>5,220,278,038</u>
Allowance for ECL	<u>(115,848,755)</u>	<u>(138,862,864)</u>	<u>(138,862,864)</u>	<u>(412,553,736)</u>
<b>Net amount</b>	<u>3,514,653,331</u>	<u>1,219,867,999</u>	<u>73,202,972</u>	<u>4,807,724,302</u>
<b>Net carrying amount of loans</b>	<u>20,104,819,388</u>	<u>2,213,378,885</u>	<u>425,605,559</u>	<u>22,743,803,832</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

The following table presents the loans portfolio and the debts commitments and guarantee according to its risk category, in accordance with the classification used for each year indicated:

<u>March 31, 2024</u>	<u>Credit commitments and guarantees</u>			<u>Total</u>
	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	
<b>Corporate</b>				
Satisfactory	606,494,691	0	0	606,494,691
Special mention	0	819,979	0	819,979
Sub-standard	0	0	13,287	13,287
Doubtful	0	0	0	0
Loss	0	0	946,510	946,510
<b>Gross amount</b>	<u>606,494,691</u>	<u>819,979</u>	<u>959,797</u>	<u>608,274,467</u>
Allowance for ECL	<u>(138,581)</u>	<u>(4,457)</u>	<u>(952,517)</u>	<u>(1,095,555)</u>
<b>Net amount</b>	<u>606,356,110</u>	<u>815,522</u>	<u>7,280</u>	<u>607,178,912</u>
<b>Small company</b>				
Satisfactory				
Special mention	5,524,289	0	0	5,524,289
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
<b>Gross amount</b>	<u>0</u>	<u>0</u>	<u>278,943</u>	<u>278,943</u>
Allowance for ECL	<u>5,524,289</u>	<u>0</u>	<u>278,943</u>	<u>5,803,232</u>
<b>Net amount</b>	<u>(1,681)</u>	<u>0</u>	<u>(278,943)</u>	<u>(280,624)</u>
	<u>5,522,608</u>	<u>0</u>	<u>0</u>	<u>5,522,608</u>
<b>Mortgage</b>				
Satisfactory	60,110,518	0	0	60,110,518
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
<b>Gross amount</b>	<u>60,110,518</u>	<u>0</u>	<u>0</u>	<u>60,110,518</u>
Allowance for ECL	<u>(5,981)</u>	<u>0</u>	<u>0</u>	<u>(5,981)</u>
<b>Net amount</b>	<u>60,104,537</u>	<u>0</u>	<u>0</u>	<u>60,104,537</u>
<b>Net carrying amount, net of reserve</b>	<u>671,983,255</u>	<u>815,522</u>	<u>7,280</u>	<u>672,806,057</u>

<u>December 31, 2023</u>	<u>Credit commitments and guarantees</u>			<u>Total</u>
	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	
<b>Corporate</b>				
Satisfactory	579,452,628	0	0	579,452,628
Special mention	0	1,926,978	0	1,926,978
Sub-standard	0	0	16,016	16,016
Doubtful	0	0	0	0
Loss	0	0	941,724	941,724
<b>Gross amount</b>	<u>579,452,628</u>	<u>1,926,978</u>	<u>957,740</u>	<u>582,337,346</u>
Allowance for ECL	<u>(129,775)</u>	<u>(10,126)</u>	<u>(948,828)</u>	<u>(1,088,729)</u>
<b>Net amount</b>	<u>579,322,853</u>	<u>1,916,852</u>	<u>8,912</u>	<u>581,248,617</u>
<b>Small company</b>				
Satisfactory	5,800,157	0	0	5,800,157
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	268,207	268,207
<b>Gross amount</b>	<u>5,800,157</u>	<u>0</u>	<u>268,207</u>	<u>6,068,364</u>
Allowance for ECL	<u>(3,153)</u>	<u>0</u>	<u>(268,207)</u>	<u>(271,360)</u>
<b>Net amount</b>	<u>5,797,004</u>	<u>0</u>	<u>0</u>	<u>5,797,004</u>
<b>Mortgage</b>				
Satisfactory	55,797,681	0	0	55,797,681
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
<b>Gross amount</b>	<u>55,797,681</u>	<u>0</u>	<u>0</u>	<u>55,797,681</u>
Allowance for ECL	<u>(5,579)</u>	<u>0</u>	<u>0</u>	<u>(5,579)</u>
<b>Net amount</b>	<u>55,792,102</u>	<u>0</u>	<u>0</u>	<u>55,792,102</u>
<b>Net carrying amount, net of reserve</b>	<u>640,911,959</u>	<u>1,916,852</u>	<u>8,912</u>	<u>642,837,723</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(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.

	March 31, 2024					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	46,108,118	0	46,108,118
Investments in securities	0	0	0	0	4,763,880,306	4,763,880,306
<b>Loans</b>						
<b>Corporate</b>						
Corporate	4,094,754,929	818,035,988	250,281,036	0	4,443,668,585	9,606,740,538
Corporate leases, net	0	298,701,482	0	0	0	298,701,482
<b>Total corporate</b>	4,094,754,929	1,116,737,470	250,281,036	0	4,443,668,585	9,905,442,020
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company	536,378,958	53,682,106	22,946,634	0	496,369,896	1,109,377,594
Small company leases, net	0	132,263,030	0	0	0	132,263,030
<b>Total Small company</b>	536,378,958	185,945,136	22,946,634	0	496,369,896	1,241,640,624
<b>Personal Banking</b>						
Mortgage	3,925,259,524	0	0	0	0	3,925,259,524
Personal	446,801,904	251,172	30,577,474	0	1,906,785,538	2,384,416,088
Vehicles	0	1,266,762,609	0	0	0	1,266,762,609
Personal leases, net of interest	0	146,025,067	0	0	0	146,025,067
Credit cards	0	0	0	0	5,374,933,455	5,374,933,455
<b>Total Personal Banking</b>	4,372,061,428	1,413,038,848	30,577,474	0	7,281,718,993	13,097,396,743
<b>Total Personal Banking and Small company</b>	4,908,440,386	1,598,983,984	53,524,108	0	7,778,088,889	14,339,037,367
Allowance for ECL	(140,907,792)	(19,111,961)	(2,792,257)	0	(580,432,147)	(743,244,157)
<b>Total loans</b>	8,862,287,523	2,696,609,493	301,012,887	0	11,641,325,327	23,501,235,230
Commitments and guarantees, gross	93,623,241	3,781,522	66,870,926	2,579,674	507,332,854	674,188,217
Commitments and guarantees, provision	(15,211)	(1,817)	(10,411)	(122)	(1,354,599)	(1,382,160)
<b>Total commitments and guarantees, net</b>	93,608,030	3,779,705	66,860,515	2,579,552	505,978,255	672,806,057

  

	December 31, 2023					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	61,193,065	0	61,193,065
Investments in securities	0	0	0	0	4,531,561,126	4,531,561,126
<b>Loans</b>						
<b>Corporate</b>						
Corporate	4,105,838,071	737,132,560	195,318,960	0	4,134,287,989	9,172,577,580
Corporate leases, net	0	285,481,892	0	0	0	285,481,892
<b>Total corporate</b>	4,105,838,071	1,022,614,452	195,318,960	0	4,134,287,989	9,458,059,472
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company	532,659,753	64,520,345	23,240,096	0	452,154,962	1,072,575,156
Small company leases, net	0	127,482,363	0	0	0	127,482,363
<b>Total Small company</b>	532,659,753	192,002,708	23,240,096	0	452,154,962	1,200,057,519
<b>Personal Banking</b>						
Mortgage	3,893,914,128	0	0	0	0	3,893,914,128
Personal	440,137,444	245,643	29,519,835	0	1,876,837,010	2,346,739,932
Vehicles	0	1,223,289,541	0	0	0	1,223,289,541
Personal leases, net of interest	0	136,126,722	0	0	0	136,126,722
Credit cards	0	0	0	0	5,220,278,038	5,220,278,038
<b>Total Personal Banking</b>	4,334,051,572	1,359,661,906	29,519,835	0	7,097,115,048	12,820,348,361
<b>Total Personal Banking and Small company</b>	4,866,711,325	1,551,664,614	52,759,931	0	7,549,270,010	14,020,405,880
Allowance for ECL	(146,438,497)	(20,131,783)	(1,145,841)	0	(566,945,399)	(734,661,520)
<b>Total loans</b>	8,826,110,899	2,554,147,283	246,933,050	0	11,116,612,600	22,743,803,832
Commitments and guarantees, gross	86,378,987	1,594,251	52,087,826	3,478,455	500,663,872	644,203,391
Commitments and guarantees, provision	(14,326)	(189)	(4,509)	(200)	(1,346,444)	(1,365,668)
<b>Commitments and guarantees, net</b>	86,364,661	1,594,062	52,083,317	3,478,255	499,317,428	642,837,723

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

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

	March 31, 2024		December 31, 2023	
	Loans	Covered amount	Loans	Covered amount
<b>Corporates</b>				
Stage 1 and 2	3,914,166,837	3,801,626,202	3,918,528,006	3,801,626,202
Stage 3	<u>140,126,101</u>	<u>139,088,312</u>	<u>173,049,248</u>	<u>172,172,085</u>
Total	<u>4,054,292,938</u>	<u>3,940,714,514</u>	<u>4,091,577,254</u>	<u>3,973,798,287</u>

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

	March 31, 2024	December 31, 2023
Properties	5,031,904	15,453,610
Furniture and equipment	<u>716,683</u>	<u>4,903,981</u>
Total	<u>5,748,587</u>	<u>20,357,591</u>

The Bank's policy is to perform the sale of these assets to cover the balances due. Using non-financial assets for its operations is not a Bank policy.

***Residential mortgage loans***

The following table shows the index of loans from the mortgage portfolio to the value of collaterals LTV is calculated as a percentage of the gross amount of the loan in relation to the value of collaterals. The gross amount of the loan excludes any loss impairment. The value of collaterals for mortgages is based on the original value of the guarantee as of the date of disbursement. The corresponding values are updated based on requirements of local regulators, new disbursements with the same guarantee, credit restructuring or judicial processes that involve execution.

LTV Ratio	March 31, 2024		December 31, 2023	
	Loans	Credit and guarantee commitments	Loans	Credit and guarantee commitments
Less than 50%	801,134,407	3,130,959	797,244,140	2,872,169
51-70%	1,306,668,622	7,028,038	1,296,290,312	5,704,427
71-80%	1,232,250,420	9,708,112	1,239,894,430	13,464,312
81-90%	466,863,643	16,017,818	447,890,396	13,593,618
91-100%	103,116,252	23,855,210	96,648,840	19,492,274
More than 100%	<u>15,226,180</u>	<u>370,381</u>	<u>15,946,010</u>	<u>670,881</u>
Total	<u>3,925,259,524</u>	<u>60,110,518</u>	<u>3,893,914,128</u>	<u>55,797,681</u>

***Impaired loans***

LTV Ratio	March 31, 2024	December 31, 2023
Less than 50%	26,402,682	26,288,223
51-70%	47,974,704	47,806,512
71-80%	55,784,725	54,388,281
81-90%	35,371,859	35,283,501
91-100%	7,987,825	9,526,468
More than 100%	<u>2,954,980</u>	<u>2,811,129</u>
Total	<u>176,476,775</u>	<u>176,104,114</u>



**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

***ECL allowance***

***Projection of future conditions***

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

External sector:

External risk	Upside	Central	Downside
<p><b>Slowdown of commercial partners:</b> Less dynamism is expected in developed economies; important trading partners for the region.</p>	<p>Monetary policies are effective in controlling inflation and moderation is achieved without generating considerable distortions on economies at a global level.</p>	<p>Economic growth is affected by the declining interest rate cycle. Developed economies are slowing but growth remains positive.</p>	<p>Economic growth is significantly by policies to contain inflation. It results in significant levels of unemployment and negative growth in several quarters of the year in developed countries.</p>
<p><b>Global financial volatility:</b> As a result of the geopolitical and climatic shocks of recent months, greater volatility has been inserted into raw materials markets. This represents a risk to monitor that can bias inflationary risks to the upside for the region.</p>	<p>The contractionary interest rate cycle eases as inflation returns to its usual levels. The issue of geopolitical conflicts does not escalate and there are no climate shocks that could generate price disruptions. Inflationary cycle concludes successfully without obstacles.</p>	<p>Geopolitical conflicts continue, but do not escalate to major consequences, having a slight impact on commodity markets that is not significant to enough to trigger production prices and inflationary pressures. Inflationary cycle comes to a moderate end.</p>	<p>Climatic events continue to hit the region and this is compounded by the escalation of geopolitical conflicts and tensions that trigger a series of sanctions and events that drive up commodity prices. This represents a challenge to contain inflation and rate should remain at contractionary levels for longer than expected. Inflationary cycle does not conclude successfully and remains the main issue in the economic spectrum.</p>

The scenarios for each country are detailed below:

Scenario	Scenarios synthesis	Upside	Central	Downside
Guatemala	<p>1. Moderately lower growth is expected relative to the previous iteration due to the peso shift. A decline relative to previous years' growth as global economic activity cools.</p> <p>Inflation expectations show a downward moderation, in line with the expectation of lower imported inflation due to lower inflationary pressures in international markets, as reflected in the recent behavior of the indicator in the last few months.</p>	<p>Guatemala has shown stability in financial variables, inflation close to the target range, the banking system remains strong and has high levels of international reserves to mitigate external shocks; These characteristics are considered to enhance the possibility of an optimistic scenario, with a very high impact.</p>	<p>Economic growth slows but remains positive. Macroeconomic conditions remain stable and inflationary pressures ease so that inflation moderates in the short term. In the medium term, elections of authorities are anticipated, which may increase risks related to governance and social conditions.</p>	<p>In the medium term, markets are discount more flexible financial conditions with respect to downward adjustments in the monetary policy rates of the main economies, but this has not yet materialized, and there are concerns about the extension of the contractionary period for longer than anticipated in relevant economies such as the US.</p>
Honduras	<p>1. Inflation is expected to moderate in 2023 and 2024, however, it is currently at high levels in most consumption categories and considering that the BCH adjusted its monetary policy rate, the base scenario is expected to remain at the upper threshold of the target (+-4%)</p> <p>2. A devaluation of the lempira is expected, pressured by external conditions, an increase in international interest rates and a deterioration in the terms of trade.</p>	<p>It is considered that the country has improved in aspects of governance with respect to the beginning of the current government's term. This panorama has benefited the relationship between the different actors in society, such as companies, government and individuals.</p>	<p>Economy loses dynamism but remains in positive territory. Fiscal indicators improve considerably and inflation moderates. Currency convertibility with the dollar remains a risk, and there are medium-term risks related to country risk profile and external investors' distrust.</p>	<p>Although, in the medium term, markets are expecting more flexible financial conditions regarding downward adjustments in the monetary policy rates in the main economies, this has not yet materialized and there are concerns that the contractionary period may be extended for longer than anticipated in relevant economies such as the US.</p>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

Scenario	Scenarios synthesis	Upside	Central	Downside
El Salvador	<p>1. The growth perspective was maintained, based on the growth forecast by multilateral references for 2023 and 2024. Even so, a of relatively low weighted growth scenario is maintained due to the pessimistic weight, which contemplates an increase in financial vulnerability that decreases growth and remains close to potential economic growth at full employment (around 2%).</p> <p>2. The outlook for more moderate inflation levels was maintained. It is expected to trend gradually downward in line with US inflation.</p>	<p>The performance and resilience shown by its relevant trading partners, such as the US, helps to support growth and maintain an optimistic outlook. However, lower growth is expected when compared to the previous quarter.</p>	<p>Economic growth slows and financial volatility continues. In addition, there will be uncertainty due to national elections and disagreements between the Government and the IMF.</p>	<p>Access to external financing is highly conditioned by the entities, and the level of country risk and risk rating, so the cost of international financing is prohibitive due to the level of rates. The perspective remains as a counterweight for El Salvador.</p>
Nicaragua	<p>1. Growth scenarios were maintained. The expectation is that growth will remain close to 3%. This remains fairly in line with multilateral forecasts.</p> <p>2. In inflation, the forecast magnitude of the previous iteration was maintained, due to the relaxation of external pressures on inflation. Even so, it remains a risk to be monitored because it is the country in the region with the highest current inflation levels and the risk of potential effects of the El Niño phenomenon.</p>	<p>Nicaragua is expected to benefit from an improved global economic growth outlook. Despite the projected economic slowdown for its trading partners, Nicaragua maintains positive indicators for the external sector, such as high levels of international remittances receipts approaching historic highs.</p>	<p>Democratic deterioration continues and the economy loses dynamism compared to previous years. Good performance in terms of fiscal discipline is maintained. Emigration continues to grow, generating an increasing dependence of the country on the flow of incoming remittances.</p>	<p>Nicaragua's international financial conditions remain in place due to international isolation, which may result in fewer available sources of financing.</p>
Costa Rica	<p>1. Growth prospects improved slightly, in line with cuts in the Monetary Policy Rate, dynamism in free trade zones, tourism and investment and factors that may be beneficial for investment such, as recent improvements in the country's risk rating.</p> <p>2. Inflation returned to a very low level quickly due to the increase in rates by the BCCR. This decrease was greater (in magnitude) than anticipated, even showing negative inflation readings in recent months.</p>	<p>External demand is expected to weaken due to the slowdown in major trading partners such as the US. and that the BAC countries are expected to be less favored in terms of exports and tourist arrivals, given the outlook of slower economic growth worldwide.</p>	<p>Economy showed resilience in difficult financial conditions. In the short term, financial conditions are expected to relax, hand in hand with lower inflation, which opens room for even more growth. Fiscal discipline is maintained, and the agreements stipulated with the IMF are complied with, which favors lower debt/GDP than in the previous year. Changes in the portfolio composition of institutional investors pressure the exchange rate upwards, causing a moderate depreciation of the currency.</p>	<p>It was changed from unlikely to probable due to the effects of the El Niño phenomenon in line with other countries and a low impact due to the resilience that the country has historically exhibited in the face of adverse environmental events.</p>
Panama	<p>1. GDP growth is expected to be high, close to its potential growth level of 5%.</p> <p>2. In relation to the previous iteration, the inflation outlook remains at similar levels, hovering around 2% inflation levels. The existence of short-term risks due to climatic effects related to the El Niño phenomenon, especially considering that around 40% of energy generation in Panama comes from hydroelectric sources.</p>	<p>The country has shown considerable stability in the social and political sphere, so the outlook remains optimistic for the future and the impact was modified from medium to high. This remains a factor subject to change for the next iteration due to the recent strikes that took place in the country after the Government closed a deal with a Canadian mining company.</p>	<p>Economic growth slows as a result of weather shocks affecting flow in the canal and mining output. Growth remains positive and it is one of the fastest growing countries in the region. Conditions of macroeconomic stability and a significant moderation in inflationary pressures are expected. There are perceived risks in the medium term on the fiscal level.</p>	<p>The risk is tilted towards a pessimistic scenario due to the health of the financial system, which was affected with the effect of the elimination of the payment arrangements law. In addition, it is important to consider that, being a dollarized country, it is at the mercy of what happens in international markets (especially in the U.S.).</p>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

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

March 31, 2024						
Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
Upside	30%	15%	5%	10%	30%	20%
Central	50%	55%	55%	65%	65%	65%
Downside	20%	30%	40%	25%	5%	15%

  

December 31, 2023						
Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
Upside	30%	15%	5%	10%	30%	25%
Central	50%	55%	55%	65%	65%	65%
Downside	20%	30%	40%	25%	5%	10%

Periodically, the Bank carries out stress testing 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.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

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

		March 31, 2024					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Annual rate of change in economic growth, expressed as a percentage	Upside	4.66	3.79	2.83	4.21	3.92	4.98
	Central	3.77	3.46	1.99	3.20	3.42	3.96
	Downside	2.06	2.34	1.78	2.29	2.67	2.82
Year-on-year rate of change of inflation, expressed as a percentage	Upside	2.84	4.62	1.63	3.94	2.45	2.10
	Central	4.11	4.83	2.29	4.34	2.53	2.34
	Downside	5.57	5.78	2.62	5.01	4.17	3.15
Nominal exchange rate of change, expressed as a percentage	Upside	(0.01)	2.76	-	0.20	2.48	-
	Central	1.92	3.68	-	0.49	3.30	-
	Downside	3.22	5.64	-	1.72	4.31	-
Annual difference in the local currency lending rate measured in basis points	Upside	(0.17)	(0.01)	-	(0.54)	(1.14)	-
	Central	(0.13)	0.42	-	0.51	(0.73)	-
	Downside	0.71	0.77	-	1.23	0.77	-
Annual difference in foreign currency lending rate measured in basis points	Upside	0.10	0.04	0.54	0.01	(0.07)	0.00
	Central	0.15	0.34	0.73	0.32	0.00	0.23
	Downside	0.93	1.56	1.26	0.95	0.56	0.83

		December 31, 2023					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Annual rate of change in economic growth, expressed as a percentage	Upside	4.66	3.79	2.83	4.21	3.92	5.16
	Central	3.77	3.46	1.99	3.20	3.42	4.87
	Downside	2.06	2.34	1.78	2.29	2.67	3.55
Year-on-year rate of change of inflation, expressed as a percentage	Upside	2.84	4.62	1.63	3.94	2.45	1.71
	Central	4.11	4.83	2.29	4.34	2.53	1.94
	Downside	5.57	5.78	2.62	5.01	4.17	3.41
Nominal exchange rate of change, expressed as a percentage	Upside	(0.01)	2.76	-	0.20	2.48	-
	Central	1.92	3.68	-	0.49	3.30	-
	Downside	3.22	5.64	-	1.72	4.31	-
Annual difference in the local currency lending rate measured in basis points	Upside	(0.17)	(0.01)	-	(0.54)	(1.14)	-
	Central	(0.13)	0.42	-	0.51	(0.73)	-
	Downside	0.71	0.77	-	1.23	0.77	-
Annual difference in foreign currency lending rate measured in basis points	Upside	0.10	0.04	0.54	0.01	(0.07)	(0.01)
	Central	0.15	0.34	0.73	0.32	0.00	0.17
	Downside	0.93	1.56	1.26	0.95	0.56	0.88

***Sensitivity of ECL to future economic conditions***

The ECL are 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 assets.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

The table below shows the loss allowance on loans assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios, shown in note 3 (c).

<u>March 31, 2024</u>	<u>Upside</u>	<u>Central</u>	<u>Downside</u>
<b>Book Value</b>			
Corporate	9,905,442,020	9,905,442,020	9,905,442,020
Small company	1,241,640,624	1,241,640,624	1,241,640,624
Mortgage	3,925,259,524	3,925,259,524	3,925,259,524
Personal banking	2,384,416,088	2,384,416,088	2,384,416,088
Vehicles	1,412,787,676	1,412,787,676	1,412,787,676
Credit card	<u>5,374,933,455</u>	<u>5,374,933,455</u>	<u>5,374,933,455</u>
	<u>24,244,479,387</u>	<u>24,244,479,387</u>	<u>24,244,479,387</u>
<b>ECL Allowance</b>			
Corporate	121,785,457	124,081,700	128,602,921
Small company	14,702,078	15,197,781	16,537,892
Mortgage	63,490,026	65,908,098	68,593,607
Personal banking	99,394,946	104,151,139	110,669,384
Vehicles	8,554,077	9,180,834	9,946,237
Credit card	<u>423,782,180</u>	<u>424,915,682</u>	<u>426,090,504</u>
	<u>731,708,764</u>	<u>743,435,234</u>	<u>760,440,545</u>
<b>Proportion of assets in Stage 2</b>			
Corporate	2.92%	2.92%	2.92%
Small company	7.38%	7.45%	7.74%
Mortgage	11.06%	11.23%	11.30%
Personal banking	5.55%	5.78%	6.79%
Vehicles	6.56%	6.90%	7.22%
Credit card	<u>12.20%</u>	<u>12.31%</u>	<u>13.82%</u>
	7.00%	7.09%	7.57%
<u>December 31, 2023</u>	<u>Upside</u>	<u>Central</u>	<u>Downside</u>
<b>Book Value</b>			
Corporate	9,458,059,472	9,458,059,472	9,458,059,472
Small company	1,200,057,519	1,200,057,519	1,200,057,519
Mortgage	3,893,914,128	3,893,914,128	3,893,914,128
Personal banking	2,346,739,932	2,346,739,932	2,346,739,932
Vehicles	1,359,416,263	1,359,416,263	1,359,416,263
Credit card	<u>5,220,278,038</u>	<u>5,220,278,038</u>	<u>5,220,278,038</u>
	<u>23,478,465,352</u>	<u>23,478,465,352</u>	<u>23,478,465,352</u>
<b>ECL Allowance</b>			
Corporate	126,568,400	128,737,894	133,242,517
Small company	14,058,095	14,545,626	15,849,220
Mortgage	65,078,503	67,519,317	70,288,178
Personal banking	97,818,947	102,060,833	108,189,210
Vehicles	8,775,910	9,377,179	10,150,568
Credit card	<u>398,497,954</u>	<u>413,544,346</u>	<u>427,825,912</u>
	<u>710,797,809</u>	<u>735,785,195</u>	<u>765,545,605</u>
<b>Proportion of assets in Stage 2</b>			
Corporate	3.04%	3.04%	3.04%
Small company	7.53%	7.58%	7.83%
Mortgage	11.14%	11.29%	11.35%
Personal banking	5.39%	5.57%	6.53%
Vehicles	7.57%	7.84%	8.14%
Credit card	<u>25.76%</u>	<u>26.19%</u>	<u>26.20%</u>
	10.16%	10.32%	10.45%

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of March 31, 2024 and December, 2023, of the financial assets' ECL allowance.

	March 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
<b>Deposits in Banks</b>								
Balance on January 1	85,968	0	0	85,968	141,799	0	0	141,799
Net remeasurement of loss allowance	(17,585)	0	0	(17,585)	(97,100)	0	0	(97,100)
New financial assets originated	2,305	0	0	2,305	41,192	0	0	41,192
Foreign currency translation	(70)	0	0	(70)	77	0	0	77
<b>Balance at period end</b>	<u>70,618</u>	<u>0</u>	<u>0</u>	<u>70,618</u>	<u>85,968</u>	<u>0</u>	<u>0</u>	<u>85,968</u>
<b>Investments at FVOCI</b>								
Balance on January 1	6,107,894	0	0	6,107,894	20,818,098	0	0	20,818,098
Net remeasurement of loss allowance	(1,884,021)	0	0	(1,884,021)	(18,631,596)	0	0	(18,631,596)
New financial assets originated	4,827,178	0	0	4,827,178	4,653,396	0	0	4,653,396
Foreign currency translation	25,260	0	0	25,260	(732,004)	0	0	(732,004)
<b>Balance at period end</b>	<u>9,076,311</u>	<u>0</u>	<u>0</u>	<u>9,076,311</u>	<u>6,107,894</u>	<u>0</u>	<u>0</u>	<u>6,107,894</u>
<b>Investments at AC</b>								
Balance on January 1	185,768	0	0	185,768	115,089	0	0	115,089
Net remeasurement of loss allowance	(1,408)	0	0	(1,408)	(48,997)	0	0	(48,997)
New financial assets originated	22,652	0	0	22,652	119,676	0	0	119,676
Foreign currency translation	10	0	0	10	0	0	0	0
<b>Balance at period end</b>	<u>207,022</u>	<u>0</u>	<u>0</u>	<u>207,022</u>	<u>185,768</u>	<u>0</u>	<u>0</u>	<u>185,768</u>
<b>Loans</b>								
Balance on January 1	200,884,075	241,452,983	292,324,462	734,661,520	188,965,909	244,766,032	259,207,996	692,939,937
Transfer from stage 1 to 2	(51,446,302)	51,446,302	0	0	(108,036,921)	108,036,921	0	0
Transfer from stage 1 to 3	(69,013)	0	69,013	0	(642,167)	0	642,167	0
Transfer from stage 2 to 3	0	(74,315,645)	74,315,645	0	0	(278,404,805)	278,404,805	0
Transfer from stage 3 to 2	0	25,032,884	(25,032,884)	0	0	95,070,068	(95,070,068)	0
Transfer from stage 2 to 1	75,886,679	(75,886,679)	0	0	197,870,240	(197,870,240)	0	0
Transfer from stage 3 to 1	4,569,890	0	(4,569,890)	0	18,468,385	0	(18,468,385)	0
Net remeasurement of loss allowance	(13,654,859)	26,395,620	12,311,733	25,052,494	6,122,261	101,040,944	89,564,785	196,727,990
New financial assets originated	66,346,724	99,776,337	42,346,859	208,469,920	267,465,293	347,070,503	172,808,472	787,344,268
Net derecognition of financial assets	(83,817,455)	(34,241,827)	(6,625,722)	(124,685,004)	(369,328,925)	(178,256,440)	(50,927,468)	(598,512,833)
Charge-offs	0	0	(145,512,289)	(145,512,289)	0	0	(507,657,498)	(507,657,498)
Recovery	0	0	38,494,104	38,494,104	0	0	152,779,592	152,779,592
Foreign currency translation	0	0	6,763,412	6,763,412	0	0	11,040,064	11,040,064
<b>Balance at period end</b>	<u>198,699,739</u>	<u>259,659,975</u>	<u>284,884,443</u>	<u>743,244,157</u>	<u>200,884,075</u>	<u>241,452,983</u>	<u>292,324,462</u>	<u>734,661,520</u>

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk management, continued

	March 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
<b>Commitments and guarantee</b>								
<b>Balance on January 1</b>	138,507	10,126	1,217,035	1,365,668	536,382	27,189	947,871	1,511,442
Transfer from stage 1 to 2	(700)	700	0	0	0	0	0	0
Transfer from stage 1 to 3	(10,293)	0	10,293	0	(319,514)	0	319,514	0
Transfer from stage 3 to 2	0	0	0	0	0	947,871	(947,871)	0
Transfer from stage 2 to 1	0	0	0	0	3,182	(3,182)	0	0
Transfer from stage 3 to 1	5,386	(5,386)	0	0	0	0	0	0
Net remeasurement of loss allowance	2,710,108	(4,959)	4,951	2,710,100	210,009	(961,614)	897,521	145,916
New financial assets originated	146,242	4,457	0	150,699	65,056	3,848	0	68,904
Net derecognition of financial assets	(42,043)	(481)	(819)	(43,343)	(335,916)	(3,986)	0	(339,902)
Foreign currency translation	<u>(2,800,964)</u>	<u>0</u>	<u>0</u>	<u>(2,800,964)</u>	<u>(20,692)</u>	<u>0</u>	<u>0</u>	<u>(20,692)</u>
<b>Balance at period end</b>	<u>146,243</u>	<u>4,457</u>	<u>1,231,460</u>	<u>1,382,160</u>	<u>138,507</u>	<u>10,126</u>	<u>1,217,035</u>	<u>1,365,668</u>
<b>Other accounts receivable</b>								
<b>Balance on January 1</b>	6,633,884	0	0	6,633,884	6,760,140	0	0	6,760,140
Net remeasurement of loss allowance	(3,507,406)	0	0	(3,507,406)	(6,945,801)	0	0	(6,945,801)
New financial assets originated	3,685,445	0	0	3,685,445	8,249,342	0	0	8,249,342
Charge-offs	(478,920)	0	0	(478,920)	(1,835,208)	0	0	(1,835,208)
Recovery	269,827	0	0	269,827	330,858	0	0	330,858
Foreign currency translation	<u>25,022</u>	<u>0</u>	<u>0</u>	<u>25,022</u>	<u>74,553</u>	<u>0</u>	<u>0</u>	<u>74,553</u>
<b>Balance at period end</b>	<u>6,627,852</u>	<u>0</u>	<u>0</u>	<u>6,627,852</u>	<u>6,633,884</u>	<u>0</u>	<u>0</u>	<u>6,633,884</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(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.

	March 31, <u>2024</u>	December 31, <u>2023</u>
Amortized cost before modification	67,963	6,606,646
Net loss due modification	<u>0</u>	<u>839,698</u>
<b>Total</b>	<u><u>67,963</u></u>	<u><u>7,446,344</u></u>

***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. Regarding investments, they are based on the location of the issuer. The analysis of the concentration of credit risks as of the reporting date is as follows:

	March 31, 2024						
	<u>Loans</u>	<u>Commitments and guarantees</u>	<u>Securities purchased under resale agreements</u>	<u>Deposits in banks</u>	<u>Investments at FVOCI</u>	<u>Investments at FVPL</u>	<u>Investments at AC</u>
<b>Concentration by sector</b>							
Government	0	0	46,108,118	3,533,823,921	4,165,281,584	14,968,317	69,618,115
<b>Corporate</b>							
Trade	2,580,346,831	216,277,709	0	0	0	0	0
General industry	1,891,009,226	77,839,024	0	0	4,362,277	0	0
Real estate	1,756,822,839	21,587,599	0	0	63,232,297	0	7,245,386
Services	1,447,992,010	61,074,512	0	0	12,448,522	0	0
Agricultural	1,091,742,105	14,801,485	0	0	0	0	0
Food industry	818,017,452	34,386,982	0	0	1,924,956	0	0
Hotels and restaurants	491,515,493	4,575,125	0	0	3,136,836	0	0
Financial	396,033,813	72,105,278	0	823,991,070	229,645,237	0	3,887,047
Telecommunications	267,001,217	17,594,196	0	0	23,001,286	0	4,851,784
Transport	221,894,547	12,605,744	0	0	2,745,530	0	0
Construction	184,707,111	81,230,045	0	0	6,671,886	0	0
Oil and derivatives	0	0	0	0	12,930,836	0	0
Public services	0	0	0	0	8,430,531	0	0
Energy	0	0	0	0	88,464,524	0	0
Media	0	0	0	0	3,330,659	0	0
Technology	0	0	0	0	6,760,553	0	0
Pharmacist	0	0	0	0	1,792,651	0	0
Materials	0	0	0	0	0	0	23,111,537
Personal banking	13,097,396,743	60,110,518	0	0	6,037,955	0	0
Allowance for ECL	<u>(743,244,157)</u>	<u>(1,382,160)</u>	<u>0</u>	<u>(70,618)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u><u>23,501,235,230</u></u>	<u><u>672,806,057</u></u>	<u><u>46,108,118</u></u>	<u><u>4,357,744,373</u></u>	<u><u>4,640,198,120</u></u>	<u><u>14,968,317</u></u>	<u><u>108,713,869</u></u>
<b>Geographic location:</b>							
Costa Rica	7,057,282,606	267,256,088	0	1,624,725,762	1,432,291,660	10,629,661	4,851,784
Panama	5,245,717,267	196,483,904	0	225,748,032	479,206,680	0	34,243,970
Guatemala	4,365,215,395	4,515,547	46,108,118	460,975,052	846,472,592	0	0
Honduras	3,681,190,118	46,598,303	0	717,712,663	419,154,157	0	69,618,115
El Salvador	2,501,512,669	130,339,755	0	313,303,080	308,081,575	0	0
Nicaragua	1,393,561,332	28,994,620	0	265,563,020	263,464,676	0	0
North America	0	0	0	727,629,744	833,128,598	4,338,656	0
Europe	0	0	0	22,150,765	0	0	0
South America	0	0	0	0	56,381,756	0	0
Others	0	0	0	6,873	2,016,426	0	0
Allowance for ECL	<u>(743,244,157)</u>	<u>(1,382,160)</u>	<u>0</u>	<u>(70,618)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u><u>23,501,235,230</u></u>	<u><u>672,806,057</u></u>	<u><u>46,108,118</u></u>	<u><u>4,357,744,373</u></u>	<u><u>4,640,198,120</u></u>	<u><u>14,968,317</u></u>	<u><u>108,713,869</u></u>



**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

	December 31, 2023						
	Loans	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVPL	Investments at AC
<b>Concentration by sector</b>							
Government	0	0	60,578,007	3,472,563,851	3,965,865,807	24,471,050	68,673,874
<b>Corporate</b>							
Trade	2,438,348,941	172,233,348	0	0	0	0	0
General industry	1,813,587,239	61,658,620	0	0	4,295,663	0	0
Real estate	1,751,977,958	20,867,981	0	0	72,614,020	0	0
Services	1,395,744,859	61,554,710	0	0	5,071,680	0	0
Agricultural	1,032,956,047	26,203,956	0	0	0	0	0
Food industry	763,394,824	44,520,034	0	0	1,944,565	0	0
Hotels and restaurants	474,638,538	4,474,861	0	0	3,095,082	0	0
Financial	350,063,302	77,556,259	615,058	870,435,362	216,185,840	0	1,495,550
Telecommunications	225,471,395	19,940,266	0	0	19,526,285	0	4,981,342
Transport	220,347,621	15,411,620	0	0	2,741,887	0	0
Construction	191,586,267	83,984,055	0	0	6,832,508	0	0
Oil and derivatives	0	0	0	0	7,259,335	0	0
Public services	0	0	0	0	8,314,436	0	0
Energy	0	0	0	0	85,544,544	0	0
Media	0	0	0	0	1,263,884	0	0
Technology	0	0	0	0	2,053,253	0	0
Personal banking	0	0	0	0	1,008,115	0	23,252,711
Materials	12,820,348,361	55,797,681	0	0	5,069,695	0	0
Allowance for ECL	<u>(734,661,520)</u>	<u>(1,365,668)</u>	<u>0</u>	<u>(85,974)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u>22,743,803,832</u>	<u>642,837,723</u>	<u>61,193,065</u>	<u>4,342,913,239</u>	<u>4,408,686,599</u>	<u>24,471,050</u>	<u>98,403,477</u>
<b>Geographic location:</b>							
Costa Rica	6,848,787,959	250,188,844	615,058	1,410,876,306	1,443,495,423	20,133,474	4,981,342
Panama	5,008,630,259	184,147,796	0	212,239,003	494,143,891	0	24,748,260
Guatemala	4,342,946,907	4,618,031	60,578,007	542,942,238	728,594,452	0	0
Honduras	3,514,546,991	48,451,769	0	701,354,141	435,884,802	0	68,673,875
El Salvador	2,465,590,764	129,278,256	0	322,706,060	302,344,153	0	0
Nicaragua	1,297,962,472	27,518,695	0	366,096,537	280,735,783	0	0
North America	0	0	0	770,333,294	663,585,224	4,337,576	0
Europe	0	0	0	16,442,010	0	0	0
South America	0	0	0	0	57,852,244	0	0
Others	0	0	0	9,624	2,050,627	0	0
Allowance for ECL	<u>(734,661,520)</u>	<u>(1,365,668)</u>	<u>0</u>	<u>(85,974)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u>22,743,803,832</u>	<u>642,837,723</u>	<u>61,193,065</u>	<u>4,342,913,239</u>	<u>4,408,686,599</u>	<u>24,471,050</u>	<u>98,403,477</u>

Since April 2018, the Republic of Nicaragua has been facing a series of socio-political events that have economic implications that are affecting the development of activities in the productive sectors of the country.

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.

**(a) Liquidity Risk**

Liquidity risk is defined as the contingency of 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.

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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### (4) Risk management, continued

The liquidity of the Bank is carefully managed and adjusted daily based on the estimated liquidity in a contingent and expected scenario.

The Bank's liquidity management is 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 year:

	<u>% of Liquidity</u>	
	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
As of period end	28.8	28.3
Maximum	30.7	34.2
Average	29.0	28.9
Minimum	27.4	25.1

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

As of March 31, 2024, and December 31, 2023, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

**Quantitative information**

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

March 31, 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
<b>Liabilities</b>							
Demand deposits	10,164,910	(10,164,910)	(10,164,910)	0	0	0	0
Savings deposits	6,238,081	(6,238,081)	(6,238,081)	0	0	0	0
Time deposits	10,261,114	(10,883,323)	(1,096,449)	(1,579,261)	(5,127,465)	(2,938,222)	(141,926)
Securities sold under repurchase agreements	155,869	(156,864)	0	0	(156,864)	0	0
Financial obligations	2,458,074	(2,782,084)	(16,012)	(55,462)	(1,075,432)	(1,459,987)	(175,191)
Other financial obligations	1,476,809	(1,703,939)	(7,730)	(27,555)	(169,364)	(1,243,115)	(256,175)
Lease Liabilities	117,652	(137,383)	(3,208)	(15,709)	(17,495)	(77,531)	(23,440)
<b>Sub-total liabilities</b>	<b>30,872,509</b>	<b>(32,066,584)</b>	<b>(17,526,390)</b>	<b>(1,677,987)</b>	<b>(6,546,620)</b>	<b>(5,718,855)</b>	<b>(596,732)</b>
Commitments and guarantees	82,114	(82,114)	(4,278)	(20,882)	(56,954)	0	0
Acceptances	39,317	(39,316)	(18,985)	(11,587)	(8,744)	0	0
<b>Total liabilities</b>	<b>30,993,940</b>	<b>(32,188,014)</b>	<b>(17,549,653)</b>	<b>(1,710,456)</b>	<b>(6,612,318)</b>	<b>(5,718,855)</b>	<b>(596,732)</b>
<b>Assets</b>							
Cash and cash equivalents	860,496	860,496	860,496	0	0	0	0
Securities purchased under resale agreements	46,108	46,108	20,048	26,060	0	0	0
Deposits in banks, net	4,357,744	4,361,709	4,304,057	2,643	21,944	33,065	0
Investments at FVPL (1)	14,968	17,500	4	274	607	12,800	3,815
Investments at FVOCI (1)	4,640,198	5,519,867	192,828	298,232	1,158,255	2,526,121	1,344,431
Investments at AC (1)	108,714	198,681	0	1,188	5,789	29,390	162,314
Other accounts receivable, net	519,400	519,400	418,795	28,582	38,025	33,998	0
Loans, net	23,501,235	33,419,448	3,439,602	5,212,838	4,962,283	9,492,045	10,312,680
<b>Sub-total assets</b>	<b>34,048,863</b>	<b>44,943,209</b>	<b>9,235,830</b>	<b>5,569,817</b>	<b>6,186,903</b>	<b>12,127,419</b>	<b>11,823,240</b>
Acceptances outstanding	39,317	39,316	18,985	11,587	8,744	0	0
<b>Total assets</b>	<b>34,088,180</b>	<b>44,982,525</b>	<b>9,254,815</b>	<b>5,581,404</b>	<b>6,195,647</b>	<b>12,127,419</b>	<b>11,823,240</b>

(1) Common stocks are excluded

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
<b>Liabilities</b>							
Demand deposits	9,883,923	(9,883,923)	(9,883,923)	0	0	0	0
Savings deposits	6,214,269	(6,214,269)	(6,214,269)	0	0	0	0
Time deposits	9,917,991	(10,566,062)	(1,294,728)	(1,466,104)	(4,583,723)	(3,050,779)	(170,728)
Securities sold under repurchase agreements	114,007	(114,438)	(60,219)	(54,219)	0	0	0
Financial obligations	2,443,137	(2,782,967)	(56,875)	(321,472)	(903,526)	(1,323,352)	(177,742)
Other financial obligations	1,365,943	(1,599,563)	(8,072)	(24,218)	(198,400)	(1,205,729)	(163,144)
Lease Liabilities	119,512	(134,765)	(2,972)	(14,459)	(16,472)	(76,863)	(23,999)
<b>Sub-total liabilities</b>	<b>30,058,782</b>	<b>(31,295,987)</b>	<b>(17,521,058)</b>	<b>(1,880,472)</b>	<b>(5,702,121)</b>	<b>(5,656,723)</b>	<b>(535,613)</b>
Commitments and guarantees	86,390	(86,390)	(3,744)	(28,717)	(53,929)	0	0
Acceptances	61,996	(61,996)	(7,972)	(33,654)	(20,370)	0	0
<b>Total liabilities</b>	<b>30,207,168</b>	<b>(31,444,373)</b>	<b>(17,532,774)</b>	<b>(1,942,843)</b>	<b>(5,776,420)</b>	<b>(5,656,723)</b>	<b>(535,613)</b>
<b>Assets</b>							
Cash and cash equivalents	931,708	931,708	931,708	0	0	0	0
Securities purchased under resale agreements	61,193	61,193	61,193	0	0	0	0
Deposits in banks, net	4,342,913	4,348,261	4,291,122	1,122	19,681	36,336	0
Investments at FVPL (1)	24,471	27,121	4,382	423	832	18,724	2,760
Investments at FVOCI (1)	4,409,243	5,238,509	320,610	310,432	831,796	2,379,379	1,396,292
Investments at AC (1)	97,847	184,802	23	281	6,824	24,506	153,168
Other accounts receivable, net	594,677	594,677	467,921	26,240	40,312	60,204	0
Loans, net	22,743,804	32,351,069	3,301,493	4,928,884	4,921,763	9,072,363	10,126,566
<b>Sub-total assets</b>	<b>33,205,856</b>	<b>43,737,340</b>	<b>9,378,452</b>	<b>5,267,382</b>	<b>5,821,208</b>	<b>11,591,512</b>	<b>11,678,786</b>
Acceptances outstanding	61,996	61,996	7,972	33,654	20,370	0	0
<b>Total assets</b>	<b>33,267,852</b>	<b>43,799,336</b>	<b>9,386,424</b>	<b>5,301,036</b>	<b>5,841,578</b>	<b>11,591,512</b>	<b>11,678,786</b>

(1) Common stocks are excluded

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The main differences are the following:

- customer demand deposits are expected to remain stable or increase;
- not all unrecognized loan commitments are expected to be withdrawn immediately; and
- retail mortgage loans have an original contractual maturity of between 20 and 30 years, but an expected average maturity of eight years because customers take advantage of early repayment options.

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 constitute the Bank's basis of liquidity reserves. The composition of liquidity is shown in the following table:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Cash and cash equivalents	860,495,737	931,707,522
Securities bought under resale agreements	46,108,118	61,193,065
Deposits in central banks	3,026,796,049	3,060,636,560
Deposits due from banks maturing in less than 90 days	1,274,094,375	1,227,153,033
Deposits due from banks greater than 90 days	<u>56,853,949</u>	<u>55,123,646</u>
<b>Total cash, cash equivalents and deposits in banks, net</b>	<b><u>5,264,348,228</u></b>	<b><u>5,335,813,826</u></b>
Not committed sovereign debt instruments	4,043,969,324	3,823,685,688
Other credit lines available (1)	<u>1,743,921,554</u>	<u>1,774,804,556</u>
<b>Total liquidity reserve</b>	<b><u>11,052,239,106</u></b>	<b><u>10,934,304,070</u></b>

(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 stressful situations.

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

	<b>Committed</b>		<b>Uncommitted</b>		<b>Total</b>
	<b>As Collateral</b>	<b>Available as Collateral</b>	<b>Legal Reserve (1)</b>	<b>Others (2)</b>	
Cash and cash equivalents	0	0	0	860,495,737	860,495,737
Securities purchased under resale agreements	0	0	46,108,118	0	46,108,118
Deposits due from banks, net	151,541	384,907,829	2,881,001,528	1,091,683,475	4,357,744,373
Investments in securities, net	258,698,249	4,244,967,200	69,516,724	208,069,072	4,781,251,245
Loans, net	<u>249,241,653</u>	<u>0</u>	<u>0</u>	<u>23,251,993,577</u>	<u>23,501,235,230</u>
<b>Total assets</b>	<b><u>508,091,443</u></b>	<b><u>4,629,875,029</u></b>	<b><u>2,996,626,370</u></b>	<b><u>25,412,241,861</u></b>	<b><u>33,546,834,703</u></b>

(1) It represents uncommitted assets, but whose use the Bank considers use to guarantee financing, for legal or other reasons. Committed deposits in banks comprise the legal reserve required by the different jurisdictions in which the Bank operates and can be used according to the regulation of each country.

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

	<b>Committed</b>		<b>Uncommitted</b>		<b>Total</b>
	<b>As Collateral</b>	<b>Available as Collateral</b>	<b>Legal Reserve (1)</b>	<b>Others (2)</b>	
Cash and cash equivalents	0	0	0	931,707,522	931,707,522
Securities purchased under resale agreements	0	0	61,193,065	0	61,193,065
Deposits due from banks, net	151,405	309,929,203	2,854,056,539	1,178,776,092	4,342,913,239
Investments in securities, net	293,007,933	3,976,713,267	68,592,305	210,616,477	4,548,929,982
Loans, net	<u>251,167,496</u>	<u>0</u>	<u>0</u>	<u>22,492,636,336</u>	<u>22,743,803,832</u>
<b>Total assets</b>	<b><u>544,326,834</u></b>	<b><u>4,286,642,470</u></b>	<b><u>2,983,841,909</u></b>	<b><u>24,813,736,427</u></b>	<b><u>32,628,547,640</u></b>

(1) It represents uncommitted assets, but whose use the Bank considers use to guarantee financing, for legal or other reasons. Committed deposits in banks comprise the legal reserve required by the different jurisdictions in which the Bank operates and can be used according to the regulation of each country.

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

## BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (4) Risk management, continued

##### (b) 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 variations in interest rates.
- Exchange rate risk: is the possibility of an economic loss due to adverse variations in the exchange rate.

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.

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 consolidated manner based on internal sources of information.

Exchange risk is measured through the determination of the equity percentage that is not dollarized (also known as monetary position). The main objective of the policy is to establish that the difference between assets denominated in US dollars and liabilities denominated in US dollars is at least equal to equity, which is equivalent to having a 100% dollarized equity. However, due to regulatory restrictions applicable in each country that limit the position in US dollars, the consolidated monetary position may be below this desirable limit.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

***Quantitative information***

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

**March 31, 2024**

*Amounts in US millions*

	<u>Euro</u>	<u>Quetzales</u>	<u>Lempiras</u>	<u>Cordobas</u>	<u>Colones</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	39	433	611	170	1,015	2,268
Investments in securities	0	637	450	254	621	1,962
Loans, net	<u>0</u>	<u>2,556</u>	<u>2,735</u>	<u>161</u>	<u>2,744</u>	<u>8,196</u>
<b>Total assets</b>	<b>39</b>	<b>3,626</b>	<b>3,796</b>	<b>585</b>	<b>4,380</b>	<b>12,426</b>
Deposits	13	3,057	3,010	463	3,430	9,973
Obligations	<u>0</u>	<u>349</u>	<u>245</u>	<u>0</u>	<u>767</u>	<u>1,361</u>
<b>Total liabilities</b>	<b>13</b>	<b>3,406</b>	<b>3,255</b>	<b>463</b>	<b>4,197</b>	<b>11,334</b>
Contingencies	<u>1</u>	<u>0</u>	<u>28</u>	<u>0</u>	<u>80</u>	<u>109</u>
<b>Exchange risk exposure</b>	<b>27</b>	<b>220</b>	<b>569</b>	<b>122</b>	<b>263</b>	<b>1,201</b>

**December 31, 2023**

*Amounts in US millions*

	<u>Euro</u>	<u>Quetzales</u>	<u>Lempiras</u>	<u>Cordobas</u>	<u>Colones</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	35	480	627	170	899	2,211
Investments in securities	0	520	464	186	607	1,777
Loans, net	<u>0</u>	<u>2,529</u>	<u>2,614</u>	<u>153</u>	<u>2,703</u>	<u>7,999</u>
<b>Total assets</b>	<b>35</b>	<b>3,529</b>	<b>3,705</b>	<b>509</b>	<b>4,209</b>	<b>11,987</b>
Deposits	14	2,916	2,909	453	3,318	9,610
Obligations	<u>0</u>	<u>308</u>	<u>235</u>	<u>0</u>	<u>707</u>	<u>1,250</u>
<b>Total liabilities</b>	<b>14</b>	<b>3,224</b>	<b>3,144</b>	<b>453</b>	<b>4,025</b>	<b>10,860</b>
Contingencies	<u>0</u>	<u>0</u>	<u>30</u>	<u>0</u>	<u>74</u>	<u>104</u>
<b>Exchange risk exposure</b>	<b>21</b>	<b>305</b>	<b>591</b>	<b>56</b>	<b>258</b>	<b>1,231</b>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

The summary exposure of the Bank's consolidated 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 or the maturity date, as applicable:

<b>March 31, 2024</b>	<b>Without exposure</b>	<b>Up to 1 year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Cash and cash equivalents	860,495,737	0	0	0	860,495,737
Securities purchased under resale agreements	254,118	45,854,000	0	0	46,108,118
Deposits due from Banks, net	2,259,838,077	2,066,915,840	30,990,456	0	4,357,744,373
Investments in securities, net	1,194,205,856	850,641,173	1,690,244,252	1,046,159,964	4,781,251,245
Loans, net	<u>195,808,770</u>	<u>20,882,718,875</u>	<u>1,740,818,776</u>	<u>681,888,809</u>	<u>23,501,235,230</u>
<b>Total assets</b>	<u>4,510,602,558</u>	<u>23,846,129,888</u>	<u>3,462,053,484</u>	<u>1,728,048,773</u>	<u>33,546,834,703</u>
Deposits	1,444,050,443	22,326,604,944	2,743,760,374	149,690,216	26,664,105,977
Securities sold under resale agreements	1,280,987	154,587,778	0	0	155,868,765
Financial obligations	31,390,848	1,745,654,245	514,477,622	166,551,120	2,458,073,835
Other financial obligations	<u>20,530,916</u>	<u>232,209,717</u>	<u>1,023,892,708</u>	<u>200,175,453</u>	<u>1,476,808,794</u>
<b>Total liabilities</b>	<u>1,497,253,194</u>	<u>24,459,056,684</u>	<u>4,282,130,704</u>	<u>516,416,789</u>	<u>30,754,857,371</u>
<b>Exposure to interest rate risk</b>	<u>3,013,349,364</u>	<u>(612,926,796)</u>	<u>(820,077,220)</u>	<u>1,211,631,984</u>	<u>2,791,977,332</u>
<b>December 31, 2023</b>	<b>Without exposure</b>	<b>Up to 1 year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Cash and cash equivalents	931,707,522	0	0	0	931,707,522
Securities purchased under resale agreements	239,130	60,953,935	0	0	61,193,065
Deposits due from Banks, net	2,104,873,042	2,204,164,539	33,875,658	0	4,342,913,239
Investments in securities, net	1,109,408,401	718,954,547	1,648,677,821	1,071,889,213	4,548,929,982
Loans, net	<u>181,272,308</u>	<u>20,218,187,657</u>	<u>1,675,077,805</u>	<u>669,266,062</u>	<u>22,743,803,832</u>
<b>Total assets</b>	<u>4,327,500,403</u>	<u>23,202,260,678</u>	<u>3,357,631,284</u>	<u>1,741,155,275</u>	<u>32,628,547,640</u>
Deposits	1,412,368,043	21,605,209,982	2,831,286,156	167,319,211	26,016,183,392
Securities sold under resale agreements	1,941,300	112,065,290	0	0	114,006,590
Financial obligations	28,071,396	1,653,018,036	593,084,802	168,962,516	2,443,136,750
Other financial obligations	<u>16,802,414</u>	<u>212,135,629</u>	<u>1,010,157,574</u>	<u>126,847,479</u>	<u>1,365,943,096</u>
<b>Total liabilities</b>	<u>1,459,183,153</u>	<u>23,582,428,937</u>	<u>4,434,528,532</u>	<u>463,129,206</u>	<u>29,939,269,828</u>
<b>Exposure to interest rate risk</b>	<u>2,868,317,250</u>	<u>(380,168,259)</u>	<u>(1,076,897,248)</u>	<u>1,278,026,069</u>	<u>2,689,277,812</u>

Based on the above, the Bank calculates the total exposure of the consolidated 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 consolidated 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.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk management, continued**

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:

	<u>Increase of 100 bps (1)</u>	<u>Decrease of 100 bps (1)</u>
<b>Impact on equity to interest rate movements</b>		
<b>March 31, 2024</b>	(77,806,320)	77,806,320
Average for the period	(73,404,790)	73,404,790
Maximum for the period	(77,806,320)	77,806,320
Minimum for the period	(70,453,501)	70,453,501
<b>December 31, 2023</b>	(66,588,960)	66,588,960
Average for the year	(71,913,819)	71,913,819
Maximum for the year	(86,080,394)	86,080,394
Minimum for the year	(59,786,967)	59,786,967
<b>Impact on net income from interests</b>		
<b>March 31, 2024</b>	80,951,258	(80,951,258)
Average for the period	82,460,955	(82,460,955)
Maximum for the period	84,402,984	(84,402,984)
Minimum for the period	80,951,258	(80,951,258)
<b>December 31, 2023</b>	84,476,873	(80,951,258)
Average for the year	79,702,299	(82,460,955)
Maximum for the year	84,476,873	(84,402,984)
Minimum for the year	75,826,488	(80,951,258)

(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.

**(c) Operational 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.

Based on the above, 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.



## **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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#### **(4) Risk management, continued**

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.

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) composed of senior 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 organization.

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

#### **(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.

##### ***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 profit or loss, the Bank's 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.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(6) Cash, cash equivalents and deposits in banks**

Cash and cash equivalents are listed below for reconciliation purposes with the consolidated statement of cash flows:

	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Cash and cash equivalents	860,495,737	696,280,401
Securities purchased under resale agreements	46,108,118	12,857,833
Deposits in central banks	3,026,796,049	3,016,179,620
Deposits in banks and deposits due in less than 90 days	<u>1,274,094,375</u>	<u>1,192,115,452</u>
<b>Cash and cash equivalents in the condensed consolidated statement of cash flows</b>	<b>5,207,494,279</b>	<b>4,917,433,306</b>
Deposits in banks greater than 90 days, net	<u>56,853,949</u>	<u>63,144,071</u>
	<u><b>5,264,348,228</b></u>	<u><b>4,980,577,377</b></u>

**(7) Securities purchased under resale agreements**

As of March 31, 2024, securities purchased under resale agreements amounted to \$46,108,118 (December 31, 2023: \$61,193,065), which have an expiration date between April and June 2024 (December 31, 2023: January 2024) and an interest rate between 5.7% and 5.8% (December 31, 2023: between 4.7% and 6.0%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to \$39,165,690 (December 31, 2023: \$54,655,658).

**(8) Investments in securities**

As of March 31, 2024, investments in securities amounted to \$4,781,251,245 (December 31, 2023: \$4,548,929,982) are summarized as follows:

*(a) Investments at FVPL*

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Government bonds	14,968,317	24,471,050
Common stocks	<u>14,284,930</u>	<u>14,285,693</u>
	<u><b>29,253,247</b></u>	<u><b>38,756,743</b></u>

As of March 31, 2024 and December 31, 2023, there are no investments in securities at FVPL used as collateral in repurchase agreements

*(b) Investments at FVOCI*

The portfolio of investments at FVOCI is detailed as follows:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Government and Agencies:		
United States of America	601,521,109	479,810,159
Other governments	<u>3,563,760,475</u>	<u>3,486,055,648</u>
	4,165,281,584	3,965,865,807
Corporate bonds	474,916,536	442,820,792
Common stocks	<u>3,086,009</u>	<u>3,083,163</u>
	<u><b>4,643,284,129</b></u>	<u><b>4,411,769,762</b></u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(8) Investments in securities, continued**

The Bank maintains a portfolio of equity investments issued by the following companies:

<u>Entity</u>	<u>Country</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Latinex Holdings, Inc.	Panama	501,527	501,527
Grupo APC, S. A.	Panama	445,582	445,582
Compañía de Procesamiento de Medio de Pago	Guatemala	388,912	388,912
Transacciones y transferencia	Guatemala	307,891	306,500
Servicios Financieros, S.A.	El Salvador	247,500	247,500
ACH de Nicaragua	Nicaragua	184,304	184,304
Bancajeros BANET	Honduras	179,380	179,470
Fondo Hondureño de Inversion Turistica	Honduras	176,434	176,522
ICG Imágenes Computarizadas de Guatemala, S.A.	Guatemala	141,449	140,810
Asociacion Bancaria de Guatemala	Guatemala	92,650	92,231
Others	Others	<u>420,380</u>	<u>419,805</u>
		<u>3,086,009</u>	<u>3,083,163</u>

As of March 31, 2024, the portfolio of shares common to stocks at FVOCI remained unchanged in the Bank's other comprehensive income (December 31, 2023: (\$86,662)), As of March 31, 2024, the Bank received \$1,391,808 in dividends of common stocks at FVOCI (December 31, 2023: \$2,554,317).

**(c) Investments at AC**

The investment portfolio at AC is detailed as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Government bonds	69,618,115	68,673,874
Corporate bonds	<u>39,095,754</u>	<u>29,729,603</u>
	<u>108,713,869</u>	<u>98,403,477</u>

**(9) Loans**

A breakdown of the loan portfolio by type is as follows:

	<u>March 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Portfolio</u>	<u>Allowance for ECL</u>	<u>Net portfolio of allowance</u>	<u>Portfolio</u>	<u>Allowance for ECL</u>	<u>Net portfolio of allowance</u>
<b>Loans</b>						
<b>Corporate</b>						
Corporate loans	9,606,740,538	(119,543,075)	9,487,197,463	9,172,577,580	(124,805,729)	9,047,771,851
Corporate leases, net (1)	<u>298,701,482</u>	<u>(4,565,188)</u>	<u>294,136,294</u>	<u>285,481,892</u>	<u>(4,308,131)</u>	<u>281,173,761</u>
<b>Total Corporate</b>	<u>9,905,442,020</u>	<u>(124,108,263)</u>	<u>9,781,333,757</u>	<u>9,458,059,472</u>	<u>(129,113,860)</u>	<u>9,328,945,612</u>
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company loans	1,109,377,594	(13,493,175)	1,095,884,419	1,072,575,156	(12,891,244)	1,059,683,912
Small company leases, net (1)	<u>132,263,030</u>	<u>(1,645,372)</u>	<u>130,617,658</u>	<u>127,482,363</u>	<u>(1,573,411)</u>	<u>125,908,952</u>
<b>Total Small company</b>	<u>1,241,640,624</u>	<u>(15,138,547)</u>	<u>1,226,502,077</u>	<u>1,200,057,519</u>	<u>(14,464,655)</u>	<u>1,185,592,864</u>
<b>Personal Banking</b>						
Mortgage loans	3,925,259,524	(65,427,938)	3,859,831,586	3,893,914,128	(67,019,856)	3,826,894,272
Personals	2,384,416,088	(104,370,215)	2,280,045,873	2,346,739,932	(102,254,272)	2,244,485,660
Vehicles	1,266,762,609	(7,291,557)	1,259,471,052	1,223,289,541	(7,439,543)	1,215,849,998
Personal leases, net (1)	146,025,067	(1,769,946)	144,255,121	136,126,722	(1,815,598)	134,311,124
Credit Cards	<u>5,374,933,455</u>	<u>(425,137,691)</u>	<u>4,949,795,764</u>	<u>5,220,278,038</u>	<u>(412,553,736)</u>	<u>4,807,724,302</u>
<b>Total Personal Banking</b>	<u>13,097,396,743</u>	<u>(603,997,347)</u>	<u>12,493,399,396</u>	<u>12,820,348,361</u>	<u>(591,083,005)</u>	<u>12,229,265,356</u>
<b>Total Personal Banking and Small company</b>	<u>14,339,037,367</u>	<u>(619,135,894)</u>	<u>13,719,901,473</u>	<u>14,020,405,880</u>	<u>(605,547,660)</u>	<u>13,414,858,220</u>
<b>Total loans</b>	<u>24,244,479,387</u>	<u>(743,244,157)</u>	<u>23,501,235,230</u>	<u>23,478,465,352</u>	<u>(734,661,520)</u>	<u>22,743,803,832</u>
(1) Total leases, net of interest	<u>576,989,579</u>	<u>(7,980,506)</u>	<u>569,009,073</u>	<u>549,090,977</u>	<u>(7,697,140)</u>	<u>541,393,837</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(9) Loans, continued**

The net value of the financial lease's receivable is presented below:

	March 31, <u>2024</u>	December 31, <u>2023</u>
Minimum lease payments receivable	590,482,904	562,541,491
Less: unearned interest	<u>5,507,287</u>	<u>5,952,545</u>
Minimum lease payments receivable, net	584,975,617	556,588,946
Less: allowance for loss in leases	7,980,506	7,697,140
Less: net deferred commissions	<u>7,986,038</u>	<u>7,497,969</u>
Net value of investment in finance leases	<u>569,009,073</u>	<u>541,393,837</u>

The following table summarizes the minimum lease payments receivable as of March 31, 2024:

<u>Year ended December 31</u>	
2024	98,544,514
2025	117,726,892
2026	112,300,257
2027	105,891,097
2028 and thereafter	<u>150,512,857</u>
	<u>584,975,617</u>

**(10) Deposits from customers**

Deposits from customers by type are detailed below:

	March 31, <u>2024</u>	December 31, <u>2023</u>
<b>Individual customers</b>		
Demand	1,615,368,363	1,615,336,881
Savings	5,442,400,153	5,396,578,839
Time deposits	3,867,080,120	3,654,346,409
<b>Corporate customers</b>		
Demand	8,549,541,911	8,268,585,948
Savings	795,681,156	817,690,264
Time deposits	<u>6,394,034,274</u>	<u>6,263,645,051</u>
	<u>26,664,105,977</u>	<u>26,016,183,392</u>

As of March 31, 2024, time deposits include book balances, net of origination costs for \$1,100,436,818 (December 31, 2023: \$1,151,712,619) subscribed with special purpose vehicles (hereinafter SPV), which are detailed below:

<u>Vehicle</u>	<u>Series</u>	<u>Fixed interest rate</u>	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
			<u>Principal amount</u>	<u>Origination cost</u>	<u>Principal amount</u>	<u>Origination cost</u>
BIB Merchant Voucher Receivables Limited	2017-1	4.08%	186,527,013	1,531,345	199,881,701	1,659,443
BIB Merchant Voucher Receivables Limited	2018-1	4.18%	273,587,417	2,125,248	288,224,370	2,256,887
BIB Central American Card Receivables Limited	2019-1	3.50%	<u>651,601,759</u>	<u>7,622,778</u>	<u>675,906,290</u>	<u>8,383,412</u>
			<u>1,111,716,189</u>	<u>11,279,371</u>	<u>1,164,012,361</u>	<u>12,299,742</u>

BIB Merchant Voucher Receivables Limited (SPV) issued financial obligations subscribed by international holders secured by the collection rights of accounts receivable, which are generated in transactions in affiliated businesses and processed by the Bank, with credit cards issued with the Visa and MasterCard brands in Panama. The obligations have an average original duration of 7 years. Principal repayments of the 2017-1 and 2018-1 obligations will be paid through Citibank N.A., beginning in January 2021 and January 2022, respectively. As of March 31, 2024, the weighted average duration of the certificates is 1.79 years and 2.31 years, respectively.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(10) Deposits from Customers, continued**

BIB Central American Card Receivables Limited (SPV) issued financial obligations subscribed by international holders guaranteed by the collection rights of accounts receivable, which are generated in transactions in affiliated businesses and processed by the Bank, with credit cards issued by international financial institutions, with the Visa and MasterCard brands in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, as well as the American Express brand for those countries and Panama; with an average original duration of 7 years. Principal repayments of the 2019-1 obligation will be paid through Citibank N.A., beginning in October 2023. As of March 31, 2024, the weighted average duration of the certificates is 3.23 years.

The collection rights of the accounts receivable were assigned by BAC International Bank Inc. to the SPV's, and the SPV's invested the amount received for the notes issued in fixed-term certificates of deposits in BAC International Bank Inc.

**(11) Financial obligations**

Financial obligations are detailed below:

March 31, 2024			
Maturities			
	<u>Interest rate</u>	<u>up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% to 8.00%	2042	536,513,870
Floating rate	5.20% to 11.78%	2028	1,272,046,782
Payable in quetzales (Guatemala):			
Fixed rate	6.00% to 8.00%	2027	311,762,814
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 11.50%	2058	165,206,784
Payable in colones (Costa Rica):			
Fixed rate	0.80%	2025	131,204,355
Floating rate	6.84% to 10.19%	2038	41,339,230
			<u>2,458,073,835</u>
December 31, 2023			
Maturities			
	<u>Interest rate</u>	<u>up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% to 8.00%	2042	373,016,360
Floating rate	5.33% to 11.57%	2028	1,418,856,005
Payable in quetzales (Guatemala):			
Fixed rate	5.50% to 8.00%	2027	310,138,266
Floating rate			
Payable in lempiras (Honduras):	1.00% to 11.50%	2058	165,013,746
Fixed rate			
Payable in colones (Costa Rica):	0.80%	2025	135,586,707
Floating rate	7.17% to 10.19%	2038	40,525,666
			<u>2,443,136,750</u>

As of March 31, 2024, the carrying amount of the principal issued by BAC San Jose DPR Funding Limited, a special purpose vehicle (hereinafter SPV), amounted to \$142,500,000 (December 31, 2023: \$150,000,000), corresponding to the 2020-1 series with a balance of \$150,000,000. The origination costs pending amortization of the certificates amounted to \$1,474,429 as of March 31, 2024 (December 31, 2023: \$1,553,821). The notes issued by the SPV are secured by current and future Diversified Payment Rights denominated in US dollars, originated by a subsidiary of the Bank and sold to the SVP. Series 2020-1 obligations pay interest in February, May, August and November of each year at a fixed interest rate of 3.70%. The notes have an original average duration of 5.58 years. As of March 31, 2024, the weighted average duration of the notes is 2.41 years.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(11) Financial Obligations, continued**

The Bank has had no defaults of principal, interest or other contractual clauses concerning its financial obligations.

Reconciliation of movements of financial obligations to cash flows arising from financing activities are detailed below:

	March 31,	
	<u>2024</u>	<u>2023</u>
<b>Balance as of January 1</b>	2,443,136,750	2,283,961,350
<b>Changes from financing cash flows</b>		
Proceeds from financial obligations	396,524,681	229,743,129
Payment of financial obligations	<u>(393,169,642)</u>	<u>(450,666,344)</u>
<b>Total changes from financing cash flows</b>	<u>3,355,039</u>	<u>(220,923,215)</u>
Effect of changes in foreign exchange rates	8,262,595	19,483,332
<b>Other changes (liability-related)</b>		
Interest expense	41,031,616	30,746,149
Interest paid	<u>(37,712,165)</u>	<u>(23,063,439)</u>
<b>Total liability-related other changes</b>	<u>3,319,451</u>	<u>7,682,710</u>
<b>Balance as of March 31</b>	<u>2,458,073,835</u>	<u>2,090,204,177</u>

**(12) Other financial obligations**

The Bank has placed, through its subsidiaries and through the stock markets of Costa Rica, El Salvador, Honduras and Panama, debt certificates with fixed and variable rates, which are described below:

<u>Payable in:</u>	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Interest rate</u>	<u>Carrying amount</u>
US dollars	3.25% to 10.00%	803,086,493	3.25% to 10.00%	764,542,378
Lempiras	4.75% to 9.00%	79,576,981	4.75% to 7.50%	70,178,249
Colones	4.71% to 12.35%	<u>594,145,320</u>	4.71% to 12.35%	<u>531,222,469</u>
		<u>1,476,808,794</u>		<u>1,365,943,096</u>

Through Resolution No. 208-20 of May 14, 2020, issued by the Superintendency of the Securities Market of the Republic of Panama, BAC International Bank Inc., an indirect subsidiary of the Bank's is authorized to offer a Public Offering, Perpetual Subordinated Corporate Bonds convertible into common shares for a nominal value of \$700 million. The bonds are issued in registered form, registered and without coupons, in denominations of \$1,000,000 and in integral multiples of \$100,000, with no specific expiration or redemption date. The bonds bear an interest rate of 10% and interest is payable quarterly, unless the issuer exercises its right not to pay interest. As of March 31, 2024, the balance of the perpetual bonds is \$520,000,000, and they have been acquired by Grupo AVAL Limited, a related party.

The Bank has not had payment default of principal, interest or other contractual clauses in relation to its other financial obligations.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(12) Other financial Obligations, continued**

Reconciliation of movements of other financial obligations to cash flows arising from financing activities are detailed below:

	March 31,	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	1,365,943,096	1,059,787,532
<b>Changes from financing cash flows</b>		
Proceeds from other financial obligations	<u>85,612,492</u>	<u>33,463,051</u>
<b>Total changes from financing cash flows</b>	<u>85,612,492</u>	<u>33,463,051</u>
Effect of changes in foreign exchange rates	21,524,704	16,891,313
<b>Other changes (liability-related)</b>		
Interest expense	30,802,077	15,795,006
Interest paid	<u>(27,073,575)</u>	<u>(11,528,127)</u>
<b>Total liability-related other changes</b>	<u>3,728,502</u>	<u>4,266,879</u>
<b>Balance as of March 31</b>	<u>1,476,808,794</u>	<u>1,114,408,775</u>

**(13) Lease liabilities**

Lease liabilities are detailed below:

	March 31, 2024			
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Carrying amount</u>	<u>Undiscounted cash flows</u>
Payable in US dollars	5.22%	2038	114,666,667	132,947,827
Payable in quetzales (Guatemala)	5.22%	2032	1,861,028	2,716,626
Payable in lempiras (Honduras)	5.22% to 7.58%	2029	547,087	958,590
Payable in colones (Costa Rica)	3.96% to 7.99%	2033	<u>577,094</u>	<u>760,571</u>
			<u>117,651,876</u>	<u>137,383,614</u>
	December 31, 2023			
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Carrying amount</u>	<u>Undiscounted cash flows</u>
Payable in US dollars	5.22%	2033	116,632,355	131,824,768
Payable in quetzales (Guatemala)	5.22%	2029	1,794,077	1,653,831
Payable in lempiras (Honduras)	5.22% to 7.58%	2029	514,653	609,923
Payable in colones (Costa Rica)	3.96% to 7.99%	2033	<u>570,953</u>	<u>675,396</u>
			<u>119,512,038</u>	<u>134,763,918</u>

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

	March 31, <u>2024</u>	December 31, <u>2023</u>
Less than a year	36,412,517	33,902,345
One to two years	27,569,725	27,008,505
Two to three years	21,698,762	20,324,806
Three to four years	17,149,231	17,376,350
Four to five years	11,113,410	12,152,957
More than five years	<u>23,439,969</u>	<u>23,998,955</u>
	<u>137,383,614</u>	<u>134,763,918</u>

The following are the items recognized in the profit or loss, related to lease liabilities:

	March 31, <u>2024</u>	March 31, <u>2023</u>
Interest on leases	1,534,757	1,730,862
Expense for leases with less than 12 months	973,153	868,337
Expense for leases of low-value assets	<u>3,984,042</u>	<u>2,770,861</u>
	<u>6,491,952</u>	<u>5,370,060</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(13) Lease liabilities, continued**

Reconciliation of movements of lease liabilities to cash flows arising from financing activities are detailed below:

	March 31,	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	119,512,038	138,555,391
<b>Changes from financing cash flows</b>		
Payment of lease liabilities	<u>(7,874,037)</u>	<u>(7,500,586)</u>
<b>Total changes from financing cash flows</b>	<u>(7,874,037)</u>	<u>(7,500,586)</u>
Effect of changes in foreign exchange rates	6,013,875	2,914,504
<b>Other changes (liability-related)</b>		
Interest expense	1,534,757	1,730,862
Interest paid	<u>(1,534,757)</u>	<u>(1,730,862)</u>
<b>Total liability-related other changes</b>	<u>0</u>	<u>0</u>
<b>Balance as of March 31</b>	<u>117,651,876</u>	<u>133,969,309</u>

**(14) Common stock**

As of March 31, 2024, and December 31, 2023, the Bank's authorized common stock comprises:

- 850,000 class A authorized stocks with a par value of \$1,000 each. Of these class A stocks, 834,708 have been issued, of which 814 are Treasury stock.
- 1,000,000 class B authorized stocks of no-par value each. None of the class B stocks have been issued yet.

**(15) Gains from financial instruments**

Gain from financial instruments, net, included in the consolidated statement of profit or loss is summarized below:

	March 31, <u>2024</u>	March 31, <u>2023</u>
Net income from the sale of investments at FVOCI	15,364,356	198
Unrealized net losses from securities at FVPL	(455,367)	(754,466)
Realized gain on investments at FVPL	984,031	1,554,200
Net fair value gains (losses) on derivative financial instruments	<u>(1,236,522)</u>	<u>854,912</u>
	<u>14,656,498</u>	<u>1,654,844</u>

**(16) Income taxes**

As of March 31, 2024, the Bank maintains an effective tax rate of 24.86% (December 31, 2023: 24.78%).

The Bank's earnings are taxed in various jurisdictions. As of March 31, 2024, the Bank had unrecognized tax positions for \$1,438,909 (December 31, 2023: \$1,302,616). Interest expense and penalties related to income tax liabilities and recognized as part of income tax expenses for the year ended March 31, 2024, amounted to \$133,184 (March 31, 2023: -\$35,182). As of March 31, 2024, total interest and penalties expenses included in other liabilities amounted to \$261,854 (December 31, 2023: \$246,474).



# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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### (17) Off-Balance financial instruments with risk and other commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the accompanying consolidated balance sheets.

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.

As of March 31, 2024, the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately \$524 million to \$4,627, million (December 31, 2023: from \$506 million to \$4,458 million). The unused portion of the total amount available in each country, aggregated approximately from \$377 million to \$3,325 million (December 31, 2023: from \$364 million to \$3,169 million). While these amounts represented the available lines of credit to customers per country, the Bank has experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time.

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 it does for on-balance sheet instruments. As of March 31, 2024, outstanding letters of credit and financial guarantees are as follows:

	March 31, <u>2024</u>	December 31, <u>2023</u>
Stand-by letters of credit	130,161,528	131,120,286
Commercial letters of credit	100,137,166	67,948,317
Financial guarantees	361,775,232	358,744,777
Commitments and guarantees (1)	<u>82,114,291</u>	<u>86,390,011</u>
	<u>674,188,217</u>	<u>644,203,391</u>

(1) Includes commercial and mortgage payment promise letter

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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**(17) Off-Balance financial instruments with risk and other commitments, continued**

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of March 31, 2024, are detailed as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Up to 1 year	495,458,150	503,802,948
Over 1 year	<u>78,592,901</u>	<u>72,452,126</u>
	<u>574,051,051</u>	<u>576,255,074</u>

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover for these guarantees. As of March 31, 2024, the assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to \$164,275,691 (December 31, 2023: \$140,061,063).

As of March 31, 2024, and December 31, 2023, the Bank maintains an irrevocable guarantee and stand-by letter of credit to support the payment of the interchange settlement to VISA, Master Card and American Express. The total guaranteed amount corresponds to \$71,971,918.

**(18) 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 in the circumstances, 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.

**Financial instruments measured at fair value**

*Recurring 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.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(18) Disclosures on the fair value of financial instruments, continued**

*Securities*

When there are market prices in an active market, 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.

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

	Other significant observable assumptions (Level 2)	Significant unobservable assumptions (Level 3)	March 31, 2024
<b>Assets</b>			
Investments at FVPL:			
United States of America	4,338,656	0	4,338,656
Other governments	10,629,661	0	10,629,661
Common stocks	<u>0</u>	<u>14,284,930</u>	<u>14,284,930</u>
Total investments at FVPL	<u>14,968,317</u>	<u>14,284,930</u>	<u>29,253,247</u>
Investments at FVOCI:			
Governments and Agencies bonds:			
United States of America	601,521,109	0	601,521,109
Other governments	<u>3,563,760,475</u>	<u>0</u>	<u>3,563,760,475</u>
	4,165,281,584	0	4,165,281,584
Corporate debentures	474,916,536	0	474,916,536
Common stocks	<u>947,110</u>	<u>2,138,899</u>	<u>3,086,009</u>
Total investments at FVOCI	<u>4,641,145,230</u>	<u>2,138,899</u>	<u>4,643,284,129</u>
Investments at AC:			
Other governments	69,618,115	0	69,618,115
Corporate debentures	<u>39,095,754</u>	<u>0</u>	<u>39,095,754</u>
Total investments at AC	<u>108,713,869</u>	<u>0</u>	<u>108,713,869</u>
<b>Total assets</b>	<u>4,764,827,416</u>	<u>16,423,829</u>	<u>4,781,251,245</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(18) Disclosures on the fair value of financial instruments, continued**

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	December 31, 2023
<b>Assets</b>			
Investments at FVPL:			
Other governments	4,337,576	0	4,337,576
Corporate debentures	20,133,474	0	20,133,474
Common stocks	<u>0</u>	<u>14,285,693</u>	<u>14,285,693</u>
Total investments at FVPL	<u>24,471,050</u>	<u>14,285,693</u>	<u>38,756,743</u>
Investments at FVOCI:			
Governments	479,810,159	0	479,810,159
United States of America	3,486,055,648	<u>0</u>	<u>3,486,055,648</u>
Other governments	3,965,865,807	0	3,965,865,807
Corporate debentures	442,820,792	0	442,820,792
Common stocks	<u>947,110</u>	<u>2,136,053</u>	<u>3,083,163</u>
Total investments at FVOCI	<u>4,409,633,709</u>	<u>2,136,053</u>	<u>4,411,769,762</u>
Investments at AC:			
Other governments	68,673,874	0	68,673,874
Corporate debentures	<u>29,729,603</u>	<u>0</u>	<u>29,729,603</u>
Total investments at AC	<u>98,403,477</u>	<u>0</u>	<u>98,403,477</u>
<b>Total assets</b>	<u>4,532,508,236</u>	<u>16,421,746</u>	<u>4,548,929,982</u>

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.

As of March 31, 2024, there were no transfers between levels.

The table below includes the roll forward in the consolidated statement of financial position for the period ended March 31, 2024 (including changes in fair value) of the financial instruments at FVPL and FVOCI classified by the Bank within Level 3 of the fair value hierarchy. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable assumptions within the overall fair value measurement.

<b>March 31, 2024</b>	<b>Investments in common stocks at</b>		
	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>Assets</b>			
Fair value at January 01, 2024	14,285,693	2,136,053	16,421,746
Foreign currency translation	(763)	2,846	2,083
Fair value at March 31, 2024	<u>14,284,930</u>	<u>2,138,899</u>	<u>16,423,829</u>
<b>December 31, 2023</b>			
<b>Assets</b>			
Fair value at January 01, 2023	13,078,802	2,141,325	15,220,127
Valuation of investments	1,209,995	0	1,209,995
Foreign currency translation	(3,104)	(5,272)	(8,376)
Fair value at December 31, 2023	<u>14,285,693</u>	<u>2,136,053</u>	<u>16,421,746</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(18) Disclosures on the fair value of financial instruments, continued**

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 government and agencies bonds	Consensus prices obtained from price providers (Bloomberg). For part of these instruments the Bank applies cash flows discounted using a market rate of an instrument with a similar remaining maturity. Market prices provided by local price providers or regulators, in markets of lower securitization.	(2,3)
Common stocks	Discounted cash flows using a premium-for-size adjusted cost of capital rate. Market prices provided by local stock exchanges and/or 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 approach 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 consolidated balance sheet, 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:

- a. actual market rate, and
- b. future interest rate expectations, for a term that reflects the anticipated payments on the loan portfolio.

*Deposits from customers*

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.

*Financial obligations*

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.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(18) Disclosures on the fair value of financial instruments, continued**

*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.

Below are described 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 consolidated balance sheet:

<u>March 31, 2024</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Quantitative information of Level 3 fair values</u>	
			<u>Unobservable assumptions</u>	<u>Range (weighted average)</u>
Common stocks	16,423,829	Discounted cash flows	Increase annual rate	0% - 5%

  

<u>December 31, 2023</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Quantitative information of Level 3 fair values</u>	
			<u>Unobservable assumptions</u>	<u>Range (weighted average)</u>
Common stocks	16,421,746	Discounted cash flows	Increase annual rate	5% - 10%

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:

<u>March 31, 2024</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
<b>Financial assets</b>				
Cash and cash equivalents	860,495,737	0	860,495,737	860,495,737
Securities purchased under resale agreements	0	46,108,118	46,108,118	46,108,118
Deposits in banks, net	0	4,357,744,373	4,357,744,373	4,357,744,373
Loans, net (excluding financial leases)	0	22,466,650,759	22,466,650,759	22,932,226,157
Acceptances outstanding	0	39,316,788	39,316,788	39,316,788
<b>Total financial assets</b>	<u>860,495,737</u>	<u>26,909,820,038</u>	<u>27,770,315,775</u>	<u>28,235,891,173</u>
<b>Financial liabilities</b>				
Deposits from customers	16,402,991,583	10,478,397,921	26,881,389,504	26,664,105,977
Securities sold under repurchase agreements	0	155,868,765	155,868,765	155,868,765
Financial obligations	0	2,469,043,824	2,469,043,824	2,458,073,835
Other financial obligations	0	1,444,522,374	1,444,522,374	1,476,808,794
Acceptances outstanding	0	39,316,788	39,316,788	39,316,788
<b>Total financial liabilities</b>	<u>16,402,991,583</u>	<u>14,587,149,672</u>	<u>30,990,141,255</u>	<u>30,794,174,159</u>
<b>December 31, 2023</b>				
<b>Financial assets</b>				
Cash and cash equivalents	931,707,522	0	931,707,522	931,707,522
Securities purchased under resale agreements	0	61,193,065	61,193,065	61,193,065
Deposits in banks, net	0	4,342,913,239	4,342,913,239	4,342,913,239
Loans, net (excluding financial leases)	0	21,713,956,348	21,713,956,348	22,202,409,995
Acceptances outstanding	0	61,996,226	61,996,226	61,996,226
<b>Total financial assets</b>	<u>931,707,522</u>	<u>26,180,058,878</u>	<u>27,111,766,400</u>	<u>27,600,220,047</u>
<b>Financial liabilities</b>				
Deposits from customers	16,098,191,930	10,121,361,918	26,219,553,848	26,016,183,392
Securities sold under repurchase agreements	0	114,006,590	114,006,590	114,006,590
Financial obligations	0	2,504,914,481	2,504,914,481	2,443,136,750
Other financial obligations	0	1,361,046,227	1,361,046,227	1,365,943,096
Acceptances outstanding	0	61,996,226	61,996,226	61,996,226
<b>Total financial liabilities</b>	<u>16,098,191,930</u>	<u>14,163,325,442</u>	<u>30,261,517,372</u>	<u>30,001,266,054</u>

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(19) Administration of trust contracts and securities custody**

As of March 31, 2024, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$4,939,817,452 (December 31, 2023: \$4,476,859,033).

**(20) 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 book value.

The following table shows the balances and transactions with related parties as of March 31, 2024:

	March 31, 2024		December 31, 2023	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
<b>Assets:</b>				
Deposits in banks	0	42,125,000	0	45,010,000
Investments in securities	0	845,283	0	851,766
Loans granted	19,525,047	316,877,189	19,399,955	331,680,466
Allowance for loan losses	(101,556)	(482,197)	(107,795)	(480,779)
Accrued interest receivable and other accounts receivable	92,221	8,409,958	85,253	4,488,398
	<u>19,515,712</u>	<u>367,775,233</u>	<u>19,377,413</u>	<u>381,549,851</u>
<b>Liabilities:</b>				
Demand deposits	4,478,869	161,073,772	5,210,702	76,082,021
Time deposits	15,366,017	55,649,687	14,844,444	53,330,065
Other financial obligations	0	521,287,044	0	525,602,372
Accrued interest payable and other liabilities	284,980	3,210,615	262,620	3,148,767
	<u>20,129,866</u>	<u>741,221,118</u>	<u>20,317,766</u>	<u>658,163,225</u>
	March 31, 2024		March 31, 2023	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
Interest income and other income	377,522	10,295,240	239,113	10,372,171
Interest expense and other expenses	215,867	15,214,847	151,141	13,875,281
Key management personnel benefits	2,596,327	0	2,549,452	0

The benefits to key personnel that the Bank grants are short-term. No other benefits are granted to key personnel.

**(21) Segments information**

The Bank segregates its operations according to each of the countries in which it operates ("Operating Groups"). Each operating group offers similar products and services, and they are managed separately based on the Bank's internal reporting and management structure. The Bank's Administration reviews the internal management reports of each operating group at least once a month.

# BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (21) Segments information, continued

The information related to each operation group is presented below. The segment's profit before taxes, as included in the internal management reports reviewed by the Bank's Management, is used to measure performance because management considers that this information is the most relevant for evaluating the results of the respective groups of companies. operation in relation to other entities operating within the industry.

<u>March 31, 2024</u>	<u>BAC Guatemala</u>	<u>BAC El Salvador</u>	<u>BAC Honduras</u>	<u>BAC Nicaragua</u>	<u>BAC Costa Rica</u>	<u>BAC Panama</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
<b>Total assets</b>	<u>6,098,869,787</u>	<u>3,390,063,431</u>	<u>5,234,055,490</u>	<u>2,249,242,547</u>	<u>11,009,736,543</u>	<u>7,861,802,646</u>	<u>293,743,062</u>	<u>(786,587,240)</u>	<u>35,350,926,266</u>
<b>Total liabilities</b>	<u>5,485,242,776</u>	<u>3,041,977,749</u>	<u>4,599,620,768</u>	<u>1,740,344,806</u>	<u>9,629,432,124</u>	<u>8,086,283,579</u>	<u>84,507,413</u>	<u>(786,587,240)</u>	<u>31,880,821,975</u>
<b>Condensed Consolidated Statement of Income</b>									
Interest income	127,922,840	73,030,372	125,832,602	46,996,773	235,311,323	130,708,017	2,102,596	(8,874,785)	733,029,738
Interest expense	<u>51,544,790</u>	<u>24,351,023</u>	<u>30,657,464</u>	<u>5,129,863</u>	<u>71,654,266</u>	<u>83,175,819</u>	<u>543,589</u>	<u>(8,874,785)</u>	<u>258,182,029</u>
Net interest income	<u>76,378,050</u>	<u>48,679,349</u>	<u>95,175,138</u>	<u>41,866,910</u>	<u>163,657,057</u>	<u>47,532,198</u>	<u>1,559,007</u>	<u>0</u>	<u>474,847,709</u>
Credit risk impairment loss, net	<u>26,613,687</u>	<u>15,167,975</u>	<u>19,313,387</u>	<u>1,439,695</u>	<u>37,781,632</u>	<u>11,647,998</u>	<u>196</u>	<u>0</u>	<u>111,964,570</u>
Net interest income after credit risk impairment losses	<u>49,764,363</u>	<u>33,511,374</u>	<u>75,861,751</u>	<u>40,427,215</u>	<u>125,875,425</u>	<u>35,884,200</u>	<u>1,558,811</u>	<u>0</u>	<u>362,883,139</u>
Commissions and other fees income	44,769,746	10,979,110	41,841,218	14,338,485	107,930,849	38,116,946	125,905	0	258,102,259
Commissions and other fees expenses	<u>(42,010,590)</u>	<u>(10,591,478)</u>	<u>(29,572,013)</u>	<u>(11,469,050)</u>	<u>(68,503,256)</u>	<u>(36,075,365)</u>	<u>(74,312)</u>	<u>0</u>	<u>(198,296,064)</u>
Service charges, net	16,049,087	8,853,379	21,834,590	7,869,305	47,235,629	12,322,563	40,833,232	(6,126,527)	148,871,258
Other income, net	9,236,569	637,659	2,155,932	6,067,848	12,326,500	3,189,552	60,449,593	(62,892,396)	31,171,257
General and administrative expense	<u>58,935,957</u>	<u>35,465,626</u>	<u>66,951,539</u>	<u>26,219,844</u>	<u>167,059,630</u>	<u>48,640,632</u>	<u>64,080,800</u>	<u>(69,018,923)</u>	<u>398,335,105</u>
Income before income tax	18,873,218	7,924,418	45,169,939	31,013,959	57,805,517	4,797,264	38,812,429	0	204,396,744
Less: Income tax	<u>2,736,806</u>	<u>2,390,955</u>	<u>12,080,862</u>	<u>9,677,819</u>	<u>18,086,125</u>	<u>5,793,332</u>	<u>47,314</u>	<u>0</u>	<u>50,813,213</u>
Net income	<u>16,136,412</u>	<u>5,533,463</u>	<u>33,089,077</u>	<u>21,336,140</u>	<u>39,719,392</u>	<u>(996,068)</u>	<u>38,765,115</u>	<u>0</u>	<u>153,583,531</u>
<b>December 31, 2023</b>									
<b>Total assets</b>	<u>6,035,708,425</u>	<u>3,358,833,994</u>	<u>5,129,869,489</u>	<u>2,190,310,243</u>	<u>10,616,060,146</u>	<u>7,653,355,919</u>	<u>323,458,327</u>	<u>(804,945,795)</u>	<u>34,502,650,748</u>
<b>Total liabilities</b>	<u>5,416,813,492</u>	<u>3,004,862,189</u>	<u>4,525,621,975</u>	<u>1,702,759,137</u>	<u>9,326,014,335</u>	<u>7,898,513,644</u>	<u>79,286,974</u>	<u>(804,945,795)</u>	<u>31,148,925,951</u>
<b>March 31, 2023</b>									
<b>Condensed Consolidated Statement of Income</b>									
Interest Income	112,596,495	62,773,282	96,139,179	37,619,105	195,996,664	111,664,231	1,271,150	(8,421,687)	609,638,419
Interest expenses	<u>43,135,570</u>	<u>18,203,226</u>	<u>19,563,569</u>	<u>4,351,885</u>	<u>56,495,424</u>	<u>63,179,608</u>	<u>344,451</u>	<u>(8,421,687)</u>	<u>196,852,046</u>
Net interest income	<u>69,460,925</u>	<u>44,570,056</u>	<u>76,575,610</u>	<u>33,267,220</u>	<u>139,501,240</u>	<u>48,484,623</u>	<u>926,699</u>	<u>0</u>	<u>412,786,373</u>
Credit risk impairment loss, net	<u>21,343,665</u>	<u>12,607,834</u>	<u>10,210,192</u>	<u>129,544</u>	<u>15,004,465</u>	<u>18,786,956</u>	<u>(23,795)</u>	<u>0</u>	<u>78,058,861</u>
Net interest income after credit risk impairment losses	<u>48,117,260</u>	<u>31,962,222</u>	<u>66,365,418</u>	<u>33,137,676</u>	<u>124,496,775</u>	<u>29,697,667</u>	<u>950,494</u>	<u>0</u>	<u>334,727,512</u>
Commissions and other fees income	38,902,453	12,290,230	36,118,566	13,030,461	89,009,582	34,816,953	2,931,550	0	227,099,795
Commissions and other fees expenses	<u>(34,083,867)</u>	<u>(8,538,080)</u>	<u>(24,793,545)</u>	<u>(10,392,899)</u>	<u>(56,866,622)</u>	<u>(31,888,685)</u>	<u>(2,447,311)</u>	<u>0</u>	<u>(169,011,009)</u>
Service charges, net	14,448,223	8,243,090	18,696,318	7,433,724	47,067,672	10,368,300	38,648,144	(5,584,010)	139,321,461
Other income, net	9,186,782	587,238	3,800,989	6,286,315	(48,990,740)	1,145,192	46,710,129	(47,983,188)	(29,257,283)
General and administrative expense	<u>51,995,589</u>	<u>33,191,552</u>	<u>60,323,297</u>	<u>23,138,904</u>	<u>145,975,067</u>	<u>43,704,440</u>	<u>53,449,581</u>	<u>(53,567,198)</u>	<u>358,211,232</u>
Income before income tax	24,575,262	11,353,148	39,864,449	26,356,373	8,741,600	434,987	33,343,425	0	144,669,244
Less: Income tax	<u>4,011,601</u>	<u>3,218,824</u>	<u>11,279,710</u>	<u>7,931,804</u>	<u>13,103,068</u>	<u>5,750,953</u>	<u>(167,829)</u>	<u>0</u>	<u>45,128,131</u>
Net income	<u>20,563,661</u>	<u>8,134,324</u>	<u>28,584,739</u>	<u>18,424,569</u>	<u>(4,361,468)</u>	<u>(5,315,966)</u>	<u>33,511,254</u>	<u>0</u>	<u>99,541,113</u>



## BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (22) Litigations

As of March 31, 2024, the Bank maintains litigation against various kinds, which are not material when evaluated individually and collectively. These litigations are in the process of resolution and would not represent a significant effect on the condensed consolidated interim financial statements of the Bank in the event of an adverse result.

#### (23) Regulatory aspects

The Bank's banking operations are subject to various regulatory requirements managed by the government agencies of the countries in which it operates or has a license. Failure to comply with these regulatory requirements can lead to certain mandatory actions and possibly additional discretionary actions by the regulators that, if performed, could have a significant effect on The Bank's condensed consolidated interim financial statements. Under capital adequacy guidelines and the regulatory framework of prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that provide for the quantitative asset measurements and certain elements out of the consolidated balance sheet, in accordance with the regulatory accounting practices. The amounts of capital of the Bank's banking operations and their classification are subject to qualitative judgments by the regulators about their components, risk weightings and other factors.

As March 31, 2024, the Banking operations of the Bank meet all capital adequacy minimum requirements to which they are subject, which varies from 8.00% to 12.00% and other regulatory requirements.

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

- *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, over-provision or reserve under prudential rules will be recognized in a wealth regulatory reserve.

Agreement 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 Agreement defines the classification categories for credit facilities for specific and dynamic provisions, as well as the criteria that policies for restructured loans, acceptance of guarantees and punishment 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 Agreement and considering certain percentages of minimum provisions per category.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(23) Regulatory aspects, continued**

- Dynamic provisions, as a prudential regulatory criterion, will be determined and recognized quarterly as wealth reserves 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 Agreement No. 4-2013, as of March 31, 2024

	<b>March 31, 2024</b>					
	<u>Satisfactory</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Corporate loans and other loans	10,425,226,698	458,353,024	124,886,934	32,023,308	68,231,062	11,108,721,026
Consumer loans	<u>12,218,809,728</u>	<u>519,944,842</u>	<u>99,573,898</u>	<u>109,656,094</u>	<u>55,013,858</u>	<u>13,002,998,420</u>
<b>Total</b>	<u>22,644,036,426</u>	<u>978,297,866</u>	<u>224,460,832</u>	<u>141,679,402</u>	<u>123,244,920</u>	<u>24,111,719,446</u>
Specific reserve	<u>0</u>	<u>74,347,421</u>	<u>57,079,793</u>	<u>80,224,013</u>	<u>66,022,751</u>	<u>277,673,978</u>

  

	<b>December 31, 2023</b>					
	<u>Satisfactory</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Corporate loans and other loans	9,942,128,581	435,765,945	152,170,792	35,716,031	67,542,823	10,633,324,172
Consumer loans	<u>11,935,700,819</u>	<u>528,739,367</u>	<u>100,972,753</u>	<u>99,721,571</u>	<u>58,679,498</u>	<u>12,723,814,008</u>
<b>Total</b>	<u>21,877,829,400</u>	<u>964,505,312</u>	<u>253,143,545</u>	<u>135,437,602</u>	<u>126,222,321</u>	<u>23,357,138,180</u>
Specific reserve	<u>0</u>	<u>78,878,918</u>	<u>52,030,946</u>	<u>73,557,712</u>	<u>68,511,835</u>	<u>272,979,411</u>

Agreement No. 4-2013 defines as default any credit facility that presents any amount not paid, by principal, interest or expenses agreed contractually, with an age of more than 30 days and up to 90 days, from the date established for the compliance with payments.

Agreement No. 4-2013 defines as an overdue any credit facility whose non-payment of contractually agreed amounts is more than 90 days old. This period shall be calculated from the date set for the payment to be made. Transactions with a single payment at maturity and overdrafts will be considered due when the age of the non-payment exceeds 30 days, from the date on which the payment obligation is established.

As of March 31, 2024, the classification of the amortized cost loan portfolio by maturity profile based on Agreement No. 4-2013:

	<b>March 31, 2024</b>			<u>Total</u>
	<u>Current</u>	<u>Past due</u>	<u>Overdue</u>	
Corporate loans and other loans	11,004,571,260	40,756,144	63,393,622	11,108,721,026
Consumer loans	<u>12,464,761,567</u>	<u>305,089,743</u>	<u>233,147,110</u>	<u>13,002,998,420</u>
<b>Total</b>	<u>23,469,332,827</u>	<u>345,845,888</u>	<u>296,540,732</u>	<u>24,111,719,446</u>

  

	<b>December 31, 2023</b>			<u>Total</u>
	<u>Current</u>	<u>Past due</u>	<u>Overdue</u>	
Corporate loans and other loans	10,546,749,131	30,012,189	56,562,852	10,633,324,172
Consumer loans	<u>12,226,180,626</u>	<u>271,429,221</u>	<u>226,204,161</u>	<u>12,723,814,008</u>
<b>Total</b>	<u>22,772,929,757</u>	<u>301,441,410</u>	<u>282,767,013</u>	<u>23,357,138,180</u>

Based on Agreement No. 8-2014, for regulatory purposes, interest recognition as income based on the days of arrears in payment to principal and/or interest and the type of credit transaction is suspended operationally as follows:

- a) For consumer and business credits, if there is a default of more than 90 days; and
- b) For home mortgage loans, if there is a default of more than 120 days.

## BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (23) Regulatory aspects, continued

Total loans from BAC International Bank, Inc. ("Parent Bank") as of March 31, 2024, in non-interest calculation status amounts to \$147,020,280 (December 31, 2023: \$146,424,441). Total unrecognized interest as income on these loans is \$2,248,163 (December 31, 2023: \$8,279,947).

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

Article 27. Write-offs: Each bank shall 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 Agreement 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.

After the year of extension, if the Bank has not yet made any write off, it must create a reservation in the equity account, by appropriating its retained earnings to which the net loan value of the provisions will be charged already constituted, according to the percentages set out in the following table:

<u>Loans</u>	<u>Period</u>	<u>Applicable percentage</u>
Mortgage loans and consumer loans with real estate guarantees	At the beginning of the first year after the extension (fourth year)	50%
Corporate loans with real estate guarantees	At the beginning of the third year	50%

As of March 31, 2024, and December 2023, the Bank constituted an estate provision of \$7,798,161 and \$8,028,348, respectively, pursuant to Agreement No. 11-2019.

The General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020, for the purposes of the provisions of articles 36, 37 and 38 of Agreement No.4-2013 on credit risk, temporarily suspends the obligation to constitute the dynamic provision established in the aforementioned articles, in order to provide financial relief to the banks in the marketplace during the State of National Emergency decreed by the National Government due to the pandemic of COVID-19.

On June 6, 2023, the General Resolution of the Board of Directors SBP-GJD-R-2023-01125 is issued, which reinstates the recognition of the dynamic provision, in accordance with the regulatory criteria established in articles 36, 37 and 38 of Agreement No.4-2013 and repeals in all its parts the General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(23) Regulatory aspects, continued**

As of March 31, 2024, in compliance with the provisions set out in Articles 36 and 38 of Agreement No. 4-2013, the Bank established a dynamic provision with a balance of \$360,805,993 (December 31, 2023: \$334,115,069), is allocated from retained profits. The credit balance of this dynamic provision is part of the regulatory capital but does not replace or compensate the requirements for the minimum percentage of capital adequacy established by the Superintendency of Banks of Panama.

As of March 31, 2024, the Bank maintains a percentage of 1.65% on risk-weighted assets. Agreement No. 4-2013 establishes a dynamic reserve which shall not be less than 1.25%, nor more than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of December 31, 2023. These percentages represent the following amounts:

	March 31, <u>2024</u>	December 31, <u>2023</u>
1.25%	<u>250,231,549</u>	<u>242,425,001</u>
2.50%	<u>500,463,098</u>	<u>484,850,003</u>

The following table is the calculation of the dynamic reserve, at the consolidated level:

	March 31, <u>2024</u>	December 31, <u>2023</u>
<b>Component 1</b>		
Risk – weighted assets (credit facilities – Normal category)	<u>20,018,523,930</u>	<u>19,394,000,109</u>
For alpha coefficient (1.50%)		
<b>Result</b>	<u>300,277,859</u>	<u>290,910,002</u>
<b>Component 2</b>		
Variation (positive) between the current quarter versus the previous risk – weighted assets		
For beta coefficient (5.00%)	<u>628,482,599</u>	<u>988,643,124</u>
<b>Result</b>		
<b>Less:</b>	<u>31,424,130</u>	<u>49,432,156</u>
<b>Component 3</b>		
Amount of change in the balance of specific provisions in the quarter	<u>(5,621,981)</u>	<u>14,606,227</u>
<b>Gross dynamic reserve balance</b>	<u>337,323,969</u>	<u>325,735,931</u>
<b>Plus:</b>		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37 and consolidation effect.	<u>23,482,024</u>	<u>8,379,138</u>
<b>Net dynamic reserve balance</b>	<u>360,805,993</u>	<u>334,115,069</u>

As of March 31, 2024, and December 31, 2023, the Bank did not register an excess regulatory credit reserve based on Agreement No. 4-2013.

- *Capital Management*

Banking law in Panama states that general license banks must maintain a minimum paid or allocated 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 March 31, 2024, and December 31, 2023, 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 Agreements No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

## **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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#### **(23) Regulatory aspects, continued**

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

Agreement 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.

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

Agreement No.11-2018, by which new provisions on Operational Risks are issued, began to govern on September 30, 2020.

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

The Bank did not require establishing additional reserves to comply with Agreement 9-2020.

Resolution SBP-GJD-005-2020, established special measures in relation to article 2 of Agreement No. 3- 2016, in order to temporarily modify the risk weights of the different categories of assets used to calculate the capital index, by virtue of the current situation that is being experienced at the national level as a result of COVID-19. It became effective on April 20, 2020.

Resolution SBP-GDP-R-2023-01034, published on April 11, 2023, nullifies the special and temporary considerations contemplated in the General Resolution of the Board of Directors SBP-GJD-005-2020. The application of the provisions of this resolution will be reflected in the report corresponding to June 2023.

**BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**  
(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(23) 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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Ordinary Primary Capital (Pilar I)</b>		
Common stocks	834,708,000	834,708,000
Additional paid in capital	140,897,488	140,897,488
Retained earnings	2,419,690,394	2,393,292,250
Non-controlling interest	271,339	260,134
Other Comprehensive losses	(295,857,914)	(358,751,532)
Less: Goodwill	(335,976,016)	(335,569,978)
Less: Intangible assets	(79,982,071)	(78,263,578)
Less: Treasury stock	(5,218,370)	(5,218,370)
<b>Total Ordinary Primary Capital</b>	<u>2,678,532,850</u>	<u>2,591,354,414</u>
<b>Additional Primary Capital</b>		
Perpetual bond issued by the Bank	520,000,000	520,000,000
<b>Total Additional Primary Capital</b>	<u>520,000,000</u>	<u>520,000,000</u>
<b>Total Primary Capital (Net)</b>	<u>3,198,532,850</u>	<u>3,111,354,414</u>
<b>Total Secondary Capital</b>	<u>0</u>	<u>0</u>
<b>Dynamic Provision</b>	<u>360,805,993</u>	<u>334,115,069</u>
<b>Total Regulatory Capital Fund</b>	<u>3,559,338,843</u>	<u>3,445,469,483</u>
Total Assets Weighted by Net Risk deductions	28,108,659,994	27,354,161,149
Operational Risk Weighted Assets (Agreement No.11-2018)	<u>1,420,201,305</u>	<u>1,428,785,491</u>
<b>Total risk weighted assets</b>	<u>29,528,861,299</u>	<u>28,782,946,640</u>
<b>Ratios:</b>		
Capital Adequacy Ratio	<u>12.05%</u>	<u>11.97%</u>
Primary Capital Ratio	<u>10.83%</u>	<u>10.81%</u>

- **Liquidity Ratio**

The percentage of the liquidity index reported by BAC International Bank, Inc. to the regulatory body, under the parameters of Agreement No. 4-2008, as of March 31, 2024, was 45.65% (December 31, 2023: 43.32%).

- **Assets Held for Sale**

Agreement No. 3-2009 issued by the Superintendency of Banks of Panama, by which the provisions on disposal of property are updated, sets a five (5) year's period to dispose of property acquired in settlement of unpaid loans.

The awarded properties held for sale are recognized at the lowest value between the carrying value of non-cancelled loans or the estimated value of realization of the properties. The agreement provides that the provision of the awarded properties, allocated of the non-distributed profits, is progressively within a range of 10% from the first year of registration up to 90% to the fifth year of award, through the establishment of a heritage reserve. The following is the progressive booking table:

<u>Years</u>	<u>Minimum Reserve Percentage</u>
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

## **BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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#### **(23) Regulatory aspects, continued**

As of March 31, 2024, the Bank constituted provision of the awarded properties amounting to \$7,009,200 (December 31, 2023: \$6,393,409), as a property item that is allocated from undistributed profits.

- *Financial Bank Act*

The operations of financial companies in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the laws established in Law No.42 of 23 July 2001.

- *Lease Acts*

Leasing operations in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the legislation established by the Act No.7 of July 10, 1990.

- *Securities Act*

The stock market operations in Panama are regulated by the Superintendency of the Securities Market in accordance with the legislation established in Decree Law No.1 of 8 July 1999, reformed by Law No. 67 of September 1, 2011.

The broker firm's operations are regulated by Agreement No. 4-2011, modified in certain aspects by the Agreements No. 8-2013 and No. 3-2015, issued by the Superintendency of the Securities. The Agreements specifies that broker firms must comply with capital adequacy requirements and its modalities.

#### **(24) Subsequent events**

The Bank has assessed the subsequent events to June 19, 2024, to assess the need for their recognition or disclosure in the accompanying financial statements. Based on this evaluation, we determined that there were no subsequent events which require recognition or disclosure in these Condensed Consolidated Interim Financial Statements.