

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

**Condensed Consolidated Interim
Financial Statements**

As of June 30, 2024

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

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BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Financial Position

As of June 30, 2024

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>June 30,</u> <u>2024</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2023</u>
Cash and cash equivalents		804,140,516	931,707,522
Securities purchased under resale agreements	4, 7	580,603	61,193,065
Deposits in banks:			
Demand		3,674,221,856	3,809,315,812
Time deposits		478,244,166	533,683,400
Allowance for impairment on deposits in banks		(55,843)	(85,973)
Total deposits in banks, net	4	<u>4,152,410,179</u>	<u>4,342,913,239</u>
Total cash, cash equivalents and deposits in banks	6	4,957,131,298	5,335,813,826
Investments in securities, net	4, 8	4,835,715,741	4,548,929,982
Loans:			
Loans granted		24,839,583,868	23,356,663,662
Accrued interest receivable		185,874,282	185,825,399
Unearned commissions		(68,785,106)	(64,023,709)
Total loans	4, 9	<u>24,956,673,044</u>	<u>23,478,465,352</u>
Allowance impairment for loan losses	4, 9	(728,084,613)	(734,661,520)
Loans, net	9	<u>24,228,588,431</u>	<u>22,743,803,832</u>
Property and equipment, net		557,883,756	571,947,463
Acceptances outstanding		44,945,590	61,996,226
Other accounts receivable, net	4	497,144,612	594,677,078
Goodwill and intangible assets, net		415,870,135	413,833,555
Deferred income tax		48,744,885	51,014,984
Other assets		199,826,904	180,633,802
Total assets		<u><u>35,785,851,352</u></u>	<u><u>34,502,650,748</u></u>

The 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.

<u>Liabilities and Equity</u>	<u>Note</u>	<u>June 30, 2024 (Unaudited)</u>	<u>December 31, 2023</u>
<u>Liabilities</u>			
Deposits from customers:			
Demand		9,945,931,343	9,883,922,827
Savings		6,484,554,989	6,214,269,103
Time deposits		10,453,872,312	9,917,991,462
Total deposits from customers	10	<u>26,884,358,644</u>	<u>26,016,183,392</u>
Securities sold under repurchase agreements		194,378,194	114,006,590
Financial obligations	11	2,499,943,904	2,443,136,750
Other financial obligations	12	1,418,816,328	1,365,943,096
Lease liabilities	13	114,080,063	119,512,038
Acceptances outstanding		44,945,590	61,996,226
Income tax payable		36,162,364	22,366,539
Deferred income tax		73,955,952	82,059,399
Other liabilities		881,122,636	923,721,921
Total liabilities		<u>32,147,763,675</u>	<u>31,148,925,951</u>
<u>Equity</u>			
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		2,646,960,626	2,393,292,250
Regulatory reserves		383,843,156	348,536,827
Other comprehensive losses		(363,385,543)	(358,751,532)
Total stockholders' equity, excluding non-controlling interest		<u>3,637,805,357</u>	<u>3,353,464,663</u>
Non-controlling interest		282,320	260,134
Total equity		<u>3,638,087,677</u>	<u>3,353,724,797</u>
Total liabilities and equity		<u>35,785,851,352</u>	<u>34,502,650,748</u>

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Profit or Loss

For the six-months period ended June 30, 2024

(In U.S. dollars)

	<u>Note</u>	<u>2024</u>	<u>June 30,</u> <u>(Unaudited)</u>	<u>2023</u>
Interest income:				
Deposits in banks		36,342,874		32,316,050
Investments in securities		149,030,786		125,692,825
Loans		1,310,584,114		1,098,327,055
Total interest income		<u>1,495,957,774</u>		<u>1,256,335,930</u>
Interest expense:				
Deposits from customers		373,861,995		282,556,803
Financial obligations		81,573,229		63,272,810
Other financial obligations		64,120,803		52,860,702
Securities sold under repurchase agreements		6,344,527		7,671,747
Lease liabilities	13	3,041,879		3,456,685
Total interest expense		<u>528,942,433</u>		<u>409,818,747</u>
Net interest income		<u>967,015,341</u>		<u>846,517,183</u>
Credit risk impairment losses (recoveries):				
Loans	4	223,917,159		145,621,499
Deposits in banks and investments in securities	4	3,010,015		(5,626,742)
Other accounts receivable	4	924,035		(1,574,875)
Total credit risk impairment loss, net		<u>227,851,209</u>		<u>138,419,882</u>
Net interest income after credit risk impairment losses		<u>739,164,132</u>		<u>708,097,301</u>
Other income (expenses):				
Service charges, net		336,562,829		308,707,261
Commissions and other fees income		511,524,909		455,149,957
Commissions and other fees expenses		(390,209,123)		(330,135,610)
Gain on financial instruments, net	15	21,489,033		2,785,644
Gain on foreign currency exchange, net		95,857,056		5,961,151
Impairment loss on assets held for sale		(448,042)		(198,237)
Other income		13,161,923		19,191,337
Total other income, net		<u>587,938,585</u>		<u>461,461,503</u>
General and administrative expenses:				
Salaries and employee benefits		349,929,610		317,745,543
Depreciation and amortization		65,480,180		64,242,281
Administrative		56,686,547		52,886,339
Occupancy and related expenses		17,438,839		17,023,227
Other expenses		323,193,805		297,888,167
Total general and administrative expenses		<u>812,728,981</u>		<u>749,785,557</u>
Income before income tax		514,373,736		419,773,247
Current income tax		(127,376,910)		(92,571,899)
Deferred income tax		2,099,144		(17,146,657)
Net income		<u>389,095,970</u>		<u>310,054,691</u>
Net income attributable to:				
Controlling interest		389,071,571		310,027,785
Non-controlling interest		24,399		26,906
		<u>389,095,970</u>		<u>310,054,691</u>

The 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)

Condensed Consolidated Statement of Comprehensive Income

For the six-months period ended June 30, 2024

(In U.S. dollars)

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>(Unaudited)</u>	
Net income	<u>389,095,970</u>	<u>310,054,691</u>
Other Comprehensive income:		
Items that will not be reclassified to profit or loss:		
Employee benefits plan - change in actuarial effect	520,388	(279,502)
Net change in foreign currency of common stocks	(2,015)	(88,681)
Items that are or may be reclassified to profit or loss:		
Foreign currency translation	(7,662,489)	105,786,515
Valuation of FVOCI securities:		
Net amount reclassified to profit or loss	(12,776,652)	198,712
Net change in fair value	<u>15,284,746</u>	<u>28,707,849</u>
Total other comprehensive income	<u>(4,636,022)</u>	<u>134,324,893</u>
Total comprehensive income	<u><u>384,459,948</u></u>	<u><u>444,379,584</u></u>
Total comprehensive income attributable to:		
Controlling interest	384,437,560	444,355,384
Non-controlling interest	<u>22,388</u>	<u>24,200</u>
	<u><u>384,459,948</u></u>	<u><u>444,379,584</u></u>

The 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)

Condensed Consolidated Statement of Changes in Equity

For the six-months period ended June 30, 2024

(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		
Balance as of January 1, 2023	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)
Balance as of January 1, 2023	<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	310,027,785	0	0	310,027,785	26,906	310,054,691
Other comprehensive income:									
Foreign currency translation	0	0	0	0	0	105,787,585	105,787,585	(1,070)	105,786,515
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	198,879	198,879	(167)	198,712
Net change in fair value	0	0	0	0	0	28,709,337	28,709,337	(1,488)	28,707,849
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(279,521)	(279,521)	19	(279,502)
Net change in foreign currency of common stocks	0	0	0	0	0	(88,681)	(88,681)	0	(88,681)
Total other comprehensive income	0	0	0	0	0	134,327,599	134,327,599	(2,706)	134,324,893
Total comprehensive income	0	0	0	310,027,785	0	134,327,599	444,355,384	24,200	444,379,584
Other changes in equity:									
Regulatory reserves	0	0	0	(47,966,133)	47,966,133	0	0	0	0
Transactions with the Bank's owners:									
Complementary tax	0	0	0	897,475	0	0	897,475	0	897,475
Contributions and distributions:									
Declared dividends	0	0	0	0	0	0	0	(3,594)	(3,594)
Dividends	0	0	0	(225,800,000)	0	0	(225,800,000)	(361)	(225,800,361)
Total transactions with the Bank's owners	0	0	0	(224,902,525)	0	0	(224,902,525)	(3,955)	(224,906,480)
Balance as of June 30, 2023 (Unaudited)	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,380,901,945</u>	<u>307,477,196</u>	<u>(414,751,512)</u>	<u>3,244,014,747</u>	<u>293,251</u>	<u>3,244,307,998</u>
Balance as of January 1, 2024	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	389,071,571	0	0	389,071,571	24,399	389,095,970
Other comprehensive income:									
Foreign currency translation	0	0	0	0	0	(7,662,034)	(7,662,034)	(455)	(7,662,489)
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	(12,776,662)	(12,776,662)	10	(12,776,652)
Net change in fair value	0	0	0	0	0	15,286,521	15,286,521	(1,775)	15,284,746
Employee benefits plan - change in actuarial effect	0	0	0	0	0	520,179	520,179	209	520,388
Net change in foreign currency of common stocks	0	0	0	0	0	(2,015)	(2,015)	0	(2,015)
Total other comprehensive income	0	0	0	0	0	(4,634,011)	(4,634,011)	(2,011)	(4,636,022)
Total comprehensive income	0	0	0	389,071,571	0	(4,634,011)	384,437,560	22,388	384,459,948
Other changes in equity:									
Regulatory reserves	0	0	0	(35,306,329)	35,306,329	0	0	0	0
Transactions with the Bank's owners:									
Complementary tax	0	0	0	903,134	0	0	903,134	0	903,134
Contributions and distributions:									
Declared dividends	0	0	0	(2,907)	0	0	(2,907)	(196)	(3,103)
Dividends	0	0	0	(100,997,093)	0	0	(100,997,093)	(6)	(100,997,099)
Total transactions with the Bank's owners	0	0	0	(100,096,866)	0	0	(100,096,866)	(202)	(100,097,068)
Balance as of June 30, 2024 (Unaudited)	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,646,960,626</u>	<u>383,843,156</u>	<u>(363,385,543)</u>	<u>3,637,805,357</u>	<u>282,320</u>	<u>3,638,087,677</u>

The 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)

Condensed Consolidated Statement of Cash Flows

For the six-months period ended June 30, 2024

(In U.S. dollars)

	<u>Note</u>	<u>June 30,</u> <u>2024</u>	<u>2023</u>
		<u>(Unaudited)</u>	
Cash flows from operating activities:			
Net Income		389,095,970	310,054,691
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		65,480,180	64,242,281
Credit risk impairment losses on loans	4	223,917,159	145,621,499
Credit risk impairment losses (recoveries) on deposits in banks and investments in securities	4	3,010,015	(5,626,742)
Credit risk impairment losses (recoveries) on other accounts receivable	4	924,035	(1,574,875)
Impairment loss on assets held for sale		448,042	198,237
Loss (profit) on undisbursed commitments		2,816,255	(131,848)
Net interest income		(967,015,341)	(846,517,183)
Gain on financial instruments, net	15	(21,489,033)	(2,785,644)
Net loss on sale and disposal of property and equipment		367,995	186,536
Net gain on sale of assets held for sale		(3,546,864)	(5,730,920)
Net loss on disposal of intangible assets		111,058	9,399
Dividends on equity securities		(1,680,664)	(2,018,048)
Income tax expense		125,277,766	109,718,556
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		2,475,725	9,609,445
Investments in securities		11,499,622	644,085
Loans		(1,738,468,929)	(725,708,506)
Securities sold under agreements to repurchase		80,289,402	(152,238,277)
Other accounts receivable		90,289,519	178,624,013
Other assets		(16,391,583)	(7,328,764)
Deposits from costumers		906,362,637	235,856,139
Other liabilities		(72,143,708)	(200,879,563)
Cash generated by operations:			
Interest received		1,436,828,813	1,232,970,705
Interest paid		(521,758,963)	(390,863,902)
Dividends received		1,680,664	2,018,048
Income tax paid		(77,137,667)	(143,345,035)
Net cash used in operating activities		<u>(78,757,895)</u>	<u>(194,995,673)</u>
Cash flows from investment activities:			
Proceeds from sale of investments in securities		368,569,533	124,361,411
Maturities and prepayments of investments in securities		2,291,988,874	1,928,221,913
Purchase of investments in securities		(2,901,625,773)	(2,476,100,767)
Purchase of property and equipment		(27,254,136)	(45,098,016)
Proceeds from sale of property and equipment		294,781	557,236
Acquisition of intangible assets		(17,789,265)	(16,770,312)
Proceeds from sale of assets held for sale		15,135,564	20,919,479
Net cash used in investment activities		<u>(270,680,422)</u>	<u>(463,909,056)</u>
Cash flows from financing activities:			
Proceeds from financial obligations		806,514,662	751,463,907
Payment of financial obligations		(752,017,125)	(862,603,741)
Proceeds from other financial obligations		114,384,930	128,271,084
Payment of other financial obligations		(58,919,221)	(4,984,877)
Payment of lease liabilities		(15,995,980)	(14,978,859)
Paid dividends		(100,997,099)	(225,800,361)
Net cash used in financing activities		<u>(7,029,833)</u>	<u>(228,632,847)</u>
Effect of exchange rate fluctuations on cash held		(19,676,103)	199,538,486
Net decrease in cash and cash equivalents		(376,144,253)	(687,999,090)
Cash and cash equivalents at the beginning of the period		5,280,690,179	5,094,061,120
Cash and cash equivalents at the end of the period	6	<u>4,904,545,926</u>	<u>4,406,062,030</u>

The 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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BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2024

(In U.S. dollars)

(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, S.A ("Latinex") and the Colombian Stock Exchange ("BVC"). These unaudited condensed consolidated interim financial statements as of June 30, 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 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%
Bakito, 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%
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 condensed consolidated interim financial statements

(a) Basis of consolidation

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 Condensed Consolidated Interim Financial Statements

(2) Basis of preparation of the 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 August 5, 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 Condensed Consolidated Interim Financial Statements

(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, 2025, 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 June 30, 2023, have been corrected to be consistent with the presentation of the condensed consolidated interim financial statements as of June 30, 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 June 30, 2023.

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

Notes to the 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
June 30, 2024						
Cash, cash equivalents and deposits in banks	0	0	0	0	4,957,131,298	4,957,131,298
Investments in securities, net	14,741,542	14,279,931	4,696,404,313	3,201,128	107,088,827	4,835,715,741
Loans, net	0	0	0	0	24,228,588,431	24,228,588,431
Other accounts receivable, net	0	0	0	0	497,144,612	497,144,612
Total financial assets	<u>14,741,542</u>	<u>14,279,931</u>	<u>4,696,404,313</u>	<u>3,201,128</u>	<u>29,789,953,168</u>	<u>34,518,580,082</u>
	Designated FVPL – debt instruments	Designated FVPL - equity instruments	FVOCI - debt instruments	FVOCI - equity instruments	AC	Total
December 31, 2023						
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
Total financial assets	<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 June 30, 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 Condensed Consolidated Interim Financial Statements

(4) Risk management, continued

(a) Credit Risk

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

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

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

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

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

The Bank has a regional guideline on investments that defines the general profile for the investment portfolio and establishes two large maximum levels to control the investments' exposure: a limit on country risk and issuer risk. The country risk limits are set based on an internal qualification scale and are measured as percentages of the Bank's equity or as absolute amounts. The guideline includes approval schemes and attributions for new limits or increases on existing limits.

Compliance with this guideline is monitored on a daily basis through the Investment Portfolio Management and Control Module (MACCI from Spanish), an internal tool to document the entire investment process, including new approvals, limit increases or decreases, purchases and sales, and also to control exposures by the issuer and the use of assigned quotas.

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Statements

(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 \$4,152,410,179 as of June 30, 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 June 30, 2024, approximately \$9.8 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 June 30, 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 fair value through PL (FVPL), investments at fair value through OCI (FVOCI) and investments at amortized cost (AC). As of June 30, 2024, investments amounted to \$4,835,715,741 (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:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Governments and agencies		
AA+	4,267,495	4,337,576
BB-	<u>10,474,047</u>	<u>20,133,474</u>
Total Governments and agencies	<u>14,741,542</u>	<u>24,471,050</u>
Total investments at FVPL	<u>14,741,542</u>	<u>24,471,050</u>

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Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management, continued

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	June 30, 2024			December ,2023		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AA+	669,315,792	0	669,315,792	479,810,159	0	479,810,159
BBB	319,762,679	0	319,762,679	296,630,686	0	296,630,686
BB+ to B-	<u>3,223,423,490</u>	<u>0</u>	<u>3,223,423,490</u>	<u>3,189,424,962</u>	<u>0</u>	<u>3,189,424,962</u>
Total governments and agencies	<u>4,212,501,961</u>	<u>0</u>	<u>4,212,501,961</u>	<u>3,965,865,807</u>	<u>0</u>	<u>3,965,865,807</u>
Corporate						
AA	2,016,830	0	2,016,830	2,050,627	0	2,050,627
A	288,424	0	288,424	294,658	0	294,658
A-	110,948,933	0	110,948,933	102,978,816	0	102,978,816
BBB+	48,868,940	0	48,868,940	31,117,585	0	31,117,585
BBB	49,602,734	0	49,602,734	29,041,521	0	29,041,521
BBB-	60,823,435	0	60,823,435	43,698,038	0	43,698,038
BB+ to B-	211,353,056	0	211,353,056	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>
Total corporate	<u>483,902,352</u>	<u>0</u>	<u>483,902,352</u>	<u>442,820,792</u>	<u>0</u>	<u>442,820,792</u>
Total	<u>4,696,404,313</u>	<u>0</u>	<u>4,696,404,313</u>	<u>4,408,686,599</u>	<u>0</u>	<u>4,408,686,599</u>
Allowance for ECL	<u>9,101,855</u>	<u>0</u>	<u>9,101,855</u>	<u>6,107,894</u>	<u>0</u>	<u>6,107,894</u>

As of June 30, 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:

	June 30, 2024			December 31, 2023		
	12 months ECL	Lifetime ECL - without impairment	Total investments at AC	12 months ECL	Lifetime ECL - without impairment	Total investments at AC
Governments and Agencies						
BB+ to BB-	<u>68,494,769</u>	<u>0</u>	<u>68,494,769</u>	<u>68,673,874</u>	<u>0</u>	<u>68,673,874</u>
Total Governments and Agencies	<u>68,494,769</u>	<u>0</u>	<u>68,494,769</u>	<u>68,673,874</u>	<u>0</u>	<u>68,673,874</u>
Corporate						
BB+ to B+	38,594,058	0	38,594,058	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>
Total Corporate	<u>38,594,058</u>	<u>0</u>	<u>38,594,058</u>	<u>29,729,603</u>	<u>0</u>	<u>29,729,603</u>
Total	<u>107,088,827</u>	<u>0</u>	<u>107,088,827</u>	<u>98,403,477</u>	<u>0</u>	<u>98,403,477</u>
Allowance for ECL	<u>208,886</u>	<u>0</u>	<u>208,886</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
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Notes to the 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:

June 30, 2024	Loans			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
Corporate				
Satisfactory	9,862,548,504	5,367,344	0	9,867,915,848
Special mention	0	296,407,279	0	296,407,279
Sub-standard	0	0	95,876,272	95,876,272
Doubtful	0	0	28,103,572	28,103,572
Loss	0	0	30,857,515	30,857,515
Gross amount	<u>9,862,548,504</u>	<u>301,774,623</u>	<u>154,837,359</u>	<u>10,319,160,486</u>
Allowance for ECL	<u>(25,636,194)</u>	<u>(19,125,104)</u>	<u>(59,799,853)</u>	<u>(104,561,151)</u>
Net amount	<u>9,836,912,310</u>	<u>282,649,519</u>	<u>95,037,506</u>	<u>10,214,599,335</u>
Small company				
Satisfactory	1,175,569,954	49,331,665	0	1,224,901,619
Special mention	2,431,781	38,059,452	0	40,491,233
Sub-standard	0	0	4,537,691	4,537,691
Doubtful	0	0	8,077,452	8,077,452
Loss	0	0	4,176,900	4,176,900
Gross amount	<u>1,178,001,735</u>	<u>87,391,117</u>	<u>16,792,043</u>	<u>1,282,184,895</u>
Allowance for ECL	<u>(2,891,642)</u>	<u>(5,536,524)</u>	<u>(5,539,368)</u>	<u>(13,967,534)</u>
Net amount	<u>1,175,110,093</u>	<u>81,854,593</u>	<u>11,252,675</u>	<u>1,268,217,361</u>
Mortgage				
Satisfactory	3,268,393,713	208,593,873	0	3,476,987,586
Special mention	2,714,393	306,118,467	0	308,832,860
Sub-standard	0	0	106,215,336	106,215,336
Doubtful	0	0	35,514,602	35,514,602
Loss	0	0	27,682,223	27,682,223
Gross amount	<u>3,271,108,106</u>	<u>514,712,340</u>	<u>169,412,161</u>	<u>3,955,232,607</u>
Allowance for ECL	<u>(7,199,747)</u>	<u>(30,492,422)</u>	<u>(19,040,536)</u>	<u>(56,732,705)</u>
Net amount	<u>3,263,908,359</u>	<u>484,219,918</u>	<u>150,371,625</u>	<u>3,898,499,902</u>
Personal Banking				
Satisfactory	2,210,663,654	90,876,832	1,381,291	2,302,921,777
Special mention	354,994	75,896,816	1,527,470	77,779,280
Sub-standard	0	0	32,766,120	32,766,120
Doubtful	0	0	19,538,736	19,538,736
Loss	0	0	6,295,736	6,295,736
Gross amount	<u>2,211,018,648</u>	<u>166,773,648</u>	<u>61,509,353</u>	<u>2,439,301,649</u>
Allowance for ECL	<u>(49,818,948)</u>	<u>(25,423,822)</u>	<u>(32,893,011)</u>	<u>(108,135,781)</u>
Net amount	<u>2,161,199,700</u>	<u>141,349,826</u>	<u>28,616,342</u>	<u>2,331,165,868</u>
Vehicles				
Satisfactory	1,355,363,515	72,616,061	0	1,427,979,576
Special mention	39,906	69,921,577	0	69,961,483
Sub-standard	0	0	8,722,628	8,722,628
Doubtful	0	0	3,747,692	3,747,692
Loss	0	0	1,164,727	1,164,727
Gross amount	<u>1,355,403,421</u>	<u>142,537,638</u>	<u>13,635,047</u>	<u>1,511,576,106</u>
Allowance for ECL	<u>(2,042,827)</u>	<u>(3,771,331)</u>	<u>(2,779,905)</u>	<u>(8,594,063)</u>
Net amount	<u>1,353,360,594</u>	<u>138,766,307</u>	<u>10,855,142</u>	<u>1,502,982,043</u>
Credit card				
Satisfactory	4,292,301,944	490,543,494	3,974,556	4,786,819,994
Special mention	5,094,152	354,244,101	82,098,354	441,436,607
Sub-standard	0	0	14,638,622	14,638,622
Doubtful	291,886	69,066,548	13,658,753	83,017,187
Loss	1,529	0	123,303,362	123,304,891
Gross amount	<u>4,297,689,511</u>	<u>913,854,143</u>	<u>237,673,647</u>	<u>5,449,217,301</u>
Allowance for ECL	<u>(91,837,751)</u>	<u>(197,441,140)</u>	<u>(146,814,488)</u>	<u>(436,093,379)</u>
Net amount	<u>4,205,851,760</u>	<u>716,413,003</u>	<u>90,859,159</u>	<u>5,013,123,922</u>
Net carrying amount of loans	<u>21,996,342,816</u>	<u>1,845,253,166</u>	<u>386,992,449</u>	<u>24,228,588,431</u>

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Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management, continued

<u>December 31, 2023</u>	Loans			<u>Total</u>
	12 months <u>ECL</u>	Lifetime ECL - credit <u>unimpaired</u>	Lifetime ECL - credit <u>impaired</u>	
Corporate				
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	<u>49,892,995</u>	<u>49,892,995</u>
Gross amount	<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>
Net amount	8,911,124,605	271,681,904	146,139,103	9,328,945,612
Small company				
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	<u>4,531,551</u>	<u>4,531,551</u>
Gross amount	<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>
Net amount	1,089,363,944	85,852,414	10,376,506	1,185,592,864
Mortgage				
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	<u>25,456,139</u>	<u>25,456,139</u>
Gross amount	<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>
Net amount	3,254,320,707	417,976,516	154,597,049	3,826,894,272
Personal banking				
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	<u>7,927,735</u>	<u>7,927,735</u>
Gross amount	<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>
Net amount	2,102,671,889	113,083,600	28,730,171	2,244,485,660
Vehicles				
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	<u>1,379,098</u>	<u>1,379,098</u>
Gross amount	<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>
Net amount	1,232,684,912	104,916,452	12,559,758	1,350,161,122
Credit card				
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	<u>113,758,372</u>	<u>113,758,372</u>
Gross amount	<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>(138,862,117)</u>	<u>(138,862,864)</u>	<u>(412,553,736)</u>
Net amount	<u>3,514,653,331</u>	<u>1,219,867,999</u>	<u>73,202,972</u>	<u>4,807,724,302</u>
Net carrying amount of loans	<u>20,104,819,388</u>	<u>2,213,378,885</u>	<u>425,605,559</u>	<u>22,743,803,832</u>

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(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>June 30, 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>	
Corporate				
Satisfactory	625,485,208	0	0	625,485,208
Special mention	0	1,818,434	0	1,818,434
Sub-standard	0	0	3,469	3,469
Doubtful	0	0	0	0
Loss	0	0	900,283	900,283
Gross amount	<u>625,485,208</u>	<u>1,818,434</u>	<u>903,752</u>	<u>628,207,394</u>
Allowance for ECL	<u>(133,114)</u>	<u>(6,325)</u>	<u>(901,887)</u>	<u>(1,041,326)</u>
Net amount	<u>625,352,094</u>	<u>1,812,109</u>	<u>1,865</u>	<u>627,166,068</u>
Small company				
Satisfactory				
Special mention	5,395,004	0	0	5,395,004
Sub-standard	0	0	0	0
Doubtful	0	0	5,409	5,409
Loss	0	0	0	0
Gross amount	<u>5,395,004</u>	<u>0</u>	<u>5,409</u>	<u>5,400,413</u>
Allowance for ECL	<u>(274,248)</u>	<u>0</u>	<u>(2,502)</u>	<u>(276,750)</u>
Net amount	<u>5,120,756</u>	<u>0</u>	<u>2,907</u>	<u>5,123,663</u>
Mortgage				
Satisfactory	65,859,438	0	0	65,859,438
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
Gross amount	<u>65,859,438</u>	<u>0</u>	<u>0</u>	<u>65,859,438</u>
Allowance for ECL	<u>(6,573)</u>	<u>0</u>	<u>0</u>	<u>(6,573)</u>
Net amount	<u>65,852,865</u>	<u>0</u>	<u>0</u>	<u>65,852,865</u>
Net carrying amount, net of reserve	<u>696,325,715</u>	<u>1,812,109</u>	<u>4,772</u>	<u>698,142,596</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>	
Corporate				
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
Gross amount	<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>
Net amount	<u>579,322,853</u>	<u>1,916,852</u>	<u>8,912</u>	<u>581,248,617</u>
Small company				
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
Gross amount	<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>
Net amount	<u>5,797,004</u>	<u>0</u>	<u>0</u>	<u>5,797,004</u>
Mortgage				
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
Gross amount	<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>
Net amount	<u>55,792,102</u>	<u>0</u>	<u>0</u>	<u>55,792,102</u>
Net carrying amount, net of reserve	<u>640,911,959</u>	<u>1,916,852</u>	<u>8,912</u>	<u>642,837,723</u>

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(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.

	June 30, 2024					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	580,603	0	580,603
Investments in securities	0	0	0	0	4,818,234,682	4,818,234,682
Loans						
Corporate						
Corporate	4,306,754,057	780,167,873	265,648,341	0	4,652,800,621	10,005,370,892
Corporate leases, net	0	313,789,594	0	0	0	313,789,594
Total corporate	4,306,754,057	1,093,957,467	265,648,341	0	4,652,800,621	10,319,160,486
Personal Banking and Small company						
Small company						
Small company	536,955,703	56,806,323	22,477,109	0	519,092,653	1,135,331,788
Small company leases, net	0	146,853,107	0	0	0	146,853,107
Total Small company	536,955,703	203,659,430	22,477,109	0	519,092,653	1,282,184,895
Personal Banking						
Mortgage	3,955,232,607	0	0	0	0	3,955,232,607
Personal	458,610,575	354,626	30,411,009	0	1,949,925,439	2,439,301,649
Vehicles	0	1,350,015,303	0	0	0	1,350,015,303
Personal leases, net of interest	0	161,560,803	0	0	0	161,560,803
Credit cards	0	0	0	0	5,449,217,301	5,449,217,301
Total Personal Banking	4,413,843,182	1,511,930,732	30,411,009	0	7,399,142,740	13,355,327,663
Total Personal Banking and Small company	4,950,798,885	1,715,590,162	52,888,118	0	7,918,235,393	14,637,512,558
Allowance for ECL	(121,958,171)	(20,348,902)	(3,236,555)	0	(582,540,985)	(728,084,613)
Total loans	9,135,594,771	2,789,198,727	315,299,904	0	11,988,495,029	24,228,588,431
Commitments and guarantees, gross	133,455,348	3,069,843	93,000,534	2,656,469	467,285,051	699,467,245
Commitments and guarantees, provision	(30,146)	(458)	(18,647)	(122)	(1,275,276)	(1,324,649)
Total commitments and guarantees, net	133,425,202	3,069,385	92,981,887	2,656,347	466,009,775	698,142,596

	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
Loans						
Corporate						
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
Total corporate	4,105,838,071	1,022,614,452	195,318,960	0	4,134,287,989	9,458,059,472
Personal Banking and Small company						
Small company						
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
Total Small company	532,659,753	192,002,708	23,240,096	0	452,154,962	1,200,057,519
Personal Banking						
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
Total Personal Banking	4,334,051,572	1,359,661,906	29,519,835	0	7,097,115,048	12,820,348,361
Total Personal Banking and Small company	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)
Total loans	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)
Commitments and guarantees, net	86,364,661	1,594,062	52,083,317	3,478,255	499,317,428	642,837,723

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(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:

	June 30, 2024		December 31, 2023	
	Loans	Covered amount	Loans	Covered amount
Corporates				
Stage 1 and 2	4,161,344,530	4,004,341,176	3,918,528,006	3,801,626,202
Stage 3	118,804,073	117,899,751	173,049,248	172,172,085
Total	<u>4,280,148,603</u>	<u>4,122,240,927</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.

	June 30, 2024	December 31, 2023
Properties	9,306,522	15,453,610
Furniture and equipment	<u>1,768,908</u>	<u>4,903,981</u>
Total	<u>11,075,430</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	June 30, 2024		December 31, 2023	
	Loans	Credit and guarantee commitments	Loans	Credit and guarantee commitments
Less than 50%	812,213,016	2,134,744	797,244,140	2,872,169
51-70%	1,311,894,462	8,877,031	1,296,290,312	5,704,427
71-80%	1,228,231,241	9,770,045	1,239,894,430	13,464,312
81-90%	474,535,104	14,690,124	447,890,396	13,593,618
91-100%	113,674,512	29,685,365	96,648,840	19,492,274
More than 100%	<u>14,684,272</u>	<u>702,129</u>	<u>15,946,010</u>	<u>670,881</u>
Total	<u>3,955,232,607</u>	<u>65,859,438</u>	<u>3,893,914,128</u>	<u>55,797,681</u>

Impaired loans

LTV Ratio	June 30, 2024	December 31, 2023
Less than 50%	25,230,606	26,288,223
51-70%	45,517,062	47,806,512
71-80%	54,440,336	54,388,281
81-90%	32,514,176	35,283,501
91-100%	8,509,502	9,526,468
More than 100%	<u>3,200,479</u>	<u>2,811,129</u>
Total	<u>169,412,161</u>	<u>176,104,114</u>

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(4) Risk management, continued

Expected credit loss allowance (ECL)

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>Slowdown of commercial partners: 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. The inflation target is reached in the US at the end of the year.</p>	<p>Economic growth is affected by the declining interest rate cycle. Developed economies are slowing but growth remains positive. US inflation declines, but persists at levels close to the target and high rates remain for longer than expected.</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>Global financial volatility: 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. It remains among the BAC countries with the highest growth outlook, considering recent stability, with resilience to adverse economic conditions and a favorable financial position to face financial shocks.</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.</p>	<p>Global growth considerations compared to the previous iteration improved slightly, going from low to medium impact. Although this effect may be moderated by the lower expectation of growth worldwide, the expectation remains that global growth will remain favorable for Guatemala, with strength in the external sector, high prices for exports and high income from remittances. who showed themselves to be resilient during the pandemic.</p>	<p>Economic growth slows, but remains positive. Macroeconomic conditions remain stable and inflationary pressures ease so that inflation moderates in the short term. Problems related to Governance will not worsen after months of stability after the takeover of president-elect Bernardo Arévalo.</p>	<p>In the term, the markets discount more relaxed financial conditions regarding downward adjustments in the monetary policy rates of the main economies; this has not yet materialized and there are concerns that the contractionary period will extend for longer than anticipated in relevant economies such as US.</p>
Honduras	<p>1. Inflation in line with international indicators of reduced prices, inflation within the target range and measures taken by the country to curb inflationary pressures such as increasing the minimum legal reserve. Short-term climatological risks remain, but they are attenuated for next year.</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>

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(4) Risk management, continued

Scenario	Scenarios synthesis	Upside	Central	Downside
El Salvador	<p>1. The update made by the International Monetary Fund in April 2024 revised the forecast for El Salvador upward due to more favorable growth prospects in the coming months. Even so, a weighted scenario of relatively low growth is maintained due to the pessimistic peso, which contemplates an increase in financial vulnerability and a decrease in economic growth.</p> <p>2. Inflation improved compared to the previous quarter due to the pronounced slowdown that this indicator has shown in recent months</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 improved for the country hand in hand with updated perspectives from multilateral entities and figures shown by the country in the last six months that have been much better than expected</p> <p>2. The Inflation does not show a clear path towards moderation and is at high levels compared to the region. It remains a risk to monitor as it is the country in the region with the highest current levels of inflation 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. General growth prevails and a slight improvement is expected by 2025, with which growth prospects have slightly improved, in line with the cuts in the MPR, dynamism in free zones, tourism and investment and factors that may be beneficial for investment and the recent improvements in the country's risk rating. This remains in line with the most recent update of perspectives from multilateral entities.</p> <p>2. Inflation was higher (in magnitude) than anticipated, showing negative inflation readings in the last 10 months, with which the inflation forecast for the next 12 months was adjusted slightly downwards, with the reading that the Inflation will return to the target, but now starting from its lower threshold.</p>	<p>External demand is expected to weaken due to the slowdown in important trading partners such as the US. and that the BAC countries are less favored in terms of exports and tourist income, given the panorama of lower economic growth worldwide. Despite this, for Costa Rica the considerations are less serious than in the rest of the region due to the diversification of exports; A significant proportion of these is made up of services and manufacturing of medical equipment.</p>	<p>Its economy demonstrated resilience in the face of difficult financial conditions. In the short term, financial conditions are expected to relax, hand in hand with lower inflation, which opens room for more growth in the medium term. Fiscal discipline is maintained and the agreements stipulated with the IMF are complied with, which favors lower debt/GDP than in the previous year.</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. General growth prevails and a lower magnitude of growth is expected due to recent activity with issues related to mining, Panama Canal, droughts in artificial lakes, fiscal items, degradation of outlook by rating agencies, elections and other factors that represent important challenges for the economy. in 2024.</p> <p>2. The inflation outlook remains at lower levels in line with the latest observations, showing moderation and relaxation in climatological effects towards 2025.</p>	<p>Economic growth remains stable, the incoming government takes structural measures in time before the country's fiscal situation deteriorates further and negotiations are being held with the mining company to reopen it, respecting the legal processes. The country picks up its growth.</p>	<p>Economic growth slows as a result of mining company's exit. Growth is slowed compared to previous years and this is combined with the risks on the fiscal level with a new Government; which makes immediate and effective measures difficult. External agents consider the mandate of President-elect Mulino positive due to his pro-business ideological current.</p>	<p>Economic growth slows down more than expected due to the mining issue, government measures generate social discontent, which generates strikes and further economic slowdown. Fiscal situation deteriorates further and growth stagnates.</p>

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(4) Risk management, continued

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

June 30, 2024						
Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
Upside	35%	10%	5%	10%	30%	20%
Central	55%	65%	55%	65%	65%	60%
Downside	10%	25%	40%	25%	5%	20%

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.

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

		June 30, 2024					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Annual rate of change in economic growth, expressed as a percentage	Upside	4.52	4.04	2.99	4.58	4.20	3.77
	Central	3.66	3.53	2.78	3.62	3.98	2.54
	Downside	2.73	2.83	1.91	2.77	2.90	2.12
Year-on-year rate of change of inflation, expressed as a percentage	Upside	2.60	3.14	1.58	4.40	0.90	1.35
	Central	3.33	4.26	1.71	5.16	2.22	1.77
	Downside	5.08	5.82	2.35	5.49	3.80	2.50
Nominal exchange rate of change, expressed as a percentage	Upside	(0.68)	0.39	-	0.04	1.37	-
	Central	0.56	3.52	-	0.35	1.46	-
	Downside	1.81	4.08	-	0.35	4.58	-
Annual difference in the local currency lending rate measured in basis points	Upside	(0.19)	(0.19)	-	0.35	(1.46)	-
	Central	(0.11)	0.39	-	0.46	(0.54)	-
	Downside	0.82	0.68	-	0.96	0.64	-
Annual difference in foreign currency lending rate measured in basis points	Upside	(0.23)	0.12	0.47	(0.36)	(1.24)	0.05
	Central	0.38	0.56	0.60	0.14	(0.53)	0.41
	Downside	0.78	1.04	0.90	0.78	0.82	1.18

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(4) Risk management, continued

		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.

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).

June 30, 2024	Upside	Central	Downside
Book Value			
Corporate	10,319,160,486	10,319,160,486	10,319,160,486
Small company	1,282,184,895	1,282,184,895	1,282,184,895
Mortgage	3,955,232,607	3,955,232,607	3,955,232,607
Personal banking	2,439,301,649	2,439,301,649	2,439,301,649
Vehicles	1,511,576,106	1,511,576,106	1,511,576,106
Credit card	<u>5,449,217,301</u>	<u>5,449,217,301</u>	<u>5,449,217,301</u>
	<u>24,956,673,044</u>	<u>24,956,673,044</u>	<u>24,956,673,044</u>
ECL Allowance			
Corporate	103,138,840	104,443,646	109,798,008
Small company	13,566,088	14,013,013	15,843,794
Mortgage	55,395,182	56,980,891	59,573,163
Personal banking	104,401,757	108,671,880	115,057,733
Vehicles	8,134,531	8,674,700	11,116,627
Credit card	<u>429,372,448</u>	<u>436,130,537</u>	<u>442,749,078</u>
	<u>714,008,846</u>	<u>728,914,667</u>	<u>754,138,403</u>
Proportion of assets in Stage 2			
Corporate	2.91%	2.91%	2.91%
Small company	6.68%	6.73%	8.12%
Mortgage	12.42%	12.70%	13.09%
Personal banking	6.53%	6.97%	8.05%
Vehicles	7.91%	9.37%	13.78%
Credit card	<u>16.37%</u>	<u>16.57%</u>	<u>18.29%</u>
	<u>8.21%</u>	<u>8.43%</u>	<u>9.31%</u>

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(4) Risk management, continued

<u>December 31, 2023</u>	<u>Upside</u>	<u>Central</u>	<u>Downside</u>
Book Value			
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>
ECL Allowance			
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>
Proportion of assets in Stage 2			
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%

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(4) Risk management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of June 30, 2024 and December, 2023, of the financial assets' ECL allowance.

	June 30, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Deposits in Banks								
Balance on January 1	85,968	0	0	85,968	141,799	0	0	141,799
Net remeasurement of loss allowance	(35,117)	0	0	(35,117)	(97,100)	0	0	(97,100)
New financial assets originated	5,501	0	0	5,501	41,192	0	0	41,192
Foreign currency translation	(509)	0	0	(509)	77	0	0	77
Balance at period end	<u>55,843</u>	<u>0</u>	<u>0</u>	<u>55,843</u>	<u>85,968</u>	<u>0</u>	<u>0</u>	<u>85,968</u>
Investments at FVOCI								
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	(2,851,742)	0	0	(2,851,742)	(18,631,596)	0	0	(18,631,596)
New financial assets originated	5,868,255	0	0	5,868,255	4,653,396	0	0	4,653,396
Foreign currency translation	(22,552)	0	0	(22,552)	(732,004)	0	0	(732,004)
Balance at period end	<u>9,101,855</u>	<u>0</u>	<u>0</u>	<u>9,101,855</u>	<u>6,107,894</u>	<u>0</u>	<u>0</u>	<u>6,107,894</u>
Investments at AC								
Balance on January 1	185,768	0	0	185,768	115,089	0	0	115,089
Net remeasurement of loss allowance	(10,383)	0	0	(10,383)	(48,997)	0	0	(48,997)
New financial assets originated	33,501	0	0	33,501	119,676	0	0	119,676
Balance at period end	<u>208,886</u>	<u>0</u>	<u>0</u>	<u>208,886</u>	<u>185,768</u>	<u>0</u>	<u>0</u>	<u>185,768</u>
Loans								
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	(87,618,965)	87,618,965	0	0	(108,036,921)	108,036,921	0	0
Transfer from stage 1 to 3	(83,048)	0	83,048	0	(642,167)	0	642,167	0
Transfer from stage 2 to 3	0	(159,102,929)	159,102,929	0	0	(278,404,805)	278,404,805	0
Transfer from stage 3 to 2	0	61,864,564	(61,864,564)	0	0	95,070,068	(95,070,068)	0
Transfer from stage 2 to 1	128,466,140	(128,466,140)	0	0	197,870,240	(197,870,240)	0	0
Transfer from stage 3 to 1	9,360,532	0	(9,360,532)	0	18,468,385	0	(18,468,385)	0
Net remeasurement of loss allowance	(9,900,377)	82,632,098	65,161,773	137,893,494	6,122,261	101,040,944	89,564,785	196,727,990
New financial assets originated	126,761,828	193,065,222	72,725,184	392,552,234	267,465,293	347,070,503	172,808,472	787,344,268
Net derecognition of financial assets	(191,291,073)	(97,274,420)	(17,963,076)	(306,528,569)	(369,328,925)	(178,256,440)	(50,927,468)	(598,512,833)
Reclassification	2,847,997	0	0	2,847,997	0	0	0	0
Charge-offs	0	0	(303,275,311)	(303,275,311)	0	0	(507,657,498)	(507,657,498)
Recovery	0	0	74,584,914	74,584,914	0	0	152,779,592	152,779,592
Foreign currency translation	0	0	(4,651,666)	(4,651,666)	0	0	11,040,064	11,040,064
Balance at period end	<u>179,427,109</u>	<u>281,790,343</u>	<u>266,867,161</u>	<u>728,084,613</u>	<u>200,884,075</u>	<u>241,452,983</u>	<u>292,324,462</u>	<u>734,661,520</u>

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(4) Risk management, continued

	June 30, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Commitments and guarantee								
Balance on January 1	138,507	10,126	1,217,035	1,365,668	536,382	27,189	947,871	1,511,442
Transfer from stage 1 to 3	(31,056)	0	31,056	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	1,461	(1,461)	0	0	3,182	(3,182)	0	0
Transfer from stage 3 to 1	1,217,035	0	(1,217,035)	0	0	0	0	0
Net remeasurement of loss allowance	1,591,519	(3,066)	69,922	1,658,376	210,009	(961,614)	897,521	145,916
New financial assets originated	413,935	6,325	848,961	1,269,221	65,056	3,848	0	68,904
Net derecognition of financial assets	(60,192)	(5,599)	(45,551)	(111,342)	(335,916)	(3,986)	0	(339,902)
Reclassification	(2,847,997)	0	0	(2,847,997)	0	0	0	0
Foreign currency translation	(9,277)	0	0	(9,277)	(20,692)	0	0	(20,692)
Balance at period end	<u>413,935</u>	<u>6,325</u>	<u>904,389</u>	<u>1,324,649</u>	<u>138,507</u>	<u>10,126</u>	<u>1,217,035</u>	<u>1,365,668</u>
	June 30, 2024				December 31, 2023			
Other accounts receivable								
Balance on January 1	6,633,884	0	0	6,633,884	6,760,140	0	0	6,760,140
Net remeasurement of loss allowance	(3,758,512)	0	0	(3,758,512)	(6,945,801)	0	0	(6,945,801)
New financial assets originated	4,682,547	0	0	4,682,547	8,249,342	0	0	8,249,342
Charge-offs	(1,012,934)	0	0	(1,012,934)	(1,835,208)	0	0	(1,835,208)
Recovery	407,418	0	0	407,418	330,858	0	0	330,858
Foreign currency translation	11,777	0	0	11,777	74,553	0	0	74,553
Balance at period end	<u>6,964,180</u>	<u>0</u>	<u>0</u>	<u>6,964,180</u>	<u>6,633,884</u>	<u>0</u>	<u>0</u>	<u>6,633,884</u>

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(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.

	June 30, 2024	December 31, 2023
Amortized cost before modification	14,137,210	6,606,646
Net loss due modification	<u>296</u>	<u>839,698</u>
Total	<u>14,137,506</u>	<u>7,446,344</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:

	June 30, 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>
Concentration by sector							
Government	0	0	580,603	3,362,139,561	4,212,501,961	14,741,542	68,494,769
Corporate							
Trade	2,780,340,336	212,146,621	0	0	0	0	0
General industry	1,981,780,342	102,549,253	0	0	5,870,214	0	0
Real estate	1,828,648,715	36,567,204	0	0	62,150,185	0	29,212,933
Services	1,450,462,115	64,684,261	0	0	14,989,438	0	0
Agricultural	1,003,758,611	6,489,509	0	0	0	0	0
Food industry	966,247,717	36,471,726	0	0	4,829,984	0	0
Hotels and restaurants	492,036,281	1,529,003	0	0	3,053,809	0	0
Financial	394,750,067	61,176,376	0	790,326,461	222,537,205	0	4,388,476
Telecommunications	260,920,736	18,190,644	0	0	26,139,874	0	4,992,649
Transport	234,794,771	15,655,741	0	0	2,699,611	0	0
Construction	207,605,690	78,147,469	0	0	6,373,072	0	0
Oil and derivatives	0	0	0	0	19,309,989	0	0
Public services	0	0	0	0	8,358,352	0	0
Energy	0	0	0	0	86,233,450	0	0
Media	0	0	0	0	5,279,977	0	0
Technology	0	0	0	0	6,748,002	0	0
Pharmacist	0	0	0	0	2,711,007	0	0
Personal banking	13,355,327,663	65,859,438	0	0	6,618,183	0	0
Allowance for ECL	<u>(728,084,613)</u>	<u>(1,324,649)</u>	<u>0</u>	<u>(55,843)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>24,228,588,431</u>	<u>698,142,596</u>	<u>580,603</u>	<u>4,152,410,179</u>	<u>4,696,404,313</u>	<u>14,741,542</u>	<u>107,088,827</u>
Geographic location:							
Costa Rica	7,116,198,761	293,520,131	0	1,509,071,605	1,377,437,929	10,474,049	4,992,649
Panama	5,376,764,011	194,878,724	0	157,236,408	505,591,579	0	33,601,409
Guatemala	4,588,080,259	4,766,411	580,603	480,684,794	894,785,433	0	0
Honduras	3,809,228,842	56,021,685	0	713,731,408	383,555,364	0	68,494,769
El Salvador	2,580,846,214	111,261,158	0	317,137,950	307,273,224	0	0
Nicaragua	1,485,554,957	39,019,136	0	259,066,206	265,610,729	0	0
North America	0	0	0	696,865,030	920,575,920	4,267,493	0
Europe	0	0	0	18,663,910	0	0	0
South America	0	0	0	0	39,557,305	0	0
Others	0	0	0	8,711	2,016,830	0	0
Allowance for ECL	<u>(728,084,613)</u>	<u>(1,324,649)</u>	<u>0</u>	<u>(55,843)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>24,228,588,431</u>	<u>698,142,596</u>	<u>580,603</u>	<u>4,152,410,179</u>	<u>4,696,404,313</u>	<u>14,741,542</u>	<u>107,088,827</u>

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(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
Concentration by sector							
Government	0	0	60,578,007	3,472,563,851	3,965,865,807	24,471,050	68,673,874
Corporate							
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	23,252,711
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
Materials	0	0	0	0	1,008,115	0	0
Personal banking	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>
Net carrying amount	<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>
Geographic location:							
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>
Net carrying amount	<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.

(b) 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.

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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>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
As of period end	26.8	28.3
Maximum	31.7	34.2
Average	29.1	28.9
Minimum	26.8	25.1

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Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management, continued

As of June 30, 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.

	June 30, 2024						
<i>Amounts in thousands</i>	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	9,945,931	(9,945,931)	(9,945,931)	0	0	0	0
Savings deposits	6,484,555	(6,484,555)	(6,484,555)	0	0	0	0
Time deposits	10,453,872	(11,133,489)	(1,240,502)	(1,685,777)	(5,202,550)	(2,889,927)	(114,733)
Securities sold under repurchase agreements	194,378	(194,548)	(194,548)	0	0	0	0
Financial obligations	2,499,944	(2,862,797)	(146,796)	(362,697)	(1,255,161)	(934,552)	(163,591)
Other financial obligations	1,418,816	(1,608,761)	(44,617)	(20,000)	(633,697)	(673,949)	(236,498)
Lease Liabilities	114,080	(132,393)	(3,225)	(15,716)	(16,954)	(74,913)	(21,585)
Sub-total liabilities	31,111,576	(32,362,474)	(18,060,174)	(2,084,190)	(7,108,362)	(4,573,341)	(536,407)
Commitments and guarantees	100,452	(100,452)	(10,839)	(17,650)	(71,963)	0	0
Acceptances	44,946	(44,946)	(7,071)	(34,846)	(3,029)	0	0
Total liabilities	31,256,974	(32,507,872)	(18,078,084)	(2,136,686)	(7,183,354)	(4,573,341)	(536,407)
Assets							
Cash and cash equivalents	804,141	804,141	804,141	0	0	0	0
Securities purchased under resale agreements	581	581	581	0	0	0	0
Deposits in banks, net	4,152,410	4,155,746	4,106,311	2,602	16,586	30,247	0
Investments at FVPL (1)	14,742	17,112	0	78	879	13,940	2,215
Investments at FVOCI (1)	4,696,404	5,565,855	280,916	447,586	1,185,014	2,455,429	1,196,910
Investments at AC (1)	107,089	194,730	23	397	7,285	29,480	157,545
Other accounts receivable, net	497,145	497,145	390,185	50,657	32,426	23,877	0
Loans, net	24,228,588	34,365,293	3,431,690	5,147,279	5,286,995	9,939,846	10,559,483
Sub-total assets	34,501,100	45,600,603	9,013,847	5,648,599	6,529,185	12,492,819	11,916,153
Acceptances outstanding	44,946	44,946	7,071	34,846	3,029	0	0
Total assets	34,546,046	45,645,549	9,020,918	5,683,445	6,532,214	12,492,819	11,916,153

(1) Common stocks are excluded

	December 31, 2023						
<i>Amounts in thousands</i>	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	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)
Sub-total liabilities	30,058,782	(31,295,987)	(17,521,058)	(1,880,472)	(5,702,121)	(5,656,723)	(535,613)
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
Total liabilities	30,207,168	(31,444,373)	(17,532,774)	(1,942,843)	(5,776,420)	(5,656,723)	(535,613)
Assets							
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
Sub-total assets	33,205,856	43,737,340	9,378,452	5,267,382	5,821,208	11,591,512	11,678,786
Acceptances outstanding	61,996	61,996	7,972	33,654	20,370	0	0
Total assets	33,267,852	43,799,336	9,386,424	5,301,036	5,841,578	11,591,512	11,678,786

(1) Common stocks are excluded

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(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:

	June 30, 2024	December 31, 2023
Cash and cash equivalents	804,140,516	931,707,522
Securities bought under resale agreements	580,603	61,193,065
Deposits in central banks	3,019,149,628	3,060,636,560
Deposits due from banks maturing in less than 90 days	1,080,675,179	1,227,153,033
Deposits due from banks greater than 90 days	<u>52,585,372</u>	<u>55,123,646</u>
Total cash, cash equivalents and deposits in banks, net	<u>4,957,131,298</u>	<u>5,335,813,826</u>
Not committed sovereign debt instruments	4,084,801,054	3,823,685,688
Other credit lines available (1)	<u>1,715,496,826</u>	<u>1,774,804,556</u>
Total liquidity reserve	<u>10,757,429,178</u>	<u>10,934,304,070</u>

(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:

<u>June 30, 2024</u>	<u>Committed</u>		<u>Uncommitted</u>		<u>Total</u>
	<u>As Collateral</u>	<u>Available as Collateral</u>	<u>Legal Reserve (1)</u>	<u>Others (2)</u>	
Cash and cash equivalents	0	0	0	804,140,516	804,140,516
Securities purchased under resale agreements	0	0	580,603	0	580,603
Deposits due from banks, net	151,682	286,639,835	2,989,543,730	876,074,932	4,152,410,179
Investments in securities, net	248,053,792	4,305,441,324	68,494,769	213,725,856	4,835,715,741
Loans, net	<u>206,350,367</u>	<u>0</u>	<u>0</u>	<u>24,022,238,064</u>	<u>24,228,588,431</u>
Total assets	<u>454,555,841</u>	<u>4,592,081,159</u>	<u>3,058,619,102</u>	<u>25,916,179,368</u>	<u>34,021,435,470</u>

(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.

<u>December 31, 2023</u>	<u>Committed</u>		<u>Uncommitted</u>		<u>Total</u>
	<u>As Collateral</u>	<u>Available as Collateral</u>	<u>Legal Reserve (1)</u>	<u>Others (2)</u>	
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>
Total assets	<u>544,326,834</u>	<u>4,286,642,470</u>	<u>2,983,841,909</u>	<u>24,813,736,427</u>	<u>32,628,547,640</u>

(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.

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(4) Risk management, continued

(c) Market risk

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

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

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(4) Risk management, continued

Quantitative information

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

June 30, 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	35	440	582	148	889	2,094
Investments in securities	0	687	414	256	589	1,946
Loans, net	<u>0</u>	<u>2,606</u>	<u>2,855</u>	<u>173</u>	<u>2,774</u>	<u>8,408</u>
Total assets	<u>35</u>	<u>3,733</u>	<u>3,851</u>	<u>577</u>	<u>4,252</u>	<u>12,448</u>
Deposits	10	3,075	3,079	446	3,266	9,876
Obligations	<u>0</u>	<u>408</u>	<u>251</u>	<u>0</u>	<u>710</u>	<u>1,369</u>
Total liabilities	<u>10</u>	<u>3,483</u>	<u>3,330</u>	<u>446</u>	<u>3,976</u>	<u>11,245</u>
Contingencies	<u>1</u>	<u>0</u>	<u>32</u>	<u>0</u>	<u>74</u>	<u>107</u>
Exchange risk exposure	<u>26</u>	<u>250</u>	<u>553</u>	<u>131</u>	<u>350</u>	<u>1,310</u>

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>
Total assets	<u>35</u>	<u>3,529</u>	<u>3,705</u>	<u>509</u>	<u>4,209</u>	<u>11,987</u>
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>
Total liabilities	<u>14</u>	<u>3,224</u>	<u>3,144</u>	<u>453</u>	<u>4,025</u>	<u>10,860</u>
Contingencies	<u>0</u>	<u>0</u>	<u>30</u>	<u>0</u>	<u>74</u>	<u>104</u>
Exchange risk exposure	<u>21</u>	<u>305</u>	<u>591</u>	<u>56</u>	<u>258</u>	<u>1,231</u>

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(4) Risk management, continued

The summary exposure of the Bank's condensed 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:

<u>June 30, 2024</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Cash and cash equivalents	804,140,516	0	0	0	804,140,516
Securities purchased under resale agreements	1,358	579,245	0	0	580,603
Deposits due from Banks, net	2,249,016,777	1,874,885,142	28,508,260	0	4,152,410,179
Investments in securities, net	1,297,907,966	854,103,444	1,770,969,899	912,734,432	4,835,715,741
Loans, net	<u>181,783,093</u>	<u>21,833,925,276</u>	<u>1,498,645,276</u>	<u>714,234,786</u>	<u>24,228,588,431</u>
Total assets	4,532,849,710	24,563,493,107	3,298,123,435	1,626,969,218	34,021,435,470
Deposits	1,391,187,910	22,652,048,666	2,730,130,005	110,992,063	26,884,358,644
Securities sold under resale agreements	1,714,772	192,663,422	0	0	194,378,194
Financial obligations	29,036,711	1,894,939,452	431,403,854	144,563,887	2,499,943,904
Other financial obligations	<u>18,904,844</u>	<u>720,662,215</u>	<u>485,339,652</u>	<u>193,909,617</u>	<u>1,418,816,328</u>
Total liabilities	<u>1,440,844,237</u>	<u>25,460,313,755</u>	<u>3,646,873,511</u>	<u>449,465,567</u>	<u>30,997,497,070</u>
Exposure to interest rate risk	<u>3,092,005,473</u>	<u>(896,820,648)</u>	<u>(348,750,076)</u>	<u>1,177,503,651</u>	<u>3,023,938,400</u>
<u>December 31, 2023</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
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>
Total assets	4,327,500,403	23,202,260,678	3,357,631,284	1,741,155,275	32,628,547,640
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>
Total liabilities	<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>
Exposure to interest rate risk	<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 condensed 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 condensed 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.

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(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>
Impact on equity to interest rate movements		
June 30, 2024		
Average for the period	(70,513,915)	70,513,915
Maximum for the period	(74,175,751)	74,175,751
Minimum for the period	(84,153,894)	84,153,894
	(70,172,325)	70,172,325
December 31, 2023		
Average for the year	(66,588,960)	66,588,960
Maximum for the year	(71,913,819)	71,913,819
Minimum for the year	(86,080,394)	86,080,394
	(59,786,967)	59,786,967
Impact on net income from interests		
June 30, 2024		
Average for the period	90,612,793	(90,612,793)
Maximum for the period	83,852,635	(83,852,635)
Minimum for the period	90,612,793	(90,612,793)
	77,866,902	(77,866,902)
December 31, 2023		
Average for the year	84,476,873	(84,476,873)
Maximum for the year	79,702,299	(79,702,299)
Minimum for the year	84,476,873	(84,476,873)
	75,826,488	(75,826,488)

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

(d) 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.

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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 condensed consolidated statement of 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.

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(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>June 30, 2024</u>	<u>June 30, 2023</u>
Cash and cash equivalents	804,140,516	690,320,084
Securities purchased under resale agreements	580,603	42,718,881
Deposits in central banks	3,019,149,628	2,704,668,563
Deposits in banks and deposits due in less than 90 days	<u>1,080,675,179</u>	<u>968,354,502</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	4,904,545,926	4,406,062,030
Deposits in banks greater than 90 days, net	<u>52,585,372</u>	<u>61,250,438</u>
	<u>4,957,131,298</u>	<u>4,467,312,468</u>

(7) Securities purchased under resale agreements

As of June 30, 2024, securities purchased under resale agreements amounted to \$580,603 (December 31, 2023: \$61,193,065), which have an expiration date July 2024 (December 31, 2023: January 2024) and an interest rate between 5.4% (December 31, 2023: between 4.7% and 6.0%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to \$550,623 (December 31, 2023: \$54,655,658).

(8) Investments in securities

As of June 30, 2024, investments in securities amounted to \$4,835,715,741 (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>June 30, 2024</u>	<u>December 31, 2023</u>
Government bonds	14,741,542	24,471,050
Common stocks	<u>14,279,931</u>	<u>14,285,693</u>
	<u>29,021,473</u>	<u>38,756,743</u>

As of June 30, 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>June 30, 2024</u>	<u>December 31, 2023</u>
Government and Agencies:		
United States of America	669,315,792	479,810,159
Other governments	<u>3,543,186,169</u>	<u>3,486,055,648</u>
	4,212,501,961	3,965,865,807
Corporate bonds	483,902,352	442,820,792
Common stocks	<u>3,201,128</u>	<u>3,083,163</u>
	<u>4,699,605,441</u>	<u>4,411,769,762</u>

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(8) Investments in securities, continued

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

Entity	Country	June 30, 2024	December 31, 2023
Latinex Holdings, Inc.	Panama	499,512	501,527
Grupo APC, S. A.	Panama	453,896	445,582
Compañía de Procesamiento de Medio de Pago	Guatemala	445,582	388,912
Transacciones y transferencia	Guatemala	308,799	306,500
Servicios Financieros, S.A.	El Salvador	247,500	247,500
ACH de Nicaragua	Nicaragua	184,304	184,304
Bancajeros BANET	Honduras	178,794	179,470
Fondo Hondureño de Inversion Turistica	Honduras	175,857	176,522
ICG Imagenes Computarizadas de Guatemala, S.A.	Guatemala	141,866	140,810
Asociacion Bancaria de Guatemala	Guatemala	92,923	92,231
Others	Others	<u>472,095</u>	<u>419,805</u>
		<u>3,201,128</u>	<u>3,083,163</u>

As of June 30, 2024, the portfolio of shares common to stocks at FVOCI had a variation in the Bank's other comprehensive income of \$(2,015) (December 31, 2023: \$(86,662)). As of June 30, 2024, the Bank received \$1,680,664 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:

	June 30, 2024	December 31, 2023
Government bonds	68,494,769	68,673,874
Corporate bonds	<u>38,594,058</u>	<u>29,729,603</u>
	<u>107,088,827</u>	<u>98,403,477</u>

(9) Loans

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

	June 30, 2024			December 31, 2023		
	Portfolio	Allowance for ECL	Net portfolio of allowance	Portfolio	Allowance for ECL	Net portfolio of allowance
Loans						
Corporate						
Corporate loans	10,005,370,892	(99,952,549)	9,905,418,343	9,172,577,580	(124,805,729)	9,047,771,851
Corporate leases, net (1)	<u>313,789,594</u>	<u>(4,608,602)</u>	<u>309,180,992</u>	<u>285,481,892</u>	<u>(4,308,131)</u>	<u>281,173,761</u>
Total Corporate	<u>10,319,160,486</u>	<u>(104,561,151)</u>	<u>10,214,599,335</u>	<u>9,458,059,472</u>	<u>(129,113,860)</u>	<u>9,328,945,612</u>
Personal Banking and Small company						
Small company						
Small company loans	1,135,331,788	(12,560,262)	1,122,771,526	1,072,575,156	(12,891,244)	1,059,683,912
Small company leases, net (1)	<u>146,853,107</u>	<u>(1,407,272)</u>	<u>145,445,835</u>	<u>127,482,363</u>	<u>(1,573,411)</u>	<u>125,908,952</u>
Total Small company	<u>1,282,184,895</u>	<u>(13,967,534)</u>	<u>1,268,217,361</u>	<u>1,200,057,519</u>	<u>(14,464,655)</u>	<u>1,185,592,864</u>
Personal Banking						
Mortgage loans	3,955,232,607	(56,732,705)	3,898,499,902	3,893,914,128	(67,019,856)	3,826,894,272
Personals	2,439,301,649	(108,135,781)	2,331,165,868	2,346,739,932	(102,254,272)	2,244,485,660
Vehicles	1,350,015,303	(6,890,936)	1,343,124,367	1,223,289,541	(7,439,543)	1,215,849,998
Personal leases, net (1)	161,560,803	(1,703,127)	159,857,676	136,126,722	(1,815,598)	134,311,124
Credit Cards	<u>5,449,217,301</u>	<u>(436,093,379)</u>	<u>5,013,123,922</u>	<u>5,220,278,038</u>	<u>(412,553,736)</u>	<u>4,807,724,302</u>
Total Personal Banking	<u>13,355,327,663</u>	<u>(609,555,928)</u>	<u>12,745,771,735</u>	<u>12,820,348,361</u>	<u>(591,083,005)</u>	<u>12,229,265,356</u>
Total Personal Banking and Small company	<u>14,637,512,558</u>	<u>(623,523,462)</u>	<u>14,013,989,096</u>	<u>14,020,405,880</u>	<u>(605,547,660)</u>	<u>13,414,858,220</u>
Total loans	<u>24,956,673,044</u>	<u>(728,084,613)</u>	<u>24,228,588,431</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>622,203,504</u>	<u>(7,719,001)</u>	<u>614,484,503</u>	<u>549,090,977</u>	<u>(7,697,140)</u>	<u>541,393,837</u>

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(9) Loans, continued

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Minimum lease payments receivable	635,737,036	562,541,491
Less: unearned interest	<u>4,633,379</u>	<u>5,952,545</u>
Minimum lease payments receivable, net	631,103,657	556,588,946
Less: allowance for loss in leases	7,719,001	7,697,140
Less: net deferred commissions	<u>8,900,153</u>	<u>7,497,969</u>
Net value of investment in finance leases	<u>614,484,503</u>	<u>541,393,837</u>

The following table summarizes the minimum lease payments receivable as of June 30, 2024:

<u>Year ended December 31</u>	
2024	70,069,268
2025	135,075,251
2026	122,681,443
2027	109,769,909
2028 and thereafter	<u>193,507,786</u>
	<u>631,103,657</u>

(10) Deposits from customers

Deposits from customers by type are detailed below:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Individual customers		
Demand	1,557,487,868	1,615,336,881
Savings	5,623,206,246	5,396,578,839
Time deposits	4,031,747,722	3,654,346,409
Corporate customers		
Demand	8,388,443,475	8,268,585,948
Savings	861,348,743	817,690,264
Time deposits	<u>6,422,124,590</u>	<u>6,263,645,051</u>
	<u>26,884,358,644</u>	<u>26,016,183,392</u>

As of June 30, 2024, time deposits include net instruments of origination costs for \$1,048,609,456 (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>June 30, 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%	173,036,105	1,403,246	199,881,701	1,659,443
BIB Merchant Voucher Receivables Limited	2018-1	4.18%	258,797,508	1,993,610	288,224,370	2,256,887
BIB Central American Card Receivables Limited	2019-1	3.50%	<u>627,084,565</u>	<u>6,911,866</u>	<u>675,906,290</u>	<u>8,383,412</u>
			<u>1,058,918,178</u>	<u>10,308,722</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 June 30, 2024, the weighted average duration of the certificates is 1.66 years and 2.18 years, respectively.

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(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 June 30, 2024, the weighted average duration of the certificates is 3.10 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:

	June 30, 2024		
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% to 8.00%	2038	524,844,786
Floating rate	5.20% to 10.52%	2029	1,334,185,609
Payable in quetzales (Guatemala):			
Fixed rate	6.00% to 8.00%	2027	312,629,692
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 11.50%	2058	165,905,209
Payable in colones (Costa Rica):			
Fixed rate	0.80%	2025	125,590,047
Floating rate	6.39% to 8.09%	2038	36,788,561
			<u>2,499,943,904</u>
	December 31, 2023		
	<u>Interest rate</u>	<u>Maturities 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 June 30, 2024, the carrying amount of the principal issued by BAC San Jose DPR Funding Limited, a special purpose vehicle (hereinafter SPV), amounted to \$135,500,000 (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 \$1,395,037 as of June 30, 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 June 30, 2024, the weighted average duration of the notes is 2.8 years.

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(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:

	June 30,	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	2,443,136,750	2,283,961,350
Changes from financing cash flows		
Proceeds from financial obligations	806,514,662	751,463,907
Payment of financial obligations	<u>(752,017,125)</u>	<u>(862,603,741)</u>
Total changes from financing cash flows	<u>54,497,537</u>	<u>(111,139,834)</u>
Effect of changes in foreign exchange rates	1,344,303	(17,854,999)
Other changes (liability-related)		
Interest expense	81,573,229	63,272,810
Interest paid	<u>(80,607,915)</u>	<u>(53,416,138)</u>
Total liability-related other changes	<u>965,314</u>	<u>9,856,672</u>
Balance as of June 30	<u>2,499,943,904</u>	<u>2,200,533,187</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>June 30, 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%	786,438,626	3.25% to 10.00%	764,542,378
Lempiras	4.71% to 12.35%	547,390,239	4.71% to 12.35%	531,222,469
Colones	4.75% to 9.25%	<u>84,987,463</u>	4.75% to 7.50%	<u>70,178,249</u>
		<u>1,418,816,328</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 June 30, 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.

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(12) Other financial Obligations, continued

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

	June 30,	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	1,365,943,096	1,059,787,532
Changes from financing cash flows		
Proceeds from other financial obligations	114,384,930	128,271,084
Payment from other financial obligations	<u>(58,919,221)</u>	<u>(4,984,877)</u>
Total changes from financing cash flows	<u>55,465,709</u>	<u>123,286,207</u>
Effect of changes in foreign exchange rates	(4,694,906)	28,278,317
Other changes (liability-related)		
Interest expense	64,120,803	52,860,702
Interest paid	<u>(62,018,374)</u>	<u>(50,619,345)</u>
Total liability-related other changes	<u>2,102,429</u>	<u>2,241,357</u>
Balance as of June 30	<u>1,418,816,328</u>	<u>1,213,593,413</u>

(13) Lease liabilities

Lease liabilities are detailed below:

	June 30, 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	111,231,909	129,595,452
Payable in quetzales (Guatemala)	5.22%	2032	1,754,996	1,535,457
Payable in lempiras (Honduras)	5.22% to 7.58%	2029	519,828	605,330
Payable in colones (Costa Rica)	3.96% to 7.99%	2033	<u>573,330</u>	<u>657,047</u>
			<u>114,080,063</u>	<u>132,393,286</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:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Less than a year	35,895,155	33,902,345
One to two years	26,005,119	27,008,505
Two to three years	21,071,911	20,324,806
Three to four years	16,543,437	17,376,350
Four to five years	11,292,676	12,152,957
More than five years	<u>21,584,988</u>	<u>23,998,955</u>
	<u>132,393,286</u>	<u>134,763,918</u>

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

	June 30, <u>2024</u>	June 30, <u>2023</u>
Interest on leases	3,041,879	3,456,685
Expense for leases with less than 12 months	1,944,114	1,811,227
Expense for leases of low-value assets	<u>8,173,365</u>	<u>5,743,659</u>
	<u>13,159,358</u>	<u>11,011,571</u>

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(13) Lease liabilities, continued

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

	June 30,	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	119,512,038	138,555,391
Changes from financing cash flows		
Payment of lease liabilities	<u>(15,995,980)</u>	<u>(14,978,859)</u>
Total changes from financing cash flows	<u>(15,995,980)</u>	<u>(14,978,859)</u>
Effect of changes in foreign exchange rates	10,564,005	6,359,077
Other changes (liability-related)		
Interest expense	3,041,879	3,456,685
Interest paid	<u>(3,041,879)</u>	<u>(3,456,685)</u>
Total liability-related other changes	<u>0</u>	<u>0</u>
Balance as of June 30	<u>114,080,063</u>	<u>129,935,609</u>

(14) Common stock

As of June 30, 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:

	June 30, <u>2024</u>	June 30, <u>2023</u>
Net income from the sale of investments at FVOCI	18,276,198	144,266
Unrealized net gain (losses) from securities at FVPL	164,141	(640,253)
Realized gain on investments at FVPL	735,494	2,333,464
Net fair value gains on derivative financial instruments	<u>2,313,200</u>	<u>948,167</u>
	<u>21,489,033</u>	<u>2,785,644</u>

(16) Income taxes

As of June 30, 2024, the Bank maintains an effective tax rate of 24.36% (December 31, 2023: 24.78%).

The Bank's earnings are taxed in various jurisdictions. As of June 30, 2024, the Bank had unrecognized tax positions for \$1,488,983 (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 June 30, 2024, amounted to \$198,593 (June 30, 2023: -\$977,104). As of June 30, 2024, total interest and penalties expenses included in other liabilities amounted to \$255,365 (December 31, 2023: \$246,474).

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Notes to the Condensed Consolidated Interim Financial Statements

(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 June 30, 2024, the Bank had outstanding revolving available for its credit card customers in each of the countries where it operates. that ranged from approximately \$11,048, million (December 31, 2023: from \$10,318 million). The unused portion of the total available amounts to \$7,402 million (December 31, 2023: \$10,318 million). Although these amounts represented the available amounts of the credit lines granted to customers, the Bank has never experienced, and does not anticipate, that all customers exercise all available lines of credit simultaneously at one time specific.

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 June 30, 2024, outstanding letters of credit and financial guarantees are as follows:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Stand-by letters of credit	128,946,040	131,120,286
Commercial letters of credit	85,968,400	67,948,317
Financial guarantees	384,100,448	358,744,777
Commitments and guarantees (1)	<u>100,452,357</u>	<u>86,390,011</u>
	<u>699,467,245</u>	<u>644,203,391</u>

(1) Includes commercial and mortgage payment promise letter

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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 June 30, 2024, are detailed as follows:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Up to 1 year	543,354,533	503,802,948
Over 1 year	<u>70,144,312</u>	<u>72,452,126</u>
	<u>613,498,845</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 June 30, 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 \$229,525,726 (December 31, 2023: \$140,061,063).

As of June 30, 2024, and December 31, 2023, BAC International Bank, Inc., 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.

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Notes to the 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)	June 30, 2024
Assets			
Investments at FVPL:			
United States of America	4,267,492	0	4,267,492
Other governments	10,474,050	0	10,474,050
Common stocks	<u>0</u>	<u>14,279,931</u>	<u>14,279,931</u>
Total investments at FVPL	<u>14,741,542</u>	<u>14,279,931</u>	<u>29,021,473</u>
Investments at FVOCI:			
Governments and Agencies bonds:			
United States of America	669,315,792	0	669,315,792
Other governments	<u>3,543,186,169</u>	<u>0</u>	<u>3,543,186,169</u>
	4,212,501,961	0	4,212,501,961
Corporate debentures	483,902,352	0	483,902,352
Common stocks	<u>945,094</u>	<u>2,256,034</u>	<u>3,201,128</u>
Total investments at FVOCI	<u>4,697,349,407</u>	<u>2,256,034</u>	<u>4,699,605,441</u>
Investments at AC:			
Other governments	68,494,769	0	68,494,769
Corporate debentures	<u>38,594,058</u>	<u>0</u>	<u>38,594,058</u>
Total investments at AC	<u>107,088,827</u>	<u>0</u>	<u>107,088,827</u>
Total assets	<u>4,819,179,776</u>	<u>16,535,965</u>	<u>4,835,715,741</u>

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

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	December 31, 2023
Assets			
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	<u>3,486,055,648</u>	<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>
Total assets	<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 June 30, 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 June 30, 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.

<u>June 30, 2024</u>	<u>Investments in common stocks at</u>		
	<u>FVPL</u>	<u>FVOCI</u>	<u>Total</u>
Assets			
Fair value at January 01, 2024	14,285,693	2,136,053	16,421,746
Purchase of shares	0	105,719	105,719
Capital adjustment	0	15,832	15,832
Foreign currency translation	<u>(5,762)</u>	<u>(1,570)</u>	<u>(7,332)</u>
Fair value at June 30, 2024	<u>14,279,931</u>	<u>2,256,034</u>	<u>16,535,965</u>
<u>Investments in common stocks at</u>			
<u>December 31, 2023</u>	<u>FVPL</u>	<u>FVOCI</u>	<u>Total</u>
Assets			
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	<u>(3,104)</u>	<u>(5,272)</u>	<u>(8,376)</u>
Fair value at December 31, 2023	<u>14,285,693</u>	<u>2,136,053</u>	<u>16,421,746</u>

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Notes to the 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. Discounted cash flows using a market rate of an instrument with similar remaining maturity are used for several bonds.	(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. Book value of instruments acquired or received for specific business purposes and not used for liquidity management	(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 condensed consolidated statement of financial position, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans

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

- 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.

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

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.

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 condensed consolidated statement of financial position:

<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>June 30, 2024</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
Financial assets				
Cash and cash equivalents	804,140,516	0	804,140,516	804,140,516
Securities purchased under resale agreements	0	580,603	580,603	580,603
Deposits in banks, net	0	4,152,410,179	4,152,410,179	4,152,410,179
Loans, net (excluding financial leases)	0	23,198,189,812	23,198,189,812	23,614,103,928
Acceptances outstanding	0	44,945,590	44,945,590	44,945,590
Total financial assets	<u>804,140,516</u>	<u>27,396,126,184</u>	<u>28,200,266,700</u>	<u>28,616,180,816</u>
Financial liabilities				
Deposits from customers	16,430,486,332	10,657,023,622	27,087,509,954	26,884,358,644
Securities sold under repurchase agreements	0	194,378,194	194,378,194	194,378,194
Financial obligations	0	2,665,988,083	2,665,988,083	2,499,943,904
Other financial obligations	0	1,392,354,432	1,392,354,432	1,418,816,328
Acceptances outstanding	0	44,945,590	44,945,590	44,945,590
Total financial liabilities	<u>16,430,486,332</u>	<u>14,954,689,921</u>	<u>31,385,176,253</u>	<u>31,042,442,660</u>

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

<u>December 31, 2023</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
Financial assets				
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	<u>0</u>	<u>61,996,226</u>	<u>61,996,226</u>	<u>61,996,226</u>
Total financial assets	<u>931,707,522</u>	<u>26,180,058,878</u>	<u>27,111,766,400</u>	<u>27,600,220,047</u>
Financial liabilities				
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	<u>0</u>	<u>61,996,226</u>	<u>61,996,226</u>	<u>61,996,226</u>
Total financial liabilities	<u>16,098,191,930</u>	<u>14,163,325,442</u>	<u>30,261,517,372</u>	<u>30,001,266,054</u>

(19) Administration of trust contracts and securities custody

As of June 30, 2024, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$5,333,056,426 (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 June 30, 2024:

	<u>June 30, 2024</u>		<u>December 31, 2023</u>	
	<u>Key personnel and directors</u>	<u>Related parties</u>	<u>Key personnel and directors</u>	<u>Related parties</u>
Assets:				
Deposits in banks	0	39,240,000	0	45,010,000
Investments in securities	0	848,888	0	851,766
Loans granted	19,873,150	348,074,170	19,399,955	331,680,466
Allowance for loan losses	(80,169)	(476,269)	(107,795)	(480,779)
Accrued interest receivable and other accounts receivable	<u>69,792</u>	<u>3,768,062</u>	<u>85,253</u>	<u>4,488,398</u>
	<u>19,862,773</u>	<u>391,454,851</u>	<u>19,377,413</u>	<u>381,549,851</u>
Liabilities:				
Demand deposits	5,396,164	130,528,171	5,210,702	76,082,021
Time deposits	16,638,863	72,650,641	14,844,444	53,330,065
Other financial obligations	0	524,012,296	0	525,602,372
Accrued interest payable and other liabilities	<u>322,391</u>	<u>3,462,683</u>	<u>262,620</u>	<u>3,148,767</u>
	<u>22,357,418</u>	<u>730,653,791</u>	<u>20,317,766</u>	<u>658,163,225</u>
June 30, 2024				
	<u>Key personnel and directors</u>	<u>Related parties</u>	<u>Key personnel and directors</u>	<u>Related parties</u>
Interest income and other income	<u>577,778</u>	<u>19,290,075</u>	<u>508,150</u>	<u>19,693,760</u>
Interest expense and other expenses	<u>448,073</u>	<u>30,124,143</u>	<u>318,473</u>	<u>27,947,451</u>
Key management personnel benefits	<u>10,472,436</u>	<u>0</u>	<u>10,681,598</u>	<u>0</u>

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 (consumer and corporate banking, asset management and investment banking), 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.

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(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.

	BAC Guatemala	BAC El Salvador	BAC Honduras	BAC Nicaragua	BAC Costa Rica	BAC Panama	Others	Elimination	Total
June 30, 2024									
Total assets	<u>6,265,687,823</u>	<u>3,449,457,533</u>	<u>5,317,402,542</u>	<u>2,295,785,484</u>	<u>10,891,984,908</u>	<u>8,051,438,005</u>	<u>313,699,847</u>	<u>(799,604,790)</u>	<u>35,785,851,352</u>
Total liabilities	<u>5,624,169,169</u>	<u>3,085,853,808</u>	<u>4,671,500,803</u>	<u>1,758,576,488</u>	<u>9,542,230,597</u>	<u>8,200,291,420</u>	<u>64,748,530</u>	<u>(799,607,140)</u>	<u>32,147,763,675</u>
Condensed Consolidated Statement of Income									
Interest income	260,184,390	148,231,107	259,001,093	97,131,947	474,962,833	269,671,808	3,801,850	(17,027,254)	1,495,957,774
Interest expense	<u>106,493,272</u>	<u>49,378,361</u>	<u>64,286,587</u>	<u>10,699,933</u>	<u>143,696,473</u>	<u>170,426,950</u>	<u>988,111</u>	<u>(17,027,254)</u>	<u>528,942,433</u>
Net interest income	153,691,118	98,852,746	194,714,506	86,432,014	331,266,360	99,244,858	2,813,739	0	967,015,341
Credit risk impairment loss, net	<u>55,991,239</u>	<u>19,091,920</u>	<u>43,493,732</u>	<u>(3,825,455)</u>	<u>82,476,154</u>	<u>30,622,623</u>	<u>996</u>	<u>0</u>	<u>227,851,209</u>
Net interest income after credit risk impairment losses	97,699,879	79,760,826	151,220,774	90,257,469	248,790,206	68,622,235	2,812,743	0	739,164,132
Service charges, net	34,978,905	19,386,835	46,858,233	16,810,174	101,352,842	47,581,776	82,722,002	(13,127,938)	336,562,829
Commissions and other fees income	90,922,234	22,646,214	87,400,388	28,897,596	205,115,358	76,318,048	225,071	0	511,524,909
Commissions and other fees expenses	<u>(81,051,697)</u>	<u>(21,490,523)</u>	<u>(61,429,377)</u>	<u>(23,639,092)</u>	<u>(129,982,887)</u>	<u>(72,493,361)</u>	<u>(122,186)</u>	<u>0</u>	<u>(390,209,123)</u>
Other income, net	18,881,012	953,945	4,844,204	11,896,283	89,715,741	5,576,896	130,330,843	(132,138,954)	130,059,970
General and administrative expense	<u>112,987,043</u>	<u>72,569,412</u>	<u>139,113,372</u>	<u>51,312,365</u>	<u>351,046,253</u>	<u>97,640,927</u>	<u>133,326,501</u>	<u>(145,266,892)</u>	<u>812,728,981</u>
Income before income tax	48,443,290	28,687,885	89,780,850	72,910,065	163,945,007	27,964,667	82,641,972	0	514,373,736
Less: Income tax	<u>7,516,788</u>	<u>7,606,238</u>	<u>23,348,613</u>	<u>23,398,298</u>	<u>53,900,324</u>	<u>9,397,772</u>	<u>109,733</u>	<u>0</u>	<u>125,277,766</u>
Net income	<u>40,926,502</u>	<u>21,081,647</u>	<u>66,432,237</u>	<u>49,511,767</u>	<u>110,044,683</u>	<u>18,566,895</u>	<u>82,532,239</u>	<u>0</u>	<u>389,095,970</u>
December 31, 2023									
Total assets	<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>
Total liabilities	<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>
June 30, 2023									
Condensed Consolidated Statement of Income									
Interest Income	230,978,592	128,005,605	198,476,014	77,881,242	405,942,397	228,595,363	2,784,643	(16,327,926)	1,256,335,930
Interest expenses	<u>86,999,759</u>	<u>37,558,378</u>	<u>40,321,746</u>	<u>9,082,836</u>	<u>119,320,700</u>	<u>132,196,749</u>	<u>666,505</u>	<u>(16,327,926)</u>	<u>409,818,747</u>
Net interest income	143,978,833	90,447,227	158,154,268	68,798,406	286,621,697	96,398,614	2,118,138	0	846,517,183
Credit risk impairment loss, net	<u>38,435,175</u>	<u>10,715,368</u>	<u>17,217,916</u>	<u>(6,294,198)</u>	<u>39,254,092</u>	<u>39,127,775</u>	<u>(36,246)</u>	<u>0</u>	<u>138,419,882</u>
Net interest income after credit risk impairment losses	105,543,658	79,731,859	140,936,352	75,092,604	247,367,605	57,270,839	2,154,384	0	708,097,301
Service charges, net	30,443,246	18,338,933	41,478,232	14,986,552	97,184,556	40,556,672	77,052,673	(11,333,603)	308,707,261
Commissions and other fees income	78,880,322	23,815,096	73,495,434	26,029,265	180,082,704	69,355,517	3,491,619	0	455,149,957
Commissions and other fees expenses	<u>(65,568,574)</u>	<u>(13,983,038)</u>	<u>(51,192,975)</u>	<u>(20,989,867)</u>	<u>(110,430,057)</u>	<u>(64,899,175)</u>	<u>(3,071,924)</u>	<u>0</u>	<u>(330,135,610)</u>
Other income, net	21,017,944	1,138,944	6,777,242	12,346,326	(17,385,621)	5,676,691	106,669,604	(108,501,235)	27,739,895
General and administrative expense	<u>111,992,351</u>	<u>70,912,985</u>	<u>126,659,726</u>	<u>47,933,176</u>	<u>306,859,890</u>	<u>91,225,568</u>	<u>114,036,699</u>	<u>(119,834,838)</u>	<u>749,785,557</u>
Income before income tax	58,324,245	38,128,809	84,834,559	59,531,704	89,959,297	16,734,976	72,259,657	0	419,773,247
Less: Income tax	<u>9,599,011</u>	<u>10,094,880</u>	<u>22,850,958</u>	<u>17,901,924</u>	<u>37,135,590</u>	<u>12,210,044</u>	<u>(73,851)</u>	<u>0</u>	<u>109,718,556</u>
Net income	<u>48,725,234</u>	<u>28,033,929</u>	<u>61,983,601</u>	<u>41,629,780</u>	<u>52,823,707</u>	<u>4,524,932</u>	<u>72,333,508</u>	<u>0</u>	<u>310,054,691</u>

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Statements

(22) Litigations

As of June 30, 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 June 30, 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.

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(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 June 30, 2024

	June 30, 2024					
	<u>Satisfactory</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Corporate loans and other loans	10,905,050,591	482,488,956	110,310,926	27,633,602	48,728,683	11,574,212,758
Consumer loans	<u>12,475,179,319</u>	<u>517,587,302</u>	<u>106,606,921</u>	<u>111,552,151</u>	<u>54,703,066</u>	<u>13,265,628,759</u>
Total	<u>23,380,229,910</u>	<u>1,000,076,258</u>	<u>216,917,847</u>	<u>139,185,753</u>	<u>103,431,749</u>	<u>24,839,841,517</u>
Specific reserve	<u>0</u>	<u>80,772,836</u>	<u>62,514,671</u>	<u>83,733,845</u>	<u>51,823,578</u>	<u>278,844,929</u>

	December 31, 2023					
	<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>
Total	<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 June 30, 2024, the classification of the amortized cost loan portfolio by maturity profile based on Agreement No. 4-2013:

	June 30, 2024			Total
	<u>Current</u>	<u>Past due</u>	<u>Overdue</u>	
Corporate loans and other loans	11,469,748,595	44,685,260	59,778,903	11,574,212,758
Consumer loans	<u>12,726,615,585</u>	<u>298,343,322</u>	<u>240,669,852</u>	<u>13,265,628,759</u>
Total	<u>24,196,364,180</u>	<u>343,028,582</u>	<u>300,448,755</u>	<u>24,839,841,517</u>

	December 31, 2023			Total
	<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>
Total	<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

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(23) Regulatory aspects, continued

Total loans from BAC International Bank, Inc., ("Parent Bank") as of June 30, 2024, in non-interest calculation status amounts to \$140,520,162 (December 31, 2023: \$146,424,441). Total unrecognized interest as income on these loans is \$3,693,931 (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 June 30, 2024, and December 2023, the Bank constituted an estate provision of \$7,057,124 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.

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Notes to the Condensed Consolidated Interim Financial Statements

(23) Regulatory aspects, continued

As of June 30, 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 \$369,521,573 (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 June 30, 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:

	June 30, 2024	December 31, 2023
1.25%	<u>258,497,900</u>	<u>242,425,001</u>
2.50%	<u>516,995,800</u>	<u>484,850,003</u>

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

	June 30, 2024	December 31, 2023
Component 1		
Risk – weighted assets (credit facilities – Normal category)	<u>20,679,832,005</u>	<u>19,394,000,109</u>
For alpha coefficient (1.50%)		
Result	<u>310,197,480</u>	<u>290,910,002</u>
Component 2		
Variation (positive) between the current quarter versus the previous risk – weighted assets		
For beta coefficient (5.00%)	<u>661,308,075</u>	<u>988,643,124</u>
Result		
Less:	<u>33,065,404</u>	<u>49,432,156</u>
Component 3		
Amount of change in the balance of specific provisions in the quarter	<u>(1,172,205)</u>	<u>14,606,227</u>
Gross dynamic reserve balance	<u>342,090,679</u>	<u>325,735,931</u>
Plus:		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37 and consolidation effect.	<u>27,330,894</u>	<u>8,379,138</u>
Net dynamic reserve balance	<u>369,421,573</u>	<u>334,115,069</u>

As of June 30, 2024, and December 31, 2023, we present the composition of the dynamic reserve by subsidiaries

	June 30, 2024	December 31, 2023	Variance
Increase by subsidiaries			
BAC International Bank Inc.	80,445,531	72,456,812	7,988,719
BAC Bahamas Bank Ltd.	582,078	582,078	0
Banco de America Central S.A. (Guatemala)	57,285,692	57,285,692	0
Credomatic de Guatemala S.A.	5,286,043	4,501,633	784,410
Banco de America Central Honduras, S.A.	52,512,697	47,265,760	5,246,937
Inversiones Financieras Banco de America Central, S.A.	44,945,762	33,839,516	11,106,246
Corporacion Tenedora BAC COM, S.A.	22,443,271	13,660,337	8,782,934
Corporacion de Inversiones Credomatic, S.A.	<u>105,920,499</u>	<u>104,523,241</u>	<u>1,397,258</u>
Total	<u>369,421,573</u>	<u>334,115,069</u>	<u>35,306,504</u>

As of June 30, 2024, and December 31, 2023, the Bank did not register an excess regulatory credit reserve based on Agreement No. 4-2013.

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(23) Regulatory aspects, continued

- *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 June 30, 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.

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.

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(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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Ordinary Primary Capital (Pillar I)		
Common stocks	834,708,000	834,708,000
Additional paid in capital	140,897,488	140,897,488
Retained earnings	2,646,960,626	2,393,292,250
Non-controlling interest	282,320	260,134
Other Comprehensive losses	(363,385,543)	(358,751,532)
Less: Goodwill	(335,502,474)	(335,569,978)
Less: Intangible assets	(80,367,661)	(78,263,578)
Less: Treasury stock	(5,218,370)	(5,218,370)
Total Ordinary Primary Capital	<u>2,678,532,850</u>	<u>2,591,354,414</u>
Additional Primary Capital		
Perpetual bond issued by the Bank	<u>520,000,000</u>	<u>520,000,000</u>
Total Additional Primary Capital	<u>520,000,000</u>	<u>520,000,000</u>
Total Primary Capital (Net)	<u>3,358,374,386</u>	<u>3,111,354,414</u>
Total Secondary Capital	<u>0</u>	<u>0</u>
Dynamic Provision	<u>369,421,573</u>	<u>334,115,069</u>
Total Regulatory Capital Fund	<u>3,727,795,959</u>	<u>3,445,469,483</u>
Total Assets Weighted by Net Risk deductions	28,447,844,004	27,354,161,149
Operational Risk Weighted Assets (Agreement No.11-2018)	<u>1,663,905,706</u>	<u>1,428,785,491</u>
Total risk weighted assets	<u>30,111,749,710</u>	<u>28,782,946,640</u>
Ratios:		
Capital Adequacy Ratio	<u>12.38%</u>	<u>11.97%</u>
Primary Capital Ratio	<u>11.15%</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 June 30, 2024, was 47.34% (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%

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(23) Regulatory aspects, continued

As of June 30, 2024, the Bank constituted provision of the awarded properties amounting to \$4,344,176 (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 August 5, 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.