

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES



Consolidated Financial Statements
December 31, 2023

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

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2023

(With Independent Auditors' Report Thereon)

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

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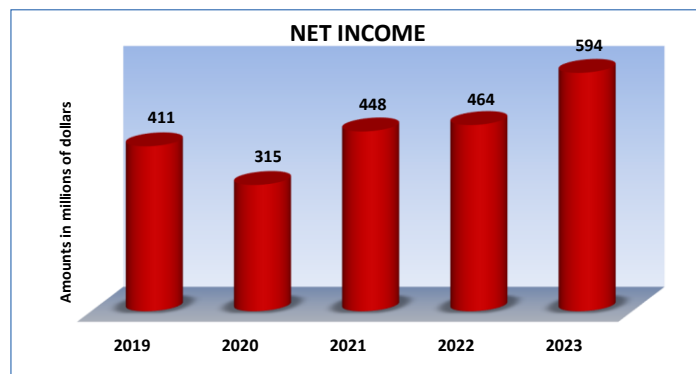
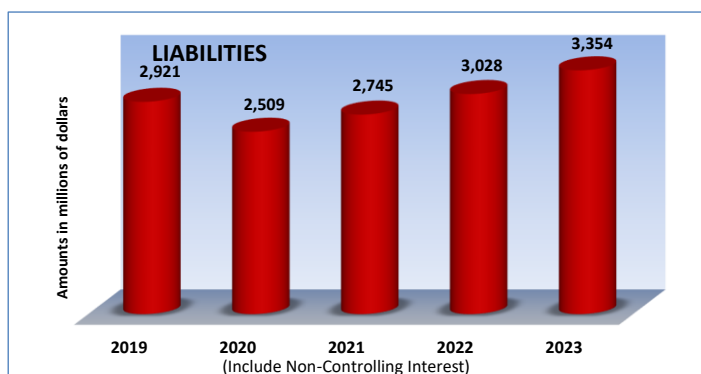
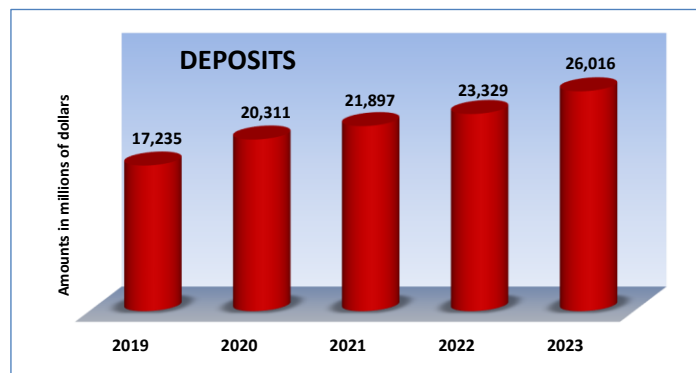
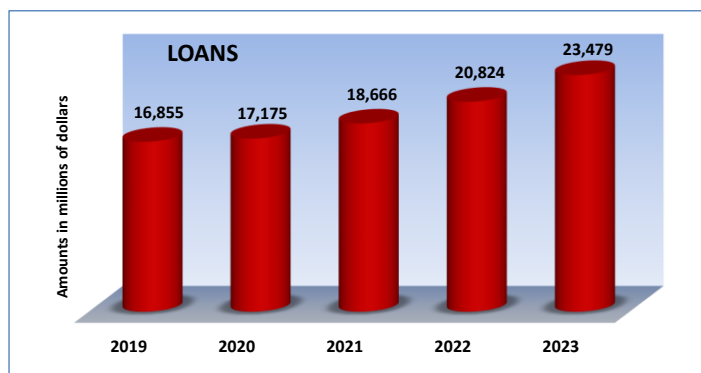
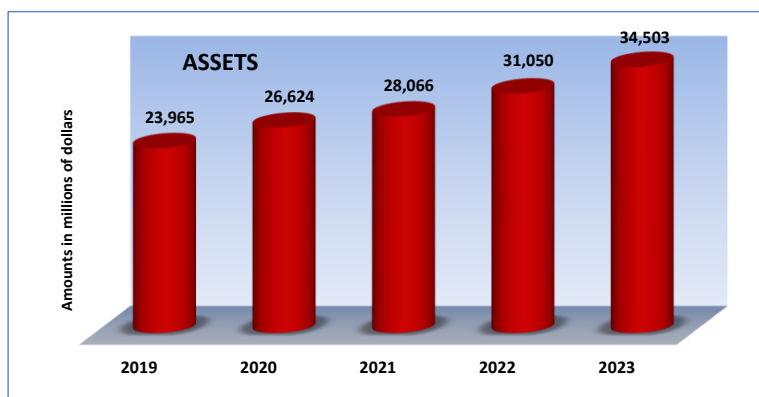
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BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

FINANCIAL HIGHLIGHTS
As of December 31 of each year



Source: Audited Consolidated Financial Statements of BAC International Bank, Inc. and Subsidiaries



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BAC International Bank, Inc. and Subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statements of profit or loss, and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS accounting standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of the most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for loan losses

See notes 3 (c), 4 and 5 to the consolidated financial statements

Key Audit Matter

The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions for the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 68% of the Bank's total assets as of December 31, 2023 (2022: 65%).

The allowance for loan losses at amortized cost comprises the ECL as a result of the model of probability of default on loans according to the impairment stage assigned.

The ECL is determined according to the grouping of loans with similar credit risk characteristics. The methodologies applied by the model are comprised of estimates of the probability of default, loss given default, prospective analysis, and exposure at default. The assessment of whether or not a significant increase in the credit risk of loans has been presented entails the application of significant judgments in that model. This constitutes a challenge from an audit perspective due to the complexity of estimating the components used to perform these calculations and the application of the Bank's judgment.

How the matter was addressed in the audit

Our audit procedures included:

- Evaluation of key controls over delinquency calculations, internal customer risk ratings, review of the accuracy of customer information and methodologies, assumptions, and data used.
- Assessment of judgments applied by the Bank on assumptions regarding current economic conditions and forward-looking analysis considerations that may change the level of PCE, based on our experience and knowledge of the industry.
- For a sample of corporate loans, classified by type of activity or industry, and debtors with changes in risk classification based on quantitative and qualitative factors, the respective credit files were inspected, including the debtors' financial information supporting the credit operations and other publicly available information, and other factors that could represent a loss event, to determine the reasonableness of the assigned credit risk rating.
- The methodologies applied by the Bank in the ECL estimation model were assessed in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance.
- An evaluation was made of the inputs used based on the corporate banking, consumer, and credit card methodologies and recalculation was performed according to the ECL estimation model for each of them.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matters. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Other legal information requirements

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

- That the direction, execution, and supervision of this audit work have been physically performed in the Panamanian territory for those entities or business activities within the group that perform operations that are perfected, consummated, or take effect within the Republic of Panama.
- The audit partner who has prepared this independent auditors' report is Ricardo A. Carvajal V.
- The audit work team that has participated in the audit of the Bank to which this report refers to, is formed by Ricardo A. Carvajal V., Partner; and Pedro Coché, Manager.



Panama, Republic of Panama
February 20, 2024



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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Financial Position

As of december 31, 2023

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		931,707,522	768,898,974
Securities purchased under resale agreements	4, 7	61,193,065	10,696,871
Deposits in banks:			
Demand		3,809,315,812	3,807,298,545
Time deposits		533,682,534	578,036,038
Credit risk provision on deposits in banks		(85,107)	(140,595)
Total deposits in banks, net		<u>4,342,913,239</u>	<u>4,385,193,988</u>
Total cash, cash equivalents and deposits in banks	6	<u>5,335,813,826</u>	<u>5,164,789,833</u>
Investments in securities, net	4, 8	4,548,929,982	4,190,431,132
Loans at Amortized Cost:			
Loans granted		23,368,747,987	20,698,056,731
Accrued interest receivable		173,741,074	181,649,810
Commissions not earned		(64,023,709)	(55,487,963)
Total loans at amortized cost	4, 9	<u>23,478,465,352</u>	<u>20,824,218,578</u>
Provision for deterioration of credit risk on loans	4	<u>(734,661,520)</u>	<u>(692,939,937)</u>
Loans at amortized cost, net		<u>22,743,803,832</u>	<u>20,131,278,641</u>
Property and equipment, net	10	571,947,463	536,000,919
Acceptances outstanding		61,996,226	31,709,438
Other accounts receivable, net	4, 12	594,677,078	378,338,672
Goodwill and intangible assets, net	11	413,833,555	397,446,007
Deferred income tax	26	51,014,984	64,485,134
Other assets	12	<u>180,633,802</u>	<u>155,374,925</u>
Total assets		<u><u>34,502,650,748</u></u>	<u><u>31,049,854,701</u></u>

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

<u>Liabilities and Equity</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
Liabilities:			
Deposits from customers:			
Demand		9,883,922,827	9,043,317,464
Savings		6,214,269,103	5,664,121,559
Time deposits		9,917,991,462	8,621,328,043
Total deposits from customers	14	<u>26,016,183,392</u>	<u>23,328,767,066</u>
Securities sold under repurchase agreements		114,006,590	260,710,165
Financial obligations	15	2,443,136,750	2,283,961,350
Other financial obligations	16	1,365,943,096	1,059,787,532
Lease liabilities	17	119,512,038	138,555,391
Acceptances outstanding		61,996,226	31,709,438
Income tax payable		22,366,539	65,164,551
Deferred income tax	26	82,059,399	49,812,370
Other liabilities	18	923,721,921	803,717,211
Total liabilities		<u>31,148,925,951</u>	<u>28,022,185,074</u>
Equity:			
Common stock	19	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		2,393,292,250	2,346,577,551
Regulatory reserves		348,536,827	259,511,063
Other comprehensive losses	20	(358,751,532)	(549,079,111)
Total shareholder equity of the controlling Bank		<u>3,353,464,663</u>	<u>3,027,396,621</u>
Non-controlling interest		260,134	273,006
Total equity		<u>3,353,724,797</u>	<u>3,027,669,627</u>
Total liabilities and equity		<u>34,502,650,748</u>	<u>31,049,854,701</u>

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Profit or Loss

For the year ended december 31, 2023

(In U.S. dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Interest income:			
Deposits in banks		59,996,619	26,651,865
Investments in securities		267,101,316	181,990,452
Loans		2,303,459,828	1,878,125,683
Total interest income		<u>2,630,557,763</u>	<u>2,086,768,000</u>
Interest expense:			
Deposits from customers		613,604,995	459,398,180
Financial obligations		132,480,890	73,303,465
Other financial obligations		112,467,989	62,876,741
Securities sold under repurchase agreements		14,353,969	9,705,756
Lease liabilities	16	6,684,829	7,695,167
Total interest expense		<u>879,592,672</u>	<u>612,979,309</u>
Net interest income		<u>1,750,965,091</u>	<u>1,473,788,691</u>
Loss (recovery) due to credit risk impairment:			
Loans	4	385,559,425	346,227,919
Deposits in banks and investments in securities	4	(13,963,429)	(4,693,868)
Other accounts receivable	4	1,303,541	79,630
Total credit risk impairment loss, net		<u>372,899,537</u>	<u>341,613,681</u>
Net interest income after credit risk impairment		<u>1,378,065,554</u>	<u>1,132,175,010</u>
Other income (expenses):			
Gain on financial instruments, net	21	8,332,037	13,996,156
Service charges, net	22	601,610,069	499,019,020
Commissions and other fees, net		245,815,770	220,690,338
Gain on foreign currency exchange, net		63,626,521	97,363,721
Impairment loss on assets available for sale		(822,943)	(852,672)
Other income	23	39,280,644	40,728,743
Total other income, net		<u>957,842,098</u>	<u>870,945,306</u>
General and administrative expenses:			
Salaries and employee benefits	24	651,318,746	542,859,499
Depreciation and amortization		130,216,791	113,298,539
Administrative		116,752,257	106,684,297
Occupancy and related expenses		36,224,099	32,998,253
Other expenses	25	611,772,899	538,966,054
Total general and administrative expenses		<u>1,546,284,792</u>	<u>1,334,806,642</u>
Income before income tax		789,622,860	668,313,674
Current income tax	26	(164,214,893)	(209,617,005)
Deferred income tax	26	(31,481,227)	5,522,413
Net income		<u>593,926,740</u>	<u>464,219,082</u>
Net income attributable to:			
Controlling interest		593,880,857	464,176,897
Non-controlling interest		45,883	42,185
		<u>593,926,740</u>	<u>464,219,082</u>

The consolidated statement of financial position must be read in conjunction with the notes

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

For the year ended december 31, 2023

(In U.S. dollars)

	<u>2023</u>	<u>2022</u>
Net income	<u>593926740</u>	<u>464219082</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Employee benefits plan - change in actuarial effect	(2940754)	(815566)
Net change in fair value of equity investments	(86662)	28217
Items that are or may be reclassified to profit or loss		
Foreign currency translation	159017650	51884626
Valuation for investments FVOCI:		
Net amount reclassified to profit or loss	(2628921)	(7312506)
Net change in fair value	<u>36979493</u>	<u>(196022532)</u>
Other comprehensive income	<u>190340806</u>	<u>(152237761)</u>
Total comprehensive income	<u><u>784267546</u></u>	<u><u>311981321</u></u>
Total comprehensive income attributable to:		
Controlling interest	784208436	311947187
Non-controlling interest	<u>59110</u>	<u>34134</u>
	<u><u>784267546</u></u>	<u><u>311981321</u></u>

The consolidated statement of comprehensive income must be read in conjunction with the notes which are part of the consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended december 31, 2023

(In U.S. dollars)

	Attributable to the Bank's owners								
	Common stock	Additional paid in capital	Treasury stocks	Retained earnings	Regulatory reserves	Other comprehensive income	Total controlling interest	Non-controlling interest	Total
Balance as of January 1, 2022	834,708,000	140,897,488	(5,218,370)	1,913,341,660	258,183,810	(396,849,401)	2,745,063,187	246,432	2,745,309,619
Net income	0	0	0	464,176,897	0	0	464,176,897	42,185	464,219,082
Other comprehensive income:									
Foreign currency translation	0	0	0	0	0	51,888,720	51,888,720	(4,094)	51,884,626
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	(7,312,067)	(7,312,067)	(439)	(7,312,506)
Net change in fair value	0	0	0	0	0	(196,019,531)	(196,019,531)	(3,001)	(196,022,532)
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(815,049)	(815,049)	(517)	(815,566)
Net change in foreign currency of common stocks	0	0	0	0	0	28,217	28,217	0	28,217
Total other comprehensive income	0	0	0	0	0	(152,229,710)	(152,229,710)	(8,051)	(152,237,761)
Total comprehensive income	0	0	0	464,176,897	0	(152,229,710)	311,947,187	34,134	311,981,321
Other changes in equity:									
Regulatory reserves	0	0	0	(1,327,253)	1,327,253	0	0	0	0
Transactions with the Bank's owners:									
Transactions between the Bank and the non-controlling interest									
Reorganisation of entities under common control	0	0	0	0	0	0	0	1,139	1,139
Complementary tax	0	0	0	386,247	0	0	386,247	0	386,247
Contributions and distributions:									
Paid dividends	0	0	0	(30,000,000)	0	0	(30,000,000)	(8,699)	(30,008,699)
Total transactions with the Bank's owners	0	0	0	(29,613,753)	0	0	(29,613,753)	(7,560)	(29,621,313)
Balance as of December 31, 2022	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,346,577,551</u>	<u>259,511,063</u>	<u>(549,079,111)</u>	<u>3,027,396,621</u>	<u>273,006</u>	<u>3,027,669,627</u>
Balance as of January 1, 2023	834,708,000	140,897,488	(5,218,370)	259,511,063	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	593,880,857	0	0	593,880,857	45,883	593,926,740
Other comprehensive income:									
Foreign currency translation	0	0	0	0	0	159,002,280	159,002,280	15,370	159,017,650
Valuation of FVOCI securities:									
Net amount reclassified to profit or loss	0	0	0	0	0	(2,629,032)	(2,629,032)	111	(2,628,921)
Net change in fair value	0	0	0	0	0	36,981,662	36,981,662	(2,169)	36,979,493
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(2,940,669)	(2,940,669)	(85)	(2,940,754)
Net change in foreign currency of common stocks	0	0	0	0	0	(86,662)	(86,662)	0	(86,662)
Total other comprehensive income	0	0	0	0	0	190,327,579	190,327,579	13,227	190,340,806
Total comprehensive income	0	0	0	593,880,857	0	190,327,579	784,208,436	59,110	784,267,546
Other changes in equity:									
Regulatory reserves	0	0	0	(89,025,764)	89,025,764	0	0	0	0
Transactions with the Bank's owners:									
Purchase of non-controlling interest	0	0	0	0	0	0	0	(50,000)	(50,000)
Complementary tax	0	0	0	(5,661)	0	0	(5,661)	0	(5,661)
Contributions and distributions:									
Declared dividends	0	0	0	0	0	0	0	(19,951)	(19,951)
Paid dividends	0	0	0	(455,300,000)	0	0	(455,300,000)	(2,031)	(455,302,031)
Total transactions with the Bank's owners	0	0	0	(455,305,661)	0	0	(455,305,661)	(71,982)	(455,377,643)
Balance as of December 31, 2023	<u>834,708,000</u>	<u>140,897,488</u>	<u>(5,218,370)</u>	<u>2,393,292,250</u>	<u>348,536,827</u>	<u>(358,751,532)</u>	<u>3,353,464,663</u>	<u>260,134</u>	<u>3,353,724,797</u>

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended december 31, 2023

(In U.S. dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:			
Net Income		593,926,740	464,219,082
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		130,216,791	113,298,539
Amortization of the right-of-use assets			
Impairment loss due to credit risk on loans	4	385,559,425	346,227,919
Impairment reversal due to credit risk on investments and deposits in banks	4	(13,963,429)	(4,693,868)
Impairment loss due to credit risk on other accounts receivable	4	1,303,541	79,630
Impairment of assets held for sale		822,943	852,672
(Gain) loss on undisbursed commitments		(125,082)	135,874
Net interest income		(1,750,965,091)	(1,473,788,691)
Gain on financial instruments, net	20	(8,332,037)	(13,996,156)
Net loss on sale and disposal of property and equipment		731,562	1,703,145
Net gain on sale of assets held for sale		(10,642,149)	(11,534,128)
Net loss on disposal of intangible assets		656,239	732,990
Dividends on equity securities		(2,554,317)	(3,049,808)
Income tax expense		195,696,120	204,094,592
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		15,698,116	18,098,063
Investments in securities		6,790,608	9,772,380
Loans		(2,200,242,463)	(2,207,113,428)
Securities sold under agreements to repurchase		(154,338,436)	215,278,562
Other accounts receivable		(130,698,606)	(115,738,038)
Other assets		(28,635,376)	(13,077,664)
Deposits from costumers		1,740,943,173	1,117,861,210
Other liabilities		50,002,457	148,427,475
Cash generated by operations:			
Interest received		2,548,569,505	2,056,335,897
Interest paid		(843,771,613)	(590,040,072)
Dividends received		2,554,317	3,049,808
Income tax paid		(254,751,506)	(194,816,778)
Net cash provided by operating activities		<u>274,451,432</u>	<u>72,319,207</u>
Cash flows from investment activities:			
Proceeds from sale of investments in securities		517,449,489	573,816,778
Maturities and prepayments of investments in securities		3,581,983,473	2,589,756,282
Purchase of investments in securities		(4,304,978,252)	(4,054,680,155)
Purchase of property and equipment		(98,154,175)	(94,661,349)
Proceeds from sale of property and equipment		846,873	743,409
Acquisition of intangible assets		(39,470,067)	(31,458,214)
Proceeds from sale of assets held for sale		40,299,158	39,177,902
Net cash used in investment activities		<u>(302,023,501)</u>	<u>(977,305,347)</u>
Cash flows from financing activities:			
Proceeds from financial obligations		1,791,786,505	2,144,700,215
Payment of financial obligations		(1,667,990,212)	(1,621,354,955)
Proceeds from other financial obligations		363,934,548	372,306,745
Payment of other financial obligations		(80,805,013)	(50,020,815)
Payment of lease liabilities		(30,162,695)	(29,566,777)
Purchase of non-controlling interest		(50,000)	0
Paid dividends		(455,302,031)	(30,008,699)
Net cash (used in) provided by financing activities		<u>(78,588,898)</u>	<u>786,055,714</u>
Effect of exchange rate fluctuations on cash held		292,790,026	127,521,119
Net increase in cash and cash equivalents		186,629,059	8,590,693
Cash and cash equivalents at beginning of the year		5,094,061,121	5,085,470,428
Cash and cash equivalents at the end of the year	6	<u>5,280,690,180</u>	<u>5,094,061,121</u>

The consolidated statement of cash flows must be read in conjunction with the notes

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Notes to the Consolidated Financial Statements

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December 31, 2023

(In U.S. dollars)

(1) Organization

BAC International Bank, Inc. ("the parent Bank"), Inc. was incorporated as a bank and holding bank on August 25, 1995, in Panama City, Republic of Panama. BAC International Bank, Inc. ("the parent Bank"). is owned in a 90.5339% by BAC International Corporation (BIC), 9.4622% by BAC Holding International Corp. and 0.0039% by other shareholders. BIC is an indirect subsidiary of BAC Holding International Corp., a company listed on the Panama Stock Exchange ("Latinex") and the Colombian Stock Exchange ("BVC"). These consolidated financial statements as of December 31, 2023, include the Bank and its subsidiaries, which together will be referred to as the "Bank".

As of March 24, 2022, the Parent Company was wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A. ("Grupo Aval"), an entity domiciled in the Republic of Colombia.

On March 25, 2022, Banco de Bogota S.A. carried out the spin-off of 75% of its ownership in the Company in favor of its shareholders of said entity, through Sociedad Beneficiaria Bogota, S.A.S.

On March 28, 2022, Grupo Aval completed the spin-off its indirect equity participation in the parent company in favor of its shareholders. The shares, spun-off in a favor of Grupo Aval, shareholders were received as a result of the spin-off carried out by Banco de Bogota, S.A. on March 25, 2022.

BAC International Bank, Inc. provides, directly and through its subsidiaries, a wide variety of financial services to individuals and institutions, principally in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama.

The Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to provisions established by Law Decree No. 52, dated April 30, 2008, that adopts the single text of Law Decree No.9 of February 26, 1998, as amended by Legislative Decree No.2 of February 22, 2008, which establishes the Banking regime of the Republic of Panama and creates the Superintendency of Banks and the rules that govern it.

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(2) Basis of preparation of the consolidated financial statements

(a) *Compliance with International Financial Reporting Standards (IFRS accounting standards)*

The consolidated financial statements have been prepared in conformity with IFRSs issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized by the Bank's Board of Directors on February 20, 2024.

(b) *Basis of measurement*

The consolidated 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 settled. Investments in securities are recorded when they are traded and loans at amortized cost when they are settled.

(c) *Functional and presentation currency*

The items included in the accounts of each of the Bank's subsidiaries are measured using the currency of the main economic environment where the entity operates ("functional currency").

The Bank's consolidated financial statements are presented in US dollars, which is also the Bank's functional currency.

(d) *Use of estimates and judgments*

Preparation of the consolidated financial statements requires the Bank's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, 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 consolidated financial statements is disclosed in Note 5.

(3) Material accounting policies

In preparing the consolidated financial statements, the Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise indicated.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Additionally, the Bank adopted Disclosure Initiative: Accounting Policies - Amendments to IAS 1 Presentation of Financial Statement and IFRS Practice Statement 2 Making Materiality Judgements effective January 1, 2023. The amendments require disclosure of "material" accounting policies, instead of significant. Although the modifications did not lead to any changes in the accounting policies themselves:

(a) Basis of consolidation

Subsidiaries

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

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

Balances and transactions eliminated in the consolidation

Intragroup transactions, balances, revenue and expenses in transactions between subsidiaries are eliminated. Losses and gains that arise from intragroup transactions that are recognized as assets or liabilities are also eliminated.

Changes in the ownership of the subsidiaries that do not result in a change of control

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

Loss of control

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

(b) Foreign currencies

Assets and liabilities maintained in foreign currency are converted to the functional currency at the exchange rate in effect on the reporting date. Gains or losses resulting from the conversion of foreign currency are reflected in other revenues or other expense accounts in profit or loss. All non-monetary items of the Bank are recorded in the functional currency at the time of the transaction.

Goodwill and adjustments to the fair value resulting from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and, consequently, are converted at the exchange rates in effect on each period closing date.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Subsidiaries of the Bank

The financial position and results of all of the Bank's subsidiaries that have a functional currency other than the Bank's functional currency are converted into the reporting currency as follows:

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

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

(c) *Financial assets and liabilities*

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

Classification

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

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

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

1. The asset is kept within a business model to collect contractual cash flows; and
2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the outstanding balance.

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

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;
2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the current outstanding balance.

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

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

Business model assessment

The Bank assess the objectives of the business models that hold the financial assets at portfolio level to better represent how each subsidiary manages the business and how management information is reported. The information considered includes:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include, whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets.
- How they are assessed or reported to key management personnel of the Bank on portfolio performance.
- The risks that affect the performance of the portfolios (and the financial assets held within them) and the way those risks are managed.
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,
- The frequency, value and timing of sales in prior years, the reasons for those sales and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation, but rather as part of an assessment of how Bank objectives established for managing financial assets are achieved and how cash flows are realized.

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

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

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

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

- Contingent events that will change the amount and timing of cash flows;
- Hedging conditions;
- Prepayment and extension terms;
- Terms that limit the Bank in obtaining cash flows from specific assets (e.g. unfunded asset agreements); and
- Terms that change the considerations on the value of money over time (e.g. periodic revision of interest rates).

Interest rates on certain consumer and business loans are based on variable interest rates established at the discretion of the Bank. Variable interest rates are generally established in accordance with the practices of each of the countries where the Bank operates, plus certain additional discretionary points. In these cases, the Bank assess whether the discretionary feature is consistent with the criteria of solely payments of principal and interest, considering several factors that include whether:

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

All fixed rate consumer and corporate loans contain a prepayment condition.

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

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Impairment of financial assets

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

The impairment model applies to the following financial assets that are not measured at FVPL.

- Fixed and variable – rate debt instruments;
- Lease payments receivable;
- Other accounts receivable;
- Loan portfolio;
- Financial guarantee contracts issued; and
- Loans commitments issued.

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

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

- Assess whether the credit risk has increased significantly from initial recognition; and,
- Incorporate prospective information in the measurement of expected impairment losses.

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

- Investments in debt instruments determined to represent low credit risk at the reporting date; and,
- Other financial assets (other than short term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Measuring ECL

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

- Financial assets with no credit impairment at the reporting date: the present value of all contractual cash payments in arrears (for example: the difference between contractual cash flows owed to the Bank and cash flows that the Bank expects to receive);
- Impaired financial assets at the reporting date: the difference between the gross book value and the present value of estimated future cash flows;
- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and
- Financially secured contracts: expected payments to reimburse the holder minus any amount the Bank expects to recover.

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor will fully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if any); or
- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.
- For fixed income financial instruments, the following concepts, among others, are included:
 - Downgrade of the issuer's credit risk rating.
 - Contractual payments are not made on the due date or in the term period stipulated.
 - There is a virtual certainty of default.
 - Issuer is likely to go bankrupt or a bankruptcy petition is filed or similar action.
 - The financial asset stops trading in an active market given its financial difficulties.

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

- Qualitative, e.g. noncompliance with contractual clauses;
- Quantitative, e.g. arrears or non-payment of another obligation from the same issuer to the Bank; and,

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

Significant increase in credit risk

When determining whether the credit risk a financial asset has increased significantly since initial recognition, the Bank considers relevant fair and sustainable information available at no cost or disproportionate effort, including information and quantitative and qualitative analyses based on historical experience and expert assessment of Bank is credit risk, including prospective information.

The Bank identifies if a significant increase in the credit risk has occurred for each exposure by comparing:

- The probability of default (PD) during the remaining life a financial instrument at the closing date, with
- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly from the initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For purposes of revolving credit (credit cards, overdrafts, among others), the date when the credit was first delivered may be a long time ago. Changes in the contractual terms of a financial asset may also impact this assessment, as discussed below.

Rating by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to predict the PD, and applying the judgment of a credit expert, the Bank uses these grades to identify significant increases in credit risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors vary depending on the type of exposure and the type of borrower.

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

Each exposure is given a credit risk rating upon initial recognition based on information available on the debtor. Exposures are subject to continuous monitoring, that may result in displacement of exposure to another credit risk grade.

Determine if the credit risk has increased significantly

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

The initial framework is aligned with the internal process of the Bank for credit risk management.

The criteria to determine whether the credit risk has increased significantly varies by portfolio and includes limits based on defaults.

The Bank assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on Bank qualitative modeling, the expected probability of impairment during the remaining life will increase significantly from initial recognition. In determining the credit risk increase, the expected impairment losses in the remaining life are adjusted by changes in maturity terms.

Under certain circumstances, using the judgment of credit experts, and based on relevant historical information, the Bank determines that an exposure has had a significant increase in credit risk, if particular qualitative factors indicate this and those factors may not be completely captured by periodic quantitative analyses. As a limit, the Bank assumes that a significant credit risk occurs no later than when the asset is in arrears for more than 30 days.

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

- The criteria can identify significant increases in credit risk before an exposure becomes impaired.
- The criteria are inconsistent with the time when the asset is more than 30 days past due.

Modified financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is written off and a new financial asset is recognized at its fair value plus any eligible transaction costs. Commissions received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent the reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other commissions are included in profit or loss for the year as part of the gain or loss on account derecognition.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximize collection opportunities and minimize default risk. Under the Bank's renegotiation policies, customers in financial difficulties are granted concessions that generally correspond to reductions in interest rates, an extension of payment terms, reductions in balances owed, or a combination of the above.

If the Bank plans to modify a financial asset in a way that would result in the condonation of cash flows, then it first considers whether a portion of the asset should be derecognized before the modification takes place. This approach impacts the outcome of the quantitative assessment and means that the derecognition criteria are often not met in such cases.

If the modification of a financial asset measured at AC or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the asset's original effective interest rate and recognizes the resulting adjustment as a gain or loss in profit or loss. For variable interest rate financial assets, the original effective interest rate used to calculate the modified gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out due to financial difficulties of the debtor, then the gain or loss is presented along with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

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

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

- The PD during the remaining life on the date of the balance sheet based on the terms modified with;
- The PD on the estimated remaining life based on the date of initial recognition and the original contractual terms.

For financial assets modified as part of the Bank's renegotiation policies, the estimation of the PD reflects whether the modifications have improved or restored the ability of the Bank to collect principal and interest and the prior experience of the Bank in similar actions. As part of the process, the Bank assesses the debtor's payment compliance as compared to the modified terms of the debt debtor or and considers several performance indicators for the group of debtors modified.

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Generally, restructuring indicators are a relevant factor in increased credit risk. Therefore, a restructured debtor must demonstrate consistent payment behavior over a period of time before no longer being considered as an impaired loan or that the PD has decreased in such a way that the provision may be reversed, and the loan may be measured for impairment over a term of twelve months after the closing date of the report.

Financial liabilities

The Bank derecognizes a financial liability when its conditions are modified, and the cash flows of the modified obligation are substantially different. In this case, a new financial liability based on the modified terms is recognized at its fair value. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss. The consideration paid includes the transferred of non-financial assets, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not recorded as derecognition, then the amortized value of the liability is recalculated by discounting the modified cash flows at the original effective interest rate, and the resulting gain or loss is recognized in profit or loss. For variable interest rate financial liabilities, the original effective interest rate used to calculate the modified gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the book value of the liability and are amortized over the remaining term of the modified financial liability by recalculating the effective interest rate on the instrument.

Inputs in measuring ECL

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

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

The foregoing parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect prospective information as described below.

Credit risk ratings are a grouping criteria to determine the PD term structure for the different exposures. The Bank obtains information on the number of defaults on credit risk exposures analyzed by jurisdiction or region, type of product, and the credit risk rating assigned to calculate the PD.

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

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

LGD is the magnitude of probable losses in the event of non-compliance. The Bank estimates the parameters of the LGD based on historical loss recovery rates against the noncomplying parties. LGD models consider the structure, collateral, and the recovery costs of any collateral when there are mortgage guarantees.

For unsecured loans, a present-value cash recovery model is used, taking into account recoveries prior to write-off, as well as recoveries of losses. For loans secured with mortgages and/or pledges, recoveries prior to write-off are taken into consideration, as well as recovery from the sale of foreclosed assets. The calculation is made on a net cost recovery basis, discounted using the effective interest rate of the loan.

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

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

For credit card balances the Bank measures EADs over a longer period than the maximum contractual period if the contractual ability of the Bank to demand payments does not limit the Bank's exposure to credit losses for the contractual period. These facilities do not have a fixed term or a collection structure and are managed on a collective basis.

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

The Bank may cancel them immediately, but this contractual right is forced in the normal management of the Bank's day to day management, rather than only when the Bank finds that there has been an increase in credit risk for each loan. This longer period will be estimated considering the actions for credit risk management that the Bank expects to take and that mitigate the EAD. These measures include a reduction in limits and cancellation of loan contracts.

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

- Type of instrument.
- Credit risk rating.
- Guarantees.
- Date of initial recognition.
- Remaining term until maturity.
- Geographical location of the debtor.

The above pooling is subject to regular review to ensure that the exposure of a particular group remains homogeneous.

Projection of future conditions

Semi-annually forecasted, macroeconomic scenarios for twelve months are approved for the six countries where the Bank operates, and they are divided into three categories: upside, central and downside. These scenarios are prepared based on the Bank's macroeconomic simulation model and are complemented by (i) projections from supranational organizations such as the International Monetary Fund, the World Bank, and Economic Commission for Latin America and the Caribbean, etc. (ii) the macroeconomic program of the Central American central banks and (iii) economists outside the Bank.

- **Central scenario:** According to current expectations, it contemplates stability in the nominal macroeconomic variables, exchange rate, interest rates, and inflation. Forecasts from other organizations that carry out economic research are used as a reference, for example, the International Monetary Fund, the World Bank and the central banks of each country. External references bring fairness to the exercise.
- **Upside and downside scenarios:** These are the probable macroeconomic scenarios before the realization of some of the main risks associated with each country. They are categorized as upside and downside risks, furthermore, divided between internal and external risks.
- **External Risks:** The Central American countries, being small and open economies, are exposed to the economic performance of the large economies and main trading partners, mainly the United States and Europe.

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

The economic activity of these countries affects the Central American countries in a generalized way, mainly through income from remittances, exports, tourism, and foreign direct investment.

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

The external information includes economic data and publication of projections by government committees, monetary authorities (mainly in the countries where the Bank operates), supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund and others), academic projections, private sector, and credit risk rating agencies. The base case represents the most probable. Other scenarios represent a more optimistic or pessimistic outcome. In addition, the Bank uses periodic stress testing to calibrate the determination of these other representative scenarios.

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, except when there are financial liabilities measured at FVPL.

Recognition, disposal and measurement

The Bank regularly recognizes the purchase or sale of financial instruments on the date of each settlement, which is the date on which the Bank commits to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value.

Transaction costs are attributed to expenses in the consolidated statement of profit or loss when incurred for financial assets and liabilities at fair value with changes in the profit or loss, and they are recorded as part of the initial value of the instrument for assets and liabilities at AC and FVOCI. Transaction costs are incremental costs incurred to acquire assets or sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock markets, as well as taxes and other rights.

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

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

The Bank writes off a financial liability when its contractual obligations have been paid or canceled or have expired.

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Offsetting of financial instruments

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

Presentation of provision for PCE in the consolidated statement of position

The provision for PCE is presented in the consolidated statement of financial position as follows:

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

(d) *Assets held for sale*

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

(e) *Recognition of the most significant income and expenses*

Interest income and expenses

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

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

Fees and commissions

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

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

Other fees and commissions received mainly relating to fees for transactions and services are recognized as income when they are received, and related services have been rendered.

Loyalty programs

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

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

(f) *Cash and cash equivalents*

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

(g) *Property and equipment*

Property and equipment are presented at cost, less accumulated depreciation and any accumulated impairment losses amortization.

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

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Bank recognizes depreciation in profit or loss with an increase to the accumulated depreciation account. Land is not depreciated. The estimated useful lives of assets are:

<u>Category</u>	<u>Years/Base</u>
Buildings	20 - 50
Furniture and equipment	5 - 10
Vehicles	5
Computer's equipment	3 - 5
Leasehold improvements	3 - 10

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

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

(h) Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
 - The Bank has the right to operate the asset; or
 - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

At inception or on a reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

i. As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

Short-term leases and leases of low-value assets

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

ii. As a lessor

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

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

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

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

(i) Business combinations and goodwill

The Bank accounts for business combinations using the acquisition method when control is transferred. The consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill is subject to annual impairment tests. Any gain from purchase under very advantageous conditions is immediately recognized in profit or loss. Transaction costs are recorded as an expense when incurred, except if they are related to the issuance of debt or equity instruments.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay the contingent consideration that meets the definition of financial instruments is classified as equity, it should not be measured again, and its subsequent settlement should be accounted for within equity. If not, the other contingent consideration is remeasured at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

Non-controlling interests are recorded for the proportional part of the fair value of the identifiable assets and liabilities, unless stated otherwise. When the Bank has the corresponding option to settle the purchase of a non-controlling interest through the issue of its own ordinary shares, no financial liability is recorded.

During the measurement period (which is a term of one year from the date of the acquisition), the Bank can, retrospectively, adjust the amounts recognized on the date of acquisition to reflect new information obtained on events and circumstances that existed at that date.

For impairment tests purposes, goodwill acquired in a business combination is, on the acquisition date, assigned to each of the cash-generating unit groups (CGUs) expected to benefit from the combination. The CGUs to which goodwill is assigned will be disaggregated so impairment-testing level reflects the lowest level to which the goodwill is controlled for purposes of internal management.

An impairment loss will be recognized if the carrying amount of the CGU plus the goodwill allocated to it is higher than its recoverable amount, in which case the allocated goodwill will be reduced, and any remaining impairment would be applied to other CGUs' assets.

(j) *Intangible assets*

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

Cash-generating units to which goodwill has been attributed are periodically assessed for impairment. This assessment is carried out at least annually, or whenever there is evidence of impairment.

The amortization expense of intangible assets is presented in profit or loss as depreciation and amortization expenses.

Trade names are non-amortizable intangible assets.

(k) *Income tax*

Tax expense for the year includes current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they refer to items recognized directly in equity.

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

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Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

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

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

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

(l) *Employee benefits*

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

(m) *Trust contracts and securities management*

The assets under trust contracts and securities under custody are not considered part of the Bank, and accordingly, such securities and related revenue are not included in these consolidated financial statements. It is the obligation of the Bank to manage and safeguard the assets under contract and independently of their equity. The Bank charges a fee for the management of trust contracts and custody of securities, which is paid according to agreements between the parties. These fees are recognized as income according to the terms of the contracts either monthly, quarterly or annually on an accrual base.

(n) *Fair value estimates*

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

Notes to the Consolidated Financial Statements

(3) Material accounting policies, continued

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.
- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

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

(o) Transactions between entities under common control

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

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

(p) New International Financial Reporting Standards (“IFRS accounting standards”) not yet adopted.

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

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(3) Material accounting policies, continued

The following new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements:

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Supplier finance arrangements (Amendments to IAS 7 y IFRS 7)
- Lack of exchangeability (Amendments to IAS 21)
- Lease liability in a sale and leaseback (Amendments to IFRS 16)

(q) Segments

An operating segment corresponds to the group of entities that make up the banking operation in each of the countries in which the Bank operates. Each operating segment is engaged in business activities from which it may earn income and incur expenses, including income and expenses related to transactions with any of the other components of the Bank. The operating results of each segment are periodically reviewed by the Management to make decisions on the resources to be assigned to the segment and evaluate its performance. The results of the segments that are reported to the Administration include elements that are directly attributable to each segment.

(r) Reclassifications non-material

Non-material amounts in the 2022 consolidated financial statements, have been reclassified to be consistent with the presentation of the consolidated financial statements as of December 31, 2023. The Bank applied non-material reclassifications to improve the presentation that has been included in consolidated financial statements as of December 31, 2022 and the consolidated statement of income and cash flows for the year ended December 31, 2022.

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

	2022		
	<u>Previously reported amount</u>	<u>Correction</u>	<u>Corrected amount</u>
Consolidated statement of financial position			
Deposits in banks:			
Demand	3,846,465,925	(39,167,380)	3,807,298,545
Other assets	116,207,545	39,167,380	155,374,925
Consolidated statement of profit or loss			
Other income (expenses):			
Services charges, net	460,856,674	38,162,346	499,019,020
Gain on foreign currency exchange, net	92,911,056	4,452,665	97,363,721
Commissions and other fees, net	233,317,976	(12,627,638)	220,690,338
Other income	86,805,546	(46,076,803)	40,728,743
General and administrative expense:			
Administrative	107,359,905	(675,608)	106,684,297
Other expense	554,379,876	(15,413,822)	538,966,054
Consolidated statement of cash flows			
Cash and cash equivalents			
At the beginning of the period	5,124,637,808	(39,167,380)	5,085,470,428
At the end of the period	5,133,228,500	(39,167,380)	5,094,061,120

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

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(4) Risk management

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

Classification of financial assets

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

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
2023						
Cash, cash equivalents and deposits in banks	0	0	0	0	5,335,813,826	5,335,813,826
Investments in securities	24,471,050	14,285,693	4,408,686,599	3,083,163	98,403,477	4,548,929,982
Loans at amortized costs	0	0	0	0	22,743,803,832	22,743,803,832
Other accounts receivable	0	0	0	0	594,677,078	594,677,078
Total financial assets	24,471,050	14,285,693	4,408,686,599	3,083,163	28,772,698,213	33,223,224,718
2022						
Cash, cash equivalents and deposits in banks	0	0	0	0	5,164,789,833	5,164,789,833
Investments in securities	27,877,482	13,078,802	4,102,738,448	3,175,100	43,561,300	4,190,431,132
Loans at amortized costs	0	0	0	0	20,131,278,641	20,131,278,641
Other accounts receivable	0	0	0	0	378,338,672	378,338,672
Total financial assets	27,877,482	13,078,802	4,102,738,448	3,175,100	25,717,968,446	29,864,838,278

As of December 31, 2023 and 2022, 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.

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk management, continued

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.

(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.

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(4) Risk management, continued

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.

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 \$ 4,342,913,239 as of December 31, 2023 (2022: \$ 4,385,193,988). Deposits are maintained at central banks and other financial institutions, most of which have A+ to B- risk ratings, (2022: A+ to CCC+ risk ratings) based on Standard & Poor's, Moody's, and/or Fitch Ratings. Of total deposits, excluding deposits in central banks, as of December 31, 2023, approximately \$11.3 million did not have a risk rating (2022: \$4 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 December 31, 2023, all securities under resale agreements and bank deposits are up to date on the payment of principal and interest.

Quality of the investments in securities

The Bank segregates the investment portfolio into investments at FVPL, investments at FVOCI, As of December 31, 2023, investments amounted to \$4,548,929,98 (2022: \$ 4,190,431,132).

- Investments at FVLP

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 investments at FVLP categories:

	<u>2023</u>	<u>2022</u>
Governments and agencies		
AA+	4,337,576	0
BB+	20,133,474	0
B	<u>0</u>	<u>26,355,405</u>
Total Governments and agencies	<u>24,471,050</u>	<u>26,355,405</u>
Corporate		
B	<u>0</u>	<u>1,016,532</u>
Total Corporate	<u>0</u>	<u>1,016,532</u>
Total investments at FVLP	<u>24,471,050</u>	<u>27,371,937</u>

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(4) Risk management, continued

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	2023			2022		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>
Governments and agencies						
AA+	479,810,159	0	479,810,159	230,626,073	0	230,626,073
BBB	296,630,686	0	296,630,686	236,576,825	0	236,576,825
BB+ to B-	<u>3,189,424,962</u>	<u>0</u>	<u>3,189,424,962</u>	<u>3,071,757,791</u>	<u>0</u>	<u>3,071,757,791</u>
Total governments and agencies	<u>3,965,865,807</u>	<u>0</u>	<u>3,965,865,807</u>	<u>3,538,960,689</u>	<u>0</u>	<u>3,538,960,689</u>
Corporate						
AA	2,050,627	0	2,050,627	2,000,750	0	2,000,750
A	294,658	0	294,658	11,918,163	0	11,918,163
A-	102,978,816	0	102,978,816	170,986,629	0	170,986,629
BBB+	31,117,585	0	31,117,585	39,208,650	0	39,208,650
BBB	29,041,521	0	29,041,521	31,369,109	0	31,369,109
BBB-	43,698,038	0	43,698,038	53,749,599	0	53,749,599
BB+ to CCC+	232,631,433	0	232,631,433	254,544,859	0	254,544,859
No Qualification	<u>1,008,114</u>	<u>0</u>	<u>1,008,114</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total corporate	<u>442,820,792</u>	<u>0</u>	<u>442,820,792</u>	<u>563,777,759</u>	<u>0</u>	<u>563,777,759</u>
Total	<u>4,408,686,599</u>	<u>0</u>	<u>4,408,686,599</u>	<u>4,102,738,448</u>	<u>0</u>	<u>4,102,738,448</u>
Allowance for ECL	<u>6,107,894</u>	<u>0</u>	<u>6,107,894</u>	<u>20,818,098</u>	<u>0</u>	<u>20,818,098</u>

As of December 31, 2023, and 2022, investments at FVOCI are current and do not reflect impairment.

- Investments at AC

The following table summarizes the investments at AC categories:

	2023			2022		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at AC</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at AC</u>
Governments and Agencies						
BB+ to BB-	<u>68,673,874</u>	<u>0</u>	<u>44,095,775</u>	<u>43,561,300</u>	<u>0</u>	<u>43,561,300</u>
Total Governments and Agencies	<u>68,673,874</u>	<u>0</u>	<u>44,095,775</u>	<u>43,561,300</u>	<u>0</u>	<u>43,561,300</u>
Corporate						
BB+ to B+	6,476,893	0	6,476,893	0	0	0
No Qualification	<u>23,252,710</u>	<u>0</u>	<u>23,252,710</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Corporate	<u>29,729,603</u>	<u>0</u>	<u>29,729,603</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>98,403,477</u>	<u>0</u>	<u>98,403,477</u>	<u>43,561,300</u>	<u>0</u>	<u>43,561,300</u>
Allowance for ECL	<u>185,768</u>	<u>0</u>	<u>185,768</u>	<u>115,089</u>	<u>0</u>	<u>115,089</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.

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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 grading used for each stated term:

	Loans			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
2023				
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	49,892,995	49,892,995
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	<u>8,911,124,605</u>	<u>271,681,904</u>	<u>146,139,103</u>	<u>9,328,945,612</u>
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	4,531,551	4,531,551
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	<u>1,089,363,944</u>	<u>85,852,414</u>	<u>10,376,506</u>	<u>1,185,592,864</u>
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	25,456,139	25,456,139
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	<u>3,254,320,707</u>	<u>417,976,516</u>	<u>154,597,049</u>	<u>3,826,894,272</u>
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	7,927,735	7,927,735
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	<u>2,102,671,889</u>	<u>113,083,600</u>	<u>28,730,171</u>	<u>2,244,485,660</u>
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	1,379,098	1,379,098
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	<u>1,232,684,912</u>	<u>104,916,452</u>	<u>12,559,758</u>	<u>1,350,161,122</u>
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	113,758,372	113,758,372
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>(157,842,117)</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 at amortized cost	<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

	Loans			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
2022				
Corporate				
Satisfactory	8,085,215,091	18,184,712	0	8,103,399,803
Special mention	0	360,858,811	0	360,858,811
Sub-standard	0	0	175,608,063	175,608,063
Doubtful	0	0	20,887,773	20,887,773
Loss	0	0	<u>31,734,475</u>	<u>31,734,475</u>
Gross amount	8,085,215,091	379,043,523	228,230,311	8,692,488,925
Allowance for ECL	<u>(42,511,739)</u>	<u>(41,411,764)</u>	<u>(92,427,129)</u>	<u>(176,350,632)</u>
Net amount	8,042,703,352	337,631,759	135,803,182	8,516,138,293
Small company				
Satisfactory	770,257,453	81,882,586	0	852,140,039
Special mention	39,349	42,125,631	0	42,164,980
Sub-standard	0	0	5,209,354	5,209,354
Doubtful	0	0	2,526,472	2,526,472
Loss	0	0	<u>3,864,968</u>	<u>3,864,968</u>
Gross amount	770,296,802	124,008,217	11,600,794	905,905,813
Allowance for ECL	<u>(4,204,288)</u>	<u>(3,984,043)</u>	<u>(3,217,174)</u>	<u>(11,405,505)</u>
Net amount	766,092,514	120,024,174	8,383,620	894,500,308
Mortgage				
Satisfactory	2,946,987,722	233,855,190	0	3,180,842,912
Special mention	2,968,867	374,818,843	0	377,787,710
Sub-standard	0	0	96,469,630	96,469,630
Doubtful	0	0	29,701,111	29,701,111
Loss	0	0	<u>40,808,262</u>	<u>40,808,262</u>
Gross amount	2,949,956,589	608,674,033	166,979,003	3,725,609,625
Allowance for ECL	<u>(13,754,941)</u>	<u>(37,608,498)</u>	<u>(36,972,603)</u>	<u>(88,336,042)</u>
Net amount	2,936,201,648	571,065,535	130,006,400	3,637,273,583
Personal banking				
Satisfactory	1,903,773,219	91,318,754	2,323,108	1,997,415,081
Special mention	4,517,623	66,417,134	806,741	71,741,498
Sub-standard	0	0	35,787,729	35,787,729
Doubtful	0	0	14,913,224	14,913,224
Loss	0	0	<u>7,603,125</u>	<u>7,603,125</u>
Gross amount	1,908,290,842	157,735,888	61,433,927	2,127,460,657
Allowance for ECL	<u>(32,082,991)</u>	<u>(21,918,007)</u>	<u>(24,623,249)</u>	<u>(78,624,247)</u>
Net amount	1,876,207,851	135,817,881	36,810,678	2,048,836,410
Vehicles				
Satisfactory	940,682,758	83,251,579	0	1,023,934,337
Special mention	257,776	98,429,546	0	98,687,322
Sub-standard	0	0	8,440,577	8,440,577
Doubtful	0	0	3,313,578	3,313,578
Loss	0	0	<u>89,247</u>	<u>89,247</u>
Gross amount	940,940,534	181,681,125	11,843,402	1,134,465,061
Allowance for ECL	<u>(7,047,265)</u>	<u>(12,587,002)</u>	<u>(4,034,126)</u>	<u>(23,668,393)</u>
Net amount	933,893,269	169,094,123	7,809,276	1,110,796,668
Credit card				
Satisfactory	3,583,130,029	145,542,334	3,261,814	3,731,934,177
Special mention	7,170,879	301,801,207	45,489,438	354,461,524
Sub-standard	0	0	16,624,162	16,624,162
Doubtful	266,545	39,427,927	14,317,869	54,012,341
Loss	0	0	<u>81,256,293</u>	<u>81,256,293</u>
Gross amount	3,590,567,453	486,771,468	160,949,576	4,238,288,497
Allowance for ECL	<u>(89,364,685)</u>	<u>(127,256,718)</u>	<u>(97,933,715)</u>	<u>(314,555,118)</u>
Net amount	3,501,202,768	359,514,750	63,015,861	3,923,733,379
Net carrying amount of loans at amortized cost	<u>18,056,301,402</u>	<u>1,693,148,222</u>	<u>381,829,017</u>	<u>20,131,278,641</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:

2023	Credit commitments and guarantees			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
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	(129,775)	(10,126)	(948,828)	(1,088,729)
Net amount	<u>579,322,853</u>	<u>1,916,852</u>	<u>8,912</u>	<u>581,248,617</u>
Small company				
Satisfactory				
Special mention	5,800,157	0	0	5,800,157
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
Gross amount	<u>5,800,157</u>	<u>0</u>	<u>268,207</u>	<u>6,068,364</u>
Allowance for ECL	(3,153)	0	(268,207)	(271,360)
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	(5,579)	0	0	(5,579)
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>

2022	Credit commitments and guarantees			Total
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	
Corporate				
Satisfactory	684,523,735	0	0	684,523,735
Special mention	0	2,595,842	0	2,595,842
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	947,871	947,871
Gross amount	<u>684,523,735</u>	<u>2,595,842</u>	<u>947,871</u>	<u>688,067,448</u>
Allowance for ECL	(237,689)	(27,189)	(947,871)	(1,212,729)
Net amount	<u>684,286,066</u>	<u>2,568,653</u>	<u>0</u>	<u>686,854,719</u>
Small company				
Satisfactory	4,761,958	0	0	4,761,958
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>4,761,958</u>	<u>0</u>	<u>0</u>	<u>4,761,958</u>
Allowance for ECL	(293,720)	0	0	(293,720)
Net amount	<u>4,468,238</u>	<u>0</u>	<u>0</u>	<u>4,468,238</u>
Mortgage				
Satisfactory	49,932,510	0	0	49,932,510
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>49,932,510</u>	<u>0</u>	<u>0</u>	<u>49,932,510</u>
Allowance for ECL	(4,993)	0	0	(4,993)
Net amount	<u>49,927,517</u>	<u>0</u>	<u>0</u>	<u>49,927,517</u>
Net carrying amount, net of reserve	<u>738,681,821</u>	<u>2,568,653</u>	<u>0</u>	<u>741,250,474</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.

	2023					
	<u>Mortgage</u>	<u>Pledge</u>	<u>Certificates of deposit</u>	<u>Investments in securities</u>	<u>Unsecured</u>	<u>Total</u>
Securities under resale agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,193,065</u>	<u>0</u>	<u>61,193,065</u>
Investments in securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,531,561,126</u>	<u>4,531,561,126</u>
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	<u>0</u>	<u>285,481,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>285,481,892</u>
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	<u>532,659,753</u>	<u>64,520,345</u>	<u>23,240,096</u>	<u>0</u>	<u>452,154,962</u>	<u>1,072,575,156</u>
Small company leases, net	<u>0</u>	<u>127,482,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>127,482,363</u>
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,220,278,038</u>	<u>5,220,278,038</u>
Total Personal Banking	<u>4,334,051,572</u>	<u>1,359,661,906</u>	<u>29,519,835</u>	<u>0</u>	<u>7,097,115,048</u>	<u>12,820,348,361</u>
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	<u>(146,438,497)</u>	<u>(20,131,783)</u>	<u>(1,145,841)</u>	<u>0</u>	<u>(566,945,399)</u>	<u>(734,661,520)</u>
Total loans	<u>8,826,110,899</u>	<u>2,554,147,283</u>	<u>246,933,050</u>	<u>0</u>	<u>11,116,612,600</u>	<u>22,743,803,832</u>
Total commitments and guarantees, net	<u>86,364,661</u>	<u>1,594,062</u>	<u>52,083,317</u>	<u>3,478,255</u>	<u>499,317,428</u>	<u>642,837,723</u>

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(4) Risk management, continued

	2022					Total
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	
Securities under resale agreements	0	0	0	10,696,871	0	10,696,871
Investments in securities	0	0	0	0	4,174,177,230	4,174,177,230
Loans						
Corporate						
Corporate	3,614,421,829	655,706,560	200,401,348	0	4,001,148,703	8,471,678,440
Corporate leases, net	0	219,799,473	1,011,012	0	0	220,810,485
Total corporate	3,614,421,829	875,506,033	201,412,360	0	4,001,148,703	8,692,488,925
Personal Banking and Small company						
Small company						
Small company	455,393,371	56,704,286	22,839,617	0	269,126,524	804,063,798
Small company leases, net	0	101,741,901	100,114	0	0	101,842,015
Total Small company	455,393,371	158,446,187	22,939,731	0	269,126,524	905,905,813
Personal Banking						
Mortgage	3,725,609,625	0	0	0	0	3,725,609,625
Personal	361,231,553	122,343	28,812,359	0	1,737,294,402	2,127,460,657
Vehicles	0	1,032,570,044	0	0	0	1,032,570,044
Personal leases, net of interest	0	101,895,017	0	0	0	101,895,017
Credit cards	0	0	0	0	4,238,288,497	4,238,288,497
Total Personal Banking	4,086,841,178	1,134,587,404	28,812,359	0	5,975,582,899	11,225,823,840
Total Personal Banking and Small company	4,542,234,549	1,293,033,591	51,752,090	0	6,244,709,423	12,131,729,653
Allowance for ECL	(196,330,849)	(50,146,621)	(3,410,754)	0	(443,051,713)	(692,939,937)
Total loans	7,960,325,529	2,118,393,003	249,753,696	0	9,802,806,413	20,131,278,641
Commitments and guarantees, net	70,397,613	4,064,182	35,159,923	825,761	630,802,995	741,250,474

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:

	2023		2022	
	Loans	Covered amount	Loans	Covered amount
Corporates				
Stage 1 and 2	3,918,528,006	3,801,626,202	3,820,785,517	3,800,416,102
Stage 3	173,049,248	172,172,085	165,068,999	164,978,703
Total	4,091,577,254	3,973,798,287	3,985,854,516	3,965,394,805

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

	2023	2022
Properties	15,453,610	21,925,214
Furniture and equipment	4,903,981	4,723,279
Total	20,357,591	26,648,493

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.

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(4) Risk management, continued

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	2023		2022	
	<u>Loans</u>	<u>Credit and guarantee commitments</u>	<u>Loans</u>	<u>Credit and guarantee commitments</u>
Less than 50%	797,244,140	2,872,169	887,224,834	2,199,240
51-70%	1,296,290,312	5,704,427	1,320,246,221	5,673,475
71-80%	1,239,894,430	13,464,312	1,097,491,698	12,840,862
81-90%	447,890,396	13,593,618	324,494,975	17,044,198
91-100%	96,648,840	19,492,274	69,819,189	12,044,627
More than 100%	<u>15,946,010</u>	<u>670,881</u>	<u>26,332,708</u>	<u>130,108</u>
Total	<u>3,893,914,128</u>	<u>55,797,681</u>	<u>3,725,609,625</u>	<u>49,932,510</u>

Impaired loans

LTV Ratio	2023	2022
Less than 50%	26,288,223	21,939,960
51-70%	47,806,512	50,104,237
71-80%	54,388,281	51,247,739
81-90%	35,283,501	32,942,121
91-100%	9,526,468	6,897,588
More than 100%	<u>2,811,129</u>	<u>3,847,358</u>
Total	<u>176,104,114</u>	<u>166,979,003</u>

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(4) Risk management, continued

ECL allowance

Projection of future conditions

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

External sector:

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

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(4) Risk management, continued

Scenario	Scenarios synthesis	Upside	Central	Downside
El Salvador	<p>1. The growth perspective was maintained, based on the growth forecast by multilateral references for 2023 and 2024. Even so, a of relatively low weighted growth scenario is maintained due to the pessimistic weight, which contemplates an increase in financial vulnerability that decreases growth and remains close to potential economic growth at full employment (around 2%).</p> <p>2. The outlook for more moderate inflation levels was maintained. It is expected to trend gradually downward in line with US inflation.</p>	<p>The performance and resilience shown by its relevant trading partners, such as the US, helps to support growth and maintain an optimistic outlook. However, lower growth is expected when compared to the previous quarter.</p>	<p>Economic growth slows and financial volatility continues. In addition, there will be uncertainty due to national elections and disagreements between the Government and the IMF.</p>	<p>Access to external financing is highly conditioned by the entities, and the level of country risk and risk rating, so the cost of international financing is prohibitive due to the level of rates. The perspective remains as a counterweight for El Salvador.</p>
Nicaragua	<p>1. Growth scenarios were maintained. The expectation is that growth will remain close to 3%. This remains fairly in line with multilateral forecasts.</p> <p>2. In inflation, the forecast magnitude of the previous iteration was maintained, due to the relaxation of external pressures on inflation. Even so, it remains a risk to be monitored because it is the country in the region with the highest current inflation levels and the risk of potential effects of the El Niño phenomenon.</p>	<p>Nicaragua is expected to benefit from an improved global economic growth outlook. Despite the projected economic slowdown for its trading partners, Nicaragua maintains positive indicators for the external sector, such as high levels of international remittances receipts approaching historic highs.</p>	<p>Democratic deterioration continues and the economy loses dynamism compared to previous years. Good performance in terms of fiscal discipline is maintained. Emigration continues to grow, generating an increasing dependence of the country on the flow of incoming remittances.</p>	<p>Nicaragua's international conditions remain in place due to international isolation, which may result in fewer available sources of financing.</p>
Costa Rica	<p>1. Growth prospects improved slightly, in line with cuts in the Monetary Policy Rate, dynamism in free trade zones, tourism and investment and factors that may be beneficial for investment such, as recent improvements in the country's risk rating.</p> <p>2. Inflation returned to a very low level quickly due to the increase in rates by the BCCR. This decrease was greater (in magnitude) than anticipated, even showing negative inflation readings in recent months.</p>	<p>External demand is expected to weaken due to the slowdown in major trading partners such as the US. and that the BAC countries are expected to be less favored in terms of exports and tourist arrivals, given the outlook of slower economic growth worldwide.</p>	<p>Economy showed resilience in difficult financial conditions. In the short term, financial conditions are expected to relax, hand in hand with lower inflation, which opens room for even more growth. Fiscal discipline is maintained and the agreements stipulated with the IMF are complied with, which favors lower debt/GDP than in the previous year. Changes in the portfolio composition of institutional investors pressure the exchange rate upwards, causing a moderate depreciation of the currency.</p>	<p>It was changed from unlikely to probable due to the effects of the El Niño phenomenon in line with other countries and a low impact due to the resilience that the country has historically exhibited in the face of adverse environmental events.</p>
Panama	<p>1. GDP growth is expected to be high, close to its potential growth level of 5%.</p> <p>2. In relation to the previous iteration, the inflation outlook remains at similar levels, hovering around 2% inflation levels. The existence of short-term risks due to climatic effects related to the El Niño phenomenon, especially considering that around 40% of energy generation in Panama comes from hydroelectric sources.</p>	<p>The country has shown considerable stability in the social and political sphere, so the outlook remains optimistic for the future and the impact was modified from medium to high. This remains a factor subject to change for the next iteration due to the recent strikes that took place in the country after the Government closed a deal with a Canadian mining company.</p>	<p>Economic growth slows as a result of weather shocks affecting flow in the canal and mining output. Growth remains positive and it is one of the fastest growing countries in the region. Conditions of macroeconomic stability and a significant moderation in inflationary pressures are expected. There are perceived risks in the medium term on the fiscal level.</p>	<p>The risk leans towards a pessimistic scenario due to the health of the financial system, which was affected with the effect of the elimination of the payment arrangements law. At the same time, being a dollarized country it does not have a monetary policy rate tool.</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:

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%

2022						
Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
Upside	35%	15%	5%	10%	20%	20%
Central	55%	60%	55%	65%	70%	75%
Downside	10%	25%	40%	25%	10%	5%

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.

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(4) Risk management, continued

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

		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

		2022					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Annual rate of change in economic growth, expressed as a percentage	Upside	3.82	3.98	2.37	3.62	3.65	5.32
	Central	3.34	3.46	1.90	2.99	2.75	4.58
	Downside	2.62	2.74	1.36	2.63	1.93	4.00
Year-on-year rate of change of inflation, expressed as a percentage	Upside	3.93	4.27	2.54	4.12	3.99	2.64
	Central	4.22	6.76	3.94	5.61	4.96	3.62
	Downside	6.16	8.27	4.92	7.99	6.32	4.23
Nominal exchange rate of change, expressed as a percentage	Upside	0.59	2.67	-	1.12	0.80	-
	Central	0.91	4.23	-	1.60	2.57	-
	Downside	1.33	4.32	-	2.33	5.08	-
Annual difference in the local currency lending rate measured in basis points	Upside	0.98	1.18	-	0.91	1.25	-
	Central	1.49	1.47	-	1.54	1.74	-
	Downside	2.01	2.55	-	1.74	2.01	-
Annual difference in foreign currency lending rate measured in basis points	Upside	0.93	1.24	1.38	1.34	1.22	0.32
	Central	1.48	1.42	2.77	1.41	2.15	0.46
	Downside	2.47	2.26	3.27	1.68	2.46	1.31

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.

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(4) Risk management, continued

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

<u>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%
<u>2022</u>	<u>Upside</u>	<u>Central</u>	<u>Downside</u>
Book Value			
Corporate	8,692,488,925	8,692,488,925	8,692,488,925
Small company	905,905,813	905,905,813	905,905,813
Mortgage	3,725,609,625	3,725,609,625	3,725,609,625
Personal banking	2,127,460,657	2,127,460,657	2,127,460,657
Vehicles	1,134,465,061	1,134,465,061	1,134,465,061
Credit card	<u>4,238,288,497</u>	<u>4,238,288,497</u>	<u>4,238,288,497</u>
	<u>20,824,218,578</u>	<u>20,824,218,578</u>	<u>20,824,218,578</u>
ECL Allowance			
Corporate	169,639,209	176,741,052	182,668,391
Small company	10,515,974	11,559,368	12,704,168
Mortgage	84,396,956	88,764,466	93,523,826
Personal banking	76,929,888	79,145,384	82,781,047
Vehicles	22,351,139	23,835,937	25,313,556
Credit card	<u>305,192,470</u>	<u>314,458,539</u>	<u>323,949,278</u>
	<u>669,025,636</u>	<u>694,504,746</u>	<u>720,940,266</u>
Proportion of assets in Stage 2			
Corporate	4.32%	4.32%	4.32%
Small company	13.30%	13.86%	14.89%
Mortgage	15.15%	15.75%	16.53%
Personal banking	7.22%	7.34%	7.93%
Vehicles	15.29%	15.53%	15.98%
Credit card	<u>11.26%</u>	<u>11.30%</u>	<u>11.31%</u>
	8.96%	9.12%	9.39%

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(4) Risk management, continued

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

	2023				2022			
	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	141,799	0	0	141,799	247,602	0	0	247,602
Net remeasurement of loss allowance	(97,100)	0	0	(97,100)	(165,986)	0	0	(165,986)
New financial assets originated	41,192	0	0	41,192	61,685	0	0	61,685
Foreign currency translation	77	0	0	77	(1,502)	0	0	(1,502)
Balance at December 31	<u>85,968</u>	<u>0</u>	<u>0</u>	<u>85,968</u>	<u>141,799</u>	<u>0</u>	<u>0</u>	<u>141,799</u>
Investments at FVOCI								
Balance on January 1	20,818,098	0	0	20,818,098	26,751,693	0	0	26,751,693
Net remeasurement of loss allowance	(18,631,596)	0	0	(18,631,596)	(21,283,561)	0	0	(21,283,561)
New financial assets originated	4,653,396	0	0	4,653,396	16,578,905	0	0	16,578,905
Foreign currency translation	(732,004)	0	0	(732,004)	(1,228,939)	0	0	(1,228,939)
Balance at December 31	<u>6,107,894</u>	<u>0</u>	<u>0</u>	<u>6,107,894</u>	<u>20,818,098</u>	<u>0</u>	<u>0</u>	<u>20,818,098</u>
Investments at AC								
Balance on January 1	115,089	0	0	115,089	0	0	0	0
Net remeasurement of loss allowance	(48,997)	0	0	(48,997)	0	0	0	0
New financial assets originated	119,676	0	0	119,676	115,089	0	0	115,089
Balance at December 31	<u>185,768</u>	<u>0</u>	<u>0</u>	<u>185,768</u>	<u>115,089</u>	<u>0</u>	<u>0</u>	<u>115,089</u>
Loans at AC								
Balance on January 1	188,965,909	244,766,032	259,207,996	692,939,937	161,594,852	248,412,128	237,092,070	647,099,050
Transfer from stage 1 to 2	(108,036,921)	108,036,921	0	0	(57,266,121)	57,266,121	0	0
Transfer from stage 1 to 3	(642,167)	0	642,167	0	(64,399)	0	64,399	0
Transfer from stage 2 to 3	0	(278,404,805)	278,404,805	0	0	(201,359,780)	201,359,780	0
Transfer from stage 3 to 2	0	95,070,068	(95,070,068)	0	0	86,156,894	(86,156,894)	0
Transfer from stage 2 to 1	197,870,240	(197,870,240)	0	0	153,024,184	(153,024,184)	0	0
Transfer from stage 3 to 1	18,468,385	0	(18,468,385)	0	14,855,729	0	(14,855,729)	0
Net remeasurement of loss allowance	6,122,261	101,040,944	89,564,785	196,727,990	(10,550,754)	103,501,157	42,302,631	135,253,034
New financial assets originated	267,465,293	347,070,503	172,808,472	787,344,268	214,574,537	246,163,744	227,577,991	688,316,272
Net derecognition of financial assets	(369,328,925)	(178,256,440)	(50,927,468)	(598,512,833)	(287,202,119)	(142,350,048)	(47,789,220)	(477,341,387)
Charge-offs	0	0	(507,657,498)	(507,657,498)	0	0	(487,642,024)	(487,642,024)
Recovery	0	0	152,779,592	152,779,592	0	0	184,847,792	184,847,792
Foreign currency translation	0	0	11,040,064	11,040,064	0	0	2,407,200	2,407,200
Balance at December 31	<u>200,884,075</u>	<u>241,452,983</u>	<u>292,324,462</u>	<u>734,661,520</u>	<u>188,965,909</u>	<u>244,766,032</u>	<u>259,207,996</u>	<u>692,939,937</u>

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(4) Risk management, continued

	2023				2022			
	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	536,382	27,189	947,871	1,511,442	199,186	51,485	1,111,261	1,361,932
Transfer from stage 1 to 2	0	0	0	0	(491)	491	0	0
Transfer from stage 1 to 3	(319,514)	0	309,842	0	(80,418)	0	80,418	0
Transfer from stage 3 to 2	0	947,871	(947,871)	0	0	273,094	(273,095)	(1)
Transfer from stage 2 to 1	3,182	(3,182)	0	0	9,107	(9,107)	0	0
Transfer from stage 3 to 1	0	0	0	0	1,111,673	0	(1,111,672)	1
Net remeasurement of loss allowance	210,009	(961,614)	888,457	145,916	(956,343)	(276,140)	1,976,836	744,353
New financial assets originated	65,056	3,848	0	68,904	409,570	21,991	0	431,561
Net derecognition of financial assets	(335,916)	(3,986)	0	(339,902)	(169,538)	(34,625)	(835,877)	(1,040,040)
Foreign currency translation	<u>(20,692)</u>	<u>0</u>	<u>0</u>	<u>(20,692)</u>	<u>13,636</u>	<u>0</u>	<u>0</u>	<u>13,636</u>
Balance at December 31	<u>138,507</u>	<u>10,126</u>	<u>1,217,035</u>	<u>1,365,668</u>	<u>536,382</u>	<u>27,189</u>	<u>947,871</u>	<u>1,511,442</u>
	2023				2022			
Other accounts receivable	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance on January 1	6,760,140	0	0	6,760,140	8,177,092	0	0	8,177,092
Net remeasurement of loss allowance	(6,945,801)	0	0	(6,945,801)	(3,398,250)	0	0	(3,398,250)
New financial assets originated	8,249,342	0	0	8,249,342	3,477,880	0	0	3,477,880
Charge-offs	(1,835,208)	0	0	(1,835,208)	(1,806,145)	0	0	(1,806,145)
Recovery	330,858	0	0	330,858	457,296	0	0	457,296
Foreign currency translation	<u>74,553</u>	<u>0</u>	<u>0</u>	<u>74,553</u>	<u>(147,733)</u>	<u>0</u>	<u>0</u>	<u>(147,733)</u>
Balance at December 31	<u>6,633,884</u>	<u>0</u>	<u>0</u>	<u>6,633,884</u>	<u>6,760,140</u>	<u>0</u>	<u>0</u>	<u>6,760,140</u>

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Notes to the Consolidated Financial Statements

(4) Risk management, continued

Modified financial assets

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

	<u>2023</u>	<u>2022</u>
Amortized cost before modification	6,606,646	23,121,321
Net loss due modification	<u>839,698</u>	<u>21,523,686</u>
Total	<u>7,446,344</u>	<u>44,645,007</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. In regard to 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:

	<u>2023</u>						
	<u>Loans at amortized cost</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	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	0
Services	1,395,744,859	61,554,710	0	0	5,071,680	0	0
Agricultural	1,032,956,047	26,203,956	0	0	0	0	0
Food industry	763,394,824	44,520,034	0	0	1,944,565	0	0
Hotels and restaurants	474,638,538	4,474,861	0	0	3,095,082	0	0
Financial	350,063,302	77,556,259	615,058	870,435,362	216,185,840	0	1,495,550
Telecommunications	225,471,395	19,940,266	0	0	19,526,285	0	4,981,342
Transport	220,347,621	15,411,620	0	0	2,741,887	0	0
Construction	191,586,267	83,984,055	0	0	6,832,508	0	0
Oil and derivatives	0	0	0	0	7,259,335	0	0
Public services	0	0	0	0	8,314,436	0	0
Energy	0	0	0	0	85,544,544	0	0
Media	0	0	0	0	1,263,884	0	0
Technology	0	0	0	0	2,053,253	0	0
Personal banking	0	0	0	0	1,008,115	0	23,252,711
Materials	12,820,348,361	55,797,681	0	0	5,069,695	0	0
Allowance for ECL	<u>(734,661,520)</u>	<u>(1,365,668)</u>	<u>0</u>	<u>(85,974)</u>	<u>0</u>	<u>0</u>	<u>0</u>
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>

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(4) Risk management, continued

	2022						
	Loans at amortized cost	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	10,696,871	3,165,166,212	3,538,960,689	26,355,405	43,561,300
Corporate							
Trade	2,056,263,372	104,117,923	0	0	0	0	0
Services	1,954,881,962	117,288,713	0	0	1,729,169	0	0
Real estate	970,754,185	7,383,847	0	0	84,465,942	0	0
Food industry	1,118,301,208	30,119,128	0	0	6,870,335	0	0
General industry	1,117,184,014	36,124,946	0	0	2,918,468	0	0
Construction	835,839,656	78,310,347	0	0	7,839,974	0	0
Agricultural	486,709,453	7,064,607	0	0	0	0	0
Hotels and restaurants	276,684,273	1,543,007	0	0	2,991,011	0	0
Financial	312,886,278	247,829,463	0	1,220,169,584	319,534,811	1,016,532	0
Telecommunications	325,072,927	47,101,837	0	0	22,723,103	0	0
Transport	143,817,410	15,945,588	0	0	2,531,568	0	0
Oil and derivatives	0	0	0	0	11,621,778	0	0
Public services	0	0	0	0	8,252,868	0	0
Energy	0	0	0	0	87,262,379	0	0
Personal banking	11,225,823,840	49,932,510	0	0	5,036,353	0	0
Allowance for ECL	(692,939,937)	(1,511,442)	0	(141,808)	0	0	0
Net carrying amount	<u>20,131,278,641</u>	<u>741,250,474</u>	<u>10,696,871</u>	<u>4,385,193,988</u>	<u>4,102,738,448</u>	<u>27,371,937</u>	<u>43,561,300</u>
Geographic location:							
Costa Rica	5,844,847,000	213,467,848	1,554,019	1,179,454,615	1,274,155,798	27,371,937	0
Panama	4,744,617,675	311,871,439	0	149,344,075	451,976,068	0	0
Guatemala	4,047,879,179	5,580,429	9,142,852	682,296,136	685,981,793	0	0
Honduras	2,837,056,079	44,350,888	0	711,539,021	541,898,929	0	43,561,300
El Salvador	2,292,440,352	160,890,550	0	326,817,296	260,446,159	0	0
Nicaragua	1,057,378,293	6,600,762	0	280,274,218	316,156,551	0	0
North America	0	0	0	1,034,102,257	504,716,970	0	0
Europe	0	0	0	21,493,181	0	0	0
South America	0	0	0	0	65,405,432	0	0
Others	0	0	0	14,997	2,000,748	0	0
Allowance for ECL	(692,939,937)	(1,511,442)	0	(141,808)	0	0	0
Net carrying amount	<u>20,131,278,641</u>	<u>741,250,474</u>	<u>10,696,871</u>	<u>4,385,193,988</u>	<u>4,102,738,448</u>	<u>27,371,937</u>	<u>43,561,300</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 maintain appropriate levels of liquidity at all times. 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>2023</u>	<u>2022</u>
As of period end	28.3	32.1
Maximum	34.2	35.4
Average	28.9	31.8
Minimum	25.1	26.9

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(4) Risk management, continued

As of December 31, 2023, and 2022, 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 of the consolidated statement of financial position:

Amounts in thousands	2023						
	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	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	594,677	594,677	467,921	26,240	40,312	60,204	0
Loans	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

Amounts in thousands	2022						
	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	9,043,317	(9,043,317)	(9,043,317)	0	0	0	0
Savings deposits	5,664,122	(5,664,122)	(5,664,122)	0	0	0	0
Time deposits	8,621,328	(9,262,396)	(986,837)	(1,494,139)	(3,596,859)	(2,862,873)	(321,688)
Securities sold under repurchase agreements	260,710	(262,395)	(125,273)	(53,350)	(83,772)	0	0
Financial obligations	2,283,961	(2,533,862)	(166,090)	(210,420)	(1,182,875)	(816,044)	(158,433)
Other financial obligations	1,059,788	(1,230,374)	(2,434)	(18,853)	(143,028)	(1,026,291)	(39,768)
Lease Liabilities	138,555	(158,262)	(2,966)	(14,628)	(17,015)	(93,793)	(29,860)
Sub-total liabilities	27,071,781	(28,154,728)	(15,991,039)	(1,791,390)	(5,023,549)	(4,799,001)	(549,749)
Commitments and guarantees	61,751	(61,751)	(4,599)	(10,259)	(46,480)	(413)	0
Acceptances	31,709	(31,709)	(26,089)	(4,981)	(639)	0	0
Total liabilities	27,165,241	(28,248,188)	(16,021,727)	(1,806,630)	(5,070,668)	(4,799,414)	(549,749)
Assets							
Cash and cash equivalents	768,899	768,899	768,899	0	0	0	0
Securities purchased under resale agreements	10,697	10,697	10,697	0	0	0	0
Deposits in banks	4,385,194	4,469,970	4,320,728	3,724	20,203	55,887	69,428
Investments at FVPL (1)	27,877	31,854	1,279	131	5,379	23,919	1,146
Investments at FVOCI (1)	4,102,843	5,028,395	274,646	518,335	682,190	2,159,844	1,393,380
Investments at AC (1)	43,457	78,160	0	0	2,137	8,944	67,079
Other accounts receivable	378,339	378,339	306,030	23,375	33,953	14,981	0
Loans	20,131,279	28,283,856	2,722,117	4,060,661	4,424,984	7,916,262	9,159,832
Sub-total assets	29,848,585	39,050,170	8,404,396	4,606,226	5,168,846	10,179,837	10,690,865
Acceptances outstanding	31,709	31,709	26,089	4,981	639	0	0
Total assets	29,880,294	39,081,879	8,430,485	4,611,207	5,169,485	10,179,837	10,690,865

(1) Common stocks are excluded

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
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Notes to the Consolidated Financial Statements

(4) Risk management, continued

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

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

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	931,707,522	768,898,974
Securities bought under resale agreements	61,193,065	10,696,871
Deposits in central banks	3,060,636,560	2,815,413,990
Deposits due from banks maturing in less than 90 days	1,227,153,033	1,499,051,285
Deposits due from banks greater than 90 days	<u>55,123,646</u>	<u>70,728,713</u>
Total cash, cash equivalents and deposits in banks	<u>5,335,813,826</u>	<u>5,164,789,833</u>
Not committed sovereign debt instruments	3,823,685,688	3,398,517,301
Other credit lines available (1)	<u>1,774,804,556</u>	<u>1,282,263,357</u>
Total liquidity reserve	<u>10,934,304,070</u>	<u>9,845,570,491</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>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	151,405	309,929,203	2,854,056,539	1,178,776,092	4,342,913,239
Investments at FVOCI	293,007,933	3,976,713,267	0	180,805,305	4,450,526,505
Investments at AC	0	0	68,592,305	29,811,172	98,403,477
Loans at amortized cost	<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.

	<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	768,898,974	768,898,974
Securities purchased under resale agreements	0	0	10,696,871	0	10,696,871
Deposits due from banks	37,299,690	400,710,653	2,572,067,579	1,375,116,066	4,385,193,988
Investments at FVOCI	315,410,141	3,630,233,234	0	201,226,457	4,146,869,832
Investments at AC	0	0	43,561,300	0	43,561,300
Loans at amortized cost	<u>249,490,222</u>	<u>0</u>	<u>0</u>	<u>19,881,788,419</u>	<u>20,131,278,641</u>
Total assets	<u>602,200,053</u>	<u>4,030,943,887</u>	<u>2,626,325,750</u>	<u>22,227,029,911</u>	<u>29,486,499,606</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 consolidated statement of financial position, agreed in local currency other than US dollars, which are listed below:

<u>2023</u>					
<i>Amounts in US millions</i>	<u>Quetzales</u>	<u>Lempiras</u>	<u>Cordobas</u>	<u>Colones</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	480	627	170	899	2,176
Investments in securities	520	464	186	607	1,777
Loans, net	<u>2,529</u>	<u>2,614</u>	<u>153</u>	<u>2,703</u>	<u>7,999</u>
Total assets	3,529	3,705	509	4,209	11,952
Deposits	2,916	2,909	453	3,318	9,596
Obligations	<u>308</u>	<u>235</u>	<u>0</u>	<u>707</u>	<u>1,250</u>
Total liabilities	3,224	3,144	453	4,025	10,846
Contingencies	<u>0</u>	<u>30</u>	<u>0</u>	<u>74</u>	<u>104</u>
Exchange risk exposure	<u><u>305</u></u>	<u><u>591</u></u>	<u><u>56</u></u>	<u><u>258</u></u>	<u><u>1,210</u></u>
<u>2022</u>					
<i>Amounts in US millions</i>	<u>Quetzales</u>	<u>Lempiras</u>	<u>Cordobas</u>	<u>Colones</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	525	598	165	616	1,904
Investments in securities	480	545	0	367	1,392
Loans, net	<u>2,272</u>	<u>2,074</u>	<u>124</u>	<u>2,183</u>	<u>6,653</u>
Total assets	3,277	3,217	289	3,166	9,949
Deposits	2,771	2,521	385	2,507	8,184
Obligations	<u>335</u>	<u>181</u>	<u>0</u>	<u>544</u>	<u>1,060</u>
Total liabilities	3,106	2,702	385	3,051	9,244
Contingencies	<u>0</u>	<u>25</u>	<u>0</u>	<u>58</u>	<u>83</u>
Exchange risk exposure	<u><u>171</u></u>	<u><u>540</u></u>	<u><u>(96)</u></u>	<u><u>173</u></u>	<u><u>788</u></u>

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(4) Risk management, continued

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

2023	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
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	2,104,873,042	2,204,164,539	33,875,658	0	4,342,913,239
Investments in securities	1,109,408,401	718,954,547	1,648,677,821	1,071,889,213	4,548,929,982
Loans at amortized cost	<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	<u>4,327,500,403</u>	<u>23,202,260,678</u>	<u>3,357,631,284</u>	<u>1,741,155,275</u>	<u>32,628,547,640</u>
Deposits	1,412,368,043	21,605,209,982	2,831,286,156	167,319,211	26,016,183,392
Securities sold under resale agreements	1,941,300	112,065,290	0	0	114,006,590
Financial obligations	28,071,396	1,653,018,036	593,084,802	168,962,516	2,443,136,750
Other financial obligations	<u>16,802,414</u>	<u>212,135,629</u>	<u>1,010,157,574</u>	<u>126,847,479</u>	<u>1,365,943,096</u>
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>

2022	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	768,898,974	0	0	0	768,898,974
Securities purchased under resale agreements	17,051	10,679,820	0	0	10,696,871
Deposits due from Banks	1,967,817,619	2,372,366,369	42,700,000	2,310,000	4,385,193,988
Investments in securities	968,400,930	574,456,033	1,609,998,421	1,037,575,748	4,190,431,132
Loans at amortized cost	<u>188,643,647</u>	<u>17,754,304,731</u>	<u>1,673,210,348</u>	<u>515,119,915</u>	<u>20,131,278,641</u>
Total assets	<u>3,893,778,221</u>	<u>20,711,806,953</u>	<u>3,325,908,769</u>	<u>1,555,005,663</u>	<u>29,486,499,606</u>
Deposits	1,361,903,516	19,079,534,609	2,566,725,215	320,603,726	23,328,767,066
Securities sold under resale agreements	2,024,460	258,685,705	0	0	260,710,165
Financial obligations	18,117,281	1,617,969,303	351,932,325	295,942,441	2,283,961,350
Other financial obligations	<u>9,696,825</u>	<u>137,452,171</u>	<u>877,709,385</u>	<u>34,929,151</u>	<u>1,059,787,532</u>
Total liabilities	<u>1,391,742,082</u>	<u>21,093,641,788</u>	<u>3,796,366,925</u>	<u>651,475,318</u>	<u>26,933,226,113</u>
Exposure to interest rate risk	<u>2,502,036,139</u>	<u>(381,834,835)</u>	<u>(470,458,156)</u>	<u>903,530,345</u>	<u>2,553,273,493</u>

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

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

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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:

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
2023	(66,588,960)	66,588,960
Average for the year	(71,913,819)	71,913,819
Maximum for the year	(86,080,394)	86,080,394
Minimum for the year	(59,786,967)	59,786,967
2022	(57,546,906)	57,546,906
Average for the year	(63,825,989)	63,825,989
Maximum for the year	(75,126,821)	75,126,821
Minimum for the year	(55,007,284)	55,007,284
Impact on net income from interests		
2023	84,476,873	(84,476,873)
Average for the year	79,702,299	(79,702,299)
Maximum for the year	84,476,873	(84,476,873)
Minimum for the year	75,826,488	(75,826,488)
2022	81,399,435	(81,399,435)
Average for the year	71,747,677	(71,747,677)
Maximum for the year	81,749,291	(81,749,291)
Minimum for the year	65,915,385	(65,915,385)

(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 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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(5) **Critical accounting estimates and judgments in the implementation of accounting policies, continued**

Fair value of financial instruments

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

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

Impairment of investments at FVOCI

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

Goodwill impairment

The Bank will determine whether goodwill is impaired annually or when there is indication of possible impairment.

This requires an estimate of the value in use of CGUs to which the goodwill value is attributed. The estimate of the value in use requires management to consider the expected cash flows from CGUs and also the selection of an appropriate discount rate to calculate the current value of such cash flows.

Income tax

The Bank uses the asset and liability method to record income tax. Under this method, the deferred tax assets and liabilities are recognized by the estimates of future tax consequences attributable to temporary differences between the amounts of assets and liabilities in the consolidated financial statements and their respective tax bases and due to accumulated tax losses.

The deferred tax assets and liabilities are valued using the enacted tax rates that are expected to be applied to the tax revenue for the years in which they are expected to be recovered or temporary differences are settled. The effect on deferred tax assets and liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

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

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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>2023</u>	<u>2022</u>
Cash and cash equivalents	931,707,522	768,898,974
Securities purchased under resale agreements	61,193,065	10,696,871
Deposits in central banks	3,060,636,560	2,815,413,990
Deposits in banks and deposits due in less than 90 days	<u>1,227,153,033</u>	<u>1,499,051,285</u>
Cash and cash equivalents in the consolidated statement of cash flows	5,280,690,180	5,094,061,120
Deposits in banks greater than 90 days, net	<u>55,123,646</u>	<u>70,728,713</u>
	<u>5,335,813,826</u>	<u>5,164,789,833</u>

(7) Securities purchased under resale agreements

As of December 31, 2023, securities purchased under resale agreements amounted to \$61,193,065 (2022: \$10,696,871), which had maturity dates in January 2024 (2022: January 2023) and an interest rate between 4.7% and 6.0% (2022: between 3.8% and 7.6%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to \$54,655,658 (2022: \$11,409,533).

(8) Investments in securities

As of December 31, 2023, investments in securities amounted to \$4,548,929,982 (2022: \$4,190,431,132) are summarized as follows:

(a) Investments at FVPL

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

	<u>2023</u>	<u>2022</u>
Government bonds	24,471,050	26,355,405
Corporate bonds	0	1,016,532
Mutual funds	0	505,545
Common stocks	<u>14,285,693</u>	<u>13,078,802</u>
	<u>38,756,743</u>	<u>40,956,284</u>

As of December 31, 2023, there are no investments in securities at FVPL used as collateral in repurchase agreements (December 31, 2022: \$1,661,157) are used as collateral for repurchase agreements.

(b) Investments at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	<u>2023</u>	<u>2022</u>
Government and Agencies:		
United States of America	479,810,159	165,827,573
Other governments	<u>3,486,055,648</u>	<u>3,373,133,116</u>
	<u>3,965,865,807</u>	<u>3,538,960,689</u>
Corporate bonds	442,820,792	563,777,759
Common stocks	<u>3,083,163</u>	<u>3,175,100</u>
	<u>4,411,769,762</u>	<u>4,105,913,548</u>

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(8) Investments in securities, continued

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

<u>Entity</u>	<u>Country</u>	<u>2023</u>	<u>2022</u>
Latinex Holdings, Inc.	Panama	501,527	588,192
Grupo APC, S. A.	Panama	445,582	445,582
Transacciones y Transferencias, S.A.	Guatemala	306,500	305,516
Compañía de Procesamiento de Medio de Pago	Guatemala	388,912	299,560
Servicios Financieros, S.A.	El Salvador	247,500	247,500
ACH de Nicaragua	Nicaragua	184,304	186,302
Bancajeros BANET	Honduras	179,470	179,860
Fondo Hondureño de Inversion Turistica	Honduras	176,522	176,906
Asociacion Bancaria de Guatemala	Guatemala	28,326	91,568
ICG Imagenes Computarizadas de Guatemala, S.A	Guatemala	140,810	140,358
Others	Others	<u>483,710</u>	<u>513,756</u>
		<u>3,083,163</u>	<u>3,175,100</u>

As of December 31, 2023, the portfolio of common stocks at FVOCI had a variation in Other Comprehensive Results of the Bank of $-\$86,662$ (2022: $\$28,217$), As of December 31, 2023, the Bank received $\$2,554,317$ in dividends of common stocks at FVOCI (2022: $\$3,049,832$).

(c) Investments at AC

The investment portfolio at AC is detailed as follows:

	<u>2023</u>	<u>2022</u>
Government bonds	68,673,874	43,561,300
Corporate bonds	<u>29,729,603</u>	<u>0</u>
	<u>98,403,477</u>	<u>43,561,300</u>

(9) Loans at amortized cost

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

	<u>2023</u>			<u>2022</u>		
	<u>Portfolio</u>	<u>Allowance for ECL</u>	<u>Net portfolio of allowance</u>	<u>Portfolio</u>	<u>Allowance for ECL</u>	<u>Net portfolio of allowance</u>
Loans						
Corporate						
Corporate loans	9,172,577,580	(124,805,729)	9,047,771,851	8,471,678,440	(170,380,788)	8,301,297,652
Corporate leases, net (1)	<u>285,481,892</u>	<u>(4,308,131)</u>	<u>281,173,761</u>	<u>220,810,485</u>	<u>(5,969,844)</u>	<u>214,840,641</u>
Total Corporate	<u>9,458,059,472</u>	<u>(129,113,860)</u>	<u>9,328,945,612</u>	<u>8,692,488,925</u>	<u>(176,350,632)</u>	<u>8,516,138,293</u>
Personal Banking and Small company						
Small company						
Small company loans	1,072,575,156	(12,891,244)	1,059,683,912	804,063,798	(10,461,204)	793,602,594
Small company leases, net (1)	<u>127,482,363</u>	<u>(1,573,411)</u>	<u>125,908,952</u>	<u>101,842,015</u>	<u>(944,301)</u>	<u>100,897,714</u>
Total Small company	<u>1,200,057,519</u>	<u>(14,464,655)</u>	<u>1,185,592,864</u>	<u>905,905,813</u>	<u>(11,405,505)</u>	<u>894,500,308</u>
Personal Banking						
Mortgage loans	3,893,914,128	(67,019,856)	3,826,894,272	3,725,609,625	(88,336,042)	3,637,273,583
Personals	2,346,739,932	(102,254,272)	2,244,485,660	2,127,460,657	(78,624,247)	2,048,836,410
Vehicles	1,223,289,541	(7,439,543)	1,215,849,998	1,032,570,044	(19,253,976)	1,013,316,068
Personal leases, net (1)	136,126,722	(1,815,598)	134,311,124	101,895,017	(4,414,417)	97,480,600
Credit Cards	<u>5,220,278,038</u>	<u>(412,553,736)</u>	<u>4,807,724,302</u>	<u>4,238,288,497</u>	<u>(314,555,118)</u>	<u>3,923,733,379</u>
Total Personal Banking	<u>12,820,348,361</u>	<u>(591,083,005)</u>	<u>12,229,265,356</u>	<u>11,225,823,840</u>	<u>(505,183,800)</u>	<u>10,720,640,040</u>
Total Personal Banking and Small company	<u>14,020,405,880</u>	<u>(605,547,660)</u>	<u>13,414,858,220</u>	<u>12,131,729,653</u>	<u>(516,589,305)</u>	<u>11,615,140,348</u>
Total loans at AC	<u>23,478,465,352</u>	<u>(734,661,520)</u>	<u>22,743,803,832</u>	<u>20,824,218,578</u>	<u>(692,939,937)</u>	<u>20,131,278,641</u>
(1) Total leases, net of interest	<u>549,090,977</u>	<u>(7,697,140)</u>	<u>541,393,837</u>	<u>424,547,517</u>	<u>(11,328,562)</u>	<u>413,218,955</u>

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(9) Loans at amortized cost, continued

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

	<u>2023</u>	<u>2022</u>
Minimum lease payments receivable	562,541,491	437,718,025
Less: unearned interest	<u>5,952,545</u>	<u>7,601,067</u>
Minimum lease payments receivable, net	556,588,946	430,116,958
Less: allowance for loss in leases	7,697,140	11,328,562
Less: net deferred commissions	<u>7,497,969</u>	<u>5,569,441</u>
Net value of investment in finance leases	<u>541,393,837</u>	<u>413,218,955</u>

The following table summarizes the minimum lease payments receivable as of December 31, 2023:

<u>Year ended December 31</u>	
2024	120,698,234
2025	112,189,430
2026	103,501,108
2027	96,469,583
2028 and thereafter	<u>123,730,591</u>
	<u>556,588,946</u>

(10) Property and equipment

The movement of property and equipment as of December 31, 2023 is summarized as follows:

	<u>2022</u>						
	<u>Land and building</u>	<u>Right-of-use assets</u>	<u>Construction in progress</u>	<u>Vehicles</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:							
Balance at January 1, 2023	252,109,321	244,815,767	9,904,170	10,431,568	474,109,827	72,510,794	1,063,881,447
Purchases	506,831	19,643,459	43,517,331	2,762,983	50,982,084	384,946	117,797,634
Sales and disposals	(203,628)	(16,555,692)	(48,795)	(2,452,041)	(59,286,935)	(3,054,119)	(81,601,210)
Transfers	12,774,105	0	(25,977,696)	(1,126)	4,785,363	8,319,315	(100,039)
Foreign currency translation	<u>7,640,045</u>	<u>14,692,065</u>	<u>1,003,340</u>	<u>523,325</u>	<u>29,858,646</u>	<u>3,960,108</u>	<u>57,677,529</u>
Balance at December 31, 2023	<u>272,826,674</u>	<u>262,595,599</u>	<u>28,398,350</u>	<u>11,264,709</u>	<u>500,448,985</u>	<u>82,121,044</u>	<u>1,157,655,361</u>
Accumulated depreciation:							
Balance at January 1, 2023	54,408,868	112,778,036	0	6,370,378	318,134,349	36,188,897	527,880,528
Depreciation	6,053,240	32,511,633	0	1,414,605	53,450,456	6,381,000	99,810,934
Sales and disposals	(201,857)	(9,192,592)	0	(2,064,954)	(58,253,939)	(2,995,469)	(72,708,811)
Transfers	220,292	0	0	0	(10,826)	(209,466)	0
Foreign currency translation	<u>1,620,964</u>	<u>6,639,466</u>	<u>0</u>	<u>250,524</u>	<u>20,495,353</u>	<u>1,718,940</u>	<u>30,725,247</u>
Balance at December 31, 2023	<u>62,101,507</u>	<u>142,736,543</u>	<u>0</u>	<u>5,970,553</u>	<u>333,815,393</u>	<u>41,083,902</u>	<u>585,707,898</u>
Net balance	<u>210,725,167</u>	<u>119,859,056</u>	<u>28,398,350</u>	<u>5,294,155</u>	<u>166,633,592</u>	<u>41,037,142</u>	<u>571,947,463</u>
	<u>2022</u>						
	<u>Land and building</u>	<u>Right-of-use assets</u>	<u>Construction in progress</u>	<u>Vehicles</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:							
Balance at January 1, 2022	223,254,886	233,167,965	32,318,906	10,494,046	433,108,064	74,104,157	1,006,448,024
Purchases	197,180	19,095,868	31,719,405	1,689,589	60,542,328	512,847	113,757,217
Sales and disposals	(2,983,248)	(13,042,558)	(206,713)	(1,970,211)	(49,230,651)	(11,010,966)	(78,444,347)
Transfers	29,288,645	0	(49,487,282)	0	16,072,397	3,717,488	(408,752)
Foreign currency translation	<u>2,351,858</u>	<u>5,594,492</u>	<u>(4,440,146)</u>	<u>218,144</u>	<u>13,617,689</u>	<u>5,187,268</u>	<u>22,529,305</u>
Balance at December 31, 2022	<u>252,109,321</u>	<u>244,815,767</u>	<u>9,904,170</u>	<u>10,431,568</u>	<u>474,109,827</u>	<u>72,510,794</u>	<u>1,063,881,447</u>
Accumulated depreciation:							
Balance at January 1, 2022	51,944,060	85,726,916	0	6,221,105	312,178,274	39,797,997	495,868,352
Depreciation	4,514,315	30,132,176	0	1,701,606	45,203,766	6,002,934	87,554,797
Sales and disposals	(2,617,068)	(5,782,439)	0	(1,639,722)	(47,962,122)	(10,736,331)	(68,737,682)
Transfers	(6,215)	0	0	0	43,967	4,667	42,419
Foreign currency translation	<u>573,776</u>	<u>2,701,383</u>	<u>0</u>	<u>87,389</u>	<u>8,670,464</u>	<u>1,119,630</u>	<u>13,152,642</u>
Balance at December 31, 2022	<u>54,408,868</u>	<u>112,778,036</u>	<u>0</u>	<u>6,370,378</u>	<u>318,134,349</u>	<u>36,188,897</u>	<u>527,880,528</u>
Net balance	<u>197,700,453</u>	<u>132,037,731</u>	<u>9,904,170</u>	<u>4,061,190</u>	<u>155,975,478</u>	<u>36,321,897</u>	<u>536,000,919</u>

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(10) Property and equipment, continued

During the year 2023, the Bank made a net transfer between companies for \$296,714, and a net transfer of furniture and equipment for a net amount of \$154,457 to intangible assets.

(11) Goodwill and intangible assets

Changes in the carrying value of goodwill are as follows:

	<u>2023</u>	<u>2022</u>
Goodwill		
Balance at January 1,	334,304,447	333,709,271
Foreign currency translation	<u>1,265,531</u>	<u>595,176</u>
Balance at December 31	<u>335,569,978</u>	<u>334,304,447</u>

As of December 31, 2023, and 2022 no impairment in the cash-generating units has been recorded. The fair value of the cash-generating units exceeds the carrying amount plus goodwill; therefore, no impairment loss was recorded.

The recoverable amounts of the CGUs of the Bank have been calculated based on their value in use.

The value in use of the CGUs is determined by discounting the future cash flows expected to be generated from the continuing use of each unit.

Calculation of value in use is based on the following basic assumptions:

	<u>2023</u>	<u>2022</u>
Discount rate	14.8%	14.0%
Terminal value (growth rate)	3.0%	3.0%

The discount rate after taxes used to discount the dividend flows reflects the specific risks relating to the CGUs and has been estimated taking into account the risk profile of each of the different markets in which the Bank operates.

A 10-year projection was carried out, considering that once this period has passed, the maturity of the businesses and the consequent stabilization of the cash flows will be achieved. Macroeconomic and business assumptions were also used for each of the countries where it operates, in order to reflect the reality that each market provides to all CGUs.

When estimating the terminal value, the normalized flow of funds has been projected in perpetuity, adjusted in accordance with the growth expectations. This projection does not exceed the average long-term growth rate for the economy in each of the countries in which the Bank operates; for this reason, an average annual long-term growth rate of 3.0% was estimated (2022: 3.0%).

The main assumptions described above may change as economic and market conditions change. The Bank estimates that the reasonably possible changes in these assumptions do not affect the recoverable amount of the CGUs or that they decrease below the CGUs carrying values.

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(11) Goodwill and intangible assets, continued

The gross balance of the carrying amount and the accumulated amortization for each intangible asset acquired by the Bank subject to amortization as of December 31, 2023, is presented below:

	2023					
	<u>Depositor relationships</u>	<u>Credit card relationships</u>	<u>Brand exclusivity</u>	<u>Trade name</u>	<u>Software</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	23,562,882	805,391	12,000,000	569,528	174,947,014	211,884,815
Purchases	0	0	0	0	0	0
Additions carried over from related companies	0	0	0	0	39,470,067	37,470,067
Disposals	0	0	0	(646,818)	(53,952,748)	(54,599,566)
Transfers	0	0	0	0	(20,585)	(20,585)
Foreign currency translation	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,290</u>	<u>19,204,489</u>	<u>19,281,779</u>
Balance at December 31, 2023	<u>23,562,882</u>	<u>805,391</u>	<u>12,000,000</u>	<u>0</u>	<u>179,648,237</u>	<u>216,016,510</u>
Accumulated amortization:						
Balance at January 1, 2023	22,014,558	805,391	8,700,000	0	117,223,306	148,743,255
Amortization	1,548,324	0	1,200,000	0	27,657,533	30,405,857
Amortization carried over from related companies	0	0	0	0	0	0
Sales and disposals	0	0	0	0	(53,943,327)	(53,943,327)
Foreign currency translation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,547,148</u>	<u>12,547,148</u>
Balance at December 31, 2023	<u>23,562,882</u>	<u>805,391</u>	<u>9,900,000</u>	<u>0</u>	<u>103,484,660</u>	<u>137,752,933</u>
Net balance at December 31, 2023	<u>0</u>	<u>0</u>	<u>2,100,000</u>	<u>0</u>	<u>76,163,577</u>	<u>78,263,577</u>
	2022					
	<u>Depositor relationships</u>	<u>Credit card relationships</u>	<u>Brand exclusivity</u>	<u>Trade name</u>	<u>Software</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	23,562,882	805,391	12,000,000	892,415	140,827,685	178,088,373
Purchases	0	0	0	0	31,458,214	31,458,214
Additions carried over from related companies	0	0	0	0	13,391,623	13,391,623
Disposals	0	0	0	(390,445)	(19,642,930)	(20,033,375)
Transfers	0	0	0	0	154,457	154,457
Foreign currency translation	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,558</u>	<u>8,757,965</u>	<u>8,825,523</u>
Balance at December 31, 2022	<u>23,562,882</u>	<u>805,391</u>	<u>12,000,000</u>	<u>569,528</u>	<u>174,947,014</u>	<u>21,884,815</u>
Accumulated amortization:						
Balance at January 1, 2022	21,422,187	805,391	7,500,000	0	92,414,563	122,142,141
Amortization	592,371	0	1,200,000	0	23,951,370	25,743,741
Amortization carried over from related companies	0	0	0	0	10,362,015	10,362,015
Disposals	0	0	0	0	(15,440,132)	(15,440,132)
Foreign currency translation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,935,490</u>	<u>5,935,490</u>
Balance at December 31, 2022	<u>22,014,558</u>	<u>805,391</u>	<u>8,700,000</u>	<u>0</u>	<u>117,223,306</u>	<u>148,743,255</u>
Net balance at December 31, 2022	<u>1,548,324</u>	<u>0</u>	<u>3,300,000</u>	<u>569,528</u>	<u>57,723,708</u>	<u>63,141,560</u>

None of the intangible assets listed in the table above have residual value.

During the year 2023, the Bank recognized an impairment loss on the commercial name “Servimas”, for an amount of \$648,818.

During the year 2022, the Bank carried out a transfer of intangible assets of property and equipment for a net amount of \$154,457, corresponding to furniture and equipment (see Note 10).

Remaining life of intangible is presented below:

Brand exclusivity	<u>Remaining life</u> 21 months
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BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
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(12) Other accounts receivable

The breakdown of other accounts receivable is presented in the table below:

	<u>2023</u>	<u>2022</u>
Debit - credit card interchange	419,597,633	276,621,484
Income tax	50,462,143	7,308,042
Insurance collections from insurers	43,322,969	40,016,882
Account receivable from customers	24,665,505	11,245,149
Insurance collections from clients	19,428,023	16,657,601
Advances to suppliers	11,514,017	5,674,345
Value Added Tax credit	8,095,029	5,911,251
Commissions for banking services	5,073,526	5,337,393
Others	<u>19,152,117</u>	<u>16,326,665</u>
	601,310,962	385,098,812
Provision for credit risk impairment	<u>(6,633,884)</u>	<u>(6,760,140)</u>
	<u>594,677,078</u>	<u>378,338,672</u>

(13) Other assets

The breakdown of other assets is presented in the table below:

	<u>2023</u>	<u>2022</u>
Security deposits	71,745,718	49,586,290
Deferred expenses	37,042,034	33,025,192
Asset held for sale, net	36,734,506	41,593,507
Uninstalled assets	10,997,574	5,867,418
Non-embossed credit card plastics	8,657,665	6,494,625
Severance fund	5,629,399	5,209,070
Asset not available for sale	5,097,022	7,741,026
Artworks	1,079,637	1,029,767
Others	<u>3,650,247</u>	<u>4,828,030</u>
	<u>180,633,802</u>	<u>155,374,925</u>

Assets held for sale, net of allowance impairment, are detailed below:

	<u>2023</u>	<u>2022</u>
Vehicles	1,572,573	996,732
Real estate – less than a year	10,969,148	17,263,742
Real estate – more than a year	<u>25,197,260</u>	<u>24,113,362</u>
Assets held for sale, gross	37,738,981	42,373,836
Allowance	<u>(1,004,475)</u>	<u>(780,329)</u>
Assets held for sale, net	<u>36,734,506</u>	<u>41,593,507</u>

The Bank made sales of assets held for sale for an amount of \$40,299,158 (2022: \$39,177,902), these gains amount to \$10,642,159 (2022: \$11,534,128).

The movement of the allowance for assets held for sale is shown below:

	<u>2023</u>	<u>2022</u>
Balance at year beginning	780,329	74,599
Provision charged to expenses	822,943	852,672
Transfer to other assets	271,507	160,554
Sales	(876,935)	(306,223)
Foreign currency translation	6,631	(1,273)
Balance at year end	<u>1,004,475</u>	<u>780,329</u>

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(14) Deposits from customers

Deposits from customers are detailed below:

	<u>2023</u>	<u>2022</u>
Retail customers		
Demand	1,441,627,768	1,286,284,614
Savings	4,044,896,478	3,572,070,437
Time deposits	1,457,895,906	1,243,958,928
Corporate customers		
Demand	8,442,295,059	7,757,032,850
Savings	2,169,372,625	2,092,051,122
Time deposits	<u>8,460,095,556</u>	<u>7,377,369,115</u>
	<u>26,016,183,392</u>	<u>23,328,767,066</u>

As of December 31, 2023, time deposits include book balances, net of origination costs for \$1,151,712,619 (2022: \$1,280,447,480) subscribed with special purpose vehicles (hereinafter SPV), which are detailed below:

<u>Vehicle</u>	<u>Series</u>	<u>Fixed interest rate</u>	<u>2023</u>		<u>2022</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%	199,881,701	1,659,443	251,965,581	2,174,213
BIB Merchant Voucher Receivables Limited	2018-1	4.18%	288,224,370	2,256,887	345,274,012	2,794,233
BIB Central American Card Receivables Limited	2019-1	3.50%	<u>675,906,290</u>	<u>8,383,412</u>	<u>700,000,000</u>	<u>11,823,667</u>
			<u>1,164,012,361</u>	<u>12,299,742</u>	<u>1,297,239,593</u>	<u>16,792,113</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 December 31, 2023, the weighted average duration of the certificates is 1.92 years and 2.44 years, respectively.

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 December 31, 2023, the weighted average duration of the certificates is 3.36 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.

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(15) Financial obligations

Financial obligations are detailed below:

	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
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 11.50%	2058	165,013,746
Payable in colones (Costa Rica):			
Fixed rate	0.80%	2025	135,586,707
Floating rate	7.17% to 10.19%	2038	<u>40,525,666</u>
			<u>2,443,136,750</u>
	2022		
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% to 7.00%	2029	463,184,690
Floating rate	3.14% to 22.44%	2027	1,162,107,125
Payable in quetzales (Guatemala):			
Fixed rate	4.40% to 5.25%	2024	337,609,417
Floating rate			
Payable in lempiras (Honduras):			
Fixed rate	0.00% to 15.00%	2058	146,338,936
Payable in colones (Costa Rica):			
Fixed rate	0.80%	2025	149,693,794
Floating rate	8.02% to 9.72%	2037	<u>25,027,388</u>
			<u>2,283,961,350</u>

As of December 31, 2023, the carrying amount of the principal issued by BAC San Jose DPR Funding Limited, a special purpose vehicle (hereinafter SPV), amounted to \$150,000,000 (2022: \$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 \$1,553,821 as of December 31, 2023 (2022: \$1,872,261). 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 December 31, 2023, the weighted average duration of the notes is 2.54 years.

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

(16) 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>	2023		2022	
	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Interest rate</u>	<u>Carrying amount</u>
US dollars	3.25% to 10.00%	764,542,378	2.00% to 10.00%	718,653,466
Lempiras	4.75% to 7.50%	70,178,249	4.75% to 7.00%	34,792,850
Colones	4.71% to 12.35%	<u>531,222,469</u>	4.71% to 12.35%	<u>306,341,216</u>
		<u>1,365,943,096</u>		<u>1,059,787,532</u>

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(16) Other financial obligations, continued

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 December 31, 2023, 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 any breaches of principal, interest or other contractual clauses in relation to its other financial obligations.

(17) Lease liabilities

Lease liabilities are detailed below:

	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	570,953	675,396
			<u>119,512,038</u>	<u>134,763,918</u>

	2022			
	<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	134,575,695	150,513,232
Payable in quetzales (Guatemala)	5.22%	2029	2,213,203	4,371,453
Payable in lempiras (Honduras)	5.22% to 7.58%	2029	959,482	2,432,216
Payable in colones (Costa Rica)	3.96% to 7.99%	2033	807,011	944,393
			<u>138,555,391</u>	<u>158,261,294</u>

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

	2023	2022
Less than a year	33,902,345	34,608,732
One to two years	27,008,505	31,507,830
Two to three years	20,324,806	25,823,447
Three to four years	17,376,350	19,952,578
Four to five years	12,152,957	16,509,028
More than five years	23,998,955	29,859,679
	<u>134,763,918</u>	<u>158,261,294</u>

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

	2023	2022
Interest on leases	6,684,829	7,695,167
Expense for leases with less than 12 months	3,690,397	3,564,971
Expense for leases of low-value assets	12,620,634	10,346,158
	<u>22,995,860</u>	<u>21,606,296</u>

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(18) Other liabilities

The breakdown of other liabilities is presented in the table below:

	<u>2023</u>	<u>2022</u>
Bank transfers to be applied	217,124,234	139,033,966
Collections	111,865,702	86,195,615
Accounts payable to suppliers	97,795,533	74,012,646
Employee benefits	88,657,547	74,015,775
Checks drawn not cashed	87,354,296	93,613,676
Accounts payable for cards interchange settlements	71,460,920	89,460,029
Loyalty programs	61,708,310	56,605,104
Credits to accounts receivable to be applied	35,435,476	31,118,551
Deferred income	23,937,964	19,304,387
Insurance premiums	14,462,170	14,450,483
Legal contribution to government institutions	8,705,282	13,127,462
Sales tax payable	8,612,186	8,027,722
Provision for dismantling of leased assets	8,367,253	8,646,836
Accounts in judicial collection	6,601,419	7,146,724
Reinsurance technical reserves	6,577,941	11,577,890
Surplus cash and ATMs	5,287,386	10,648,730
Commissions to pay	3,732,512	9,751,171
Security deposits received	2,493,046	5,457,695
Others	<u>63,542,744</u>	<u>51,522,749</u>
	<u>923,721,921</u>	<u>803,717,211</u>

(19) Common stock

As of December 31, 2023, and 2022 the Bank's authorized stock comprises 850,000 authorized stock and 834,708 issued and outstanding stock and 814 shares in Treasury with a nominal value of \$1,000 per share.

(20) Other comprehensive income

The following table presents the components and changes in other accumulated comprehensive income as of December 31, 2023:

	<u>Conversion of operations in foreign currency</u>	<u>Unrealized income (loss) from securities</u>	<u>ECL for investments</u>	<u>Employee benefits plan</u>	<u>Total Other Accumulated Comprehensive Income</u>
Balance on January 1, 2022	(457,251,818)	45,719,763	21,966,273	(7,283,619)	(396,849,401)
Other (loss) income before reclassifications	51,888,720	(191,493,938)	(4,497,376)	(815,049)	(144,917,643)
Reclassified amounts from other comprehensive loss	<u>0</u>	<u>(7,312,067)</u>	<u>0</u>	<u>0</u>	<u>(7,312,067)</u>
Other net comprehensive (loss) income for the year	<u>51,888,720</u>	<u>(198,806,005)</u>	<u>(4,497,376)</u>	<u>(815,049)</u>	<u>(152,229,710)</u>
Balance on December 31, 2022	<u>(405,363,098)</u>	<u>(153,086,242)</u>	<u>17,468,897</u>	<u>(8,098,668)</u>	<u>(549,079,111)</u>
Balance on January 1, 2023	(405,363,098)	(153,086,242)	17,468,897	(8,098,668)	(549,079,111)
Other (loss) income before reclassifications	159,002,280	49,378,295	(12,483,407)	(2,940,669)	192,956,499
Reclassified amounts from other comprehensive loss	<u>0</u>	<u>(2,628,920)</u>	<u>0</u>	<u>0</u>	<u>(2,628,920)</u>
Other net comprehensive (loss) income for the year	<u>159,002,280</u>	<u>46,749,375</u>	<u>(12,483,407)</u>	<u>(2,940,669)</u>	<u>190,327,579</u>
Balance on December 31, 2023	<u>(246,360,818)</u>	<u>(106,336,867)</u>	<u>4,985,490</u>	<u>(11,039,337)</u>	<u>(358,751,532)</u>

The following table presents the breakdown of other comprehensive losses reclassified to the consolidated statement of income for the year ended December 31, 2023:

	<u>Reclassified balance of Other Comprehensive Income</u>	<u>Line of Consolidated Statement of Profit or Loss Affected</u>
	<u>2023</u>	<u>2022</u>
Investments at FVOCI		
Unrealized net income from securities	3,662,656	11,029,929
Income tax	<u>(1,033,736)</u>	<u>(3,717,862)</u>
Total reclassifications	<u>2,628,920</u>	<u>7,312,067</u>
		Other income
		Income tax expense

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(21) Gains on financial instruments

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

	<u>2023</u>	<u>2022</u>
Net income from the sale of investments at FVOCI	3,662,656	11,029,929
Unrealized net losses from securities at FVPL	768,512	(2,512,832)
Unrealized net gains from securities at FVPL	3,029,471	3,500,675
Net fair value gains on derivative financial instruments	<u>871,398</u>	<u>1,978,384</u>
	<u>8,332,037</u>	<u>13,996,156</u>

(22) Services charges

The services' charges segregated according to their nature, are detailed below:

	<u>2023</u>	<u>2022</u>
Card insurance fees	222,282,235	177,453,747
International services	91,154,329	75,603,116
Fees for late payments, overdrafts and minimum balance	65,968,588	60,119,455
Trust services	51,535,004	43,612,046
POS rental and maintenance	34,148,888	29,153,071
Brand incentives	25,964,883	16,923,732
Automated teller machines (ATMs)	23,710,425	21,092,139
Salary advance	22,169,786	21,780,775
Counter services	15,881,634	15,330,685
Automatic access devices	12,145,015	11,237,699
Loan administration	9,815,918	6,685,813
Cash advances	7,974,327	6,144,261
Others	38,366,143	33,181,654
Commission expenses	<u>(19,507,105)</u>	<u>(19,299,173)</u>
	<u>601,610,070</u>	<u>499,019,020</u>

(23) Other income

Other income included in the consolidated statement of profit or loss is summarized below:

	<u>2023</u>	<u>2022</u>
Gain on sale of assets held for sale	10,642,149	11,534,128
Commercial recoveries	8,391,629	8,992,156
Services to affiliates	7,012,878	5,210,131
Other non-banking commissions	3,184,253	5,132,988
Rentals	76,021	171,991
Loans appraisals	40,780	102,960
Other	<u>9,932,934</u>	<u>9,584,389</u>
	<u>39,280,644</u>	<u>40,728,743</u>

(24) Salaries and employee benefits

The breakdown of salaries and employee benefits is presented below:

	<u>2023</u>	<u>2022</u>
Salaries and other remuneration	434,090,077	361,592,286
Employee benefits	194,584,427	162,965,788
indemnification	15,872,337	13,541,816
Other	<u>6,771,905</u>	<u>4,759,609</u>
	<u>651,318,746</u>	<u>542,859,499</u>

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(25) Other expenses

Other expenses included in the consolidated statement of profit or loss is summarized below:

	<u>2023</u>	<u>2022</u>
Credit card franchises	150,356,677	128,006,581
Other non-IRS taxes	107,994,448	97,784,280
Computer software and licenses maintenance	67,844,845	54,808,169
Advertising and marketing	51,545,401	47,346,817
Equipment and vehicle maintenance	30,067,456	28,359,727
Armored services	23,037,428	21,430,491
Guarantee deposits	21,742,165	20,050,601
Bank licenses	18,912,451	17,208,366
Security services	15,634,545	14,047,250
Equipment and furniture leases	12,620,634	10,346,158
Telephone service	11,912,824	11,397,318
Dedicated lines	11,750,778	11,626,911
Postage and courier	11,473,727	8,150,188
Office supplies	9,906,647	7,747,983
Teleprocessing	9,625,221	7,046,226
Plastic credit cards	8,609,880	8,986,083
Municipal taxes and patents	8,358,090	6,354,828
Per diem expenses	7,789,798	6,623,667
Operational losses	7,680,944	6,913,094
Others	<u>24,908,940</u>	<u>24,731,316</u>
	<u>611,772,899</u>	<u>538,966,054</u>

(26) Income taxes

Income tax expense consists of:

	<u>2023</u>	<u>2022</u>
Current	164,214,893	209,617,005
Deferred	<u>31,481,227</u>	<u>(5,522,413)</u>
	<u>195,696,120</u>	<u>204,094,592</u>

Income tax expense for the year ended December 31, 2023, was \$195,696,120 (2022: \$204,094,592), which differed from the amounts computed by applying the current statutory income tax rate to pretax consolidated earnings as a result of the following:

	<u>2023</u>	<u>2022</u>
Computed "expected" income tax expense	197,405,715	167,078,420
Increase (decrease) in income taxes resulting from:		
Nondeductible expenses	27,554,310	20,617,618
Investments in foreign subsidiaries	49,727,006	44,484,536
Foreign income taxes rate differential	(5,706,842)	(1,249,684)
Tax incentives	(7,687,823)	(2,099,091)
Changes in uncertain tax positions	124,562	(7,983,701)
Exempt and foreign source income	<u>(65,720,808)</u>	<u>(16,753,506)</u>
Income tax expense	<u>195,696,120</u>	<u>204,094,592</u>

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(26) Income taxes, continued

Temporary differences between the consolidated financial statements carrying amounts and the tax basis of assets and liabilities that give rise to the deferred tax assets and liabilities as of December 31, 2023, are as follows:

	2023						
	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Recognized in equity	Balance at year end	Deferred tax assets	Deferred tax liability
Allowance for loan losses	53,629,412	(18,428,055)	0	0	35,201,357	68,172,479	(32,971,122)
Unrealized net loss on investments at FVOCI	15,933,560	0	(6,190,069)	0	9,743,491	9,743,491	0
Accrued expenses	7,045,724	1,618,790	0	0	8,664,514	8,664,192	322
IFRS 16 lease	3,628,050	(1,753,672)	0	0	1,874,378	31,050,110	(29,175,732)
Realized loss on investments at FVPL	2,939,921	463,981	0	0	3,403,902	3,403,902	0
Market value purchase adjustments	356,607	330,742	0	0	687,349	365,400	321,949
Deferred loan origination fees and costs	242,509	191,162	0	0	433,671	3,746,154	(3,312,483)
Provision for credit risk on investments at FVOCI and bank deposits	50,905	(2,241,581)	2,225,500	0	34,824	34,824	0
Net operating loss carryforwards	12,323	(3,854)	0	0	8,469	8,469	0
Foreign currency translation	0	159,753	(159,753)	0	0	0	0
Deferred expenses	(73,334)	11,457	0	0	(61,877)	0	(61,877)
Provision for loss on other accounts receivable	(203,083)	537,342	0	0	334,259	1,171,915	(837,656)
Realized gain on investments at FVPL	(1,262,702)	(4,582,831)	0	0	(5,845,533)	34,813	(5,880,346)
Employee benefits	(2,165,393)	(235,644)	0	0	(2,401,037)	0	(2,401,037)
Assets held for sale valuation	(2,276,748)	1,304,109	0	0	(972,639)	0	(972,639)
Leasing	(5,413,109)	(964,821)	1,003,149	0	(5,374,781)	7,958,308	(13,333,089)
Net premises and equipment depreciation difference	(6,409,076)	0	(11,114,779)	0	(17,523,855)	0	(17,523,855)
Unrealized net gain on investments at FVOCI	(6,716,078)	(242,322)	0	0	(6,958,400)	8,051,041	(15,009,441)
Accrued interest receivable	(15,739,722)	(99,536)	0	0	(15,839,258)	615,744	(16,455,002)
Investments in foreign subsidiaries, for undistributed earnings	(28,907,002)	(7,546,247)	0	0	(36,453,249)	0	(36,453,249)
Net deferred tax assets (liabilities)	(14,672,764)	(31,481,227)	(14,235,952)	0	(31,044,415)	143,020,842	(174,065,257)
Tax compensation						(92,005,858)	92,005,858
Total						51,014,984	(82,059,399)

	2022						
	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Recognized in equity	Balance at year end	Deferred tax assets	Deferred tax liability
Allowance for loan losses	51,168,057	2,461,355	0	0	53,629,412	67,897,041	(14,267,629)
Accrued expenses	7,473,453	(427,729)	0	0	7,045,724	7,027,657	18,067
IFRS 16 lease	5,135,910	(1,507,860)	0	0	3,628,050	36,380,066	(32,752,016)
Unrealized net loss on investments at FVOCI	1,123,949	0	14,809,611	0	15,933,560	15,933,560	0
Deferred loan origination fees and costs	785,098	(542,589)	0	0	242,509	3,244,527	(3,002,018)
Market value purchase adjustments	201,899	154,708	0	0	356,607	387,792	(31,185)
Provision for credit risk on investments at FVOCI and bank deposits	40,776	(1,425,829)	1,435,958	0	50,905	50,905	0
Realized loss on investments at FVPL	0	2,939,921	0	0	2,939,921	2,939,921	0
Foreign currency translation	0	288,810	(288,810)	0	0	0	0
Net operating loss carryforwards	0	12,323	0	0	12,323	12,323	0
Deferred expenses	(83,002)	9,668	0	0	(73,334)	0	(73,334)
Provision for loss on other accounts receivable	(553,536)	350,453	0	0	(203,083)	564,348	(767,431)
Assets held for sale valuation	(799,130)	(463,572)	0	0	(1,262,702)	167,716	(1,430,418)
Realized gain on investments at FVPL	(1,132,215)	(1,144,533)	0	0	(2,276,748)	186,145	(2,462,893)
Leasing	(2,831,221)	665,828	0	0	(2,165,393)	0	(2,165,393)
Employee benefits	(4,374,559)	(1,458,276)	419,726	0	(5,413,109)	6,452,957	(11,866,066)
Accrued interest receivable	(4,752,911)	(1,963,167)	0	0	(6,716,078)	5,936,554	(12,652,632)
Net premises and equipment depreciation difference	(16,120,335)	380,613	0	0	(15,739,722)	446,164	(16,185,886)
Unrealized net gain on investments at FVOCI	(16,755,893)	0	10,346,817	0	(6,409,076)	0	(6,409,076)
Investments in foreign subsidiaries, for undistributed earnings	(37,839,291)	7,192,289	0	1,740,000	(28,907,002)	0	(28,907,002)
Net deferred tax assets (liabilities)	(19,312,951)	5,522,413	26,723,302	1,740,000	14,672,764	147,627,676	(132,954,912)
Tax compensation						(83,142,542)	83,142,542
Total						64,485,134	(49,812,370)

The Bank's management performed offsetting of the deferred tax assets and liabilities that derive from income tax corresponding to the same tax jurisdiction in the consolidated statement of financial position.

As of December 31, 2023, the Bank has incurred in net operating tax loss carry forwards of \$6,816,027 (2022: \$9,234,503), which are available to offset future taxable income of the applicable subsidiaries. The net operating losses begin to prescribe in 2024 and through 2036.

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(26) Income taxes, continued

As of December 31, 2023, the Bank has recognized deferred tax assets in the consolidated statement of financial position for those operating losses for \$3,854.

As of December 31, 2022, the Bank has not recognized a deferred income tax liability of approximately \$263,625,815 for undistributed earnings from foreign subsidiaries operations, because the Bank believes that \$2,185,058,904 of these profits will be reinvested for an indefinite period.

The Bank's earnings are taxed in various jurisdictions. As of December 31, 2023, the Bank had unrecognized tax positions for \$1,302,616 (2022: \$657,567). Interest expense and penalties related to income tax liabilities and recognized as part of income tax expenses for the year ended December 31, 2023 amounted to 124,562 (2022: (\$7,983,696)). As of December 31, 2023, total interest and penalties expenses included in other liabilities amounted to \$246,474 (2022: \$614,890).

As of December 31, 2023, the Bank maintains an effective tax rate of 24.78% (2022: 30.5%).

The following are the tax jurisdictions in which the Bank and its affiliates operate and the latest tax year subject to examination: United States of America: 2020, Guatemala: 2020, El Salvador: 2020, Honduras: 2018 Nicaragua: 2019, Costa Rica: 2019 and Panama: 2020.

(27) 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 December 31, 2023, the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately \$506 million to \$4,458, million (2022: from \$432 million to \$3,761 million). The unused portion of the total amount available in each country, aggregated approximately from \$364 million to \$3,169 million (2022: from \$311 million to \$2,764 million). While these amounts represented the available lines of credit to customers per country, the Bank has experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time.

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

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

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

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. As of December 31, 2023, outstanding letters of credit and financial guarantees are as follows:

	<u>2023</u>	<u>2022</u>
Stand-by letters of credit	131,120,286	189,165,870
Commercial letters of credit	67,948,317	34,907,083
Financial guarantees	358,744,777	456,937,880
Commitments and guarantees (1)	<u>86,390,011</u>	<u>61,751,083</u>
	<u>644,203,391</u>	<u>742,761,916</u>

(1) Includes commercial and mortgage payment promise letter

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 December 31, 2023, are detailed as follows:

	<u>2023</u>	<u>2022</u>
Up to 1 year	503,802,948	619,107,950
Over 1 year	<u>72,452,126</u>	<u>88,746,883</u>
	<u>576,255,074</u>	<u>707,854,833</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 December 31, 2023, the assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to \$140,061,063 (2022: \$109,644,085).

As of December 31, 2023 and 2022, the Bank maintains an irrevocable guarantee and stand-by letter of credit to support the payment of the interchange settlement to VISA, Master Card and American Express. The total guaranteed amount corresponds to \$71,971,918.

(28) 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.

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

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.

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.

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

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)	<u>2023</u>
Assets			
Investments at FVPL:			
United States of America	4,337,576	0	4,337,576
Other governments	20,133,474	0	20,133,474
Mutual funds	0	0	0
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 and Agencies bonds:			
United States of America	479,810,159	0	479,810,159
Other governments	<u>3,486,055,648</u>	<u>0</u>	<u>3,486,055,648</u>
	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>

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	<u>2022</u>
Assets			
Investments at FVPL:			
Other governments	26,355,405	0	26,355,405
Corporate debentures	1,016,532	0	1,016,532
Mutual funds	505,545	0	505,545
Common stocks	<u>0</u>	<u>13,078,802</u>	<u>13,078,802</u>
Total investments at FVPL	<u>27,877,482</u>	<u>13,078,802</u>	<u>40,956,284</u>
Investments at FVOCI:			
Governments	165,827,573	0	165,827,573
United States of America	<u>3,373,133,116</u>	<u>0</u>	<u>3,373,133,116</u>
Other governments	3,538,960,689	0	3,538,960,689
Corporate debentures	563,777,759	0	563,777,759
Common stocks	<u>1,033,775</u>	<u>2,141,325</u>	<u>3,175,100</u>
Total investments at FVOCI	<u>4,103,772,223</u>	<u>2,141,325</u>	<u>4,105,913,548</u>
Investments at AC:			
Other governments	<u>43,561,300</u>	<u>0</u>	<u>43,561,300</u>
Total investments at AC	<u>43,561,300</u>	<u>0</u>	<u>43,561,300</u>
Total assets	<u>4,175,211,005</u>	<u>15,220,127</u>	<u>4,190,431,132</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 December 31, 2023, there were no transfers between levels.

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

The table below includes the rollforward in the consolidated statement of financial position for the period ended December 31, 2023 (including changes in fair value) of the financial instruments at FVPL 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>2023</u> <u>Assets</u>	<u>Investments</u> <u>Common</u> <u>Stocks</u>
Fair value at January 01, 2023	13,078,802
Valuation of investments at FVPL	1,209,995
Foreign currency translation	<u>(3,104)</u>
Fair value at December 31, 2023	<u>14,285,693</u>
	<u>Investments</u> <u>Common</u> <u>Stocks</u>
<u>2022</u> <u>Assets</u>	<u>Investments</u> <u>Common</u> <u>Stocks</u>
Fair value at January 01, 2022	12,147,983
Valuation of investments at FVPL	948,216
Foreign currency translation	<u>(17,397)</u>
Fair value at December 31, 2022	<u>13,078,802</u>

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. Discounted cash flows are used for various bonds using a market rate of an instrument with a similar remaining maturity.	(2,3)
Common stocks	Discounted cash flow using capital cost rate adjusted for size premium.	(3)
Common stocks	Market prices provided by local stock exchanges.	(2)
Mutual funds and other stocks	Net Asset Value.	(2)
Embedded financial derivative instruments	Functional currency cash flows Foreign currency cash flows	(3)

Fair Value of Financial Instruments, Additional Disclosures

A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approach the fair value

Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the consolidated balance sheet, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

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

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

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

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

Securities sold under repurchase agreements

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

Borrowings

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

Other borrowed funds

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

Below are described the valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the consolidated balance sheet:

<u>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%

<u>2022</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	15,220,127	Discounted cash flows	Increase annual rate	10% - 15%

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

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>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	0	4,342,913,239	4,342,913,239	4,342,913,239
Loans, excluding financial leases	0	21,713,956,348	21,713,956,348	22,202,409,995
Acceptances outstanding	0	61,996,226	61,996,226	61,996,226
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	0	61,996,226	61,996,226	61,996,226
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>
2022				
Financial assets				
Cash and cash equivalents	768,898,974	0	768,898,974	768,898,974
Securities purchased under resale agreements	0	10,696,871	10,696,871	10,696,871
Deposits in banks	0	4,385,193,988	4,385,193,988	4,385,193,988
Loans, excluding financial leases	0	19,087,089,069	19,087,089,069	19,718,059,686
Acceptances outstanding	0	31,709,438	31,709,438	31,709,438
Total financial assets	<u>768,898,974</u>	<u>23,514,689,366</u>	<u>24,283,588,340</u>	<u>24,914,558,957</u>
Financial liabilities				
Deposits from customers	14,707,439,023	8,774,607,054	23,482,046,077	23,328,767,066
Securities sold under repurchase agreements	0	260,710,165	260,710,165	260,710,165
Financial obligations	0	2,326,802,889	2,326,802,889	2,283,961,350
Other financial obligations	0	1,009,686,439	1,009,686,439	1,059,787,532
Acceptances outstanding	0	31,709,438	31,709,438	31,709,438
Total financial liabilities	<u>14,707,439,023</u>	<u>12,403,515,985</u>	<u>27,110,955,008</u>	<u>26,964,935,551</u>

(29) Administration of trust contracts and securities custody

As of December 31, 2023, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$4,476,859,033 (2022: \$3,372,210,190).

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(30) 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 December 31, 2023:

	2023		2022	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
Assets:				
Interest bearing deposits	0	45,010,000	0	56,550,000
Investments in securities	0	851,766	0	810,370
Loans	19,399,955	331,680,466	16,510,865	372,773,342
Allowance for loan losses	(107,795)	(480,779)	(112,873)	(718,246)
Accumulated interest receivable and other accounts receivable	85,253	4,488,398	65,310	4,782,707
	<u>19,377,413</u>	<u>381,549,851</u>	<u>16,463,302</u>	<u>434,198,173</u>
Liabilities:				
Demand deposits	5,210,702	76,082,021	6,769,041	49,669,785
Time deposits	14,844,444	53,330,065	11,914,524	40,767,114
Other financial obligations	0	525,602,372	0	520,000,000
Accumulated interest payable and other liabilities	262,620	3,148,767	140,086	2,816,985
	<u>20,317,766</u>	<u>658,163,225</u>	<u>18,823,651</u>	<u>613,253,884</u>
	2023		2022	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
Interest income and other income	<u>1,204,824</u>	<u>39,045,330</u>	<u>885,750</u>	<u>21,967,867</u>
Interest expense and other operating expenses	<u>736,426</u>	<u>59,904,608</u>	<u>420,023</u>	<u>59,054,930</u>
Key management personnel benefit	<u>16,028,755</u>	<u>0</u>	<u>20,435,044</u>	<u>0</u>

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

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(31) Segments

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

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

	<u>BAC Guatemala</u>	<u>BAC El Salvador</u>	<u>BAC Honduras</u>	<u>BAC Nicaragua</u>	<u>BAC Costa Rica</u>	<u>BAC Panama</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
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>
Consolidated Statement of Income									
Interest income	478,841,826	269,255,596	424,010,465	166,443,680	844,267,967	474,681,218	6,612,831	(33,555,820)	2,630,557,763
Interest expense	<u>182,045,950</u>	<u>83,511,898</u>	<u>88,496,264</u>	<u>19,485,638</u>	<u>252,434,262</u>	<u>285,746,323</u>	<u>1,428,157</u>	<u>(33,555,820)</u>	<u>879,592,672</u>
Net interest income	<u>296,795,876</u>	<u>185,743,698</u>	<u>335,514,201</u>	<u>146,958,042</u>	<u>591,833,705</u>	<u>188,934,895</u>	<u>5,184,674</u>	<u>0</u>	<u>1,750,965,091</u>
Provision for credit risk of financial instruments	<u>86,547,931</u>	<u>34,893,270</u>	<u>50,044,249</u>	<u>(4,982,063)</u>	<u>120,111,734</u>	<u>86,327,052</u>	<u>(42,636)</u>	<u>0</u>	<u>372,899,537</u>
Net interest income after provisions	<u>210,247,945</u>	<u>150,850,428</u>	<u>285,469,952</u>	<u>151,940,105</u>	<u>471,721,971</u>	<u>102,607,843</u>	<u>5,227,310</u>	<u>0</u>	<u>1,378,065,554</u>
Other income, net	130,618,487	46,551,816	146,143,087	66,915,235	349,560,653	89,170,401	395,893,776	(267,011,357)	957,842,098
General and administrative expense	<u>225,485,022</u>	<u>137,862,666</u>	<u>267,534,006</u>	<u>96,081,931</u>	<u>639,937,017</u>	<u>195,114,850</u>	<u>251,280,657</u>	<u>(267,011,357)</u>	<u>1,546,284,792</u>
Income before income tax	<u>115,381,410</u>	<u>59,539,578</u>	<u>164,079,033</u>	<u>122,773,409</u>	<u>181,345,607</u>	<u>(3,336,606)</u>	<u>149,840,429</u>	<u>0</u>	<u>789,622,860</u>
Less: Income tax	<u>17,495,068</u>	<u>14,018,045</u>	<u>43,825,643</u>	<u>40,717,993</u>	<u>74,011,361</u>	<u>5,558,852</u>	<u>69,158</u>	<u>0</u>	<u>195,696,120</u>
Net income	<u>97,886,342</u>	<u>45,521,533</u>	<u>120,253,390</u>	<u>82,055,416</u>	<u>107,334,246</u>	<u>(8,895,458)</u>	<u>149,771,271</u>	<u>0</u>	<u>593,926,740</u>
2022									
Total assets	<u>5,810,608,498</u>	<u>3,144,648,362</u>	<u>4,412,793,342</u>	<u>1,901,813,324</u>	<u>8,951,929,720</u>	<u>7,387,789,196</u>	<u>262,238,374</u>	<u>(821,966,115)</u>	<u>31,049,854,701</u>
Total liabilities	<u>5,230,826,261</u>	<u>2,810,164,717</u>	<u>3,895,488,543</u>	<u>1,477,979,323</u>	<u>7,900,352,284</u>	<u>7,463,921,860</u>	<u>65,418,201</u>	<u>(821,966,115)</u>	<u>28,022,185,074</u>
Consolidated Statement of Income									
Interest Income	394,264,192	227,646,956	342,881,063	126,265,465	616,647,543	409,709,440	2,064,844	(32,711,503)	2,086,768,000
Interest expenses	<u>128,104,883</u>	<u>62,322,519</u>	<u>69,737,908</u>	<u>16,393,252</u>	<u>142,421,984</u>	<u>225,141,653</u>	<u>1,568,613</u>	<u>(32,711,503)</u>	<u>612,979,309</u>
Net interest income	<u>266,159,309</u>	<u>165,324,437</u>	<u>273,143,155</u>	<u>109,872,213</u>	<u>474,225,559</u>	<u>184,567,787</u>	<u>496,231</u>	<u>0</u>	<u>1,473,788,691</u>
Provision for credit risk of financial instruments	<u>62,005,988</u>	<u>48,066,279</u>	<u>38,072,675</u>	<u>(3,439,378)</u>	<u>68,356,905</u>	<u>128,684,897</u>	<u>(133,685)</u>	<u>0</u>	<u>341,613,681</u>
Net interest income after provisions	<u>204,153,321</u>	<u>117,258,158</u>	<u>235,070,480</u>	<u>113,311,591</u>	<u>405,868,654</u>	<u>55,882,890</u>	<u>629,916</u>	<u>0</u>	<u>1,132,175,010</u>
Other income, net	116,681,196	51,512,827	138,307,770	67,774,388	324,140,144	74,770,839	317,681,845	(219,923,703)	870,945,306
General and administrative expense	<u>202,922,873</u>	<u>126,913,471</u>	<u>233,874,125</u>	<u>88,447,157</u>	<u>524,849,896</u>	<u>170,603,970</u>	<u>207,118,853</u>	<u>(219,923,703)</u>	<u>1,344,806,642</u>
Income before income tax	<u>117,911,644</u>	<u>41,857,514</u>	<u>139,504,125</u>	<u>92,638,822</u>	<u>205,158,902</u>	<u>(39,950,241)</u>	<u>111,192,908</u>	<u>0</u>	<u>668,313,674</u>
Less: Income tax	<u>24,395,811</u>	<u>10,755,889</u>	<u>38,981,596</u>	<u>28,291,930</u>	<u>78,248,245</u>	<u>22,951,525</u>	<u>469,596</u>	<u>0</u>	<u>204,094,592</u>
Net income	<u>93,515,833</u>	<u>31,101,625</u>	<u>100,522,529</u>	<u>64,346,892</u>	<u>126,910,657</u>	<u>(62,901,766)</u>	<u>110,723,312</u>	<u>0</u>	<u>464,219,082</u>

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(32) Litigations

As of December 31, 2023, 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 consolidated financial statements of the Bank in the event of an adverse result.

(33) 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 consolidated 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 December 31, 2023, 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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(33) 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 December 31, 2023

	<u>2023</u>					<u>Total</u>
	<u>Satisfactory</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</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>

	<u>2022</u>					<u>Total</u>
	<u>Satisfactory</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	
Corporate loans and other loans	8,760,566,454	522,359,610	200,910,339	22,346,371	65,041,934	9,571,224,708
Consumer loans	<u>10,132,867,536</u>	<u>725,819,609</u>	<u>103,499,961</u>	<u>100,044,568</u>	<u>51,492,757</u>	<u>11,113,724,431</u>
Total	<u>18,893,433,990</u>	<u>1,248,179,219</u>	<u>304,410,300</u>	<u>122,390,939</u>	<u>116,534,691</u>	<u>20,684,949,139</u>
Specific reserve	<u>0</u>	<u>97,717,906</u>	<u>61,290,662</u>	<u>71,870,323</u>	<u>54,698,738</u>	<u>285,577,629</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 December 31, 2023, the classification of the amortized cost loan portfolio by maturity profile based on Agreement No. 4-2013:

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

	<u>2022</u>			<u>Total</u>
	<u>Current</u>	<u>Past due</u>	<u>Overdue</u>	
Corporate loans and other loans	9,492,780,094	34,344,295	44,100,319	9,571,224,708
Consumer loans	<u>10,662,783,534</u>	<u>240,887,105</u>	<u>210,053,792</u>	<u>11,113,724,431</u>
Total	<u>20,155,563,628</u>	<u>275,231,400</u>	<u>254,154,111</u>	<u>20,684,949,139</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:

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

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(33) Regulatory aspects, continued

Total loans from BAC International Bank, Inc. ("Parent Bank") as of December 31, 2023, in non-interest calculation status amounts to \$146,424,441 (2022: \$172,719,922). Total unrecognized interest as income on these loans is \$8,279,947 (2022: \$15,950,374).

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 December 31, 2023, and 2022, the Bank constituted an estate provision of \$8,028,348 and \$8,878,613, 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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(33) Regulatory aspects, continued

As of December 31, 2023, 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 \$334,115,069 (2022: \$245,340,957), 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 December 31, 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:

	<u>2023</u>	<u>2022</u>
1.25%	<u>242,425,001</u>	<u>205,284,368</u>
2.50%	<u>484,850,003</u>	<u>410,568,736</u>

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

	<u>2023</u>	<u>2022</u>
Component 1		
Risk – weighted assets (credit facilities – Normal category)	19,394,000,109	16,422,749,428
For alpha coefficient (1.50%)		
Result	<u>290,910,002</u>	<u>246,341,241</u>
Component 2		
Variation (positive) between the current quarter versus the previous risk – weighted assets		
For beta coefficient (5.00%)	988,643,124	810,770,386
Result		
Less:	<u>49,432,156</u>	<u>40,538,519</u>
Component 3		
Amount of change in the balance of specific provisions in the quarter	<u>14,606,227</u>	<u>6,324,534</u>
Gross dynamic reserve balance	<u>325,735,931</u>	<u>280,555,226</u>
Plus:		
Amount restriction as set forth in paragraphs "a" and "b" of Article 37 and consolidation effect.	<u>8,379,138</u>	<u>(35,214,269)</u>
Net dynamic reserve balance	<u>334,115,069</u>	<u>245,340,957</u>

As of December 31, 2023 and 2022, the Bank did not register an excess regulatory credit reserve based on Agreement No. 4-2013.

- *Capital Management*

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets. Management considers that, as of December 31, 2023 and 2022, 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.

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(33) Regulatory aspects, continued

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

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

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

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

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

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

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

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

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(33) 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>2023</u>	<u>2022</u>
Ordinary Primary Capital (Pilar I)		
Common stocks	834,708,000	834,708,000
Additional paid in capital	140,897,488	140,897,488
Retained earnings	2,393,292,250	2,346,577,551
Non-controlling interest	260,134	273,006
Other Comprehensive losses	(358,751,532)	(549,079,111)
Less: Goodwill	(335,569,978)	(334,304,446)
Less: Intangible assets	(78,263,578)	(63,141,561)
Less: Treasury stock	<u>(5,218,370)</u>	<u>(5,218,370)</u>
Total Ordinary Primary Capital	<u>2,591,354,414</u>	<u>2,370,712,556</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>3,111,354,414</u>	<u>2,890,712,556</u>
Total Secondary Capital	<u>0</u>	<u>0</u>
Dynamic Provision	<u>334,115,069</u>	<u>245,340,957</u>
Total Regulatory Capital Fund	<u>3,445,469,483</u>	<u>3,136,053,514</u>
Total Assets Weighted by Net Risk deductions	27,354,161,149	23,970,522,249
Operational Risk Weighted Assets (Agreement No.11-2018)	<u>1,428,785,491</u>	<u>1,223,648,249</u>
Total risk weighted assets	<u>28,782,946,640</u>	<u>25,194,170,498</u>
Ratios:		
Capital Adequacy Ratio	<u>11.97%</u>	<u>12.45%</u>
Primary Capital Ratio	<u>10.81%</u>	<u>11.48%</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 December 31, 2023, was 43.32% (2022: 45.67%).

- *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) years 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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(33) Regulatory aspects, continued

As of December 31, 2023, the Bank constituted provision of the awarded properties amounting to \$6,393,409 (2022: \$5,291,493), 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.

(34) Subsequent events

The Bank has assessed the subsequent events to February 20, 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 consolidated financial statements.