

BANCO NACIONAL DE PANAMA
(Panama, Republic of Panama)

**Unaudited Condensed Interim
Financial Information and Supplementary Information**

September 30, 2024

(FREE ENGLISH LANGUAGE TRANSLATION
FROM THE SPANISH VERSION)

“This document has been prepared with the
knowledge that its contents shall be made
available to the investing and general public”

BANCO NACIONAL DE PANAMA
(Panama, Republic of Panama)

**Unaudited Condensed Interim
Financial Information and Supplementary Information**

September 30, 2024
(Unaudited)

(SIGNED)
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BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

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BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Condensed Interim Statement of Financial Position

September 30, 2024

(Expressed in Balboas)

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<u>Assets</u>			
Cash and cash equivalents	6	315,697,246	321,617,262
Deposits in banks:			
Demand deposits - foreign	6	249,252,911	50,992,900
Time deposits - local		220,226,754	260,429,903
Time deposits - foreign		2,880,364,111	3,423,920,029
Less: Reserve for bank deposit losses		34,439	19,885
Total bank deposits		3,349,809,337	3,735,322,947
Total cash, cash equivalents and bank deposits		3,665,506,583	4,056,940,209
Securities purchased under resale agreements		160,818,550	211,332,863
Less: Allowance for impairment losses		229,310	270,578
Securities purchased under resale agreements	7	160,589,240	211,062,285
Investments in securities		3,535,817,176	4,316,209,589
Less: Allowance for impairment losses		9,719,921	6,063,321
Investments in securities, net	8	3,526,097,255	4,310,146,268
Private sector loans and interest receivable		6,295,065,229	5,647,916,749
Government loans and interest receivable		1,769,871,292	837,635,369
Less: Interest and unearned commissions		63,656,967	28,430,303
Allowance for loan losses		159,456,714	144,819,612
Loans	9	7,841,822,840	6,312,302,203
Property and equipment, net		106,684,741	95,924,257
Right of use assets	10	3,406,933	1,857,924
Other assets:			
Foreclosed assets, net	11	8,635,247	7,682,826
Intangible assets		9,676,384	11,542,517
Tax credit from preferential interest on loans		66,590,416	159,130,325
Others	11	34,288,672	133,975,669
Total other assets		119,190,719	312,331,337
Total assets		15,423,298,311	15,300,564,483

The condensed interim statement of financial position should be read in conjunction with the notes that form an integral part of the condensed interim financial information.

		September 30, <u>2024</u> <u>(Unaudited)</u>	December 31, <u>2023</u> <u>(Audited)</u>
<u>Liabilities and Capital Funds</u>			
Liabilities:			
Deposits and accrued interest payable:			
Demand deposits:			
Local - private		1,078,701,391	1,374,691,719
Local - public		2,956,405,997	3,840,764,059
Foreign		379,913	264,471
Savings:			
Local - private		1,001,699,611	1,002,710,639
Foreign		3,607,813	3,153,239
Time deposits:			
Local - private		262,828,835	302,593,607
Local - public		6,012,656,464	5,612,773,252
Foreign		12,421,062	15,095,384
Restricted		39,428,237	24,417,263
Restricted - escrow funds		79,513,132	73,448,818
Total deposits and interest payable		<u>11,447,642,455</u>	<u>12,249,912,451</u>
Obligations:			
Foreign borrowings received	12	435,420,073	247,864,266
Securities sold under repurchase agreements	12	501,079,042	0
Bonds payable - local	12	206,198,906	206,267,485
Bonds payable - foreign	12	1,001,047,529	1,008,167,778
Lease liabilities	10	3,598,545	2,025,140
Other liabilities:			
Guarantee certificates for legal proceedings		127,976,302	124,374,408
Miscellaneous creditors		56,376,029	69,711,650
Cashier's and certified checks		25,640,590	23,702,278
Other		69,992,791	58,295,367
Total other liabilities		<u>279,985,712</u>	<u>276,083,703</u>
Total liabilities		<u>13,874,972,262</u>	<u>13,990,320,823</u>
Capital funds:			
Capital paid in by Government of Panama	4	1,000,000,000	1,000,000,000
Regulatory reserve for foreclosed assets		2,725,895	2,547,868
Regulatory reserve for investments in securities		65,008	59,565
Valuation of investments in securities		27,164,791	23,691,502
Actuarial valuation		4,767,697	4,767,697
Dynamic regulatory provision		92,653,612	79,811,111
Retained earnings		420,949,046	199,365,917
Total capital funds		<u>1,548,326,049</u>	<u>1,310,243,660</u>
Total liabilities and capital funds		<u>15,423,298,311</u>	<u>15,300,564,483</u>

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Condensed Interim Statement of Profit or Loss

For the nine month period ended September 30, 2024

(Expressed in Balboas)

		(Unaudited)	
	Note	September 2024	September 2023
Interest and commission income			
Interest on:			
Loans		293,900,499	251,070,699
Deposits in banks		141,070,215	125,158,600
Securities		156,788,963	128,122,795
Loan fees		8,809,442	8,496,978
Total interest and fee income		600,569,119	512,849,072
Interest expense:			
Deposits		170,128,280	132,060,218
Borrowings		32,655,944	29,482,607
Lease liabilities	10	137,413	81,480
Total interest expenses		202,921,637	161,624,305
Net interest and commission income		397,647,482	351,224,767
Provision for (Reversal of) losses in deposits with banks	4	14,554	(22,647)
Provision for losses on investment securities at AC	4	3,615,332	771,906
Provision for losses on investment securities at FVOCI	4	29,473	0
Provision for loan losses	4	18,804,710	21,110,205
Provision for valuation of foreclosed assets	11	570,543	329,702
Net interest and commission income, after provisions		374,612,870	329,035,601
Other income:			
Fees for banking services	14	21,545,312	21,261,149
Dividends received	8	1,566,568	2,016,852
Net gain on investments in securities		3,448,364	1,834,956
Other		17,829,608	11,291,186
Total other income		44,389,852	36,404,143
Other expenses:			
(Reversal of) provision for fiscal credits		(2,333,886)	1,108,458
Provision for loans commitments		1,529,821	215,916
Reversal of provision for subsidies		(94,868)	(65,324)
Commissions		316,428	268,844
Total other expenses		(582,505)	1,527,894
Total other income, net		44,972,357	34,876,249
General and administrative expenses:			
Salaries and other personnel expenses		97,190,391	90,082,034
Rentals		1,149,889	1,025,221
Repairs and maintenance		16,223,344	13,076,755
Depreciation and amortization		9,527,500	9,896,800
Electricity		3,102,532	2,562,023
Advertising		3,783,176	3,496,963
Communications		9,517,895	8,408,978
Insurance		705,437	608,637
Stationery and office supplies		1,380,170	1,387,071
Fees and professional services		3,901,560	3,757,572
Transportation of personnel		1,117,016	836,987
Transportation of valuables		2,710,381	2,338,935
ATM's		2,346,346	2,189,920
Other		5,253,632	6,162,605
Total general and administrative expenses		157,909,269	145,830,501
Net income		261,675,958	218,081,349

The condensed interim statement of profit or loss should be read in conjunction with the notes that are an integral part of the condensed interim financial information.

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Condensed Interim Statement of Comprehensive Income

For the nine month period ended September 30, 2024

(Expressed in Balboas)

		(Unaudited)	
	Note	September 2024	September 2023
Net income		<u>261,675,958</u>	<u>218,081,349</u>
Other comprehensive income:			
Items that may not be reclassified to the statement of profit or loss:			
Net change in valuation of shares at fair value with changes in other comprehensive income (FVOCI)	8	<u>2,010,168</u>	<u>13,119,155</u>
		2,010,168	13,119,155
Items that are or may be reclassified to the statement of profit or loss:			
Net change in valuation of investments at fair value with changes in other comprehensive income (FVOCI)	8	<u>1,463,121</u>	<u>0</u>
		3,473,289	13,119,155
Other comprehensive income for the period		<u>3,473,289</u>	<u>13,119,155</u>
Total comprehensive income for the period		<u><u>265,149,247</u></u>	<u><u>231,200,504</u></u>

The condensed interim statement of comprehensive income should be read in conjunction with the notes that are an integral part of the condensed interim financial information.

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Condensed Interim Statement of Changes in Capital Funds

For the nine month period ended September 30, 2024

(Expressed in Balboas)

	<u>Note</u>	<u>Capital Paid-in by the Government of Panama</u>	<u>Regulatory reserve for foreclosed assets</u>	<u>Regulatory reserve for investments in securities</u>	<u>Valuation of investments in securities</u>	<u>Actuarial valuation</u>	<u>Dynamic regulatory provision</u>	<u>Retained earnings</u>	<u>Total capital funds</u>
Balance as of December 31, 2022 (Audited)		850,000,000	3,269,898	9,675	8,125,189	4,314,743	56,928,983	218,863,498	1,141,511,986
Net income, September 30, 2023		0	0	0	0	0	0	218,081,349	218,081,349
Other comprehensive income:									
Net change in valuation of investments at FVOCI	8	0	0	0	13,119,155	0	0	0	13,119,155
Total other income comprehensive income for the period		0	0	0	13,119,155	0	0	0	13,119,155
Total comprehensive income for the period		0	0	0	13,119,155	0	0	218,081,349	231,200,504
Other capital funds movements:									
Regulatory reserve for foreclosed assets		0	(80,460)	0	0	0	0	80,460	0
Dynamic regulatory provision		0	0	0	0	0	11,521,896	(11,521,896)	0
Regulatory reserve for investments in securities		0	0	46,750	0	0	0	(46,750)	0
Total other capital funds movements		0	(80,460)	46,750	0	0	11,521,896	(11,488,186)	0
Transactions recorded directly in capital funds:									
Capitalization of retained earnings		150,000,000	0	0	0	0	0	(150,000,000)	0
Earnings distributed to the Government of Panama (period 2022)		0	0	0	0	0	0	(19,873,532)	(19,873,532)
Total transactions recorded directly in capital funds		150,000,000	0	0	0	0	0	(169,873,532)	(19,873,532)
Balance as of September 30, 2023 (Unaudited)		1,000,000,000	3,189,438	56,425	21,244,344	4,314,743	68,450,879	255,583,129	1,352,838,958
Balance as of December 31, 2023 (Audited)		1,000,000,000	2,547,868	59,565	23,691,502	4,767,697	79,811,111	199,365,917	1,310,243,660
Net income, September 30, 2024		0	0	0	0	0	0	261,675,958	261,675,958
Other comprehensive income:									
Net change in valuation of investments at FVOCI	8	0	0	0	3,473,289	0	0	0	3,473,289
Total other comprehensive income for the period		0	0	0	3,473,289	0	0	0	3,473,289
Total comprehensive income for the period		0	0	0	3,473,289	0	0	261,675,958	265,149,247
Other capital funds movements:									
Regulatory reserve for foreclosed assets		0	178,027	0	0	0	0	(178,027)	0
Dynamic regulatory provision		0	0	0	0	0	12,842,501	(12,842,501)	0
Regulatory reserve for investments in securities		0	0	5,443	0	0	0	(5,443)	0
Total other capital funds movements		0	178,027	5,443	0	0	12,842,501	(13,025,971)	0
Transactions recorded directly in capital funds:									
Earnings distributed to the Government of Panama (period 2023)		0	0	0	0	0	0	(27,066,858)	(27,066,858)
Total transactions recorded directly in capital funds		0	0	0	0	0	0	(27,066,858)	(27,066,858)
Balance as of September 30, 2024 (Unaudited)		1,000,000,000	2,725,895	65,008	27,164,791	4,767,697	92,653,612	420,949,046	1,548,326,049

The condensed interim statement of changes in capital funds must be read in conjunction with the notes that are an integral part of the condensed interim financial information.

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Condensed Interim Statement of Cash Flows

For the nine month period ended September 30, 2024

(Expressed in Balboas)

		(Unaudited)	
	Note	September 2024	September 2023
Operating activities:			
Net income		261,675,958	218,081,349
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and amortization		9,527,500	9,896,800
Provision for (reversal of) losses in deposits with banks	4	14,554	(22,647)
Provision for losses on investment in securities at AC	4	3,615,332	771,906
Provision for losses on investment in securities at FVOCI		29,473	0
Provision for loan losses	4	18,804,710	21,110,205
Provision for valuation of foreclosed assets	11	570,543	329,702
(Reversal of) provision for tax credits		(2,333,886)	1,108,458
Provision for loan commitments		1,529,821	215,916
Reversal of provision for subsidies		(94,868)	(65,324)
Net gain on sale of foreclosed assets		(7,369,351)	(901,976)
Net loss on disposal of furniture and equipment		81,840	1,066
Dividends	8	(1,566,568)	(2,016,852)
Net gain on valuation of investments in securities		(3,448,364)	(1,834,956)
Net interest and commission income		(397,647,482)	(351,224,767)
Changes in operating assets and liabilities:			
Time deposits in banks with original maturities greater than 90 days	6	(100,000,000)	0
Securities purchased under resale agreements		48,552,229	32,471,563
Investments in securities at FVTPL		(7,988,937)	(6,659,168)
Loans		(1,538,978,074)	(739,995,976)
Other assets		192,973,097	(2,697,051)
Demand deposits received		(1,180,232,948)	(388,051,450)
Savings deposits received		(556,454)	3,339,210
Time deposits received		372,591,427	(1,280,009,848)
Guarantee certificates for legal proceedings		3,546,878	5,917,511
Cashier's and certified checks		1,938,311	(243,667)
Miscellaneous creditors		(13,335,620)	108,491,999
Other liabilities		10,167,604	(819,381)
Cash generated from operation:			
Interest and commissions received		567,122,869	484,890,879
Interest paid		(212,298,162)	(169,828,381)
Dividends received		1,566,568	2,016,852
Cash flows from operating activities		(1,971,542,000)	(2,055,728,028)
Investment activities:			
Acquisition of investments in securities at AC		(4,530,664,403)	(3,700,563,214)
Redemptions of investments in securities at AC	8	5,444,900,275	4,147,796,274
Proceeds from the sale of securities at AC		0	4,437,500
Acquisition of investments in securities at FVOCI		(90,142,215)	0
Acquisition of furniture and equipment		(17,221,090)	(13,462,212)
Acquisition of intangible assets		(164,210)	(2,280,128)
Proceeds from sale of foreclosed assets		7,528,948	1,589,226
Cash flows from investing activities		814,237,305	437,517,446
Financing activities:			
New borrowings received	12	262,155,209	0
Payments of borrowings received	12	(65,454,545)	(65,454,545)
New securities sold under repurchase agreements	16	549,856,122	0
Payments of securities sold under repurchase agreements	16	(49,751,243)	0
Earnings distributed to the Government of Panama		(27,066,858)	(19,873,532)
Lease payments	10	(1,093,995)	(1,052,348)
Cash flows from financing activities		668,644,690	(86,380,425)
Net decrease in cash and cash equivalents		(488,660,005)	(1,704,591,007)
Cash and cash equivalents at the beginning of the period		4,052,610,162	4,600,234,936
Cash and cash equivalents at the end of the period	6	3,563,950,157	2,895,643,929

The condensed interim statement of cash flows should be read in conjunction with the notes that are an integral part of the condensed interim financial information.

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Notes to the Condensed Interim Financial Information

September 30, 2024

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BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Notes to the Condensed Interim Financial Information

September 30, 2024

(Expressed in Balboas)

(1) Incorporation and Operations

Banco Nacional de Panama (the “Bank”) was created by Laws No.74 of 1904, 6 of January of 1911 and 11 of 1956, reorganized by Law No.20 of 1975, subrogated by Decree-Law 4 of 2006, as amended by Law No.24 of 2017; the Bank is an autonomous public entity with its specific legal status, own capital funds, autonomous and independent in its regulations, budget and internal management, subject to the supervision of the Executive Body and the corresponding supervisory bodies, under the terms established by the Law. As the Nation's primary financial institution, the Bank is responsible, in addition to the objectives described in the aforementioned law, for performing banking activities within the official sector, and obtaining the necessary funds to develop the national economy.

The Bank is exempt of any tax and other fiscal contributions, either national or municipal, with the exception of employer's contributions to social security, educational insurance, professional risks, fees for public services and other exceptions provided for in the Law.

The Bank is granted procedural privileges in any judicial or administrative litigation in which it is a party, and summary jurisdiction to enforce the collection of overdue credits owed to the Bank.

The Bank is responsible for directing and managing the check and payment clearing operations for the entire national banking system.

The main office is located at Torre Banco Nacional, Via España and 55th Street, Panama City, Republic of Panama.

(2) Basis of Preparation

(a) *Statement of Compliance*

These condensed interim financial information statements has been prepared in accordance with International Accounting Standard (“IAS”) No. 34 Interim Financial Information, which is part of IFRS Accounting Standards, as issued by the International Accounting Standards Board.

These condensed interim financial information statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements. Although management believes that the disclosures included are adequate so that the financial information is interpreted incorrectly, it is suggested that this condensed interim financial information as of September 30, 2024, be read in conjunction with the Bank's audited financial statements for the year ended December 31, 2023.

BANCO NACIONAL DE PANAMA

(Panama, Republic of Panama)

Notes to the Condensed Interim Financial Information

(2) Basis of Preparation, continued

These condensed interim financial information and supplementary information was approved by the Bank's management for issuance on October 29, 2024.

(b) *Basis of Measurement*

These condensed interim financial information statements have been prepared on a historical cost or amortized cost (AC) basis, except for certain investments in securities at fair value through profit or loss, investments in securities at fair value with changes in other comprehensive income; and foreclosed assets of borrowers, which are measured at the lower of book value or fair value less costs to sell. Right-of-use assets are measured using discounted cash flows; and certain labor liabilities recognized in accordance with actuarial studies.

The Bank recognizes financial assets and financial liabilities at the settlement date.

(c) *Functional and Presentation Currency*

These condensed interim financial information statements are presented in balboas (B/). The balboa is the monetary unit of the Republic of Panama, which is at par and freely exchangeable with the dollar of the United States of America (US\$). The Republic of Panama does not issue its own paper currency, and in lieu, the dollar (US\$) of the United States of America is used as legal tender and is considered the functional currency of the Bank.

(3) Summary of Material Accounting Policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the financial statements for the year ended December 31, 2023.

(a) *Fair Value Measurement*

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants on the measurement date, or in its absence, in the most advantageous market that the Bank has access to at the time. The fair value of a liability reflects the effect of default risk.

Where applicable, the Bank measures the fair value of an instrument using a price quoted in an active market for that instrument. A market is considered active if transactions of these assets or liabilities occur with enough frequency and volume to provide information for pricing on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would consider when pricing a transaction.

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

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

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Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

(b) *Foreign Currency Transactions*

Assets and liabilities held in foreign currencies are converted to balboas at the exchange rate prevailing on the reporting date.

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transactions. Gains or losses on foreign currency translation are reflected in the accounts of other income or other expenses in the condensed interim statement of profit or loss.

(c) *Cash and Cash Equivalents*

For purposes of the condensed interim statement of cash flows, cash equivalents include deposits with banks with original maturities of three months or less.

(d) *Securities Purchased under Resale Agreements*

Resale agreements represent secured financing transactions and are stated at the amount at which the securities are acquired, plus accrued financial returns. Generally, the Bank takes possession of securities purchased under resale agreements. The related income or expense is recognized in the condensed interim statement of profit or loss.

(e) *Financial Assets*

(e.1) *Classification and measurement of financial instruments*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. According to the business model adopted, the Bank, classifies financial assets as: measured at amortized cost (AC), at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Business model assessment

The Bank makes an assessment of the business model for each group of financial instruments, in order to reflect the best way the business is managed, and information is provided to management. The information includes:

- The policies and objectives identified for each group of financial instruments and the compliance with those guidelines in practice. These include whether management's strategy focuses on earning contractual interest revenue, or the sale of assets, achieving expected returns according to the business model;
- The measurement and management of risks that affect the compliance with the business model and the performance of financial instruments;
- How the business managers 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 periods, the reasons for such sales and expectations about future sales activity.

Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

Assessment of whether contractual cash flows are solely payments of principal and interests (SPPI)

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

In assessing whether the contractual cash flows are solely payments of principal and interests, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specific assets (for example, non-recourse asset agreements); and
- Features that modify consideration of the time value of money (for example, periodical reset of interest rates).

Classification and Measurement

The Bank classifies a financial asset at AC and not at FVTPL if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to obtain contractual cash flows; and
- The contractual terms of the financial asset meet SPPI criteria.

A financial asset is classified as FVOCI only if it meets both of the following conditions and has not been designated as a FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and
- The contractual terms of the financial asset meet SPPI criteria.

The Bank classifies a financial asset at FVTPL if the contractual cash flows do not meet SPPI criteria.

On initial recognition of an equity investment that is not held for trading, the Bank irrevocably elected to designate such investments as measured at FVOCI, and therefore they are measured at fair value and changes in fair value are recognized directly in the condensed interim statement of comprehensive income.

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Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

Financial assets are not reclassified after initial recognition, except if the Bank changes its business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured initially at fair value plus transaction-related costs directly attributable to its acquisition; except for investments accounted for at FVTPL.

The following accounting policies are applied to the subsequent measurement of financial assets.

Financial assets at AC	These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced for an impairment loss. Interest income and loss due to impairment are recognized in the condensed interim statement of profit or loss, as well as any profit or loss at disposal.
Equity investments and Investments in debt securities at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in the condensed interim statement of comprehensive income and for equity instruments they will never be recognized in the condensed interim statement of profit or loss.
Investments in FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the condensed interim statement of profit or loss.

Financial assets derecognition

A financial asset (or, in some cases, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Contractual rights to the cash flows from the financial asset expire.
- The Bank has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
- The Bank retains the rights to receive the contractual cash flows of the asset but has the obligation to pay the total amount of cash flows received, without a material delay to a third party.
- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a transferred agreement and has not transferred nor retained any substantial risk or benefit from the asset, nor transferred the control of the asset, the asset is recognized to the extent of the Bank's ownership over the asset. In that case, the Bank also recognizes the associated liability. The transferred asset and the associated liability are based on a measure that reflects the contractual right and obligations that the Bank has retained. The continuous participation that takes the form of a guarantee on the transferred asset is measured at the lowest of the original book value of the asset and the maximum amount of consideration that the Bank could be obliged to pay.

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(3) Summary of Material Accounting Policies, continued

The Bank enters into transactions whereby it transfers assets recognized on its condensed interim statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized.

Modified or Restructured Financial Assets

The contractual terms of the loans may be modified for various reasons, such as difficulties in the debtor's ability to pay, changes in market conditions, customer retention or other factors unrelated to an actual or potential impairment of the loan.

The Bank renegotiates loans to customers in financial difficulties to maximize collection opportunities and minimize the probability of default. The Bank's policies consider the granting of concessions that generally correspond to decreases in interest rates, changes in terms or changes in payments. These loans, once restructured, are classified within the category in which they were at the time of their restructuring or in a higher risk category and will remain in that category for a prudential period, which will not be less than 6 months or their next payment period, if this is longer.

After this period, the Bank will evaluate if, according to its payment capacity and compliance with its obligations, there is a basis for its classification to a lower risk category or, on the contrary, it should be classified in a higher category.

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

- PD "Probability of Default", for the remaining life at the reporting date based on the modified terms with;
- PD for the estimated remaining life based on data at the initial recognition date and the original contractual terms.

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

Generally, restructuring indicators are a relevant factor in the increase of credit risk. Therefore, a restructured debtor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered an impaired credit or that the PD has decreased such that the provision can be reversed and the credit measured for impairment within 12 months from the reporting date.

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Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

(e.2) Impairment of financial assets

IFRS 9 requires that considerable judgment be applied with respect to how changes in economic factors affect the "expected credit loss" ECL, which will be determined on a weighted average basis.

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

- Deposits with banks
- Investments in debt instruments
- Loans
- Irrevocable loan commitments

No impairment losses are recognized on equity investments.

The ECL is measured on the following basis:

- 12-month ECL is the portion of the ECL resulting from default events on a financial instrument that are possible within 12 months after the reporting date.
- Lifetime asset – ECL are the losses that result from all possible impairment events over the life of a financial instrument.

Allowance for losses are recognized at an amount equal to the lifetime ECL, except for the following cases in which the recognized amount is equivalent to 12-month ECL:

- Investments in debt instruments that are determined to reflect low credit risk at the reporting date; and
- Other financial instruments (other than leases receivable) for which the credit risk has not increased significantly since initial recognition.

Significant increase in credit risk

The assessment of whether there has been a significant increase in the credit risk of a financial asset is one of the critical judgments implemented in the impairment model.

When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

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(3) Summary of Material Accounting Policies, continued

Definition of Default

When evaluating whether a debtor is in default, the Bank will consider both qualitative and quantitative indicators:

- Qualitative (e.g. breach of contract covenants).
- Quantitative (e.g. default status and non-payment of another obligation of the same borrower to the Bank); and
- Based on internally developed data (for loans and local investments in securities) and data obtained from external sources, such as risk ratings by rating agencies (for cases of deposits and foreign investments in securities) and Panama's sovereign risk.

Inputs in ECL Measurement

The key inputs in ECL measurement are usually the term structures of the following variables:

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

The Bank obtains these parameters from internal statistical models and other historical data, which are adjusted to reflect forward-looking information as described above.

The estimates of the PD are made at a certain date, at which the Bank uses statistical credit rating models. These statistical models are based on internally compiled data composed of both qualitative and quantitative factors. Similarly, market information for prospective analysis, when available, is used to adjust the loan portfolio's PD. The statistical analyses carried out determined that the monthly economic activity index (IMAE) and the 180-day deposit rates are the macroeconomic variables that have the greatest correlation with the levels of past-due loans by segments of the Bank's economic activity.

To determine the PD for the portfolios of interbank placements and investments in sovereign entities and financial institutions, market information from external rating agencies is used. The Bank established that it is not necessary to incorporate the impact of the context of macroeconomic variables for prospective analysis, since the external ratings produced by the rating agencies capture such impacts.

The LGD is the magnitude of the loss given a default event. The Bank estimates the parameters of the LGD based on a historical recovery rate of claims against counterparties in default (delinquency greater than 90 days). LGD models consider the structure, collateral, counterparty portfolio segment and recovery costs resulting from collection management and any comprehensive collateral on the financial asset. It should be calculated on a discounted cash flow basis using the effective interest rate of the loans as a discount factor.

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(3) Summary of Material Accounting Policies, continued

The EAD represents the expected exposure in the event of default. The Bank determines the EAD of the current exposure to the counterparty and potential changes to the current amount allowed under contract, including any amortization. For loan commitments, financial guarantees and unused overdraft line balances, the EAD considers the standards proposed by the Basel Committee on Banking Supervision (Basel II and III) regarding the conversion of credit exposures through the use of Credit Factors Conversion (CCF).

The Bank assesses at each reporting date, the ECL of financial assets held at amortized cost. The amount of losses determined during the period is recognized as a provision expense in profit or loss and increases a reserve account for losses on loans, deposits in banks or investments in securities at amortized cost. The reserve is presented as a deduction from the financial assets that generated it, in the condensed interim statement of financial position.

When a loan is determined to be uncollectible, the unrecoverable amount is decreased from the referred reserve account. Subsequent recoveries of loans previously written off as uncollectible increase the reserve account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by decreasing the allowance account for losses on loans, investments in securities at amortized cost or deposits in banks, as applicable. The amount of any reversal is recognized in the condensed interim statement of profit or loss.

The Bank has approved policies for determining the write-off of loans that are uncollectible. This decision is made after an analysis of the days in arrears of the loan, the financial conditions and payment capacity of the debtor(s) and the evaluation of the risk mitigating collateral that support the loan. For loans of smaller amounts, write-offs are generally based on the length of time past due on the loan.

Incorporation of Forward-Looking Information

The incorporation of forward-looking information in the process of estimating the expected credit loss (ECL) in the Bank is made based on the possible impact that could be recognized in the value of those losses, caused by expected changes in the short and medium term of the behavior of macroeconomic variables that could affect the flow of payments of the assets.

The methodology used in the Bank, for the purpose of incorporating forward looking information, was based on the relationship between macroeconomic variables and credit losses. The process of defining the most significant variables among the universe of those available, consists of two steps.

Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

The first consists of the projection of macroeconomic variables for 12 months (monthly economic activity index "IMAE" and deposit rates for 180 days). These macroeconomic variables were chosen due to their degree of correlation with the Bank's past due portfolio. The second step consists of creating regression models that correlate the behavior of macroeconomic variables (independent variables) with the proportion of overdue balances of each segment of the loan portfolio (dependent variables). This calculation allows us to determine whether the latter could explain and/or reasonably infer possible impacts on the payment behavior of credit assets in the future. It considers the variable that is adequately related to losses.

In November 2023, the Bank updated the model by incorporating prospective information for reserve calculations. The previous model was limited to a single macroeconomic variable, known as the IMAE. In contrast, the new model incorporates two variables: the IMAE and the new 180-day deposit rate variable, also obtained from official sources, such as the Superintendency of Banks of Panama, thus providing a greater degree of soundness to the model.

Loan Impairment

The Bank determines the expected loss on loans using two bases for the assessment:

- *Individually Assessed Loans*

If an individually significant instrument meets the criteria defined in the Bank's internal policies, the calculation of impairment losses is carried out on an individual basis. Among the elements used, the exposure, its classification, the collateral that support the credit, among others, are considered. If a loan does not meet the criteria defined by the Bank to be individually assessed, it is included in a group of loans with similar credit risk characteristics and is assessed collectively. The loss for the instruments assessed individually is calculated considering the present value of the expected future cash flows, discounted at the current loan rate or the fair value of the loan collateral, against its current book value, to calculate the LGD, and the amount of any loss is recognized as a provision for losses in the condensed interim statement of profit or loss.

- *Collectively Assessed Loans*

For purposes of a collective assessment for impairment of loans, the Bank mainly uses statistical methods with a formula approach based on historical loss rate experience, the opportunity of recoveries and the actual loss incurred and makes an adjustment if current economic and credit conditions are such that it is likely that the actual losses are higher or lower than those suggested by historical trends. Roll rates, loss rates and the expected future recovery terms are regularly benchmarked against actual loss experience, in order to ensure that they are still appropriate.

Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

Credit Risk Rating

The Bank assigns a credit rating to each exposure based on predictive models developed to predict default. These risk classifications are defined using qualitative and quantitative factors that are indicative of risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Because the Bank uses credit risk ratings as an input for the calculation of the PD, it considers the credit risk rating based on the information available about the obligor at the time of initial recognition. Exposures will be subject to ongoing monitoring, which may result in the shift of an exposure to a different credit risk rating.

Generating the Term Structure of PD

Credit risk classifications are the main input to determine the PD term structure for the different loan portfolios. The Bank obtains performance and loss information on credit risk exposures analyzed by jurisdiction or region, by type of product and borrower, as well as by credit risk rating. For some portfolios, information from external rating agencies also may be used.

Significant Increase in Credit Risk in the Loan Portfolio

The Bank considers a loan with a significant increase in risk by business segments of the loan portfolio when: it is between the rating (1) and the rating (4) with a default of more than 60 days for all business segments, with the exception of the retired and commercial segments, for which it has also been determined that their default is more than 30 days.

Definition of Default in the Loan Portfolio

The Bank considers a financial asset to be in default by business segment when the debtor by business segment falls into regulatory classifications of doubtful (4) and irrecoverable (5); in addition to sub-standard with delinquency over 90 days and for the retiree segment in the substandard, doubtful and loss classifications.

The Bank established the stages of credit impairment set forth in IFRS 9, incorporating qualitative and quantitative aspects. In this sense, the Bank recognizes as impaired those credits with a default of more than 90 days and those in rating (7), even when the latter are up to date.

The following table shows the stages of impairment by business segment established for the loan portfolio:

<u>Segment</u>	<u>SBP regulatory classification categories</u>		
	<u>Low Risk</u>	<u>Significant Risk</u>	<u>Default</u>
Agriculture	1 - 4	1 - 4 (more than 60 days)	7
Livestock	1 - 4	1 - 4 (more than 60 days)	7
Commercial	1 - 4	1 - 4 (more than 30 days)	7
Consumer	1 - 4	1 - 4 (more than 60 days)	7
Consumer - Retirees	1 - 4	1 - 4 (more than 30 days)	7
Mortgage - Preferential	1 - 4	1 - 4 (more than 60 days)	7
Mortgage - Non-Preferential	1 - 4	1 - 4 (more than 60 days)	7

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(3) Summary of Material Accounting Policies, continued

Impairment of deposits in banks and investments in securities at AC

The level of the financial instruments is determined, since the horizon at which the EAD and PD will be determined depends on it. This is why the Bank has defined as the only quantitative factor for determining the existence of a significant increase in credit risk, the drop in risk ratings from the date of purchase.

- (Level 1) Low risk: low-risk instruments, i.e. those with an investment grade greater than or equal to BBB- at the time of presentation; and for financial instruments rated as BB+, BB and BB- that maintained the same rating from their acquisition until the date of presentation.
- (Level 2) Significant risk: Instruments previously at low risk, whose ratings have deteriorated to below BB but above CCC.
- (Level 3) Default: instruments that have a rating lower than or equal to CCC.

In certain instances, using expert judgment and, to the extent possible, relevant historical experience, the Bank may determine that an exposure has significantly increased its credit risk based on particular qualitative indicators that it believes are indicative of this and whose effect would not otherwise be fully reflected through timely quantitative analysis.

The Bank intends to monitor the effectiveness of the criteria used to identify significant increases in credit risk through regular reviews to confirm that the criteria can identify significant increases in credit risk before an exposure is in default.

Presentation of allowance for expected credit losses (ECL) in the condensed interim statement of financial position

Loss allowances for ECL are presented in the condensed interim statement of financial position as follows:

- Financial assets measured at AC: as a deduction from the gross carrying amount of the assets; and,
- Loan commitments and financial guarantee contracts: generally, as a provision in liabilities.

(f) Dynamic Provision

The dynamic provision is an equity item that will be increased or decreased through transfers from and to retained earnings and is accounted for by requirement of Agreement No. 004-2013 of the Superintendency of Banks of Panama.

(g) Property and Equipment

Property includes land and buildings used by the Bank's offices and branches. Property and equipment are recorded at historical cost and are shown net of accumulated depreciation and amortization.

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(3) Summary of Material Accounting Policies, continued

Subsequent major improvements are included in the carrying value of the assets or are recognized as a separate asset, as appropriate. Other repairs and improvements that do not significantly extend the life of the asset are recognized as expenses in the condensed interim statement of income as incurred.

Depreciation and amortization expenses are recognized in current operations, using the straight-line method, over the estimated useful life of the related assets up to their residual value, except for land which is not depreciated. The estimated useful life of the assets is summarized as follows:

Buildings	40 years
Improvements	5 to 20 years
Furniture and equipment	5 to 20 years
Transportation equipment	4 to 11.6 years

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

(h) Leases

At 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 conveys the use of an asset: This may be specified explicitly or implicitly and must be physically identifiable or represents substantially all of the capacity of a physically identifiable asset. If the supplier has the right of a substantial substitution, then an asset is not identified;
- The Bank has the right to substantially obtain all of the economic benefits arising from the use of the asset during 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, when the decision on 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.

Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

At inception or reassessment date of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component based on its relative independent prices. However, for leases of administrative offices and bank branches, ATM's space, parking lots/land, multifunctional/printers and warehouses/deposits in which it is the lessee, the Bank has elected not to separate the non-lease components, and to account for the lease components to be recognized as a single lease component.

As a Lessee

The Bank recognizes a right-of-use asset and a lease liability at the inception date of the lease. 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 on or before the inception date, plus an estimate of the costs to dismantle and dispose of the underlying asset or to restore the underlying asset or its site, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method directly from the inception date to the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Additionally, the right-of-use asset is periodically reduced for impairment losses, if applicable, and adjusted for certain new measurements of the lease liability.

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

- Fixed payments, including essentially fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the inception 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 option to extend the term of the contract, and penalty payments for early termination of a lease unless the Bank is reasonably certain not to terminate the contract 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.

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

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(3) Summary of Material Accounting Policies, continued

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 its administrative offices and bank branches, ATM's space, warehouses/deposits, parking lots/land and multifunctional/printers that have a term of 12 months or less. The Bank recognizes lease payments associated with these leases as a straight-line expense over the term of the lease.

Application of the Portfolio Approach

The Bank decided to apply, to the extent possible, the practical record of applying the portfolio approach to leases with similar characteristics and it is reasonably expected that the financial statement effects of applying this standard to the portfolio would not differ significantly from its application to individual leases of its portfolio.

The main elements considered in the determination of lease portfolios are: the type of underlying asset and the remaining term of the contract. Considering the above, the contracts included in the different portfolios will be accounted for together and the standard will not be applied individually.

(i) Intangible Assets

Intangible assets acquired separately are presented at historical cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over their estimated useful lives of 5 to 10 years. Acquired computer software licenses are capitalized based on the costs incurred to acquire and be able to use the specific technological program. Intangible assets are subject to periodic evaluations to determine if there are signs of impairment or when there are events or changes that indicate that the book value may not be recoverable.

(j) Foreclosed Borrowers' Assets

Foreclosed borrower's assets are recognized at the lowest value of the carrying value of the unpaid loans and the fair value of the asset less the cost of sale. The difference between these values is maintained as an impairment allowance, in order to maintain control over the original value of the foreclosed assets recognized. The provision for impairment is recognized in the condensed interim statement of profit or loss.

(k) Customer Deposits and Obligations

Customer deposits are initially measured at fair value. Subsequently, they are measured at amortized cost, using the effective interest rate method. Obligations include borrowings and issued bonds payable.

(l) Securities Sold under Agreements to Repurchase

Securities sold under repurchase agreements are short-term financing transactions collateralized by securities, in which there is an obligation to repurchase the securities sold at a future date and at a specified price. The difference between the sale price and the future purchase value is recognized as interest expense under the effective interest rate method.

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(3) Summary of Material Accounting Policies, continued

(m) *Guarantee Certificates for Legal Proceedings*

The funds that support guarantee certificates and/or judicial deposit certificates are deposited under the provisions of article 570 of the Judicial Code, as amended by article 9 of Law 67 of October 30, 2009, to guarantee the results of judicial proceedings or as bail to ensure the personal freedom of a person subject to criminal proceedings. These funds are measured at amortized cost and generate interest at the rate established by the Bank and are received in custody, by provision of tax Law and the funds are consigned to the orders of the respective judge subject to compliance with a judicial process.

(n) *Bonus Provision and Seniority Premium*

The Bank grants a seniority bonus to Bank employees when the following two conditions are met: having accumulated fifteen or more years of service and ending the employment relationship due to old-age pension or absolute disability.

The Bank's employees, regardless of the reason for termination of duties, will be entitled to receive a seniority premium, at the rate of one week's salary for each year of service at the Bank from the beginning of the permanent relationship until termination.

The cost of providing these benefits and rights is determined annually by an actuary using the projected unit credit method. Actuarial gains and losses are fully recognized in the period in which they occur in other comprehensive income. The liability comprises the present value of the obligations held for defined benefits.

The Bank determines the net interest cost on the net defined benefit liability for the period, applying the discount rate used to measure the defined benefit obligation at the beginning of the year, taking into account any changes in the benefit liability during the period as a result of benefit payments.

(o) *Interest Income and Expense*

Interest income and expenses, including interest discounted in advance are generally recognized in the condensed interim income statement for all financial instruments using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable or payable over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the ECL. For credit-impaired financial assets, the credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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(3) Summary of Material Accounting Policies, continued

The calculation of the effective interest rate includes transaction costs and fees. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus the principal repayments, plus or minus the accumulated amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for ECL allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount (when the asset is not credit-impaired) or to the amortized cost of the liability.

For financial assets that became credit-impaired after initial recognition, interest income is calculated applying the effective interest rate to the amortized cost of the financial asset.

Presentation

Interest income and expense presented in the condensed interim statement of profit and loss and in the condensed interim statement of comprehensive income include the interest on financial assets at AC and financial liabilities at AC calculated based on the effective interest rate.

(p) *Performance Obligations and Revenue Recognition Policy for Commissions*

Commission revenue from contracts with customers, except commissions on loans, is measured based on the consideration specified in a contract with a customer. The Bank recognizes the revenue when the customer receives the service.

Notes to the Condensed Interim Financial Information

(3) Summary of Material Accounting Policies, continued

The following table presents information on the nature and timing of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Corporate and Commercial Banking, Agriculture and Forestry, Consumer, Financial Institutions and Public Sector	<p>The Bank provides banking services to corporate clients and individuals, including management of bank accounts, credit and overdraft lines, credit cards and other banking services. The Bank reviews its service fees periodically.</p> <p>Charges for services related to account management are made directly to the customer's account at the time it is provided.</p> <p>Fees for credit lines and overdrafts are charged directly to the customer's account when the transaction takes place.</p> <p>Banking service charges are made monthly and are based on rates reviewed periodically by the Bank.</p>	<p>Income from bank account management services and fees for banking services are recognized over the time the services are provided.</p> <p>Revenue related to transactions is recognized at the time the transaction takes place.</p>
Treasury and Capital Markets	<p>The treasury segment includes the Brokerage House, which provides various financial services including stock brokerage on behalf of third parties or for its own account, custody of securities and investment advice.</p> <p>Fees are charged for ongoing services on a monthly basis directly to the client's bank account.</p> <p>Commissions based on transactions linked to stock brokerage are charged when the transaction is carried out.</p>	<p>Revenue from securities management and custody services is recognized over the period in which the services are provided.</p> <p>Revenue related to transactions is recognized at the time the transaction takes place.</p>
Asset Management	<p>The Bank provides asset management services.</p> <p>Fees for asset management services are calculated based on negotiation with customers and are charged on an annual basis.</p>	<p>Asset management revenue is recognized over time as the services are provided.</p>

(q) New IFRS Accounting Standards and Interpretations Not Yet Adopted

New standards, interpretations and amendments to IFRS Accounting Standards have been published, but are not mandatory as of September 30, 2024, and have not been early adopted by the Bank.

The following amendments to IFRS Accounting Standards are not expected to have a significant impact on the Bank's financial statements:

<u>Amendments</u>	<u>Effective for annual reporting periods beginning:</u>
Lack of Exchangeability – Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> .	January 1, 2025
Amendments to IFRS 9 and IFRS 7: <i>Classification and Measurement of Financial Instruments</i>	January 1, 2026
IFRS 18: <i>Presentation and Information to be Disclosed in the Financial Statements</i>	January 1, 2027
IFRS 19: <i>Subsidiaries without Public Accountability: Information to Disclose</i>	January 1, 2027

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Notes to the Condensed Interim Financial Information

(4) Financial Risks Management

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank's activities relate primarily to the use of financial instruments and, as such, the condensed interim statement of financial position consists mainly of financial instruments.

The Bank's Board of Directors has the responsibility for establishing and monitoring financial instruments risk management. For this purpose, it has appointed certain committees to manage and periodically monitor the risks to which the Bank is exposed to. These committees are: Risks and Policies Steering Committee, Credit Steering Committee, Audit Steering Committee and the Money Laundering Prevention Steering Committee.

Additionally, the Bank is subject to the regulations of the Superintendency of Banks of Panama and the Securities Exchange Superintendency of Panama, related to concentration, liquidity and capitalization risks, among others.

The main risks identified by the Bank are credit, liquidity, market and operational risks, which are described below:

(a) Credit Risk

This is the risk that the debtor, issuer or counterparty of a financial asset owned by the Bank will not comply, fully and on time, with any payment due to the Bank in accordance with the terms and conditions agreed at the time the Bank acquired or originated the respective financial asset. To assume this risk, the Bank has a management framework whose main elements include:

- The risk analysis or pre-approval is carried out independently of the business, whose objectives, in addition to identifying, evaluating and quantifying the risk of the proposals, are to determine the impact they will have on the Bank's credit portfolio.
- A control area is responsible for validating that the proposals fall within the Bank's policies and limits, obtain the required approval according to the level of risk assumed, and comply with the approved conditions, at the time the transaction is settled.
- The approval process is carried out through various instances within the Bank in accordance with the established approval limit policy.
- A portfolio management process focused on monitoring risk trends at the Bank level with the objective of anticipating any signs of portfolio deterioration.
- Compliance with collateral policies, including required coverage on loan amounts established by the Credit Steering Committee and reviewed periodically.

The respective management committees assigned by the Board of Directors periodically monitor the financial condition of the respective debtors and issuers that involve a credit risk for the Bank.

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(4) Financial Risks Management, continued

The Bank manages credit risk through:

- Credit and investment policies, which are periodically reviewed and amended.
- Authorization limits, which are periodically reviewed and amended.
- Exposure and concentration limits for the investment portfolios, placements and loans.
- Development and maintenance of credit risk assessment, through permanent review of the credit portfolio; frequent monitoring of credit classification and special attention to the portfolio with higher risk levels.
- Review of compliance with procedures and policies, through specialized administrative units.

To limit credit risk, the Bank has established policies that ensure diversification and allow for an adequate assessment for each loan.

The key procedures and practices in credit risk management are detailed as follows:

- Limitations on risk concentration (large credit extensions, loans to related parties, refinancing).
- Loan risk monitoring and rating matrix.
- Allowance for loan losses policy.
- Compliance with credit policies and credit management procedures.
- Identification and monitoring of initial and changing credit risks observed in customers and in the economic activity carried out by those customers.
- Collection procedure on non-performing loans.

When the estimation of the expected credit loss is carried out collectively, financial instruments are grouped on the basis of shared risk characteristics, which include:

- Type of instrument
- Credit risk ratings
- Type of collateral; and
- The industry or economic activity

The groupings are subject to periodic review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available historical data.

Credit quality assessment

For loans assessment, the Bank uses the same credit risk classification system that the Superintendency of Banks of Panama has established for the determination of regulatory reserves. This classification system considers the evaluation of quantitative and qualitative factors of the financial condition of the debtor and the market in which it operates to determine its credit risk classification, including the evaluation of the debtor's delinquency. Nevertheless, the consumer portfolio, given its nature, is mainly assessed based on its delinquency to determine its credit risk classification.

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(4) Financial Risks Management, continued

Loan commitments

Financial instruments that qualify as financial assets according to IFRS 9, where the reserves for possible losses are immaterial, must be tested periodically to validate immateriality and to establish that reserves for possible credit losses are not required.

The following table analyzes the credit quality, credit commitments and allowances for ECL for these assets held by the Bank as of September 30, 2024:

	September 30, 2024			Total
	Low Risk	Significant Risk	Default Risk	
(Unaudited)				
Loans at AC				
Standard	7,436,503,093	90,156,130	5,727,821	7,532,387,044
Special mention	66,853,094	168,827,506	12,567,780	248,248,380
Sub-Standard	28,722,718	55,659,571	36,721,147	121,103,436
Doubtful	0	11,992,196	25,303,750	37,295,946
Loss	0	0	76,500,680	76,500,680
Gross balance	7,532,078,905	326,635,403	156,821,178	8,015,535,486
Interest receivable	44,052,022	3,384,760	1,964,253	49,401,035
Interest and unearned commissions	(61,709,626)	(1,395,710)	(551,631)	(63,656,967)
Loss allowance	(37,031,799)	(53,265,006)	(69,159,909)	(159,456,714)
Balance of loans at AC	7,477,389,502	275,359,447	89,073,891	7,841,822,840
Consumer Loans				
0 to 30 days	3,455,099,655	115,126,386	42,661,941	3,612,887,982
31 to 60 days	25,842,533	23,329,936	6,412,128	55,584,597
More than 60 days	0	11,692,920	65,362,084	77,055,004
Balance	3,480,942,188	150,149,242	114,436,153	3,745,527,583
Individually assessed loans	0	126,719,282	6,983,624	133,702,906
Loss allowance:				
Individual	0	(750,755)	(87,460)	(838,215)
Collective	(37,031,799)	(52,514,251)	(69,072,449)	(158,618,499)
Total loss allowance	(37,031,799)	(53,265,006)	(69,159,909)	(159,456,714)
Loan commitments				
Standard	597,804,546	0	0	597,804,546
Gross balance	597,804,546	0	0	597,804,546
Loss allowance	(2,058,031)	0	0	(2,058,031)
Balance of loan commitments	595,746,515	0	0	595,746,515
Deposits in banks at AC				
Standard	3,348,252,911	0	0	3,348,252,911
Gross balance	3,348,252,911	0	0	3,348,252,911
Interest receivable	1,590,865	0	0	1,590,865
Loss allowance	(34,439)	0	0	(34,439)
Balance of deposits in banks at AC	3,349,809,337	0	0	3,349,809,337
Securities purchased under resale agreements at AC				
Standard	158,296,507	0	0	158,296,507
Gross balance	158,296,507	0	0	158,296,507
Interest receivable	2,522,043	0	0	2,522,043
Loss allowance	(229,310)	0	0	(229,310)
Balance of securities purchased under resale agreements at AC	160,589,240	0	0	160,589,240
Investments in securities at AC				
Standard	3,252,470,485	35,776,229	0	3,288,246,714
Gross balance	3,252,470,485	35,776,229	0	3,288,246,714
Interest receivable	23,768,079	362,805	0	24,130,884
Loss allowance	(7,061,316)	(2,658,605)	0	(9,719,921)
Balance of investments in securities at AC	3,269,177,248	33,480,429	0	3,302,657,677
Investments in securities at FVOCI				
Standard	130,027,062	0	0	130,027,062
Gross balance	130,027,062	0	0	130,027,062
Interest receivable	856,321	0	0	856,321
Balance of Investments in securities at FVOCI	130,883,383	0	0	130,883,383

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(4) Financial Risk Management, continued

	December 31, 2023			
	(Audited)			
	Low Risk	Significant Risk	Default Risk	Total
Loans at AC				
Standard	5,955,113,295	53,196,560	0	6,008,309,855
Special mention	85,800,444	112,663,890	10,073,694	208,538,028
Sub-Standard	0	102,746,745	22,010,727	124,757,472
Doubtful	0	0	33,885,648	33,885,648
Loss	0	0	<u>70,007,353</u>	<u>70,007,353</u>
Gross balance	<u>6,040,913,739</u>	<u>268,607,195</u>	<u>135,977,422</u>	<u>6,445,498,356</u>
Interest receivable	34,698,709	3,747,411	1,607,642	40,053,762
Interest and unearned commissions	(27,548,775)	(356,800)	(524,728)	(28,430,303)
Loss allowance	<u>(38,218,534)</u>	<u>(28,177,661)</u>	<u>(78,423,417)</u>	<u>(144,819,612)</u>
Balance of loans at AC	<u><u>6,009,845,139</u></u>	<u><u>243,820,145</u></u>	<u><u>58,636,919</u></u>	<u><u>6,312,302,203</u></u>
Consumer Loans				
0 to 30 days	3,302,587,480	100,186,154	25,905,552	3,428,679,186
31 to 60 days	35,812,645	12,580,087	4,752,642	53,145,374
More than 60 days	<u>9,483,872</u>	<u>4,696,951</u>	<u>66,978,291</u>	<u>81,159,114</u>
Balance	<u><u>3,347,883,997</u></u>	<u><u>117,463,192</u></u>	<u><u>97,636,485</u></u>	<u><u>3,562,983,674</u></u>
Individually assessed loans	<u>0</u>	<u>128,254,418</u>	<u>6,616,286</u>	<u>134,870,704</u>
Loss allowance:				
Individual	0	(664,249)	(182,430)	(846,679)
Collective	<u>(38,218,534)</u>	<u>(27,513,412)</u>	<u>(78,240,987)</u>	<u>(143,972,933)</u>
Total loss allowance	<u><u>(38,218,534)</u></u>	<u><u>(28,177,661)</u></u>	<u><u>(78,423,417)</u></u>	<u><u>(144,819,612)</u></u>
Loan commitments				
Standard	<u>576,766,954</u>	<u>0</u>	<u>0</u>	<u>576,766,954</u>
Gross balance	<u>576,766,954</u>	<u>0</u>	<u>0</u>	<u>576,766,954</u>
Loss allowance	<u>(528,210)</u>	<u>0</u>	<u>0</u>	<u>(528,210)</u>
Balance of loan commitments	<u><u>576,238,744</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>576,238,744</u></u>
Deposits in banks at AC				
Standard	<u>3,730,992,900</u>	<u>0</u>	<u>0</u>	<u>3,730,992,900</u>
Gross balance	<u>3,730,992,900</u>	<u>0</u>	<u>0</u>	<u>3,730,992,900</u>
Interest receivable	4,349,932	0	0	4,349,932
Loss allowance	<u>(19,885)</u>	<u>0</u>	<u>0</u>	<u>(19,885)</u>
Balance of deposits in banks at AC	<u><u>3,735,322,947</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,735,322,947</u></u>
Securities purchased under resale agreements at AC				
Standard	<u>206,848,736</u>	<u>0</u>	<u>0</u>	<u>206,848,736</u>
Gross balance	<u>206,848,736</u>	<u>0</u>	<u>0</u>	<u>206,848,736</u>
Interest receivable	4,484,127	0	0	4,484,127
Loss allowance	<u>(270,578)</u>	<u>0</u>	<u>0</u>	<u>(270,578)</u>
Balance of securities purchased under resale agreements at AC	<u><u>211,062,285</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>211,062,285</u></u>
Investments in securities at AC				
Standard	<u>4,122,722,873</u>	<u>39,634,443</u>	<u>0</u>	<u>4,162,357,316</u>
Gross balance	<u>4,122,722,873</u>	<u>39,634,443</u>	<u>0</u>	<u>4,162,357,316</u>
Interest receivable	35,343,709	386,554	0	35,730,263
Loss allowance	<u>(4,792,629)</u>	<u>(1,270,692)</u>	<u>0</u>	<u>(6,063,321)</u>
Balance of investments in securities at AC	<u><u>4,153,273,953</u></u>	<u><u>38,750,305</u></u>	<u><u>0</u></u>	<u><u>4,192,024,258</u></u>
Investments in securities at FVOCI				
Standard	<u>38,451,200</u>	<u>0</u>	<u>0</u>	<u>38,451,200</u>
Gross balance	<u>38,451,200</u>	<u>0</u>	<u>0</u>	<u>38,451,200</u>
Interest receivable	<u>315,695</u>	<u>0</u>	<u>0</u>	<u>315,695</u>
Balance of Investments in securities at FVOCI	<u><u>38,766,895</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>38,766,895</u></u>

During the period ended September 30, 2024, the Bank carried out loan restructurings with an amortized cost before modification of B/.132,095,400 (December 31, 2023: B/.164,955,478), which generated an increase in the allowance for expected credit losses of B/.198,037 at the time of their modification (December 31, 2023: B/.272,114).

Notes to the Condensed Interim Financial Information

(4) Financial Risk Management, continued

The Bank maintains deposits placed in banks with a gross balance of B/.3,348,252,911 as of September 30, 2024 (December 31, 2023: B/.3,730,992,900). Deposits placed are held with recognized financial institutions applying the limits established in the counterparty risk policy. These placements of the Bank's liquid resources are made under conditions of security, liquidity and yield, adjusting to risk and term diversification criteria, in banks with financial solvency and risk rating.

The following table presents the deposits placed in banks according to their local or international short-term credit risk rating, granted by risk rating agencies:

	September 30, 2024		
	Local credit rating	September 30, 2024 (Unaudited) International credit rating (i)	Total
Deposits in banks			
A1, P1, F1	0	1,383,930,407	1,383,930,407
A2, P2, F2	0	1,756,839,103	1,756,839,103
A3, P3, F3	0	20,000,000	20,000,000
Unrated	0	<u>187,483,401</u>	<u>187,483,401</u>
Gross subtotal	0	3,348,252,911	3,348,252,911
Interest receivable	0	1,590,865	1,590,865
Loss allowance	0	<u>(34,439)</u>	<u>(34,439)</u>
Balance at AC	<u>0</u>	<u>3,349,809,337</u>	<u>3,349,809,337</u>
		December 31, 2023	
	Local credit rating	December 31, 2023 (Audited) International credit rating (i)	Total
Deposits in banks			
A1, P1, F1	40,000,000	1,469,816,141	1,509,816,141
A2, P2, F2	0	1,488,635,729	1,488,635,729
A3, P3, F3	0	20,000,000	20,000,000
Unrated	0	<u>712,541,030</u>	<u>712,541,030</u>
Gross subtotal	40,000,000	3,690,992,900	3,730,992,900
Interest receivable	32,396	4,317,536	4,349,932
Loss allowance	<u>(2,715)</u>	<u>(17,170)</u>	<u>(19,885)</u>
Balance at AC	<u>40,029,681</u>	<u>3,695,293,266</u>	<u>3,735,322,947</u>

- (i) The deposits placed presented in the "Unrated" category correspond to resources placed in an international financial institution that only accepts deposits from central banks. Its risk is equivalent to AAA sovereign risk rating, granted to this institution by the rating agencies: Standard & Poor's, Moody's or Fitch Ratings, Inc.

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(4) Financial Risk Management, continued

The following table presents investments in debt securities according to their local or international long-term credit risk classification, granted by risk rating agencies.

	September 30, 2024		
	Local	International	Total
<u>Investments in securities at AC</u>	<u>rating</u>	<u>rating (i)</u>	
AAA	0	87,576,732	87,576,732
AA+ to A	133,272,717	416,130,398	549,403,115
A-	63,807,913	61,063,818	124,871,731
BBB+ to BBB-	52,881,763	206,550,748	259,432,511
BB+	0	1,565,778,263	1,565,778,263
CCC	0	32,566,612	32,566,612
Unrated	<u>3,209,617</u>	<u>665,408,133</u>	<u>668,617,750</u>
Gross subtotal	253,172,010	3,035,074,704	3,288,246,714
Interest receivable	1,242,488	22,888,396	24,130,884
Loss allowance	<u>(2,659,796)</u>	<u>(7,060,125)</u>	<u>(9,719,921)</u>
Balance at AC	<u>251,754,702</u>	<u>3,050,902,975</u>	<u>3,302,657,677</u>
<u>Investments in securities at FVOCI</u>			
AAA	0	9,903,200	9,903,200
AA+ to A	0	58,709,200	58,709,200
A-	0	29,362,000	29,362,000
BBB+ to BBB-	<u>0</u>	<u>32,052,662</u>	<u>32,052,662</u>
Gross subtotal	0	130,027,062	130,027,062
Interest receivable	<u>0</u>	<u>856,321</u>	<u>856,321</u>
Balance at FVOCI	<u>0</u>	<u>130,883,383</u>	<u>130,883,383</u>
	December 31, 2023		
	Local	International	Total
<u>Investments in securities at AC</u>	<u>Rating</u>	<u>Rating (i)</u>	
AAA	0	29,371,702	29,371,702
AA+ to A	110,062,213	1,140,905,615	1,250,967,828
A-	15,009,631	76,909,587	91,919,218
BBB+ to BBB-	183,604,199	1,531,243,049	1,714,847,248
BB+	0	15,000,000	15,000,000
BB to B-	0	36,201,701	36,201,701
Unrated	<u>3,432,742</u>	<u>1,020,616,877</u>	<u>1,024,049,619</u>
Gross subtotal	312,108,785	3,850,248,531	4,162,357,316
Interest receivable	3,118,800	32,611,463	35,730,263
Loss allowance	<u>(3,248,838)</u>	<u>(2,814,483)</u>	<u>(6,063,321)</u>
Balance at AC	<u>311,978,747</u>	<u>3,880,045,511</u>	<u>4,192,024,258</u>
<u>Investments in securities at FVOCI</u>			
AA+ to A	0	9,229,300	9,229,300
A-	0	19,399,100	19,399,100
BBB+ to BBB-	<u>0</u>	<u>9,822,800</u>	<u>9,822,800</u>
Gross subtotal	0	38,451,200	38,451,200
Interest receivable	<u>0</u>	<u>315,695</u>	<u>315,695</u>
Balance at FVOCI	<u>0</u>	<u>38,766,895</u>	<u>38,766,895</u>

- (i) The investments presented in the "Unrated" category correspond to liquid instruments of an international financial institution, to which only central banks have access and its risk is equivalent to AAA sovereign risk rating, granted to this institution by the rating agencies: Standard & Poor's, Moody's or Fitch Ratings, Inc.

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(4) Financial Risk Management, continued

Credit Risk Concentration

The Bank monitors the concentration of credit risk by sector and geographic location. The analysis of the concentration of credit risks at the reporting date is as follows:

	Deposits in bank		Investments in securities		Securities purchased under resale agreements	
	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Gross book value	<u>3,348,252,911</u>	<u>3,730,992,900</u>	<u>3,484,586,363</u>	<u>4,255,930,191</u>	<u>158,296,507</u>	<u>206,848,736</u>
Concentration by sector:						
Corporate						
Consumer	0	0	703,321,694	727,473,368	0	0
Financial institutions	2,863,539,279	2,753,999,000	991,499,721	1,242,639,373	158,296,507	206,848,736
Public sector	<u>484,713,632</u>	<u>976,993,900</u>	<u>1,789,764,948</u>	<u>2,285,817,450</u>	<u>0</u>	<u>0</u>
Gross book value	<u>3,348,252,911</u>	<u>3,730,992,900</u>	<u>3,484,586,363</u>	<u>4,255,930,191</u>	<u>158,296,507</u>	<u>206,848,736</u>
Geographic concentration:						
Panama	20,000,000	60,000,000	2,045,590,137	1,836,584,563	158,296,507	206,848,736
Caribbean and Latin America	0	0	49,376,302	29,280,701	0	0
USA and Canada	2,150,651,804	2,033,422,222	498,721,890	1,213,425,732	0	0
Europe	750,098,253	595,000,000	5,963,887	5,927,798	0	0
Others	<u>427,502,854</u>	<u>1,042,570,678</u>	<u>884,934,147</u>	<u>1,170,711,397</u>	<u>0</u>	<u>0</u>
Gross book value	<u>3,348,252,911</u>	<u>3,730,992,900</u>	<u>3,484,586,363</u>	<u>4,255,930,191</u>	<u>158,296,507</u>	<u>206,848,736</u>
	Loans		Loan commitments			
	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)		
Gross book value	<u>8,015,535,486</u>	<u>6,445,498,356</u>	<u>597,804,546</u>	<u>576,766,954</u>		
Concentration by sector:						
Corporate	1,776,961,222	1,623,424,745	57,016,824	78,509,848		
Consumer	3,745,527,583	3,562,983,673	524,480,115	498,021,406		
Financial institutions	735,899,094	430,023,340	15,350,000	132,157		
Public sector	<u>1,757,147,587</u>	<u>829,066,598</u>	<u>957,607</u>	<u>103,543</u>		
Gross book value	<u>8,015,535,486</u>	<u>6,445,498,356</u>	<u>597,804,546</u>	<u>576,766,954</u>		
Geographic concentration:						
Panama	<u>8,015,535,486</u>	<u>6,445,498,356</u>	<u>597,804,546</u>	<u>576,766,954</u>		
Gross book value	<u>8,015,535,486</u>	<u>6,445,498,356</u>	<u>597,804,546</u>	<u>576,766,954</u>		

Concentrations by sector are based on the economic activity of the issuer or debtor. Geographic concentrations of loans and deposits in banks are based on the location of the debtor and correspondent bank, respectively. The geographic concentration for investments is determined based on the location of the issuer of the investment. All other assets and liabilities are located within the Republic of Panama.

The Bank also monitors and follows up on operations outside in the condensed interim statement of financial position, which are those operations that although not reflected within that statement, are reviewed in detail because they may expose the Bank to financial obligations depending on future events or actions by other parties. These transactions are subject to the concentration limits (loans to a single entity/individual and to related parties) to which the loan portfolio recorded in the condensed interim statement of financial position is subject to.

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(4) Financial Risk Management, continued

Expected Credit Losses

The following table provides a reconciliation between the opening and closing balance of the allowances for losses on financial assets:

	September 30, 2024			Total
	(Unaudited)			
	Low risk	Significant risk	Default risk	
Deposits in banks at AC				
Balance as of January 1, 2024	19,885	0	0	19,885
Net remeasurement of loss allowance	10,704	0	0	10,704
Allocation of allowance to new originated financial assets	22,593	0	0	22,593
Reversal of allowance of assets that have been written off	<u>(18,743)</u>	<u>0</u>	<u>0</u>	<u>(18,743)</u>
Balance as of September 30, 2024	<u>34,439</u>	<u>0</u>	<u>0</u>	<u>34,439</u>
Investments in securities and securities purchased under resale agreements at AC				
Balance as of January 1, 2024	5,063,207	1,270,692	0	6,333,899
Net remeasurement of loss allowance	1,048,773	1,387,913	0	2,436,686
Allocation of allowance to new purchased financial assets	1,382,809	0	0	1,382,809
Reversal of allowance due to derecognized assets	<u>(204,163)</u>	<u>0</u>	<u>0</u>	<u>(204,163)</u>
Balance as of September 30, 2024	<u>7,290,626</u>	<u>2,658,605</u>	<u>0</u>	<u>9,949,231</u>
Corporate loans at AC				
Balance as of January 1, 2024	16,407,727	4,697,211	15,442,966	36,547,904
Transfers to 12-month PCE (low risk)	3,667,314	(2,376,711)	(1,290,603)	0
Transfers to PCE over the life of the loan (significant risk)	(1,777,615)	4,989,520	(3,211,905)	0
Transfers to PCE over the life of the loan (default)	(595,565)	(1,044,924)	1,640,489	0
Net remeasurement of loss allowance	(14,806,485)	2,660,276	4,706,110	(7,440,099)
Allocation of allowance to new originated financial assets	4,553,321	586,561	511,686	5,651,568
Reversal of allowance due to derecognized assets	(1,921,203)	(576,251)	(3,489,635)	(5,987,089)
Loans written off	0	0	(1,829,998)	(1,829,998)
Recoveries	0	0	473,566	473,566
Balance as of September 30, 2024	<u>5,527,494</u>	<u>8,935,682</u>	<u>12,952,676</u>	<u>27,415,852</u>
Consumer loans at AC				
Balance as of January 1, 2024	17,262,842	23,480,450	62,980,451	103,723,743
Transfers to 12-month PCE (low risk)	25,965,151	(14,839,282)	(11,125,869)	0
Transfers to PCE over the life of the loan (significant risk)	(2,140,935)	16,399,588	(14,258,653)	0
Transfers to PCE over the life of the loan (default)	(1,058,167)	(6,486,181)	7,544,348	0
Net remeasurement of loss allowance	(18,134,991)	25,248,723	17,825,598	24,939,330
Allocation of allowance to new originated financial assets	4,352,467	955,191	541,340	5,848,998
Reversal of allowance due to derecognized assets	(1,328,955)	(437,576)	(4,488,806)	(6,255,337)
Loans written off	0	0	(3,614,154)	(3,614,154)
Recoveries	0	0	802,978	802,978
Balance as of September 30, 2024	<u>24,917,412</u>	<u>44,320,913</u>	<u>56,207,233</u>	<u>125,445,558</u>
Financial institution loans at AC				
Balance as of January 1, 2024	4,053,762	0	0	4,053,762
Transfers to PCE over the life of the loan (significant risk)	(4,929)	4,929	0	0
Net remeasurement of loss allowance	(1,092,075)	3,482	0	(1,088,593)
Allocation of allowance to new originated financial assets	3,630,681	0	0	3,630,681
Reversal of allowance due to derecognized assets	<u>(4,362,462)</u>	<u>0</u>	<u>0</u>	<u>(4,362,462)</u>
Balance as of September 30, 2024	<u>2,224,977</u>	<u>8,411</u>	<u>0</u>	<u>2,233,388</u>
Public sector loans at AC				
Balance as of January 1, 2024	494,203	0	0	494,203
Net remeasurement of loss allowance	577,198	0	0	577,198
Allocation of allowance to new originated financial assets	3,378,104	0	0	3,378,104
Financial assets that have been written off	<u>(87,589)</u>	<u>0</u>	<u>0</u>	<u>(87,589)</u>
Balance as of September 30, 2024	<u>4,361,916</u>	<u>0</u>	<u>0</u>	<u>4,361,916</u>
Investments in securities at FVOCI				
Balance as of January 1, 2024	18,845	0	0	18,845
Net remeasurement of loss allowance	2,364	0	0	2,364
Allocation of allowance to new purchased financial assets	<u>27,109</u>	<u>0</u>	<u>0</u>	<u>27,109</u>
Balance as of September 30, 2024	<u>48,318</u>	<u>0</u>	<u>0</u>	<u>48,318</u>

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Notes to the Condensed Interim Financial Information

(4) Financial Risk Management, continued

	December 31, 2023			Total
	Low risk	Significant risk	Default risk	
(Audited)				
Deposits in banks at AC				
Balance as of January 1, 2023	36,440	0	0	36,440
Net remeasurement of loss allowance	(3,321)	0	0	(3,321)
Allocation of allowance to new originated financial assets	8,661	0	0	8,661
Reversal of allowance of assets that have been written off	<u>(21,895)</u>	<u>0</u>	<u>0</u>	<u>(21,895)</u>
Balance as of December 31, 2023	<u>19,885</u>	<u>0</u>	<u>0</u>	<u>19,885</u>
Investments in securities and securities purchased under resale agreements at AC				
Balance as of January 1, 2023	2,883,794	2,688,100	0	5,571,894
Net remeasurement of loss allowance	854,046	(1,417,408)	0	(563,362)
Allocation of allowance to new purchased financial assets	1,589,325	0	0	1,589,325
Reversal of allowance due to derecognized assets	<u>(263,958)</u>	<u>0</u>	<u>0</u>	<u>(263,958)</u>
Balance as of December 31, 2023	<u>5,063,207</u>	<u>1,270,692</u>	<u>0</u>	<u>6,333,899</u>
Corporate loans at AC				
Balance as of January 1, 2023	14,677,976	8,234,007	27,554,779	50,466,762
Transfers to 12-month PCE (low risk)	5,295,310	(3,553,928)	(1,741,382)	0
Transfers to PCE over the life of the loan (significant risk)	(2,008,382)	4,294,000	(2,285,618)	0
Transfers to PCE over the life of the loan (default)	(382,348)	(1,829,128)	2,211,476	0
Net remeasurement of loss allowance	(4,517,331)	(183,950)	8,610,183	3,908,902
Allocation of allowance to new originated financial assets	7,260,151	426,816	1,183,531	8,870,498
Reversal of allowance due to derecognized assets	(3,917,649)	(2,690,606)	(13,119,806)	(19,728,061)
Loans written off	0	0	(7,938,259)	(7,938,259)
Recoveries	<u>0</u>	<u>0</u>	<u>968,062</u>	<u>968,062</u>
Balance as of December 31, 2023	<u>16,407,727</u>	<u>4,697,211</u>	<u>15,442,966</u>	<u>36,547,904</u>
Consumer loans at AC				
Balance as of January 1, 2023	15,237,292	34,445,766	38,126,621	87,809,679
Transfers to 12-month PCE (low risk)	30,515,523	(23,119,898)	(7,395,625)	0
Transfers to PCE over the life of the loan (significant risk)	(1,480,816)	9,895,972	(8,415,156)	0
Transfers to PCE over the life of the loan (default)	(1,149,561)	(7,295,924)	8,445,485	0
Net remeasurement of loss allowance	(28,013,744)	9,866,052	45,269,005	27,121,313
Allocation of allowance to new originated financial assets	2,787,441	65,868	144,239	2,997,548
Reversal of allowance due to derecognized assets	(633,293)	(377,386)	(8,255,996)	(9,266,675)
Loans written off	0	0	(7,690,913)	(7,690,913)
Recoveries	<u>0</u>	<u>0</u>	<u>2,752,791</u>	<u>2,752,791</u>
Balance as of December 31, 2023	<u>17,262,842</u>	<u>23,480,450</u>	<u>62,980,451</u>	<u>103,723,743</u>
Financial institution loans at AC				
Balance as of January 1, 2023	1,013,531	0	0	1,013,531
Net remeasurement of loss allowance	25,516	0	0	25,516
Allocation of allowance to new originated financial assets	4,060,783	0	0	4,060,783
Reversal of allowance due to derecognized assets	<u>(1,046,068)</u>	<u>0</u>	<u>0</u>	<u>(1,046,068)</u>
Balance as of December 31, 2023	<u>4,053,762</u>	<u>0</u>	<u>0</u>	<u>4,053,762</u>
Public sector loans at AC				
Balance as of January 1, 2023	993,024	0	0	993,024
Net remeasurement of loss allowance	(279,303)	0	0	(279,303)
Allocation of allowance to new financial assets originated	759,063	0	0	759,063
Financial assets that have been written off	<u>(978,581)</u>	<u>0</u>	<u>0</u>	<u>(978,581)</u>
Balance as of December 31, 2023	<u>494,203</u>	<u>0</u>	<u>0</u>	<u>494,203</u>
Investments in securities at FVOCI				
Balance as of January 1, 2023	0	0	0	0
Allocation of allowance to new financial assets purchased	<u>18,845</u>	<u>0</u>	<u>0</u>	<u>18,845</u>
Balance as of December 31, 2023	<u>18,845</u>	<u>0</u>	<u>0</u>	<u>18,845</u>

Allowance for expected credit losses of investments in securities measured at fair value through other comprehensive income are recognized in equity because the book value of those investments is their fair value.

Notes to the Condensed Interim Financial Information

(4) Financial Risk Management, continued

(b) Liquidity Risk

Liquidity risk is defined as the risk that the Bank is unable to meet all of its obligations due to, among other things, unexpected withdrawal of funds by creditors or customers, impairment in the quality of the loan portfolio, decrease in the value of investments, excessive concentration of liabilities in a particular source, mismatch between assets and liabilities, lack of liquidity of assets, or funding of long-term assets with short-term liabilities. The Bank manages its liquid resources to meet its liabilities as they mature under normal conditions.

Liquidity Risk Management

The Superintendency of Banks of Panama requires that banks with a general license maintain a liquidity of no less than 30% at all times based on the parameters established in Agreement No. 004-2008. In addition to this, the regulator requires the Bank to comply with a minimum of high-quality liquid assets to overcome a significant stress episode for a full month, based on the provisions of Agreement No. 002-2018.

Monitoring of the liquidity position includes daily reviews and monthly deposit volatility analysis. Stress tests are developed in different scenarios considering that they cover normal or more severe conditions. All policies and procedures are subject to review and approval by the Asset-Liability Steering Committee (ALCO) and the Risks and Policies Steering Committee.

The Board of Directors has established minimum liquidity levels on the proportion of funds available to meet these requirements and on the minimum level of inter-bank and other lending facilities that need to be available to cover withdrawals at unexpected levels of demand. The Bank maintains a portfolio of short-term assets, comprised largely of liquid investments and inter-bank placements, to ensure that it maintains enough liquidity.

Agreement No. 002-2018 of the Superintendency of Banks of Panama establishes the provisions for the Liquidity Coverage Ratio (LCR). As of September 30, 2024, the Bank's Liquidity Coverage Ratio is 301.2% exceeding the 100% established by that Agreement (December 31, 2023: 250.8%).

Liquidity Risk Exposure

The Bank uses the legal liquidity ratio as the basis for liquidity risk management. It is the ratio of net liquid assets to deposits received from customers. Net liquid assets are cash and cash equivalents and debt securities for which there is an active and liquid market, deposits with maturities of less than 186 days and bond payments with maturities of no more than 186 days.

Legal liquidity ratio estimate as of the reporting date is detailed below:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
As of the end of the period	71.8%	75.5%
Average of the period	75.8%	73.5%
Maximum of the period	79.6%	77.2%
Minimum of the period	71.0%	69.4%

Notes to the Condensed Interim Financial Information

(4) Financial Risk Management, continued

(c) Market Risk

The table below summarizes the Bank's exposure to interest rate risk. The Bank's assets and liabilities are included in the table at their carrying values, classified by categories, based on the earlier of contractual repricing date or, maturity dates. Financial assets and liabilities that do not have contractual fixed returns are excluded.

	September 30, 2024				Total
	Up to 1 year	More than 1 to 3 years	More than 3 to 5 years	More than 5 years	
(Unaudited)					
Assets:					
Time deposits in banks	3,100,590,865	0	0	0	3,100,590,865
Securities purchased under resale agreements	160,818,550	0	0	0	160,818,550
Investments in securities	1,140,166,661	602,956,935	304,775,716	1,461,674,256	3,509,573,568
Loans and interest receivable, gross balance	<u>2,910,919,063</u>	<u>431,205,848</u>	<u>507,844,441</u>	<u>4,214,967,169</u>	<u>8,064,936,521</u>
Total	<u>7,312,495,139</u>	<u>1,034,162,783</u>	<u>812,620,157</u>	<u>5,676,641,425</u>	<u>14,835,919,504</u>
Liabilities:					
Savings deposits	1,005,307,424	0	0	0	1,005,307,424
Time and restricted deposits	5,180,803,285	531,357,735	33,263,854	661,422,856	6,406,847,730
Borrowings received	3,540,532	169,591,406	262,288,135	0	435,420,073
Securities sold under repurchase agreement	501,079,042	0	0	0	501,079,042
Bonds payable	<u>3,935,128</u>	<u>0</u>	<u>0</u>	<u>1,203,311,307</u>	<u>1,207,246,435</u>
Total	<u>6,694,665,411</u>	<u>700,949,141</u>	<u>295,551,989</u>	<u>1,864,734,163</u>	<u>9,555,900,704</u>
Net interest sensitivity margin	<u>617,829,728</u>	<u>333,213,642</u>	<u>517,068,168</u>	<u>3,811,907,262</u>	<u>5,280,018,800</u>
December 31, 2023					
(Audited)					
	Up to 1 year	More than 1 to 3 years	More than 3 to 5 years	More than 5 years	Total
Assets:					
Time deposits in banks	3,684,349,932	0	0	0	3,684,349,932
Securities purchased under resale agreements	211,332,863	0	0	0	211,332,863
Investments in securities	2,081,957,115	326,733,385	376,847,849	1,506,437,800	4,291,976,149
Loans and interest receivable, gross balance	<u>1,589,545,437</u>	<u>373,111,221</u>	<u>470,018,735</u>	<u>4,052,876,725</u>	<u>6,485,552,118</u>
Total	<u>7,567,185,347</u>	<u>699,844,606</u>	<u>846,866,584</u>	<u>5,559,314,525</u>	<u>14,673,211,062</u>
Liabilities:					
Savings deposits	1,005,863,878	0	0	0	1,005,863,878
Time and restricted deposits	4,630,168,378	712,477,488	17,070,987	668,611,471	6,028,328,324
Borrowings received	1,253,891	0	246,610,375	0	247,864,266
Bonds payable	<u>11,434,263</u>	<u>0</u>	<u>0</u>	<u>1,203,001,000</u>	<u>1,214,435,263</u>
Total	<u>5,648,720,410</u>	<u>712,477,488</u>	<u>263,681,362</u>	<u>1,871,612,471</u>	<u>8,496,491,731</u>
Net interest sensitivity margin	<u>1,918,464,937</u>	<u>(12,632,882)</u>	<u>583,185,222</u>	<u>3,687,702,054</u>	<u>6,176,719,331</u>

The Bank's Treasury manages instruments such as: investments in securities, deposits in banks and deposits from clients, to manage the general position of the Bank's activities and the interest rate risk arising from these instruments is monitored by the Risk Steering Committee and Policies.

• *Price risk:*

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, regardless of whether they are caused by specific factors relating to the particular instrument or its issuer, or by factors affecting all securities traded in the market.

To manage the price risk of instruments classified as FVTOCI, the Bank uses the VaR (Value at Risk) metric. This measure is periodically compared with retrospective tests to evaluate the effectiveness of the metric and to identify possible deviations that allow the metric parameters to be calibrated.

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Notes to the Condensed Interim Financial Information

(4) Financial Risk Management, continued

(d) Operational Risk

The operational risk is the possibility of incurring losses due to deficiencies, failures or inadequacies of the human resource, processes, technology, infrastructure, management information, the models used, or due to the occurrence of external events. This definition includes the legal risk associated with such factors; but it excludes losses due to lost profits, reputational risk and strategic risk.

The main objective of operational risk management is to improve the quality of services to customers, through continuous improvement in processes and controls, complying with existing standards and regulations.

The Operational Risk Unit ensures that the Board of Directors, Risk Committees and Senior Management receive bi-monthly information on the results of operational risk management, in accordance with the policies contained in the Bank's Risk Manual.

The Internal Audit Unit assesses compliance with the procedures used for operational risk management prepared in accordance with the provisions of current regulations.

(e) Capital Management

The Bank's policy is to maintain solid capital, which can guarantee the future development of investment and credit businesses within the market, with adequate levels in terms of return on capital for the Panamanian State as the sole shareholder and the adequacy of capital required by regulators. Law Decree No. 4 of 2006, as amended by Law No. 24 of May 16, 2017, establishes the Bank's capital at B/.500,000,000. This capital may be periodically increased by the Board of Directors, subject to a favorable opinion of the Executive Body through a Decree, in accordance with the provisions of banking legislation or best banking practices. As of September 30, 2024, the Bank maintains capital funds of B/.1,000,000,000 (December 31, 2023: B/.1,000,000,000).

The Superintendency of Banks of Panama and the Panama Securities and Exchange Commission, as regulatory entities, require the Bank to maintain a total capital ratio based on risk weighted average assets. The Bank complies with the regulatory capital requirements to which it is subject.

Article No. 81 of Decree Law No. 2 of 2008, which amends article No. 45 of Decree Law No. 9 of 1998, provides that banks with a general and international license must maintain capital funds equivalent to at least eight percent (8%) of their total risk weighted assets and off balance sheet operations, weighted according to their risks.

Agreement No. 005-2023 establishes the constitution of a capital conservation buffer of 2.5%, which came into effect on July 1, 2024, with the objective of guaranteeing the necessary reserves to face episodes of deterioration or losses. The minimum total regulatory capital will be 10.5%, with an adaptation period of three years.

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(4) Financial Risk Management, continued

The Capital Adequacy ratio is regulated by the following Agreements of the Superintendency of Banks of Panama: Agreement No. 001-2015, establishes the capital adequacy standards applicable to banks, Agreement No. 003-2016 and its modifications establish the standards for determining credit and counterparty risk weighted assets, Agreement No. 003-2018 establishes the capital requirements for financial instruments, registered in the trading portfolio and Agreement No. 011-2018 establishes capital requirements for operational risk.

The following table provides the Bank's capital adequacy ratio as of September 30, 2024:

	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Primary capital		
Paid-in-capital by Panamanian government	1,000,000,000	1,000,000,000
Retained earnings	290,111,067	199,365,917
Other items in other comprehensive income	31,932,487	28,459,199
Less: intangible assets	<u>9,676,384</u>	<u>11,542,517</u>
Primary capital	<u>1,312,367,170</u>	<u>1,216,282,599</u>
Dynamic regulatory provision	<u>92,653,612</u>	<u>79,811,111</u>
Total applicable capital funds	<u>1,405,020,782</u>	<u>1,296,093,710</u>
Total risk-weighted assets	<u>7,385,447,045</u>	<u>6,824,620,058</u>
Capital adequacy ratio	<u>19.0%</u>	<u>19.0%</u>

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

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next year. Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events, believed to be reasonable under the circumstances. Any changes in assumptions or criteria may significantly affect the estimates.

(a) Impairment losses on financial assets

The Bank reviews its main financial assets such as cash and cash equivalents, investments in securities at amortized cost, and loans at amortized cost to evaluate the impairment based on the criteria established by the Risks and Policies Steering Committee, which establishes provisions based on the expected credit losses methodology. These are divided in three different stages, (i) 12 months expected credit losses (low risk), (ii) expected credit losses over the life of the loan (significant risk), and (iii) loans in default (default risk). See note 3(e.2).

(b) Fair value

For investment instruments listed on active markets, the fair value is determined by the instrument's reference price published on stock exchanges and stock exchange electronic systems. When independent prices are not available, fair values are determined using valuation techniques with reference to observable market data. These techniques include discounted future cash flow analyses and other valuation techniques commonly used by market participants. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

(c) Foreclosed assets of borrowers

Foreclosed properties that are impaired are reserved as such impairment occurs.

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(6) Cash and Cash Equivalents

Cash and cash equivalents are detailed below for purposes of reconciliation with the condensed interim statement of cash flows:

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Cash and cash equivalents	315,697,246	302,198,381
Demand deposits	249,252,911	153,245,548
Time deposits	<u>3,099,000,000</u>	<u>2,440,200,000</u>
Total gross cash, cash equivalents and deposits with banks in the condensed interim statement of financial position, excluding interest receivable	<u>3,663,950,157</u>	<u>2,895,643,929</u>
Less: Time deposits in banks with original maturities over 90 days	<u>100,000,000</u>	<u>0</u>
Total cash and cash equivalents in the condensed interim statement of cash flows	<u>3,563,950,157</u>	<u>2,895,643,929</u>

As of September 30, 2024, the Bank maintains an allowance for expected losses on deposits in banks of B/.34,439 (December 31, 2023: B/.19,885).

(7) Securities Purchased under Resale Agreements

As of September 30, 2024, the Bank maintains securities purchased under resale agreements, for B/.158,296,507 (December 31, 2023, B/.206,848,736) with various maturities until 2025 and annual interest rates of 5.55% to 7.05% (December 31, 2023: annual interest rate of 6.25% to 6.99%), the detailed below:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Securities purchased under resale agreements	158,296,507	206,848,736
Interest receivable	2,522,043	4,484,127
Allowance for losses	<u>(229,310)</u>	<u>(270,578)</u>
Securities purchased under resale agreements at AC	<u>160,589,240</u>	<u>211,062,285</u>

These securities purchased under resale agreements are held with local financial institutions with a credit risk rating between BBB- and AA+.

(8) Investments in Securities

The composition and classification of investments in securities is as follows:

	September 30, 2024 (Unaudited)			
	FVTPL	FVOCI	AC	Total
Public debt securities	66,312,587	0	1,723,452,362	1,789,764,949
Private debt securities	0	130,027,062	1,564,794,352	1,694,821,414
Private equity shares	0	26,243,608	0	26,243,608
Subtotal	<u>66,312,587</u>	<u>156,270,670</u>	<u>3,288,246,714</u>	<u>3,510,829,971</u>
Interest receivable	0	856,321	24,130,884	24,987,205
Allowance for losses	0	0	<u>(9,719,921)</u>	<u>(9,719,921)</u>
Balance of investments in securities	<u>66,312,587</u>	<u>157,126,991</u>	<u>3,302,657,677</u>	<u>3,526,097,255</u>

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Notes to the Condensed Interim Financial Information

(8) Investments in Securities, continued

	<u>December 31, 2023</u> <u>(Audited)</u>			<u>Total</u>
	<u>FVTPL</u>	<u>FVOCI</u>	<u>AC</u>	
Public debt securities	55,121,675	0	2,230,695,775	2,285,817,450
Private debt securities	0	38,451,200	1,931,661,541	1,970,112,741
Private equity shares	0	24,233,440	0	24,233,440
Subtotal	<u>55,121,675</u>	<u>62,684,640</u>	<u>4,162,357,316</u>	<u>4,280,163,631</u>
Interest receivable	0	315,695	35,730,263	36,045,958
Allowance for losses	0	0	(6,063,321)	(6,063,321)
Balance of investments in securities	<u>55,121,675</u>	<u>63,000,335</u>	<u>4,192,024,258</u>	<u>4,310,146,268</u>

Equity instruments at fair value with changes in other comprehensive income as of September 30, 2024, recorded a net unrealized gain of B/.2,010,168 as a result of the net change in fair value (September 30, 2023: net unrealized gain: B/.13,119,155). Debt instruments at fair value through other comprehensive income as of September 30, 2024, recorded an unrealized net loss of B/.1,463,121 as a result of the net change in fair value (September 30, 2023: B/.0) that includes the allowance for expected credit losses of B/.48,319 (December 31, 2023: B/.18,845).

As of September 30, 2024, the Bank received dividends on private equity investments of B/.1,566,568 (September 30, 2023: B/.2,016,852).

As of September 30, 2024, securities at amortized cost were redeemed for B/.5,444,900,275 (September 30, 2023: B/.4,147,796,274).

As of September 30, 2024, the Bank maintains an allowance for expected credit losses on investments in securities at amortized cost of B/.9,719,921 (December 31, 2023: B/.6,063,321).

(9) Loans

The distribution by economic activity of the loan portfolio, net of the allowance for loan losses and unearned interest and commissions, is summarized below:

	<u>September 30,</u> <u>2024</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2023</u> <u>(Audited)</u>
Public sector, gross	1,757,147,587	829,066,598
Private sector, gross:		
Residential mortgages	2,431,016,721	2,259,691,315
Personal	1,314,510,862	1,303,292,359
Agricultural	646,996,407	617,397,744
Commercial	1,102,060,671	975,290,467
Financial institutions	735,899,094	430,023,340
Industrials	27,249,428	30,360,492
Overdrafts	654,716	376,041
Total gross private sector	<u>6,258,387,899</u>	<u>5,616,431,758</u>
Total gross loans	<u>8,015,535,486</u>	<u>6,445,498,356</u>
More (less):		
Accrued interest receivable	49,401,035	40,053,762
Interest and unearned commissions	(63,656,967)	(28,430,303)
Allowance for loan losses	(159,456,714)	(144,819,612)
Loans at amortized cost	<u>7,841,822,840</u>	<u>6,312,302,203</u>

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(9) Loans, continued

During the period ended September 30, 2024, the Bank purchased a loan portfolio at a discount, from a program covered by a public sector trust, for B/.215,831,940.

(10) Leases

As a Lessee

The Bank leases 5 types of real estate: administrative offices and bank branches, ATM's space, parking lots/land, multifunctional/printers, and warehouses/deposits. Following is the information of the leases in which the Bank is a lessee:

Right-of-use assets

September 30, 2024 (Unaudited)	Administrative offices and bank branches	ATM's space	Multifunctional/ Printers	Warehouses/ Deposits	Total
Balance as of January 1, 2024	1,676,973	37,901	56,096	86,954	1,857,924
Additions	1,118,816	1,007,650	540,934	0	2,667,400
Depreciation for the period	<u>(795,424)</u>	<u>(73,189)</u>	<u>(162,824)</u>	<u>(86,954)</u>	<u>(1,118,391)</u>
Balance as of September 30, 2024	<u>2,000,365</u>	<u>972,362</u>	<u>434,206</u>	<u>0</u>	<u>3,406,933</u>

December 31, 2023 (Audited)	Administrative offices and bank branches	ATM's space	Parking lots/ Land	Multifunctional/ Printers	Warehouses/ Deposits	Total
Balance as of January 1, 2023	2,228,887	94,632	2,600	0	192,861	2,518,980
Additions	516,288	35,068	0	59,495	90,390	701,241
Adjustments for modifications	64,138	0	0	0	0	64,138
Early cancellations	(30,037)	0	0	0	0	(30,037)
Depreciation for the year	<u>(1,102,303)</u>	<u>(91,799)</u>	<u>(2,600)</u>	<u>(3,399)</u>	<u>(196,297)</u>	<u>(1,396,398)</u>
Balance as of December 31, 2023	<u>1,676,973</u>	<u>37,901</u>	<u>0</u>	<u>56,096</u>	<u>86,954</u>	<u>1,857,924</u>

Lease Liabilities

Maturity analysis - Undiscounted contractual cash flows

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Less than one year	116,714	284,415
One to five years	2,219,227	869,279
More than five years	<u>1,814,211</u>	<u>1,064,146</u>
Total undiscounted lease liabilities	<u>4,150,152</u>	<u>2,217,840</u>
Lease liability included in condensed interim statement of financial position	<u>3,598,545</u>	<u>2,025,140</u>

Amount recognized in the condensed interim statement of profit or loss

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Interest expense on lease liabilities	<u>137,412</u>	<u>81,480</u>
Expenses related to short-term leases	<u>611,368</u>	<u>542,167</u>

Notes to the Condensed Interim Financial Information

(10) Leases, continued

Amounts recognized in the condensed interim statement of cash flows

	September 30, <u>2024</u> <u>(Unaudited)</u>	September 30, <u>2023</u> <u>(Unaudited)</u>
Total cash outflow from leases, net	<u>1,842,775</u>	<u>1,675,995</u>

As of September 30, 2024, total lease cash recognized in the condensed interim statement of cash flows includes the portion of the payment to principal as a financing activity for B/.1,093,995 (September 30, 2023: B/.1,052,348), the portion of interest for B/.137,412 (September 30, 2023: B/.81,480) and the portion of short-term leases for B/.611,368 (September 30, 2023: B/.542,167) as an operating activity.

(a) Real Estate Leases

The Bank leases buildings in which it has its administrative offices and branches. Office leases are normally executed for a period of 2 to 7 years and branch leases for 2 to 15 years, except for certain branch and ATM space leases. Some leases include an option to renew the lease for an additional period of the same duration after the end of the lease term.

Extension Options

The lease of the premises for the branch in San Felipe contains an option to extend the term for equal periods that can be automatically extended. Where possible, the Bank seeks to include extension options in new leases to provide operational flexibility. Extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at the outset of the lease whether it is reasonably certain that it will exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(b) Other Leases

The Bank also leases IT infrastructure for different areas of the business. These contracts are normally agreed for terms of 1 to 2 years; they do not contain a clause that determines an option for extension of the term, however, renegotiation is highly probable.

As mentioned in the previous paragraph, the Bank has certain leases of premises for offices and bank branches, space for ATM's, galleries, storage/deposits, technology/communications, whose terms can vary between 1 and 3 years, which have been included in the classification as short-term and/or low value leases. IFRS 16. C10 (C), allows the requirements of paragraph C8 to be waived for leases that terminate within 12 months of the initial application date. The Bank has decided to adopt the practical expedient described in IFRS 16.6, which allows the lessee to recognize lease payments associated with such contracts as an expense on a straight-line basis over the term of the lease.

(11) Other Assets

Borrowers' Foreclosed Assets

The foreclosed assets of borrowers correspond to real estate that guaranteed loans, and whose guarantee was foreclosed and awarded to the Bank. Management expects to recover the balance of principal and interest written off through the sale of these properties.

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(11) Other Assets, continued

The assets foreclosed from borrowers are detailed as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets foreclosed from borrowers	8,635,247	7,682,826
Impairment allowance	<u>0</u>	<u>0</u>
Net balance	<u>8,635,247</u>	<u>7,682,826</u>

The movement of the impairment allowance of borrowers foreclosed assets is detailed below:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at the beginning of the period	0	639,169
Provision for valuation of foreclosed assets	570,543	1,635,576
Assets written-off	<u>(570,543)</u>	<u>(2,274,745)</u>
Balance at end of period	<u>0</u>	<u>0</u>

As of September 30, 2024, the Bank made sales of assets foreclosed from borrowers for B/.7,528,948 (September 30, 2023: B/.1,589,226).

The other miscellaneous assets are detailed as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Numismatic and other currencies	2,548,302	2,582,152
Financing program ("Profinco")	457,965	480,604
Printing and supplies	2,895,136	3,491,626
Account receivable - FECl grant	16,303,251	14,727,394
Other remittances and transfers in transit	2,649,346	5,335,333
Prepaid expenses and insurance	338,462	379,269
Cultural property	391,313	259,928
Cash withdrawals to be compensated – Clave Card	720,872	520,937
Insurance receivable on loans	875,595	735,722
Balance of loans receivable through life insurance policies	0	208,183
Account receivable – subsidies, net	129,224	99,885,092
Others	<u>6,979,206</u>	<u>5,369,429</u>
	<u>34,288,672</u>	<u>133,975,669</u>

As of September 30, 2024, the Bank maintains an account receivable for subsidies in the amount of B/.129,224 (December 31, 2023: B/.99,885,092). The Bank, as the financial institution by excellence of the Government, is empowered to support the execution of programs and projects that contribute to the economic and social development of the country.

The digital voucher is a solidarity support program for citizens affected by the COVID-19 Pandemic, which consists of granting the beneficiaries of the Panama Solidarity Plan a capacity to consume in affiliated businesses, through their personal identity card. The digital voucher is created within the Panama Solidarity Plan, through Executive Decree No. 400 of March 27, 2020, and its regulations, contained in Resolution No. 01 of May 26, 2020.

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(11) Other Assets, continued

The fuel subsidy is a program created by the National Government through Cabinet Resolution No. 60 of May 19, 2022, in order to temporarily stabilize the cost of fuel for public transportation, commercial vehicle fleets, small-scale artisanal fishermen and small-scale passenger vessels.

(12) Obligations

Foreign Borrowing Received

As of September 30, 2024, the Bank maintains the following borrowing received from abroad:

<u>Start Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Carrying value at AC</u>	
				<u>September 30, 2024 (Unaudited)</u>	<u>December 31, 2023 (Audited)</u>
Ago-20	Ago-27	1.232%	196,363,636	<u>184,285,793</u>	<u>247,864,266</u>
Jul-24	Jun-29	5.801%	251,134,280	<u>251,134,280</u>	<u>0</u>

Both financing maintains semestral payments frequency for interest and capital.

Securities sold under repurchase agreements

As of September 30, 2024, the Bank maintains obligations resulting from securities sold under repurchase agreements, which are detailed below.

<u>Start Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Carrying value at AC</u>	
				<u>September 30, 2024 (Unaudited)</u>	<u>December 31, 2023 (Audited)</u>
Sep-24	Sep-25	4.675%	500,104,879	<u>501,079,042</u>	<u>0</u>

Bonds Payable

<u>Type</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Carrying value at AC</u>	
				<u>September 30, 2024 (Unaudited)</u>	<u>December 31, 2023 (Audited)</u>
Series D – Issuance on September 2019 International Bond –	Sep-29	3.000%	205,736,000	<u>206,198,906</u>	<u>206,267,485</u>
Issuance on August 2020	Aug-30	2.500%	1,000,000,000	<u>1,001,047,529</u>	<u>1,008,167,778</u>

The bond issues are backed by the Bank's general credit and represent general obligations of the Bank, not secured by specific assets or rights and without special privileges. For local bonds, interest is payable quarterly; for international bonds, interest is payable semi-annually; for both issues of bonds principal is paid at maturity. Local Series D bonds may be redeemed in advance by the Bank.

The Bank did not have any defaults of principal, interest or other covenant breaches in relation to its obligations.

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(12) Obligations, continued

The following is a detail of the movement in the obligations payable for the purpose of reconciliation with the condensed interim statement of cash flows:

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Balance at the beginning of the period	1,462,299,529	1,523,566,242
New borrowings received	262,155,209	0
Premium pending amortization	(14,999,049)	0
Securities sold under repurchase agreement	549,856,122	0
Payments of financing received	(65,454,545)	(65,454,545)
Payments for securities sold under repurchase agreement	(49,751,243)	0
Interest and commissions paid	(33,016,417)	(33,569,027)
Recognition of interest	<u>32,655,944</u>	<u>29,482,607</u>
Balance at the end of the period	<u>2,143,745,550</u>	<u>1,454,025,276</u>

As of September 30, 2024, interest payable on foreign financing received is B/.3,540,532 (December 31, 2023: B/.1,253,891), for securities purchased under repurchase agreements is B/.974,163 (December 31, 2023 B/.0) for the local bonds, is B/.462,906 (December 31, 2023 B/.531,485), and for the international bonds B/.3,472,222 (December 31, 2023: B/.10,902,778).

(13) Commitments and Contingencies

In the normal course of its operations, the Bank maintains financial instruments with risks outside the statement of financial position to meet the financial needs of its clients. These financial instruments include letters of credit, guarantees issued and payment pledges and involve, to various degrees, elements of credit risk.

Commercial letters of credit, guarantees and endorsements issued on behalf of customers and payment pledges involve some element of risk of loss in the event of customer default, net of the tangible guarantees covering these transactions. The Bank's policies and procedures for granting these contingent credits are similar to those used for extending loans. Management does not anticipate that the Bank will incur material losses resulting from these contingent credits granted for the benefit of customers.

The financial instruments outside the condensed interim statement of financial position, which are subject to credit risk, are presented below.

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Letters of credit	7,616,055	17,796,908
Payment pledges	558,524,574	520,279,655
Loan commitments	<u>31,663,917</u>	<u>38,690,391</u>
	<u>597,804,546</u>	<u>576,766,954</u>

As of September 30, 2024, the Bank maintains a reserve for letters of credit and payment pledges for B/.2,058,031 (December 31, 2023: B/.528,210).

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(13) Commitments and Contingencies, continued

As of September 30, 2024, there were lawsuits filed against Banco Nacional de Panama in the amount of B/.1,303,791,873 (December 31, 2023: B/.1,304,064,856). The Bank's management and its legal counsel estimate that there is a remote probability that the Bank will be ordered to pay the total amount claimed. As of September 30, 2024, the Bank does not maintain any provisions (December 31, 2023: B/.0) in relation to legal cases. In relation to a lawsuit for B/.1,268,704,177, management, based on the opinion of the external legal counsel in charge of the case, considers that in the case that the lawsuit is admitted by the Third Chamber of Administrative Litigation of the Supreme Court of Justice, there is a high probability of a ruling in favor of the Bank, and therefore it is not deemed necessary to make provisions in respect of this process.

(14) Fees for Banking Services

The breakdown of the most significant fees for banking service revenues reconciled to the reportable segments in Note 15 is as follows:

	September 30, 2024			Total
	(Unaudited)			
	Metropolitan	Central	Western	
	Area	Area	Area	
Letters of credit	87,988	7,174	6,017	101,179
Transfers	379,684	18,961	46,130	444,775
Credit card services	9,277,350	626,629	638,884	10,542,863
Fund management, custody and brokerage	2,759,966	24,098	15,776	2,799,840
Current accounts	714,896	30,578	35,094	780,568
Savings accounts	160	25	440	625
State services	251,521	49,058	25,628	326,207
Guarantee certificates and cashier's checks	462,439	30,841	28,103	521,383
National stamps	12,896	1,451	1,112	15,459
Clearinghouse services	2,673,062	10,077	6,980	2,690,119
Commission for negotiation and consulting	1,082,500	0	0	1,082,500
Others	<u>2,067,347</u>	<u>66,765</u>	<u>105,682</u>	<u>2,239,794</u>
Total banking service fees (see note 15)	<u>19,769,809</u>	<u>865,657</u>	<u>909,846</u>	<u>21,545,312</u>

	September 30, 2023			Total
	(Unaudited)			
	Metropolitan	Central	Western	
	Area	Area	Area	
Letters of credit	471,604	0	1,906	473,510
Transfers	377,917	20,653	42,097	440,667
Credit card services	9,711,729	729,262	707,939	11,148,930
Fund management, custody and brokerage	2,557,806	21,258	13,086	2,592,150
Current accounts	916,879	36,695	33,798	987,372
Savings accounts	335	180	750	1,265
State services	274,118	50,859	27,691	352,668
Guarantee certificates and cashier's checks	451,174	32,865	27,668	511,707
National stamps	18,401	1,572	1,189	21,162
Clearinghouse services	2,440,292	9,429	8,253	2,457,974
Commission for negotiation and consulting	825,000	0	0	825,000
Others	<u>1,284,936</u>	<u>67,929</u>	<u>95,879</u>	<u>1,448,744</u>
Total banking service fees (see note 15)	<u>19,330,191</u>	<u>970,702</u>	<u>960,256</u>	<u>21,261,149</u>

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(15) Segment Information

Management has established business segments for its financial analyses. These segments offer various products and services and are managed separately by geographic area based on the Bank's organizational structure. Below is presented the information by segments:

<u>Detail</u>	<u>September 30, 2024</u> <u>(Unaudited)</u>			
	<u>Metropolitan Area</u>	<u>Central Area</u>	<u>Western Area</u>	<u>Total</u>
Interest and fee Income	509,643,461	47,840,006	43,085,652	600,569,119
Interest expenses	(198,588,685)	(2,596,886)	(1,736,066)	(202,921,637)
Provision for losses in deposits with banks	(14,554)	0	0	(14,554)
Provision for loss on investment securities at AC	(3,615,332)	0	0	(3,615,332)
Provision for loss on investment securities at FVOCI	(29,473)	0	0	(29,473)
Provision for loan losses	(8,808,449)	(4,535,902)	(5,460,359)	(18,804,710)
Provision for valuation of foreclosed assets	(570,543)	0	0	(570,543)
Fees for banking services	19,769,809	865,657	909,846	21,545,312
Other income	19,774,835	1,783,762	1,285,943	22,844,540
General and administrative expenses	<u>(139,488,355)</u>	<u>(10,200,508)</u>	<u>(7,637,901)</u>	<u>(157,326,764)</u>
Net income	<u>198,072,714</u>	<u>33,156,129</u>	<u>30,447,115</u>	<u>261,675,958</u>
Segment assets	<u>14,816,703,805</u>	<u>332,078,326</u>	<u>274,516,180</u>	<u>15,423,298,311</u>
Segment liabilities	<u>13,341,557,537</u>	<u>294,291,784</u>	<u>239,122,941</u>	<u>13,874,972,262</u>

<u>Detail</u>	<u>September 30, 2023</u> <u>(Unaudited)</u>			
	<u>Metropolitan Area</u>	<u>Central Area</u>	<u>Western Area</u>	<u>Total</u>
Interest and fee Income	429,260,577	44,182,132	39,406,363	512,849,072
Interest expenses	(158,136,052)	(1,978,364)	(1,509,889)	(161,624,305)
Reversal of losses in deposits with banks	22,647	0	0	22,647
Provision for loss on investment securities at AC	(771,906)	0	0	(771,906)
Provision for loan losses	(13,723,107)	(2,690,556)	(4,696,542)	(21,110,205)
Provision for valuation of foreclosed assets	(329,702)	0	0	(329,702)
Fees for banking services	19,330,191	970,702	960,256	21,261,149
Other income	11,990,447	1,804,183	1,348,364	15,142,994
General and administrative expenses	<u>(129,163,988)</u>	<u>(10,449,082)</u>	<u>(7,745,325)</u>	<u>(147,358,395)</u>
Net income	<u>158,479,107</u>	<u>31,839,015</u>	<u>27,763,227</u>	<u>218,081,349</u>
Segment assets	<u>12,626,374,595</u>	<u>306,519,113</u>	<u>257,116,507</u>	<u>13,190,010,215</u>
Segment liabilities	<u>11,369,334,410</u>	<u>255,571,978</u>	<u>212,264,869</u>	<u>11,837,171,257</u>

(16) Balances and Transactions with Related Parties

The Bank has incurred in transactions in the ordinary course of business with certain related parties such as key management personnel and government entities, including autonomous and semi-autonomous entities. Given the Bank's state-owned nature and its role as a financial agent of the state and official depository of the Nation's funds, significant concentrations of loans and deposits received from government entities are maintained.

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(16) Balances and Transactions with Related Parties, continued

At September 30, 2024, the following were the aggregate balances in respect of transactions with related parties:

	Directors and Key Management Personnel		Government Sector	
	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets				
Time deposits at amortized cost	0	0	0	40,032,396
Investments in securities at amortized cost	0	0	1,461,119,308	1,274,260,348
Loans:				
Loans outstanding at beginning of the period	3,379,589	2,648,442	829,066,598	828,303,655
Loans issued during of the period	390,477	2,124,834	1,287,493,862	755,713,084
Loans settled during of the period	<u>(387,532)</u>	<u>(1,393,687)</u>	<u>(359,412,873)</u>	<u>(754,950,141)</u>
Gross balance	3,382,534	3,379,589	1,757,147,587	829,066,598
Accrued interest receivable	658	2,259	12,723,705	8,568,771
Loans outstanding at end of the period at amortized cost	<u>3,383,192</u>	<u>3,381,848</u>	<u>1,769,871,292</u>	<u>837,635,369</u>
Account receivable – subsidies	0	0	129,224	99,885,092
Fiscal credit from preferential interest on loans	0	0	66,590,416	159,130,325
Liabilities				
Deposits at amortized cost:				
Demand deposits	1,387	15,484	2,956,405,997	3,840,764,059
Savings deposits	1,115,627	991,411	0	0
Time deposits	237,000	68,000	6,012,656,464	5,612,773,252
Restricted deposits	0	0	31,845,575	15,768,328
Bond payable at amortized cost	0	0	206,198,906	206,267,485
Commitments:				
Letters of credit	0	0	24,856,616	8,669,713
	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Profit and Loss				
Interest and commission income:				
Investments in securities	0	0	116,733,405	94,246,493
Deposits in banks	0	0	727,766	543,870
Loans	80,803	74,486	22,844,922	25,996,611
Interest expenses:				
Deposits	21,577	17,160	120,934,455	95,431,191
Bond	0	0	4,646,205	0
General and administrative expenses:				
Directors' allowances	272,500	127,500	0	0
Salaries	6,563,502	2,549,987	0	0
Employee benefits	198,719	119,405	0	0

The Bank's group of directors and key management personnel consists of 6 directors and 44 senior managers.

Loans to key management personnel are granted with the same terms and conditions that are available to other employees. As of September 30, 2024, loans granted to related parties have been classified as low risk and they maintain an allowance for expected credit losses of B/.4,270,346 (December 31, 2023: B/.739,819).

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Notes to the Condensed Interim Financial Information

(17) Assets under Management and Custody

As of September 30, 2024, the Bank held trust agreements on behalf under management and risk of third parties for B/.2,631,856,556 (December 31, 2023: B/.3,744,194,046). Given the nature of these services, management considers that the Bank does not assume significant risks in the execution of the terms and conditions contained in those agreements.

The Bank provides securities brokerage and custody services. This activity is carried out under a brokerage house license, at the clients' risk. As at September 30, 2024, the carrying value of this investments in securities portfolio amounted to B/.4,182,798,883 (2023: B/.4,191,000,655) and is controlled in off-balance accounts that are not part of the Bank's condensed interim statement of financial position. Given the nature of these services, management considers that there is no significant risk of loss to the Bank in the provision of such services.

As of September 30, 2024, the Bank obtained income from commissions earned from trust activities for B/.1,226,792 (September 30, 2023: B/.631,326), brokerage and custody services for B/.577,337 (September 30, 2023: B/.533,256) and securities services for B/.864,086 (September 30, 2023: B/.335,477). During the period, the Bank incurred financial services expenses for B/.657,724 (September 30, 2023: B/.641,815).

Banco Nacional de Panama does not hold a portfolio under discretionary management of third-party accounts.

(18) Fair Value of Financial Instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer's price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that are not frequently traded and for which there is little availability of pricing information, fair value is less objective, and its determination requires the use of varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Bank measures fair value using the following levels of hierarchy that reflect the significance of the inputs used in making the measurements:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities that are accessible to the Bank's management at the measurement date.
- Level 2: Input data other than quoted prices included in Level 1 that are observable, either directly (i.e., prices) or indirectly (i.e., determined on the basis of 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, or other valuation techniques where significant input data are directly or indirectly observable in a market.

Notes to the Condensed Interim Financial Information

(18) Fair Value of Financial Instruments, continued

- Level 3: This category covers all instruments where valuation techniques include unobservable inputs and have a significant effect on the instrument's valuation. This category includes instruments that are valued, based on quoted prices for similar instruments where significant unobservable assumptions or adjustments reflect the difference between the instruments.

Other valuation techniques include net present value, discounted cash flow models, comparisons with similar instruments for which there are observable market prices, and other valuation models. The assumptions and inputs used in the valuation techniques include risk-free reference rates, credit spreads and other assumptions used in estimating discount rates and stock prices.

The objective of using a valuation technique is to estimate the price at which an orderly sale of the asset or transfer of the liability would take place between market participants at the measurement date under current market conditions.

The fair value and carrying amount of financial assets and liabilities are detailed as follows:

	<u>September 30, 2024</u>	
	<u>(Unaudited)</u>	
	<u>Carrying</u>	<u>Fair</u>
	<u>value</u>	<u>value</u>
Financial assets:		
Time deposits at AC	3,100,556,514	3,100,590,865
Investments in securities at AC	3,302,657,677	3,149,491,162
Loans at AC	<u>7,841,822,840</u>	<u>7,385,698,427</u>
	<u>14,245,037,031</u>	<u>13,635,780,454</u>
Financial liabilities:		
Time deposits at AC	6,287,906,361	6,269,568,997
Local bonds payable at AC	206,198,906	202,425,502
International bonds payable at AC	1,001,047,529	827,700,000
Securities sold under repurchase agreements at AC	501,079,042	496,872,158
Borrowings received at AC	<u>435,420,073</u>	<u>444,556,497</u>
	<u>8,431,651,911</u>	<u>8,241,123,154</u>
	<u>December 31, 2023</u>	
	<u>(Audited)</u>	
	<u>Carrying</u>	<u>Fair</u>
	<u>value</u>	<u>value</u>
Financial assets:		
Time deposits at AC	3,684,330,069	3,684,349,932
Investments in securities at AC	4,192,024,258	3,956,201,838
Loans at AC	<u>6,312,302,203</u>	<u>5,738,037,974</u>
	<u>14,188,656,530</u>	<u>13,378,589,744</u>
Financial liabilities:		
Time deposits at AC	5,930,462,243	5,908,091,738
Local bonds payable at AC	206,267,485	205,010,369
International bonds payable at AC	1,008,167,778	753,680,000
Borrowing received at AC	<u>247,864,266</u>	<u>236,643,496</u>
	<u>7,392,761,772</u>	<u>7,103,425,603</u>

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Notes to the Condensed Interim Financial Information

(18) Fair Value for Financial Instruments, continued

Interest payable on customers time deposits is B/.13,846,503 (December 31, 2023: B/.7,922,053).

The following table analyses financial instruments measured at fair value on a recurring basis. These instruments are classified at different levels of the fair value hierarchy based on the data input and valuation techniques used:

September 30, 2024 (Unaudited)	Fair Value			Total
	Level 1	Level 2	Level 3	
Investments in securities at FVOCI:				
Equity shares	11,564,355	1,081,413	13,597,840	26,243,608
Investments in debt securities	<u>130,027,062</u>	<u>0</u>	<u>0</u>	<u>130,027,062</u>
	<u>141,591,417</u>	<u>1,081,413</u>	<u>13,597,840</u>	<u>156,270,670</u>
Investments in securities at FVTPL:				
Negotiable certificates	<u>0</u>	<u>66,312,587</u>	<u>0</u>	<u>66,312,587</u>

December 31, 2023 (Audited)	Fair Value			Total
	Level 1	Level 2	Level 3	
Investments in securities at FVOCI:				
Equity shares	10,115,135	1,135,882	12,982,423	24,233,440
Investments in debt securities	<u>38,451,200</u>	<u>0</u>	<u>0</u>	<u>38,451,200</u>
	<u>48,566,335</u>	<u>1,135,882</u>	<u>12,982,423</u>	<u>62,684,640</u>
Investments in securities at FVTPL:				
Negotiable certificates	<u>0</u>	<u>55,121,675</u>	<u>0</u>	<u>55,121,675</u>

The Bank maintains within its policies the processes to determine the fair value of financial instruments. The fair value is based on quoted market prices as the first alternative; when there are no available quotes, the application of internal valuation models is resorted to, such as those generally used in the local banking industry and must prioritize the use of observable market variables and minimize the use of discretionary parameters.

As of September 30, 2024, no transfers of financial instruments were recorded between Level 1 and Level 2 of the fair value hierarchy. The Bank's policies establish the events under which changes may occur in the hierarchy levels of the fair value of financial instruments.

The valuation techniques for financial instruments measured at fair value at Level 3 are detailed below:

	Quantitative information on fair value Level 3			Range
	Fair value	Valuation technique	Unobservable input data	
Equity shares	13,597,840	Discounted projected cash flows	Projected annual growth	5% - 10%

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Notes to the Condensed Interim Financial Information

(18) Fair Value for Financial Instruments, continued

The valuation techniques for negotiable certificates at fair value through profit or loss at Level 2 are detailed below:

<u>Fair value valuation technique Level 2</u>		<u>September 30, 2024</u> <u>(Unaudited)</u>	<u>December 31, 2023</u> <u>(Audited)</u>
Negotiable certificates	Market price provided by the administrator of the negotiable certificates	66,312,587	55,121,675

The following table sets out information on the sensitivity of the fair value of Level 3 financial instruments to unobservable input data:

<u>Quantitative information on fair value Level 3</u>				<u>September 30, 2024</u> <u>(Unaudited)</u>	<u>December 31, 2023</u> <u>(Audited)</u>
	<u>Valuation Technique</u>	<u>Unobservable input data</u>	<u>Sensitivity</u>		
Equity shares	Discounted projected cash flows	Projected annual growth	A significant decrease in projected net flows would cause a reduction in fair value	5% - 10%	5% - 10%

The following table shows a reconciliation of opening balances to ending balances for instruments measured at fair value at Level 3 of the fair value hierarchy:

	<u>September 30, 2024</u> <u>(Unaudited)</u>	<u>Financial instruments</u>		<u>Total</u>
		<u>Negotiable certificates</u>	<u>Equity shares</u>	
Balance as of January 1	0	12,982,423	12,982,423	
Total profit or loss				
In income statement	0	0	0	
In OCI	0	615,417	615,417	
Purchases	0	0	0	
Transferred to Level 3	0	0	0	
Transferred from Level 3	0	0	0	
Balance as of September 30	0	13,597,840	13,597,840	

	<u>December 31, 2023</u> <u>(Audited)</u>	<u>Financial instruments</u>		<u>Total</u>
		<u>Negotiable certificates</u>	<u>Equity shares</u>	
Balance as of January 1	43,375,748	0	43,375,748	
Total profit or loss				
In income statement	2,889,013	0	2,889,013	
In OCI	0	12,591,281	12,591,281	
Purchases	8,856,914	0	8,856,914	
Transferred to Level 3	0	391,142	391,142	
Transferred from Level 3	(55,121,675)	0	(55,121,675)	
Balance as of December 31	0	12,982,423	12,982,423	

During 2023, some equity shares at fair value through other comprehensive income went from being recorded at acquisition cost to being valued using a discounted projected cash flow model (Level 3).

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(18) Fair Value for Financial Instruments, continued

For investment instruments in securities that are quoted in active markets, the fair value is determined by the instrument's reference price published in stock exchanges, in electronic stock information systems, or provided by price providers. When independent prices are not available, fair values are determined using valuation techniques with reference to observable market data.

The following table analyzes the fair value of financial instruments that are not carried at fair value, classified by level, as follows:

<u>Description</u>	<u>September 30, 2024</u>		<u>December 31, 2023</u>	
	<u>Level 2</u>	<u>Level 3</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Time deposits at AC	0	3,100,590,865	0	3,684,349,932
Investments in securities at AC	3,149,491,162	0	3,956,201,838	0
Loans at AC	<u>0</u>	<u>7,385,698,427</u>	<u>0</u>	<u>5,738,037,974</u>
	<u>3,149,491,162</u>	<u>10,486,289,292</u>	<u>3,956,201,838</u>	<u>9,422,387,906</u>
Liabilities:				
Time deposits at AC	0	6,269,568,997	0	5,908,091,738
Local bond payable at AC	0	202,425,502	0	205,010,369
International bond payable at AC	827,700,000	0	753,680,000	0
Securities sold under repurchase agreements at AC	496,872,158	0	0	0
Borrowings received at AC	<u>444,556,497</u>	<u>0</u>	<u>236,643,496</u>	<u>0</u>
	<u>1,769,128,655</u>	<u>6,471,994,499</u>	<u>990,323,496</u>	<u>6,113,102,107</u>

The following table describes the valuation techniques and inputs used in the valuation of financial assets and liabilities not measured at fair value that are classified in the fair value hierarchy within Level 2 and 3:

<u>Financial Instruments</u>	<u>Valuation Technique and Data Inputs Used</u>
Investments in securities at amortized cost - Public and private debt securities - local	Future cash flows discounted at current market rates for the term and type of instrument.
Investments in securities at amortized cost - Public and private debt securities - foreign	Observable market reference prices that are not active.
Loans at amortized cost	Future cash flows discounted at current market rates.
Time deposits placed with banks and received from customers at amortized cost	Future cash flows discounted using current market rates for new deposits with similar remaining maturities.
Bonds payable at amortized cost / foreign borrowings received with MIGA guarantee at amortized cost / bonds payable - international at amortized cost	Future cash flows discounted using current market interest rates for new financings with similar remaining maturities.

For demand deposits in banks, securities purchased under resale agreements, customer demand deposits, and customer savings accounts, the carrying value approximates fair value due to their short-term nature.

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Notes to the Condensed Interim Financial Information

(19) Principal Applicable Laws and Regulations

General Laws and Regulations

(a) *Banking Law*

Banking operations in the Republic of Panama, are regulated and supervised by the Superintendency of Banks of the Republic of Panama, pursuant to the regulations established in Executive Decree No.52 of April 30, 2008, which adopted the single text of Decree Law 9 of February 26, 1998, as amended by Decree Law No. 2 of February 22, 2008, whereby the banking system in Panama was established and creates the Superintendency of Banks and its regulations.

For purposes of compliance with the prudential norms issued by the Superintendency of Banks of Panama, the Bank will prepare an estimate of the regulatory credit allowance. If the regulatory calculation is greater than the corresponding estimate determined under IFRS, the excess allowance is recognized in a regulatory equity reserve.

(b) *Securities Law*

The securities market in the Republic of Panama is regulated by Law Decree No. 1 of July 8, 1999, which has been modified by Law 67 of September 1, 2011.

In 2013, the Superintendency of the Securities Market issued Agreement No. 8-2013, which modifies rules that are within Agreement No. 4-2011 on adequate capital, minimum total capital required, solvency ratio, capital ratio liquidity and credit concentrations that must be addressed by brokerage houses in Panama and those financial institutions that have a brokerage house license.

The following is a description of the modified rules in the Agreement No. 8-2013 of the Securities Exchange Superintendency and the indexes on each of these provisions:

- **Total Minimum Required Capital:** Banks with a brokerage house license must constitute and maintain free of encumbrances, at all times, a total minimum required capital, which shall be the sum of the amounts of capital required for each license. The Superintendency of Banks of Panama requires a minimum capital of B/.10,000,000, and the Securities Exchange Superintendency requires a minimum capital of B/.350,000. The capital maintained by the Bank according to these criteria exceeds that total minimum required capital.
- **Additional Capital Requirement:** Article 4-A of Agreement No. 4-2011 modified by Agreement No. 8-2013, establishes that all brokerage houses that offer the custody account management service in physical form or through third parties, must comply with the additional capital requirement. As of September 30, 2024, the Bank had an additional capital requirement of B/.1,673,120 (December 31, 2023: B/.1,676,400).

As of September 30, 2024, the capital contributed by the State for B/.1,000,000,000 covers the minimum total capital and the additional capital, as both required by the Superintendency of Banks of Panama and the Securities Exchange Superintendency.

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(19) Principal Applicable Laws and Regulations, continued

- Solvency Ratio: The brokerage houses must maintain at all times a minimum capital adequacy ratio of eight percent (8%) of the total assets and off-balance sheet operations, weighted according to their risks. The calculation of the solvency ratio should not include the customers' or third parties accounts that must be separated from the assets of the Brokerage House.
- Liquidity Ratio: Brokerage houses shall maintain, at all times a volume of investments in low risk and high liquidity assets that shall be at least thirty per cent (30%) of the total liabilities due with a residual term of less than one (1) year.
- Credit Risk Concentrations: The risks maintained by brokerage houses with respect to an issuer, individual client or a group of issuers or clients related to each other, shall be considered as a concentration situation when the accumulated value of these risks exceeds ten percent (10%) of the total value of its capital funds.

Due to the nature of the operations and services provided by the Bank, management considers that there is no risk of concentration of credit risk.

(c) Trust Law

The exercise of the trust business in the Republic of Panama is regulated by the Superintendency of Banks of Panama in accordance with the regulations established by Law No. 1 of January 5, 1984, as amended by Law No. 21 of May 10, 2017, which establishes the rules for the regulation and supervision of the trust business and dictates other provisions.

The objective of such law is to promote an appropriate and flexible legal platform to boost the trust market and maintain adequate levels of trust and transparency; the strengthening of management by the Superintendency in terms of the application of standards for comprehensive risk-based regulation and supervision, in accordance with the particular characteristics of the trust business.

The following is a summary of the most important aspects introduced by Law 21 of May 10, 2017:

- Composition of capital: Article 25 establishes that companies that are authorized to act as trustees shall issue shares representing their capital stock exclusively in nominative form.
- Minimum paid-in or assigned capital: Article 26 establishes that the minimum paid-in or assigned capital to apply for and maintain a trust license shall be one hundred and fifty thousand balboas (B/.150,000).

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(19) Principal Applicable Laws and Regulations, continued

(d) Preferential Interest Law

Law 3 of 1985 established mechanisms to stimulate the housing property market by applying preferential interest rates to mortgages loans with values that have been changing over time until the present. The preferential interest rate is the difference between the reference rate and the lower rate applied by the banks that participate in the preferential interest program. Financial institutions that grant mortgage loans with preferential interest rates that do not exceed the limit established in the Law, receive the annual benefit of a tax credit. According to Law No. 8 of March 15, 2010, which supersedes Article 6 of Law No. 3 of 1985, the benefit of the preferential interest rate of the first ten (10) years of the loan has been increased to the first fifteen (15) years in new loans and consequently the right of the financial entities to receive tax credits during the same period, according to the established table.

The tax credit established in Law No. 3 of 1985, as amended by Law No. 29 of 2008, may be used for the payment of national taxes, including income tax. If in any fiscal year a bank is not able to use effectively all the tax credits to which it is entitled, then it may use the excess tax credit during the following three years, at its convenience, or transfer it, in whole or in part, to another taxpayer. Article 7 of Law 3 of 1985, was amended by article 9 of Law No. 66 of 2017, which included a transitory paragraph, stipulating that established and regulated tax credits, which would have expired in 2017, based on the three-year prescription term, will regain their validity and will be subject to the five-year prescription term.

The latest changes to Law No. 3 were enacted through Law No. 399 of September 25, 2023, where an essential element and unique requirement for preferential mortgage loans was added, regarding the beneficiary being Panamanian or a foreigner with permanent Panamanian residency. Likewise, changes were made to preferential rates and article 5-A was added, to establish who cannot access preferential mortgages.

Law No.399 of 2023 provides for a change to the transitional paragraph of article 5 of Law No.94 of 2019, indicating that preferential mortgage loans granted from the enactment of this law until December 31, 2025, will be covered by the benefits of Law No.3 of 1985, except for the exceptions established in article 5-A, added by Law No.399 of 2023. It establishes that the benefit contained in article 5 of Law No. 3 of 1985, modified by Law No. 399 of 2023, may be applied to individual homes and apartments that have an occupancy permit from January 1, 2017, and will end on June 30, 2024, or August 1, 2025, depending on the assumptions indicated in that law. The tax credits to which financial entities are entitled will be received in accordance with the deadlines established for each case indicated in the law.

As of September 30, 2024, non-monetary transactions were carried out for the purpose of the condensed interim statement of cash flows, for the payment of tax credits for mortgage loans with preferential interest, through Public Debt Securities of the Republic of Panama for B/.147,311,000.

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(19) Principal Applicable Laws and Regulations, continued

Specific Regulations of the Superintendency of Banks of Panama

(a) *Acquired Foreclosed Assets*

For regulatory purposes, the Superintendency of Banks of Panama, in accordance with Agreement No. 003-2009, establishes a five (5) year term to dispose of a foreclosed asset, beginning on the date of registration in the Public Registry. If the asset has not been sold, it must be appraised by an independent appraisal to establish whether it has decreased its value, as established under IFRS Accounting Standards.

Additionally, the Bank must create a reserve in an equity account, through the appropriation in the following order from: a) retained earnings; and b) earning of the period, to which the following value of the foreclosed asset will be transferred:

First year:	10%
Second year:	20%
Third year:	35%
Fourth year:	15%
Fifth year:	10%

The above reserves shall be maintained until the acquired asset is actually transferred, and it shall not be considered as a regulatory reserve for purposes of calculating the equity ratio.

(b) *Loans and Off-Balance Sheet Operations*

Agreement No. 004-2013 issued by the Superintendency of Banks of Panama establishes provisions on the management and administration of credit risk inherent to the loan portfolio and off-balance sheet operations, including general criteria for the classification of credit facilities for the purpose of determining specific provisions and dynamics for the coverage of the Bank's credit risk. In addition, this Agreement establishes certain minimum required disclosures, in line with IFRS disclosure requirements, on the management and administration of credit risk.

Specific Provisions

The Agreement No.004-2013 establishes that specific provisions are generated by any objective and concrete evidence of impairment. These provisions shall be recorded for credit facilities classified in the risk categories referred as: special-mention, substandard, doubtful or loss, both for individual or collective credit facilities.

Banks must at all times calculate and maintain the amount of specific provisions determined through the methodology specified in this Agreement, which takes into consideration the balance due of each credit facility classified in one of the categories subject to provisioning, mentioned in the previous paragraph; the present value of each guarantee available to mitigate risk, as established by type of guarantee in this Agreement; and a weighting table that is applied to the net balance exposed to loss of such credit facilities.

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(19) Principal Applicable Laws and Regulations, continued

In case of an excess in the specific provisions, calculated according to this Agreement, when compared to the provision calculated under IFRS, such excess shall be accounted for as a regulatory reserve in equity, increasing or decreasing appropriations to or from retained earnings. The balance of the regulatory reserves will not be considered as capital funds for purposes of calculating certain prudential indices or ratios mentioned in the Agreement.

The following table summarizes the classification of the Bank's loan portfolio based on Agreement No. 004-2013:

	<u>September 30, 2024</u>		<u>December 31, 2023</u>	
	<u>(Unaudited)</u>		<u>(Audited)</u>	
	<u>Loans, gross</u>	<u>Allowance</u>	<u>Loans, gross</u>	<u>Allowance</u>
Standard	7,532,387,044	0	6,008,309,855	0
Special mention	248,248,380	7,541,735	208,538,028	6,263,538
Sub-standard	121,103,436	10,225,812	124,757,472	10,662,562
Doubtful	37,295,946	7,422,513	33,885,648	7,033,066
Loss	<u>76,500,680</u>	<u>23,414,599</u>	<u>70,007,353</u>	<u>21,009,561</u>
Gross amount	<u>8,015,535,486</u>	<u>48,604,659</u>	<u>6,445,498,356</u>	<u>44,968,727</u>

The Bank, based on Agreement No. 008-2014, the recognition of interest income is suspended based on the days of delay in the payment of principal and/or interest and the type of credit operation according to the following:

- a) For consumer and commercial loans, if it is overdue for more than 90 days; and
- b) For residential mortgage loans, if it is overdue for more than 120 days.

As of September 30, 2024, the Bank maintains loans for B/.46,324,614 (December 31, 2023: B/.45,913,644) in nonaccrual status and uncollected interest amounts to B/.2,590,305 (December 31, 2023: B/.2,706,856).

Agreement No. 004-2013 defines as past due any credit facility that presents any unpaid amount, in terms of principal, interest or expenses contractually agreed, with a delinquency of more than 30 days and up to 90 days, as of the contractual payment date.

The Agreement No.004-2013 defines as overdue any credit facility whose failure to pay the contractual amounts agreed, presents a delinquency over 90 days. This period shall be calculated from the contractual payment date. The operations with a balloon payment at maturity date and overdrafts, are considered overdue when their lack of payment exceeds 30 days from the date on which each obligation was determined to be paid.

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(19) Principal Applicable Laws and Regulations, continued

The balances of past due and overdue loans based on Agreement No. 004-2013 are detailed below:

<u>September 30, 2024</u>			<u>December 31, 2023</u>		
<u>(Unaudited)</u>			<u>(Audited)</u>		
<u>Past due loans</u>	<u>Overdue loans</u>	<u>Total</u>	<u>Past due loans</u>	<u>Overdue loans</u>	<u>Total</u>
<u>80,034,004</u>	<u>80,785,751</u>	<u>160,819,755</u>	<u>73,377,273</u>	<u>84,412,173</u>	<u>157,789,446</u>

Loans written off as of September 30, 2024 in the amount of B/.3,740,775 (December 31, 2023: B/.13,437,096) are still subject to collection activities.

Dynamic Provision

Agreement No. 004-2013 sets forth that a dynamic provision is a reserve established to meet future requirements of specific provisions, which is ruled by prudential criteria inherent to the banking regulation. The dynamic provision is constituted on a quarterly basis on credit facilities without specific provision assigned, that is, on credit facilities classified as normal.

This Agreement regulates the methodology to calculate the amount of the dynamic provision, which considers a maximum and minimum percentage restriction applicable to the amount of provision determined on credit facilities classified as normal.

The dynamic provision is an equity item that increases or decreases through appropriations from or to retained earnings. The credit balance of this dynamic provision forms part of the regulatory capital but does not replace nor offset capital adequacy requirements established by the Superintendency.

As of September 30, 2024, the Bank's dynamic provision amounts to B/.92,653,612 (December 31, 2023: B/.79,811,111).

Trading Portfolio

The Superintendency of Banks of Panama issued Agreement No. 003-2018, modified by Agreement No. 006-2019, through which provisions are established for management of the market risk inherent to the investment portfolio of the banks in Panama, based on the general criteria of classification of the trading portfolio with the purpose of determining the capital requirement on those instruments as established in those agreements.

The Agreement establishes that the regulatory trading portfolio for the purpose of estimating capital requirements for market risk is composed of the financial instruments that meet one or more of the following purposes:

- Closing a short-term position with profits, whether through its purchase or sale, considering the original position of the financial instrument;
- To obtain short-term valuation gains;
- To obtain arbitrage profits;
- To hedge risks that arise from instruments meeting any of the above criteria.

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(19) Principal Applicable Laws and Regulations, continued

In addition, financial instruments selected by this Superintendency of Banks of the Republic of Panama on the basis of their special characteristics, and whose economic fund responds to the purposes indicated above shall be included in the trading portfolio, regardless of the classification of the financial instrument according to IFRS Accounting Standards.

Additionally, any financial instrument that may be identified with any of the following characteristics is part of the trading portfolio:

- An instrument held for accounting purposes, in accordance with IFRS Accounting Standards, as an asset or liability for trading purposes (so that it would be measured daily at market prices, with valuation differences being recognized in the condensed interim statement of profit or loss).
- Instruments resulting from market-making activities.
- Instruments resulting from underwriting commitments.
- Equity investment in a fund, except when the daily market price is not available for determining the fund's value.
- Representative value of capital quoted on a stock exchange.
- Short position.
- Derivative contracts, except those that serve to hedge positions not recorded in the trading book.
- Financial instruments that include derivatives, whether explicit or implicit, that are part of the banking book and whose underlying is related to equity risk or credit risk.

The Bank has defined policies and procedures that provide for limits, and there is a process for keeping the Board of Directors and senior management informed, as an integral part of the Bank's risk management process.

The value of the risk capital requirement for market risk, as defined by Agreement No. 003-2018, as amended by Agreement No. 006-2019, and the unrealized gains during the nine months ended September 30, 2024, are detailed below by type of position:

<u>Type of instruments</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Common shares	NA	13,057,341	12,669,341
Common shares	NA	6,858,259	6,858,259
Common shares	NA	4,706,096	4,162,130
Common shares	NA	736,744	699,244
Common shares	NA	540,499	537,357
Common shares	NA	179,467	141,967
Common shares	NA	105,714	26,428
Common shares	NA	59,488	32,448

The capital requirement for these instruments at September 30, 2024 is B/.6,725,250 (December 31, 2023: B/.6,234,626).

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Notes to the Condensed Interim Financial Information

(19) Principal Applicable Laws and Regulations, continued

The Superintendency of Banks of Panama establishes in Agreement No. 012-2019, article 13, that all equity instruments (shares) measured at fair value with changes in other comprehensive income, must constitute a reserve for expected losses. This requirement is strictly prudential and independent of what is established by IFRS 9. As of September 30, 2024, the regulatory reserve for investments in securities with changes in other comprehensive income is B/.65,008 (December 31, 2023: B/.59,565).

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Schedule 1 - Supplementary Information for the Brokerage House

September 30, 2024

(Expressed in Balboas)

Banco Nacional de Panamá (the "Bank") operates under a general banking license issued by the Superintendency of Banks of Panama and is licensed to operate the Brokerage House business by Resolution No. CNV-027-01 of February 13, 2001, the Securities Exchange Superintendency issued by of Panama; therefore, the Bank is subject to the regulations of both Superintendencies.

In compliance with Article 22 of Agreement No. 4-2011, modified by the Agreement No. 8-2013 of the Securities Exchange Superintendency, "by which rules are issued on adequate capital, solvency ratio, capital funds, liquidity ratio and credit risk concentrations, which must be attended by the Securities Houses regulated by the Securities Exchange Superintendency", the following are the minimum and maximum ratios/amounts maintained during the three-month period ending on September 30, 2024, the nine-month period ending on September 30, 2024 and at closing of September 30, 2024.

Three-month period ended September 30, 2024					September 30, 2024
(Unaudited)					
	<u>Maximum</u>	<u>Date</u>	<u>Minimum</u>	<u>Date</u>	
Solvency ratio	100%	02/07/2024	100%	02/07/2024	100%
Capital funds	6,143,395	04/07/2024	6,009,104	05/07/2024	6,080,236
nine-month period ended September 30, 2024					September 30, 2024
(Unaudited)					
	<u>Maximum</u>	<u>Date</u>	<u>Minimum</u>	<u>Date</u>	
Solvency ratio	100%	02/01/2024	100%	02/01/2024	100%
Capital funds	6,165,097	26/06/2024	4,816,282	05/01/2024	6,080,236

According to the provisions of the Securities Exchange Superintendency, in Agreement 4-2011, in its Article 13, for the brokerage houses that have a Bank License it will be understood that the liquidity coefficient will be calculated based under rule issued by its primary regulator, in this case the Superintendency of Banks of Panama. The following is the result of the estimation of the legal liquidity ratio as of the date of the Bank's condensed interim statement of financial position during the nine month period ended September 30, 2024 during the nine month period ended September 30, 2024:

Three-month period ending September 30, 2024 **(Unaudited)**

As of September 30, 2024	71.76%
Maximum for the period – July 19, 2024	79.42%
Minimum for the period – July 05, 2024	71.03%

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(Expressed in Balboas)

Nine-month period ending September 30, 2024**(Unaudited)**

As of September 30, 2024	71.76%
Maximum for the period – March 08, 2024	79.60%
Minimum for the period – July 05, 2024	71.03%

Year ended December 31, 2023**(Audited)**

As of December 31, 2023	75.46%
Maximum for the period – May 31, 2023	77.22%
Minimum for the period – September 30, 2023	69.38%

Concentration of Credit Risk: Article No. 14 of Agreement No. 4-2011, establishes that a situation of concentration of credit risk shall be considered when the accumulated value of both lending and investment activities exceeds ten percent (10%) of the total value of its capital resources. In any case, the value of all risks that a brokerage house maintains with the same issuer, client or group of issuers or clients related to each other, may not exceed thirty percent (30%) of the total value of its capital funds.

During the period ended on September 30, 2024, no concentration situations occurred according with the segmented balances characteristic of the activity of the brokerage house.

In compliance with Agreement No. 4-2011, single text issued by the Securities Exchange Superintendency which contains amendments made by Agreement No. 3-2015, Article Two, which adds provisions to Article 22-A in relation to the obligation to disclose the amounts managed of customer accounts and supplements to financial information by activity, for those Brokerage House that hold more than one license; the following is the supplementary information as described above:

(1) Managed Amount of Customer Accounts

As of September 30, 2024, the Bank holds the following investments in securities:

	<u>September 30, 2024</u>		
	<u>(Unaudited)</u>		
	<u>Banking</u>	<u>Brokerage House</u>	<u>Total</u>
Own position	<u>3,503,629,971</u>	<u>7,200,000</u>	<u>3,510,829,971</u>
Third party position	<u>0</u>	<u>4,182,798,883</u>	<u>4,182,798,883</u>

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September 30, 2024

(Expressed in Balboas)

(1) Managed Amount of Customer Accounts, continued

	<u>December 31, 2023</u> <u>(Audited)</u>		
	<u>Banking</u>	<u>Brokerage House</u>	<u>Total</u>
Own position	<u>4,272,963,631</u>	<u>7,200,000</u>	<u>4,280,163,631</u>
Third party position	<u>0</u>	<u>4,191,000,655</u>	<u>4,191,000,655</u>

The third-party position portfolio corresponds to investments in securities of managed customer accounts. This portfolio is controlled in off balance sheet accounts that are not part of the Bank's condensed interim statement of financial position. The Bank does not hold a portfolio under discretionary management of third-party accounts nor does it hold bank accounts in the name of third parties through its brokerage house license.

As of September 30, 2024, the Bank has consigned as guarantee public debt securities for the amount of B/.1,100,000 on behalf of Central Latinoamericana de Valores (Latinclear), in compliance with the provisions of Agreement No.11-2003 of the Securities Exchange Superintendency and Latinclear's Internal Operations Regulations, which state that all participants in Latinclear must provide a performance bond in favor of this entity, in order to guarantee compliance with all its monetary obligations for the stock exchange and over-the-counter transactions it carries out (December 31, 2023: B/.1,100,000).

(2) Financial Information by Type of License

The following table shows the assets, liabilities and equity of the Bank as of September 30, 2024 by activity, according to the licenses granted:

	<u>September 30, 2024</u> <u>(Unaudited)</u>		
	<u>Banking</u>	<u>Brokerage House</u>	<u>Total</u>
Total assets	<u>15,414,713,023</u>	<u>8,585,288</u>	<u>15,423,298,311</u>
Total liabilities	<u>13,874,888,327</u>	<u>83,935</u>	<u>13,874,972,262</u>
Total capital funds	<u>1,539,824,696</u>	<u>8,501,353</u>	<u>1,548,326,049</u>

	<u>December 31, 2023</u> <u>(Audited)</u>		
	<u>Banking</u>	<u>Brokerage House</u>	<u>Total</u>
Total assets	<u>15,292,270,153</u>	<u>8,294,330</u>	<u>15,300,564,483</u>
Total liabilities	<u>13,990,232,001</u>	<u>88,822</u>	<u>13,990,320,823</u>
Total capital funds	<u>1,302,038,152</u>	<u>8,205,508</u>	<u>1,310,243,660</u>

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September 30, 2024

(Expressed in Balboas)

(2) Financial Information by Type of License, continued

The Bank's income and expenses for the period ended September 30, 2024 by activity, according to the licenses granted, is a follows:

	September 30, 2024		
	(Unaudited)		
	Brokerage		
	Banking	House	Total
Net interest and commission income after provisions	374,380,662	2,161,052	376,541,714
Other income	42,461,008	0	42,461,008
Other expenses	(582,505)	0	(582,505)
General and administrative expenses	<u>157,249,570</u>	<u>659,699</u>	<u>157,909,269</u>
Net income	<u>260,174,605</u>	<u>1,501,353</u>	<u>261,675,958</u>

	September 30, 2023		
	(Unaudited)		
	Brokerage		
	Banking	House	Total
Net interest and commission income after provisions	328,814,562	1,528,742	330,343,304
Other income	35,096,440	0	35,096,440
Other expenses	1,527,894	0	1,527,894
General and administrative expenses	<u>145,192,442</u>	<u>638,059</u>	<u>145,830,501</u>
Net income	<u>217,190,666</u>	<u>890,683</u>	<u>218,081,349</u>

As of September 30, 2024, the brokerage house under the license held by the Bank generated commissions for brokerage services and custody fees in the amount of B/.1,928,844. This income is presented as net interest and commission income after provisions, while in the Bank it is presented as other income (September 30, 2023: B/.1,307,703).

(3) Valuation Basis

The basis of valuation for own investments is presented in accordance with the material accounting policies detailed in note 3 to the Bank's condensed interim financial statements. All amounts managed in customer accounts are presented at face value.