

Banistmo S.A. and Subsidiaries

**Condensed Consolidated Interim Financial
Statements as of September 30, 2024
(Unaudited)**

(With Accountant's Report)

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

Banistmo S.A. and Subsidiaries

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ACCOUNTANT'S REPORT

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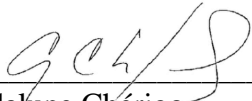
LATIN AMERICAN STOCK EXCHANGE
SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA
Panama, Republic of Panama

The accompanying condensed consolidated interim financial statements of Banistmo S.A. and Subsidiaries (the "Bank") as of September 30, 2024, include the condensed consolidated interim statements of the financial position, profit or loss, comprehensive income, changes in equity and cash flows for the nine months ended on that date, and notes, which include a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements referred to above have been prepared and present, in all material respects, the financial position of Banistmo S.A. and Subsidiaries as of September 30, 2024, and their financial performance and their cash flows for the nine months ended on that date in accordance with International Accounting Standard No. 34. *Interim Financial Reporting*.

The Bank's consolidated financial statements for the year ended December 31, 2023, were audited by an external auditor, who expressed an unqualified opinion on these consolidated financial statements on February 20, 2024.



Guadalupe Chérigo
C.P.A. No. 8357

Banistmo S.A. and Subsidiaries

Condensed Consolidated Interim Statement of Financial Position

September 30, 2024

(Amounts in Balboas)

	Note	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Assets			
Cash, cash equivalents and bank deposits	5,6,23,24	481,643,881	944,790,066
Investments in securities	5,7,23,24	1,513,492,007	1,459,161,128
Derivatives	8,23,24	2,409,795	3,719,192
Loans	5,9,26	8,156,365,678	8,033,537,579
Reserve for expected credit losses	5,9	(417,617,484)	(399,128,325)
Total loans	5,23,24	<u>7,738,748,194</u>	<u>7,634,409,254</u>
Assets held for sale		43,176,103	34,757,870
Customers' obligations for acceptances		18,387,765	54,245,082
Properties, furniture, equipment, and improvements	10	134,076,406	137,512,594
Goodwill and other intangible assets	5,11	103,712,942	98,180,590
Deferred income tax	22	120,766,344	117,524,705
Other assets	12,23,24	221,434,004	233,870,329
Total assets	19	<u><u>10,377,847,441</u></u>	<u><u>10,718,170,810</u></u>
Liabilities and Equity			
Liabilities			
Customer deposits	23,24	7,127,152,236	7,157,861,019
Interbanking deposits	24	175,603,712	160,680,537
Derivatives	8,23,24	2,309,690	3,671,255
Debt securities issued	13,24	597,612,028	687,126,887
Borrowings	14,23,24	785,808,570	1,038,121,563
Lease liabilities	10	133,030,156	135,618,213
Outstanding acceptances		18,387,765	54,245,082
Other creditors	15,23	276,138,975	265,590,115
Total liabilities	19	<u>9,116,043,132</u>	<u>9,502,914,671</u>
Commitments and Contingencies	5,16		
Equity			
Common shares	5,17	11,325,781	11,325,781
Additional paid in capital	5,17	743,744,192	743,744,192
Regulatory reserves	26	188,493,413	178,939,121
Actuarial valuation of defined benefits		761,492	761,492
Reserve for valuation of investments	5	17,445,832	12,258,607
Retained earnings	5	300,033,599	268,226,946
Total equity		<u>1,261,804,309</u>	<u>1,215,256,139</u>
Total liabilities and equity		<u><u>10,377,847,441</u></u>	<u><u>10,718,170,810</u></u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Banistmo S.A. and Subsidiaries

Condensed Consolidated Interim Statement of Profit or Loss For the three and nine month period ended September 30, 2024

(Amounts in Balboas)

	Note	(Third quarter)		(Accumulated)	
		2024	2023	2024	2023
(Unaudited)					
Interest income on:					
Loans		142,514,408	141,123,776	426,633,286	418,110,123
Bank deposits		4,570,382	4,487,556	15,480,709	16,499,228
Securities and others		14,724,384	16,193,377	45,151,653	49,764,804
Total interest income	23	<u>161,809,174</u>	<u>161,804,709</u>	<u>487,265,648</u>	<u>484,374,155</u>
Interest expenses on:					
Deposits	23	60,264,756	49,632,538	171,777,441	138,804,639
Borrowings and debt securities issued	23	23,327,678	25,419,145	72,457,045	68,438,369
Lease liabilities		1,724,170	1,531,563	5,182,263	5,294,911
Total interest expenses		<u>85,316,604</u>	<u>76,583,246</u>	<u>249,416,749</u>	<u>212,537,919</u>
Net interest income, before provisions	19	<u>76,492,570</u>	<u>85,221,463</u>	<u>237,848,899</u>	<u>271,836,236</u>
Provision for impairment on financial assets	18, 19	<u>35,063,282</u>	<u>25,937,238</u>	<u>98,753,989</u>	<u>50,392,644</u>
Net interest income, after provisions	19	<u>41,429,288</u>	<u>59,284,225</u>	<u>139,094,910</u>	<u>221,443,592</u>
Income/expenses for banking services and others:					
Revenue from fees and commissions	19,20,23	34,067,426	31,089,793	103,112,599	87,333,782
Net gain in securities and derivatives	19,21,23	11,527,787	1,821,221	23,342,034	8,973,015
Commissions expense	19,23	(15,502,157)	(14,072,594)	(45,562,862)	(40,215,085)
Other income	19	1,134,287	3,849,025	5,092,438	5,866,149
Impairment on other assets	19	(1,089,441)	1,817,485	(2,676,941)	232,734
Total income for banking services and others, net		<u>30,137,902</u>	<u>24,504,930</u>	<u>83,307,268</u>	<u>62,190,595</u>
General and administrative expenses:					
Salaries and other personnel costs	23	26,801,603	26,118,469	76,415,790	74,795,672
Fees and professional services		9,322,643	10,158,791	28,318,541	28,716,502
Depreciation and amortization	10,11	5,960,043	6,033,974	17,965,434	17,859,299
Marketing and advertising		1,204,621	710,404	2,873,670	1,819,614
Other expenses	23	17,175,685	16,510,958	49,824,401	45,817,445
Total general and administrative expenses	19	<u>60,464,595</u>	<u>59,532,596</u>	<u>175,397,836</u>	<u>169,008,532</u>
Profit before income tax	19, 22	<u>11,102,595</u>	<u>24,256,559</u>	<u>47,004,342</u>	<u>114,625,655</u>
Income tax	19, 22	<u>1,550,931</u>	<u>(1,639,070)</u>	<u>4,033,461</u>	<u>19,949,515</u>
Net profit	17, 19	<u>9,551,664</u>	<u>25,895,629</u>	<u>42,970,881</u>	<u>94,676,140</u>
Net profit per basic share	17	<u>0.84</u>	<u>2.29</u>	<u>3.79</u>	<u>8.36</u>

Banistmo S.A. and Subsidiaries

Condensed Consolidated Interim Statement of Comprehensive Income For the three and nine month period ended September 30, 2024

(Amounts in Balboas)

	Note	(Third quarter)		(Accumulated)	
		2024	2023	2024	2023
Net profit		9,551,664	25,895,629	42,970,881	94,676,140
Other items of comprehensive income:					
Items that will not be reclassified to the consolidated statement of profit or loss:					
Net changes in valuation of equity instruments		6,800	681	(6,105,282)	638,268
Items that are or can be reclassified to the consolidated statement of profit or loss:					
Net changes in valuation of debt instruments		4,588,859	(1,952,737)	11,609,850	4,365,340
Net profit on securities through other comprehensive income transferred to the condensed consolidated interim statement of profit or loss	21	(209,626)	13,499	(317,343)	(95,518)
Other items from comprehensive income, net		4,386,033	(1,938,557)	5,187,225	4,908,090
Total of comprehensive income		13,937,697	23,957,072	48,158,106	99,584,230

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Banistmo S.A. and Subsidiaries

**Condensed Consolidated Interim Statement of Changes in Equity
For the nine month period ended September 30, 2024**

(Amounts in Balboas)

	Note	Common shares	Additional paid in capital	Regulatory reserves	Actuarial Valuation of Defined Benefits	Reserve for Valuation of Securities Investments	Retained earnings	Total Equity
Balance as of December 31, 2022 (Audited)		11,325,781	743,744,192	167,864,294	874,322	5,787,462	229,834,997	1,159,431,048
Comprehensive income:								
Net profit		-	-	-	-	-	94,676,140	94,676,140
Other comprehensive income:							-	-
Net changes in valuation of equity instruments		-	-	-	-	638,268	-	638,268
Net changes in valuation of debt instruments		-	-	-	-	4,365,340	-	4,365,340
Net income in securities through other comprehensive income transferred to profit or loss	21	-	-	-	-	(95,518)	-	(95,518)
Other items of comprehensive income, net		-	-	-	-	4,908,090	-	4,908,090
Total other comprehensive income		-	-	-	-	4,908,090	94,676,140	99,584,230
Other equity transactions:								
Reserve for non-write-off portfolio with extension		-	-	6,473,022	-	-	(6,473,022)	-
Reserve for equity instruments		-	-	20,505	-	-	(20,505)	-
Regulatory reserve for foreclosed assets		-	-	6,566,104	-	-	(6,566,104)	-
Total other equity transactions		-	-	13,059,631	-	-	(13,059,631)	-
Contributions and distributions to the shareholder:								
Dividend tax		-	-	-	-	-	1,027,004	1,027,004
Payment of dividends	5	-	-	-	-	-	(75,000,000)	(75,000,000)
Total contributions and distributions to the shareholder		-	-	-	-	-	(73,972,996)	(73,972,996)
Balance as of September 30, 2023 (Unaudited)		<u>11,325,781</u>	<u>743,744,192</u>	<u>180,923,925</u>	<u>874,322</u>	<u>10,695,552</u>	<u>237,478,510</u>	<u>1,185,042,282</u>
Balance as of December 31, 2023 (Audited)		11,325,781	743,744,192	178,939,121	761,492	12,258,607	268,226,946	1,215,256,139
Comprehensive income:								
Net profit		-	-	-	-	-	42,970,881	42,970,881
Other comprehensive income:								
Net changes in valuation of equity instruments		-	-	-	-	(6,105,282)	-	(6,105,282)
Net changes in valuation of debt instruments		-	-	-	-	11,609,850	-	11,609,850
Net income in securities through other comprehensive income transferred to profit or loss	21	-	-	-	-	(317,343)	-	(317,343)
Other items of comprehensive income, net		-	-	-	-	5,187,225	-	5,187,225
Total other comprehensive income		-	-	-	-	5,187,225	42,970,881	48,158,106
Other equity transactions:								
Reserve for non-write-off portfolio with extension		-	-	2,249,805	-	-	(2,249,805)	-
Reserve for equity instruments		-	-	(24,227)	-	-	24,227	-
Regulatory reserve for foreclosed assets		-	-	7,328,714	-	-	(7,328,714)	-
Total other equity transactions		-	-	9,554,292	-	-	(9,554,292)	-
Contributions and distributions to the shareholder:								
Dividend tax		-	-	-	-	-	(1,609,936)	(1,609,936)
Total contributions and distributions to the shareholder		-	-	-	-	-	(1,609,936)	(1,609,936)
Balance as of September 30, 2024 (Unaudited)		<u>11,325,781</u>	<u>743,744,192</u>	<u>188,493,413</u>	<u>761,492</u>	<u>17,445,832</u>	<u>300,033,599</u>	<u>1,261,804,309</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Banistmo S.A. y Subsidiarias

Condensed Consolidated Interim Statement of Cash Flows For the nine month period ended September 30, 2024 (Amounts in Balboas)

	Note	2024 (Unaudited)	2023
Cash flows from operating activities			
Net profit		42,970,881	94,676,140
Adjustments to reconcile net profit and net cash provided by the operating activities:			
Depreciation and amortization	10,11	17,965,434	17,859,299
Provision for impairment on financial assets	18	98,753,989	50,392,644
Impairment on other assets	19	2,676,941	(232,734)
Net profit in securities and derivatives	21	(23,342,034)	(8,973,015)
Loss in sale of property, furniture, equipment and foreclosed assets		390,084	293,243
Income tax	22	4,033,461	19,949,515
Interest income		(487,265,648)	(484,374,155)
Interest expenses		249,416,749	212,537,919
Net changes in operating assets and liabilities:			
Original fixed time deposits of over three months		-	(9,513,300)
Restricted fixed time deposits		693,000	(610,000)
Restricted time deposits		220,000	-
Securities at fair value through profit or loss		(269,585,014)	(7,519,319)
Loans		(231,089,988)	(14,395,459)
Customer deposits		(33,202,237)	(396,950,481)
Interbanking deposits		15,313,642	(3,320,424)
Other assets		20,765,800	(4,956,533)
Other liabilities		7,241,874	(20,532,578)
Interests received		502,527,679	496,068,622
Interests paid		(251,983,932)	(225,355,376)
Cash received for sale of assets held-for-sale		7,591,392	9,343,432
Dividends received	21	1,972,695	2,062,945
Taxes paid		(4,270,698)	(359,164)
Net cash used in operating activities		(328,205,930)	(273,908,779)
Cash flows from investing activities			
Purchase of securities through other comprehensive income		(67,763,000)	(429,623,900)
Sales and redemptions, net of realized gains		310,610,673	438,819,284
Payments received from securities at amortized cost		57,982,101	13,582,298
Purchase of securities at amortized cost		(73,377,494)	(58,406,594)
Acquisition of furniture and equipment	10	(6,243,214)	(4,030,121)
Cash received on sales of furniture and equipment		95,300	33,656
Additions of intangible assets	11	(9,955,152)	(7,131,110)
Net cash provided by / used in investing activities		211,349,214	(46,756,487)
Cash flows from financing activities			
Borrowings		230,744,843	571,381,846
Repayment of borrowings		(481,784,281)	(650,113,103)
Payment of liabilities for leases		(6,604,095)	(6,126,845)
Debt securities issued		151,908,000	75,922,000
Payment of debt securities issued		(238,031,000)	(120,784,000)
Payment of dividends		-	(75,000,000)
Dividend tax		(1,609,936)	1,027,004
Net cash used in financing activities		(345,376,469)	(203,693,098)
Net decrease in cash and cash equivalents		(462,233,185)	(524,358,364)
Cash and cash equivalents at the beginning of the period		942,437,066	1,052,815,600
Cash and cash equivalents at the end of the period	6	480,203,881	528,457,236

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

1. Organization

Banistmo S.A. began operations on August 1, 2004, under the laws of the Republic of Panama. The Superintendency of Banks of Panama granted a General Banking License, which allows it to carry out banking transactions in Panama and abroad, in addition to any other activity authorized by this Superintendency.

Banistmo S.A. provides directly and through its subsidiaries, a wide variety of financial services mainly to institutions and individuals. The services provided, in addition to corporate and consumer services, are financial leasing, fiduciary asset management, payment agencies, registration and transfer, brokerage and securities trading. Most of these activities are subject to supervision by regulatory authorities.

Hereinafter, Banistmo S.A. and subsidiaries will be referred jointly as “the Bank”.

The Bank is wholly owned by Bancolombia, S.A., who is the ultimate parent company.

The condensed consolidated interim financial statements were authorized for issue by the Bank’s Management on October 30, 2024.

2. Summary of Material Accounting Policies

2.1 *Accounting Basis of the Condensed Consolidated Interim Financial Statements*

Statement of compliance

The condensed consolidated interim financial statements as of September 30, 2024, have been prepared in accordance with the International Accounting Standard N°34 “*Interim Financial Reporting*”.

In accordance with International Accounting Standard No. 34 “Interim Financial Reporting”, the condensed consolidated interim financial statements were prepared with the purpose of providing an update of the information contained in the last annual consolidated financial statements authorized for issue, focusing on new activities, events and circumstances that occurred during the nine-month period.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

These condensed consolidated interim financial statements do not include all the information normally required for the preparation of annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). However, explanatory notes on events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance have been selected. Accordingly, this report should be read in conjunction with the latest annual consolidated financial statements authorized for issue.

The accounting policies and methods used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the preparation of the 2023 annual consolidated financial statements.

3. New and Revised Accounting Pronouncements

Amendments adopted by the Bank

Amendments to accounting standards that have been adopted for the period ended September 30, 2024 are as follows:

- **Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Agreed Conditions:** in October 2022, the Board published the Classification of Liabilities as Current or Non-Current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current; in particular, how an entity assesses whether it has the right to defer settlement of a liability when that right is subject to the fulfillment of specified conditions (often referred to as "Agreed Terms") within twelve months of the reporting period.
- **Amendments to IFRS 16 Leases - Lease Liability on a Sale with Leaseback:** in September 2022, the Board proposed to amend the method that a lessee-seller would use in the initial measurement of the right-of-use asset and liability arising from a sale and leaseback transaction and how the lessee-seller would subsequently measure this liability. The proposed amendment applies to sale and leaseback transactions in which, applying paragraph 99 of IFRS 16, the transfer of the asset satisfies the requirements to be accounted for as the sale of the asset.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:** in May 2023, the Board in response to investor calls for greater transparency of the impacts of vendor financing arrangements on the financial statements, has amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce additional disclosure requirements for companies entering into such arrangements. However, they do not address the classification and presentation of the related liabilities and cash flows.

Management applied these amendments to the condensed consolidated interim financial statements and disclosures for the period ended September 30, 2024, with no impact identified on the Bank's condensed consolidated interim financial statements and disclosures.

New standards and amendments not adopted by the Bank

New Standards, Interpretations and Amendments to accounting standards have been issued, but are not mandatory for the period ended September 30, 2024, and have not been adopted early by the Bank. The main changes are presented below:

- **IFRS 18 - Presentation and Disclosures in Financial Statements:** in April 2024, the Board issued the new standard IFRS 18 - Presentation and Disclosures in Financial Statements, which will provide investors with more transparent and comparable information on the financial performance of companies, which will help to make better investment decisions.

IFRS 18 is effective for annual accounting periods beginning on or after January 1, 2027. Earlier application is permitted.

- **IFRS 19 - Subsidiaries without public accountability: disclosures:** in May 2024, the Board issued the new IFRS 19 Non-Public Interest Subsidiaries, which allows subsidiaries to disclose reduced information, instead of disclosing information in accordance with other IFRS standards. The application of this standard will reduce the costs of preparing the financial statements of subsidiaries, while maintaining the benefit of the information for the users of the financial statements.

IFRS 19 is effective for annual accounting periods beginning on or after January 1, 2027. Earlier application is permitted.

There are no other amendments issued that are not yet effective that may have a material impact on the condensed consolidated interim financial statements of the Bank.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

4. Use of Estimates and Judgments

In preparing the condensed consolidated interim financial statements, the Bank's Management evaluates the selection, disclosure and application of critical accounting policies for the most significant estimation uncertainties.

Significant judgments made by Management in the application of the Bank's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as of December 31, 2023.

5. Risk Management of Financial Instruments

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

For the issuance of the condensed consolidated interim financial statements, we present the most significant aspects for the Bank, which are described as follows:

5.1 *Credit Risk*

Credit risk is the probability that the entity incurs losses due to non-compliance with financial obligations undertaken by the counterparty, issuer or debtor; impairment due to an increase in their risk rating; reduction of profits and remuneration; benefits delivered in restructurings; and recovery costs.

Credit risk management - credit portfolio

Risk management in the cycles of the different types of credit operations carried out by the Bank is developed through compliance with the policies, procedures and methodologies stipulated in the Credit Risk Management System, which also contains the general criteria for evaluating, rating, assuming, controlling and hedging the aforementioned risk.

In addition, Management has developed process and methodology manuals that specify the policies and procedures for the different products and segments served by the organization and that reflect the strategy approved by the Board of Directors for the follow-up and control of credit risk.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Amounts in Balboas)

In accordance with the above, the credit risk management policies include those stipulated for the credit exposure limit, for granting, guarantees and securities, provisions and portfolio follow-up and recovery.

The Bank has established certain procedures to manage credit risk, as summarized as follows:

Credit Exposure Limit Policy

Contains the guidelines regarding the establishment of credit exposure limits and levels in compliance with legal requirements and in accordance with the Bank's internal guidelines.

Granting policy

Seeks broad and sufficient knowledge of the characteristics of potential customers, the appropriate selection of these and the levels of granting, optimal and consistent with their capabilities.

Guarantee Policy

Emphasizes the Bank's guarantees, their characteristics and the criteria for accepting and valuing them in order to mitigate the risk associated with the debtor's noncompliance with the obligations agreed upon.

Provisioning policy

The definition of this type of policy is based on compliance with legal guidelines, the stipulations of the organization and the analysis of customers regarding the actions to be taken in order to cover the risk of losses due to the Bank's credit exposure.

Follow-up policy

Contains the various information follow-up routines in order to adequately and timely monitor the evolution of credit risk. These routines require a continuous process of classification and reclassification of credit operations and are consistent with the policies implemented for the granting.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

Customer Collection Policy

The Bank's objective is to establish those mechanisms that allow it to foresee the actions to be taken in the event of possible arrears and to carry out the portfolio reconciliation, that is, to minimize the impacts resulting from non-compliance with payments or as a result of the debtor's arrears.

Additionally, the guidelines established in this policy define the aspects and activities that frame what the Bank has defined as collection management and make it possible to obtain information to make the necessary estimates regarding the models for the follow-up and estimation of losses.

The Bank's credit risk management is carried out in all the processes of the credit cycle, these processes are framed as follows:

- Granting: knowledge of the client, analysis of the payment capacity and approval and structuring of the loan.
- Follow-up: knowledge of the client's situation during the life of the loan.
- Recovery: collection management during the different stages of the loan.

The Bank has methods that allow it to evaluate risk throughout the entire loan process, from granting, through follow-up and collection.

To support the loan origination processes, behavioral and/or rating models based on statistical information or expert criteria are used to differentiate the risk level of potential customers and thus support decision making.

Risk Management is responsible for defining and documenting the specific characteristics of the models to be used, as well as the parameters, the variables to be used in each of them and the cut-off points to be applied to them in the loan origination process. At least once a year, Risk Management must perform back testing of the behavioral and/or rating models used in the granting process to validate their effectiveness.

In addition, the entire loan portfolio is periodically rated taking into account the internal models established in order to evaluate the credit risk of each debtor and thus make the required provisions.

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In addition to the evaluation and rating of the portfolio, the monthly provisions serve as a measure of the current condition of the portfolio, the parameters used for their calculation serve as a tool to evaluate the risk collectively; the collective evaluation of the portfolio applies to them the methodologies of expected credit loss (PCE) twelve months or lifetime, where the parameters used to measure the credit risk are: probability of default (PD) for the life of the instrument, loss given default (LGD), credit conversion factor (CCF), total credit exposure, exposure at default (EAD) by stage, for customers with default deterioration or internal risk rating.

Credit quality analysis

Currently, there are loans that are classified as normal risk, but according to the IFRS 9 provisioning methodology they are classified in stage 3, because the model uses specific impairment assumptions, such as: contagion from write-offs, thresholds and watch list inclusions.

The following table presents the financial assets and expected credit loss reserves (ECLs):

	September 30 2024 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Maximum exposure				
Carrying amount	<u>6,429,231,439</u>	<u>845,879,378</u>	<u>463,637,377</u>	<u>7,738,748,194</u>
Loans receivables at amortized cost				
Grade 1: Normal	6,477,507,479	345,112,297	23,504,711	6,846,124,487
Grade 2: Low - reasonable risk	-	481,823,727	10,522,892	492,346,619
Grade 3: Subnormal	-	78,280,920	83,874,558	162,155,478
Grade 4: Doubtful	-	29,869,950	490,005,722	519,875,672
Grade 5: Uncollectible	-	-	135,863,422	135,863,422
Gross amount	<u>6,477,507,479</u>	<u>935,086,894</u>	<u>743,771,305</u>	<u>8,156,365,678</u>
Less: Reserve for expected credit losses	<u>48,276,040</u>	<u>89,207,516</u>	<u>280,133,928</u>	<u>417,617,484</u>
Carrying amount	<u>6,429,231,439</u>	<u>845,879,378</u>	<u>463,637,377</u>	<u>7,738,748,194</u>
Securities at amortized cost				
Grade 1: Normal	540,341,194	-	-	540,341,194
Grade 2: Low - reasonable risk	-	7,071,167	-	7,071,167
Grade 3: Subnormal	-	-	11,901,709	11,901,709
Gross amount	<u>540,341,194</u>	<u>7,071,167</u>	<u>11,901,709</u>	<u>559,314,070</u>
Less: Reserve for expected credit losses	<u>4,975,635</u>	<u>564,245</u>	<u>3,808,482</u>	<u>9,348,362</u>
Carrying amount	<u>535,365,559</u>	<u>6,506,922</u>	<u>8,093,227</u>	<u>549,965,708</u>

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	September 30 2024 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Securities at fair value through other comprehensive income *				
Grade 1: Normal	453,089,083	-	-	453,089,083
Grade 2: Low - reasonable risk	-	14,757,884	-	14,757,884
Carrying amount	<u>453,089,083</u>	<u>14,757,884</u>	<u>-</u>	<u>467,846,967</u>
Reserve for impairment in FVOCI	<u>574,110</u>	<u>35,127</u>	<u>-</u>	<u>609,237</u>
Commitments and contingencies				
Grade 1: Normal	1,223,519,310	26,341,720	1,512,750	1,251,373,780
Grade 2: Low - reasonable risk	-	1,517,185	84,847	1,602,032
Grade 3: Subnormal	-	1,008,397	48,085	1,056,482
Grade 4: Doubtful	-	-	2,315,550	2,315,550
Grade 5: Uncollectible	-	-	313,596	313,596
Carrying amount	<u>1,223,519,310</u>	<u>28,867,302</u>	<u>4,274,829</u>	<u>1,256,661,440</u>
Contingencies reserve	<u>3,499,908</u>	<u>6,161,594</u>	<u>128,960</u>	<u>9,790,462</u>

	December 31 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Maximum exposure				
Carrying amount	<u>6,109,956,191</u>	<u>1,095,293,546</u>	<u>429,159,517</u>	<u>7,634,409,254</u>
Loans receivables at amortized cost				
Grade 1: Normal	6,160,670,139	484,535,223	19,680,162	6,664,885,524
Grade 2: Low - reasonable risk	-	573,412,809	23,341,590	596,754,399
Grade 3: Subnormal	-	81,744,732	127,618,500	209,363,232
Grade 4: Doubtful	-	27,533,179	445,706,912	473,240,091
Grade 5: Uncollectible	-	-	89,294,333	89,294,333
Gross amount	<u>6,160,670,139</u>	<u>1,167,225,943</u>	<u>705,641,497</u>	<u>8,033,537,579</u>
Less: Reserve for expected credit losses	<u>50,713,948</u>	<u>71,932,397</u>	<u>276,481,980</u>	<u>399,128,325</u>
Carrying amount	<u>6,109,956,191</u>	<u>1,095,293,546</u>	<u>429,159,517</u>	<u>7,634,409,254</u>
Securities at amortized cost				
Grade 1: Normal	538,501,374	-	-	538,501,374
Grade 2: Low - reasonable risk	-	7,071,167	-	7,071,167
Grade 3: Subnormal	-	-	11,704,422	11,704,422
Gross amount	<u>538,501,374</u>	<u>7,071,167</u>	<u>11,704,422</u>	<u>557,276,963</u>
Less: Reserve for expected credit losses	<u>4,818,328</u>	<u>745,657</u>	<u>2,602,217</u>	<u>8,166,202</u>
Carrying amount	<u>533,683,046</u>	<u>6,325,510</u>	<u>9,102,205</u>	<u>549,110,761</u>

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	December 31 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Securities at fair value through other comprehensive income *				
Grade 1: Normal	693,891,602	-	-	693,891,602
Carrying amount	<u>693,891,602</u>	<u>-</u>	<u>-</u>	<u>693,891,602</u>
Reserve for impairment in FVOCI	<u>620,899</u>	<u>-</u>	<u>-</u>	<u>620,899</u>
Commitments and contingencies				
Grade 1: Normal	1,487,776,021	9,886,380	917,657	1,498,580,058
Grade 2: Low - reasonable risk	416,340	1,232,490	5,261	1,654,091
Grade 3: Subnormal	112,481	18,691	732,503	863,675
Grade 4: Doubtful	27,030	6,110	1,306,142	1,339,282
Grade 5: Uncollectible	30,592	1,101	172,244	203,937
Carrying amount	<u>1,488,362,464</u>	<u>11,144,772</u>	<u>3,133,807</u>	<u>1,502,641,043</u>
Reserve for impairment in Contingencies	<u>6,259,595</u>	<u>1,521,432</u>	<u>92,416</u>	<u>7,873,443</u>

*Excludes equity instruments for B/.37,473,090 (December 31, 2023: B/.43,578,371). (See Note 7.2).

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The following table shows cash, cash equivalents and deposits with banks, instruments classified as securities at fair value through other comprehensive income, securities at fair value through profit or loss and securities at amortized cost, based on the ratings assigned by the rating agencies:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Cash, cash equivalents and deposits in banks		
Rated AAA	10,804	-
Rated between AA- and AA+	91,148,241	105,089,378
Rated between A- and A+	166,961,402	489,169,407
Rated between BBB+ and BBB-	13,606,818	89,182,932
Rated between BB+ and less	60,233,171	54,263,218
No rating	149,683,445	207,085,131
	<u>481,643,881</u>	<u>944,790,066</u>
Securities at fair value through profit or loss		
Corporate bonds:		
Rated between AA- and AA+	345,846	483,581
Rated between A- and A+	18,432,847	-
Rated between BBB+ and BBB-	10,364,736	2,020,297
Rated between BB+ and less	5,452,189	3,606,675
	<u>34,595,618</u>	<u>6,110,553</u>
Sovereign Bonds:		
Rated AAA	3,310,232	-
Rated between AA- and AA+	283,743,194	139,378,722
Rated between BBB+ and BBB-	-	11,805,916
Rated between BB+ and less	129,006,770	8,125,396
	<u>416,060,196</u>	<u>159,310,034</u>
Equity instruments:		
Rated between AA- and AA+	7,550,428	7,159,807
	<u>7,550,428</u>	<u>7,159,807</u>
	<u>458,206,242</u>	<u>172,580,394</u>

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	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Securities at fair value through other comprehensive income		
Corporate bonds:		
Rated between AA- and AA+	20,795,202	20,110,401
Rated between A- and A+	2,500,840	27,480,269
Rated between BBB+ and BBB-	25,225,977	31,891,075
Rated between BB+ and less	14,757,885	16,607,481
	<u>63,279,904</u>	<u>96,089,226</u>
Sovereign bonds:		
Rated AAA	4,472,175	10,826,967
Rated between AA- and AA+	49,463,252	223,413,495
Rated between A- and A+	6,218,647	6,125,696
Rated between BBB+ and BBB-	16,405,486	341,364,620
Rated between BB+ and less	328,007,503	16,071,598
	<u>404,567,063</u>	<u>597,802,376</u>
Equity instruments:		
No rating	37,473,090	43,578,371
	<u>37,473,090</u>	<u>43,578,371</u>
	<u>505,320,057</u>	<u>737,469,973</u>
Securities at amortized cost		
Corporate bonds:		
Rated between AA- and AA+	120,005,209	123,675,226
Rated between A- and A+	199,770,167	249,228,745
Rated between BBB+ and BBB-	70,232,243	126,112,994
Rated between BB+ and less	102,162,278	50,093,796
No rating	32,171,787	-
	<u>524,341,684</u>	<u>549,110,761</u>
Sovereign bonds:		
Rated between BBB+ and less	25,624,024	-
	<u>25,624,024</u>	<u>-</u>
	<u>549,965,708</u>	<u>549,110,761</u>
	<u>1,995,135,888</u>	<u>2,403,951,194</u>

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Weighting of macroeconomic scenarios

In order to incorporate into the macroeconomic outlook, the uncertainty inherent in the forecasting exercise, the macroeconomic projections work incorporates three scenarios: base, optimistic and pessimistic. In order for these scenarios to reflect reasonable expectations (not extreme), under regular conditions, they are weighted as follows: the base scenario has a weight of 50% (December 31, 2023: 50%), the pessimistic scenario has a weight of 35% (December 31, 2023: 30%) and the optimistic scenario has a weight of 15% (December 31, 2023: 20%).

The main macroeconomic variables used to incorporate the prospective information and their projections are presented below:

Macroeconomic projection scenarios in Panama September 30 2024 (Unaudited) Base Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				Annual %	
2024	1.50%	1.80%	8.42%	(67.23%)	(2.68%)
2025	3.20%	2.10%	7.86%	5.48%	2.13%
2026	3.80%	2.00%	7.62%	5.62%	2.37%
2027	3.90%	2.00%	7.23%	5.84%	2.61%
2028	3.80%	2.10%	6.73%	5.77%	2.79%

Optimistic Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				Annual %	
2024	3.20%	3.00%	7.81%	(62.25%)	4.43%
2025	5.80%	3.95%	7.01%	8.26%	4.18%
2026	6.70%	4.10%	6.66%	6.05%	3.01%
2027	6.90%	4.20%	6.23%	5.39%	2.69%
2028	6.90%	4.30%	5.71%	5.03%	2.64%

Pessimistic Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				% Annual	
2024	(0.19%)	0.60%	9.02%	(72.31%)	(10.01%)
2025	0.70%	0.31%	8.72%	1.62%	(0.31%)
2026	0.90%	(0.08%)	8.57%	4.98%	1.57%
2027	0.80%	(0.17%)	8.23%	6.51%	2.52%
2028	0.70%	(0.12%)	7.74%	6.85%	2.99%

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Macroeconomic projection scenarios in Panama

December 31

2023

(Audited)

Base Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				% Annual	
2023	5.80%	2.50%	8.00%	(10.00%)	(1.50%)
2024	4.11%	1.85%	7.50%	7.00%	(0.50%)
2025	4.15%	1.66%	7.00%	6.50%	3.00%
2026	4.06%	1.63%	6.80%	6.00%	3.50%
2027	3.99%	1.50%	6.50%	5.50%	4.00%

Optimistic Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				% Annual	
2023	7.75%	3.84%	7.50%	(6.00%)	(0.50%)
2024	6.78%	3.72%	7.00%	8.00%	1.50%
2025	7.12%	3.73%	6.50%	7.00%	4.00%
2026	7.15%	3.80%	6.20%	6.50%	4.30%
2027	7.13%	3.70%	6.00%	6.00%	4.50%

Pessimistic Scenario

	GDP growth	Inflation	Unemployment	Based on goods	
				Exports	Imports
				% Annual	
2023	3.85%	1.10%	9.50%	(15.00%)	(2.50%)
2024	1.44%	(0.02%)	9.00%	5.00%	(1.80%)
2025	1.18%	(0.42%)	8.50%	4.50%	2.00%
2026	0.97%	(0.53%)	8.00%	4.00%	2.50%
2027	0.86%	(0.70%)	7.50%	3.50%	3.50%

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5.2 Capital Management

The Bank's regulators, the Superintendency of Banks of Panama and the Superintendency of the Securities Market of Panama, require the Bank to maintain a total capital ratio measured on the basis of average risk-weighted assets. The Banking Law establishes a minimum paid-in capital of B/.10,000,000 for General License banks and capital funds may not be less than 8% of their risk-weighted assets. Beginning July 2024, banks must establish a capital conservation buffer from 0.50% to 2.50% on a staggered basis until July 2026.

For purposes of calculating capital adequacy, the Bank relies on Agreements No.1-2015, No.3-2016, No.8-2016, No.3-2018, No.11-2018, No.3-2019, No.6-2019, No.1-2020, No.11-2020, No.1-2021, No.7-2022, No.8-2022, No.1-2023, No.5-2023, Board of Directors Resolution SBP-GJD-0005-2020, Board of Directors Resolution SBP-GJD-0008-2020, Board of Directors Resolution SBP-GJD-0002-2022 and Board of Directors Resolution SBP-GJD-R-2023-01034 of the Superintendency of Banks of Panama.

The Bank's capital is separated into two pillars: ordinary and additional primary capital (Pillar I) and secondary capital (Pillar II). Ordinary primary capital consists of paid-in capital, excess paid-in capital, stated reserves, retained earnings, minority interests, other reserves and accumulated other comprehensive income, less regulatory adjustments such as goodwill and other intangible assets. Additional primary capital consists of instruments issued by the bank or consolidated subsidiaries that meet the characteristics for inclusion, share premiums, and less regulatory adjustments applicable to additional primary capital.

Secondary capital consists of instruments issued by the Bank or consolidated subsidiaries that meet the characteristics for inclusion, issue premiums and reserves for future losses less regulatory adjustments applicable to secondary capital.

In an extraordinary shareholders' meeting held on August 1, 2023, the distribution and payment of dividends of B/.75,000,000 was approved.

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The following is a summary of the regulatory capital position, in the context of the condensed consolidated interim financial statements, according to the capital rules set forth in the aforementioned Agreements:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Primary capital		
Common shares	11,325,781	11,325,781
Additional paid-in capital	743,744,192	743,744,192
Valuation allowance for investment securities	17,445,832	12,258,607
Retained earnings	300,033,599	268,226,946
Subtotal ordinary primary capital (OPC)	<u>1,072,549,404</u>	<u>1,035,555,526</u>
Less: OPC regulatory adjustments		
Deferred income tax assets	23,882,698	23,787,211
Goodwill (Note 11)	61,193,018	61,193,018
Intangible assets (Note 11)	42,509,924	36,977,572
Other intangible assets (Note 11)	10,000	10,000
Total ordinary primary capital deductions	<u>127,595,640</u>	<u>121,967,801</u>
Additional primary capital		
Total primary capital	<u>944,953,764</u>	<u>913,587,725</u>
Secondary capital		
Dynamic reserve (Note 26)	127,500,236	127,500,236
Total regulatory capital	<u>1,072,454,000</u>	<u>1,041,087,961</u>
Risk-weighted assets		
Credit risk	6,745,508,793	6,925,488,740
Operational risk	333,640,923	345,560,421
Market risk	189,062,163	103,833,976
Total risk-weighted assets	<u>7,268,211,879</u>	<u>7,374,883,137</u>

	Minimum required	Minimum required plus conservation buffer	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Capital ratios				
Ordinary primary capital	4.50%	5.00%	13.00%	12.39%
Primary capital	6.00%	6.50%	13.00%	12.39%
Total capital	8.00%	8.50%	14.76%	14.12%
Leverage ratio	3.00%	3.00%	9.52%	8.89%

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6. Cash and Cash Equivalents

Cash and cash equivalents are summarized below for reconciliation purposes to the condensed consolidated interim statement of cash flows:

	September 30	
	2024	2023
	(Unaudited)	
Cash and cash equivalents	149,683,444	184,118,623
Demand deposits in banks	148,276,971	260,328,048
Time deposits with banks	183,683,466	97,983,175
	<u>481,643,881</u>	<u>542,429,846</u>
Less:		
Restricted demand deposits in banks	-	220,000
Restricted time deposits in banks	1,440,000	2,600,000
Time deposits in banks with original maturities greater than three months	-	11,152,610
	<u>-</u>	<u>11,152,610</u>
Cash and cash equivalents for purposes of the condensed consolidated interim statement of cash flows	<u>480,203,881</u>	<u>528,457,236</u>

As of September 30, 2024, annual interest rates on time deposits range from 4.37% and 6.50% (September 30, 2023: between 4.90% and 9.80%).

As of September 30, 2024, deposits in foreign banks of B/.1,440,000 (September 30, 2023: B/.2,600,000) are restricted as collateral for interest rate swap derivative transactions and foreign currency forward transactions with those counterparties where there are margin call clauses. These deposits have original maturities of three months or less.

7. Investments in Securities

Investments in securities are summarized as follows:

	September 30	December 31
	2024	2023
	(Unaudited)	(Audited)
At fair value through profit or loss	458,206,242	172,580,394
At fair value with changes in other comprehensive income	505,320,057	737,469,973
At amortized cost	549,965,708	549,110,761
	<u>1,513,492,007</u>	<u>1,459,161,128</u>

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7.1 Securities at Fair Value Through Profit and Loss

Investments in securities at fair value through profit or loss are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Debt instruments		
Corporate bonds	34,595,618	6,110,553
Bonds of the United States of America	283,743,194	139,378,722
Bonds of the Republic of Panama	117,620,996	11,805,916
Bonds of the Republic of Colombia	6,571,422	7,070,645
Bonds of the Republic of Germany	3,310,232	-
Bonds of the Dominican Republic	3,293,038	-
Bonds of the Republic of Costa Rica	1,521,314	1,054,751
	<u>450,655,814</u>	<u>165,420,587</u>
Equity instruments		
Shares capital	7,550,428	7,159,807
	<u>458,206,242</u>	<u>172,580,394</u>

The fair value of debt instruments is determined by the reference price of bonds published in the stock exchange and in electronic stock exchange information systems.

The annual interest rates earned on investment securities at fair value through profit or loss range between 0.38% and 8.63% (December 31, 2023: between 0.25% and 8.13%).

As of September 30, 2024, the Bank holds Bonds of the Republic of Panama pledged as collateral for trading on the Bolsa Latinoamericana de Valores, S.A. (Latinex) for B/.1,123,707 (December 31, 2023: B/.1,076,729).

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7.2 *Securities at Fair Value Through Other Comprehensive Income*

Investments in securities at fair value through other comprehensive income are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Debt instruments		
Corporate bonds	63,279,904	96,089,226
Bonds of the Republic of Panama	314,039,197	321,021,230
Bonds of the United States of America	49,463,252	223,413,495
Bonds of the Republic of Colombia	13,968,306	16,071,598
Bonds of the Republic of Chile	6,218,647	6,125,696
Bonds of the Republic of Germany	4,472,175	10,826,967
Bonds of the Republic of Mexico	2,198,651	2,153,412
Negotiable Participation Certificates (CERPANES for its Spanish acronym)	14,206,835	18,189,978
	<u>467,846,967</u>	<u>693,891,602</u>
Equity Instruments		
Local listed shares with valuation	37,225,784	43,331,065
Shares at cost	247,306	247,306
	<u>37,473,090</u>	<u>43,578,371</u>
	<u>505,320,057</u>	<u>737,469,973</u>

As of September 30, 2024, for securities at fair value through other comprehensive income, a provision for expected credit losses (ECL) of B/.11,662 was released (September 30, 2023: provision for B/.113,226). (See Note 18).

The Bank has chosen this alternative presentation for the equity instruments, since they were acquired for a strategic purpose other than to generate profits from their sale, and the Bank has no plans to dispose of them in the short or medium term.

The Bank holds equity instruments at acquisition cost because there are no active market prices and their fair value could not be reliably determined. The Bank performs annual reviews to validate that the value of these investments has not suffered a permanent impairment for which the value of the investment must be adjusted.

Annual interest rates earned on investment securities at fair value through other comprehensive income ranges between 0.38% and 7.13% (December 31, 2023: between 0.25% and 8.13%).

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7.3 Securities at Amortized Cost

Investments in securities at amortized cost are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Corporate bonds	533,643,886	557,276,963
Sovereign bonds	25,670,184	-
Less:		
Allowance for expected credit losses	9,348,362	8,166,202
	<u>549,965,708</u>	<u>549,110,761</u>

During the period ended September 30, 2024, a provision for expected credit losses (ECL) of B/.1,182,160 (September 30, 2023: B/.5,643,141). (See Note 18).

The annual interest rates accrued by the investments at amortized cost range between 4.00% and 8.70% (December 31, 2023: between 3.25% and 9.38%).

8. Derivatives

Derivatives are summarized as follows:

	September 30 2024 (Unaudited)	
Types of derivative instruments	Total assets	Total liabilities
Forward and foreign currency transactions	2,190,293	1,884,872
Interest rate swap	219,502	424,818
	<u>2,409,795</u>	<u>2,309,690</u>
	December 31 2023 (Audited)	
Types of derivative instruments	Total assets	Total liabilities
Forward and foreign currency transactions	1,903,866	1,777,067
Interest rate swap	1,815,326	1,894,188
	<u>3,719,192</u>	<u>3,671,255</u>

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8.1 Currency Exchange

The Bank enters into derivative contracts for the purchase and sale of foreign currencies in order to meet the needs of its customers and as a strategy to mitigate the exchange rate risk of the positions in the condensed consolidated interim statement of financial position. In this sense, the Bank manages and controls the risk on these instruments within the market risk management, treasury, by having limits of exposure to exchange rate risk.

The Bank has entered into forward contracts for the purchase and sale of foreign currencies to hedge its own and customers' transactions, as summarized as follows:

	September 30 2024 (Unaudited)		December 31 2023 (Audited)	
	Nominal value equivalent in balboas	Fair value assets /liabilities	Nominal value equivalent in balboas	Fair value assets /liabilities
Future contracts – purchase of currency				
Costa Rican colones	6,300,000	42,032	1,000,000	10,735
Euros	5,767,728	20,434	380,286	4,474
Mexican pesos	38,009,716	1,646,911	21,510,739	983,760
Japanese yens	7,305,097	232,909	3,628,901	103,398
Swiss franc	3,184	28	29,740	(93)
Colombian peso	7,780,535	247,979	4,902,890	801,592
		<u>2,190,293</u>		<u>1,903,866</u>
Future contracts - sale of currency				
Costa Rican colones	-	-	9,283,638	54,325
Euros	446,201	1,022	101,782	2,401
Mexican pesos	31,224,261	1,519,329	20,950,955	904,717
Japanese yens	4,093,595	209,214	3,487,265	89,191
Colombian peso	3,304,086	155,307	4,980,000	726,433
		<u>1,884,872</u>		<u>1,777,067</u>

The average maturity of these contracts is 4.36 months (December 31, 2023 4.21 months).

During the period ended September 30, 2024, the Bank recognized a profit of B/.3,640,389 (September 30, 2023: B/.4,147,000), in the condensed consolidated interim statement of profit or loss, resulting from the purchase and sale of foreign currencies in foreign currency forward contracts. (See Note 21).

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8.2 Interest Rate Swaps

Interest rate swaps

As of September 30, 2024, the Bank maintains two interest rate swap derivative contracts (December 31, 2023: three contracts) for a notional amount of B/.4,575,000 (December 2023: B/.39,272,000) and fair value recorded in assets of B/.219,502 (December 31, 2023: B/.1,815,326), with maturities in October 2029 (December 31, 2023: from June 2024 to October 2029).

Additionally, as of September 30, 2024, the Bank maintains two interest rate swap derivative contracts (December 31, 2023: four contracts) for a notional amount of B/.6,997,000 (December 31, 2023: B/.41,796,900) and fair value recorded in liabilities of B/.424,818 (December 31, 2023: B/.1,894,188), with maturities from October 2029 to July 2033 (December 31, 2023: from June 2024 to July 2033).

9. Loans

The distribution of the loan portfolio is as follows:

	September 30 2024 (Unaudited)			December 31 2023 (Audited)		
	Internal	External	Total	Internal	External	Total
Corporate and Government:						
Commercial	1,800,432,080	20,075,531	1,820,507,611	1,707,454,159	26,763,768	1,734,217,927
Construction	1,016,135,404	-	1,016,135,404	1,018,615,172	62,168,482	1,080,783,654
Industrial	352,191,678	193,595,402	545,787,080	294,704,821	201,341,737	496,046,558
Government	231,075,069	-	231,075,069	230,587,775	-	230,587,775
Agricultural	241,698,018	46,096,927	287,794,945	190,325,772	55,297,186	245,622,958
Financial leases	108,927,480	-	108,927,480	121,798,894	-	121,798,894
Financial companies	162,049,034	-	162,049,034	60,925,567	-	60,925,567
Cooperative	4,075,521	-	4,075,521	7,989,387	-	7,989,387
Total	<u>3,916,584,284</u>	<u>259,767,860</u>	<u>4,176,352,144</u>	<u>3,632,401,547</u>	<u>345,571,173</u>	<u>3,977,972,720</u>
Individuals and SMEs:						
Residential Mortgages	2,540,374,365	-	2,540,374,365	2,550,295,670	-	2,550,295,670
Consumer	959,935,583	-	959,935,583	1,007,873,468	-	1,007,873,468
Credit cards	252,706,946	-	252,706,946	277,454,885	-	277,454,885
Vehicles	216,796,862	-	216,796,862	212,142,273	-	212,142,273
Financial leases	10,199,778	-	10,199,778	7,798,563	-	7,798,563
Total	<u>3,980,013,534</u>	<u>-</u>	<u>3,980,013,534</u>	<u>4,055,564,859</u>	<u>-</u>	<u>4,055,564,859</u>
	<u>7,896,597,818</u>	<u>259,767,860</u>	<u>8,156,365,678</u>	<u>7,687,966,406</u>	<u>345,571,173</u>	<u>8,033,537,579</u>

Banistmo S.A. and Subsidiaries

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The movement of the reserve for expected credit losses (ECL) for loans is presented below:

	September 30 2024 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses as of December 31, 2023	<u>50,713,948</u>	<u>71,932,397</u>	<u>276,481,980</u>	<u>399,128,325</u>
Movements with impact in profit or loss				
Net effect in changes in the expected credit losses reserve:				
Expected credit losses during the next 12 months	(19,704,346)	(15,918,114)	(2,036,434)	(37,658,894)
Expected credit losses during the term	(9,910,523)	22,240,557	(14,981,495)	(2,651,461)
Financial instruments with credit impairment	(2,398,454)	(10,513,965)	96,866,034	83,953,615
Financial instruments originated or purchased	30,125,051	-	-	30,125,051
Changes in risk models or parameters	(2,008,869)	22,794,409	534,217	21,319,757
Impact on amortized cost – modified portfolio	-	-	476,802	476,802
Post-Model Adjustment	<u>1,459,233</u>	<u>(1,327,768)</u>	<u>(524,590)</u>	<u>(393,125)</u>
Net effect of changes in the reserve for expected credit losses	<u>(2,437,908)</u>	<u>17,275,119</u>	<u>80,334,534</u>	<u>95,171,745</u>
Write-offs and others	-	-	(105,793,883)	(105,793,883)
Recoveries	-	-	24,039,816	24,039,816
Interest - Stage 3	-	-	5,071,481	5,071,481
Reserve for expected credit losses as of September 30, 2024	<u><u>48,276,040</u></u>	<u><u>89,207,516</u></u>	<u><u>280,133,928</u></u>	<u><u>417,617,484</u></u>

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	December 31 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses as of December 31, 2022	46,917,382	92,799,792	302,909,066	442,626,240
Movements with impact in profit or loss				
Net effect in changes in the expected credit losses reserve:				
Expected credit losses during the next 12 months	(25,973,269)	(17,887,733)	(868,528)	(44,729,530)
Expected credit losses during the term	(7,363,329)	31,657,075	(21,883,014)	2,410,732
Financial instruments with credit impairment	(2,542,415)	(14,832,288)	88,156,996	70,782,293
Financial instruments originated or purchased	39,343,010	-	-	39,343,010
Changes in risk models or parameters	332,569	(19,789,143)	(3,378,571)	(22,835,145)
Impact on amortized cost – modified portfolio	-	-	1,482,480	1,482,480
Post-Model Adjustment	-	5,817	525,891	531,708
Net effect of changes in the reserve for expected credit losses	3,796,566	(20,846,272)	64,035,254	46,985,548
Write-offs and others	-	-	(150,351,187)	(150,351,187)
Recoveries	-	-	47,939,540	47,939,540
Interest - Stage 3	-	(21,123)	11,949,307	11,928,184
Reserve for expected credit losses as of December 31, 2023	50,713,948	71,932,397	276,481,980	399,128,325

The loan portfolio, which includes finance leases receivable, according to their maturity profile, is summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Maturity profile of minimum lease payments receivable:		
Up to one year	12,401,266	8,097,801
1 to 5 years	107,402,402	126,119,600
More than 5 years	13,490,907	10,288,687
Total undiscounted lease payments	133,294,575	144,506,088
Less: Unearned interest	14,167,317	14,908,631
	119,127,258	129,597,457

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As of September 30, 2024, the range of annual interest rates on financial leases is between 4.00% and 9.50% (December 31, 2023: between 4.00% and 9.50%).

The detail of delinquency by seniority is detailed as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Current		
31 to 90 days	7,421,094,180	7,348,722,346
91 days or more	244,477,927	241,208,585
	490,793,571	443,606,648
	<u>8,156,365,678</u>	<u>8,033,537,579</u>
Past due portfolio		
91 to 180 days	108,807,247	123,884,592
181 days or more	381,986,324	319,722,056
	490,793,571	443,606,648
	<u>490,793,571</u>	<u>443,606,648</u>

10. Properties, Furniture, Equipment and Improvements

Properties, furniture, equipment and improvements, include own assets and right-of use assets, as summarized below:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Properties, furniture, equipment and improvements (Note 10.1.)	27,865,370	27,143,596
Right-of-use assets (Note 10.2.)	106,211,036	110,368,998
	<u>134,076,406</u>	<u>137,512,594</u>

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Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

10.1 Properties, Furniture, Equipment and Improvements

Properties, furniture, equipment and improvements, are summarized below:

	September 30 2024 (Unaudited)				
	Land	Furniture and equipment	Buildings and improvements	Construction in progress	Total
Cost					
Balance at the beginning of the period	2,549,241	45,589,448	48,377,448	813,214	97,329,351
Additions	-	5,500,367	-	742,847	6,243,214
Sales and disposal	-	(3,207,736)	-	-	(3,207,736)
Transfers to right-of-use assets (Note 10.2)	-	-	(319,891)	(42,925)	(362,816)
Internal transfers	-	814,997	31,797	(846,794)	-
Other movements	-	(9,920)	-	-	(9,920)
Balance at end of period	<u>2,549,241</u>	<u>48,687,156</u>	<u>48,089,354</u>	<u>666,342</u>	<u>99,992,093</u>
Accumulated depreciation and amortization					
Balance at the beginning of the period	-	34,446,660	35,739,095	-	70,185,755
Expense of the period	-	3,606,277	1,463,775	-	5,070,052
Sales and disposal	-	(3,123,752)	-	-	(3,123,752)
Transfers to right-of-use assets (Note 10.2)	-	-	(5,332)	-	(5,332)
Balance at end of period	<u>-</u>	<u>34,929,185</u>	<u>37,197,538</u>	<u>-</u>	<u>72,126,723</u>
Net balance at end of period	<u>2,549,241</u>	<u>13,757,971</u>	<u>10,891,816</u>	<u>666,342</u>	<u>27,865,370</u>
December 31 2023 (Audited)					
	Land	Furniture and equipment	Buildings and improvements	Construction in progress	Total
Cost					
Balance at the beginning of the year	2,549,241	40,216,840	48,049,848	1,439,164	92,255,093
Additions	-	6,223,370	-	2,040,459	8,263,829
Sales and disposal	-	(1,932,492)	(993,669)	-	(2,926,161)
Transfers to right-of-use assets (Note 10.2)	-	-	-	(232,482)	(232,482)
Internal transfers	-	1,093,541	1,321,269	(2,414,810)	-
Other movements	-	(11,811)	-	(19,117)	(30,928)
Balance at end of year	<u>2,549,241</u>	<u>45,589,448</u>	<u>48,377,448</u>	<u>813,214</u>	<u>97,329,351</u>
Accumulated depreciation and amortization					
Balance at the beginning of the year	-	32,044,007	34,772,971	-	66,816,978
Expense of the year	-	4,316,304	1,959,793	-	6,276,097
Sales and disposal	-	(1,913,651)	(993,669)	-	(2,907,320)
Balance at the end of the year	<u>-</u>	<u>34,446,660</u>	<u>35,739,095</u>	<u>-</u>	<u>70,185,755</u>
Net Balance at the end of the year	<u>2,549,241</u>	<u>11,142,788</u>	<u>12,638,353</u>	<u>813,214</u>	<u>27,143,596</u>

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10.2 Leases

Right-of-use assets

The Bank has signed lease contracts participating as a lessee over some of the offices, branches, administrative offices and some technological equipment. The movement of the right-of-use assets, is summarized below:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Cost		
Balance at the beginning of the period	178,204,161	183,758,504
Additions	2,923,329	1,057,702
Transfers of properties, furniture equipment and improvements (Note 10.1)	362,816	232,482
Disposals	(42,927)	(1,048,730)
Cancellations of contracts	-	(3,429,411)
Remeasurement of right-of-use assets	1,097,465	(2,366,386)
Balance at the end of the period	<u>182,544,844</u>	<u>178,204,161</u>
Accumulated depreciation		
Balance at the beginning of the period	67,835,163	58,079,576
Depreciation expense of the period	8,536,240	11,591,179
Transfers of property, furniture, equipment and improvements (Note 10.1.)	5,332	-
Disposals	(42,927)	(1,048,730)
Cancellations of contracts	-	(786,862)
Balance at the end of the period	<u>76,333,808</u>	<u>67,835,163</u>
Net balance at the end of the period	<u>106,211,036</u>	<u>110,368,998</u>
	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Cost		
Properties	105,084,463	109,031,981
Technological equipment	1,126,573	1,333,494
Vehicles	-	3,523
	<u>106,211,036</u>	<u>110,368,998</u>

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Lease liabilities

As of September 30, 2024, the Bank recognized new contracts for B/.2,923,329 (December 31, 2023: B/.1,057,702), presented a remeasurement of lease liabilities for B/.1,097,465 (December 31, 2023: B/.2,366,385) and low value lease expenses for B/.184,217 (September 30, 2023: B/.106,769).

The estimated maturities of lease liabilities are as follows:

	September 30 2024 (Unaudited)				
	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Properties	176,936	2,000,390	5,607,270	123,850,201	131,634,797
Technological equipment	-	-	1,395,359	-	1,395,359
	<u>176,936</u>	<u>2,000,390</u>	<u>7,002,629</u>	<u>123,850,201</u>	<u>133,030,156</u>
	December 31 2023 (Audited)				
	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Properties	62,368	3,003,635	844,666	130,083,654	133,994,323
Technological equipment	-	-	1,623,890	-	1,623,890
	<u>62,368</u>	<u>3,003,635</u>	<u>2,468,556</u>	<u>130,083,654</u>	<u>135,618,213</u>

As of September 30, 2024, the annual interest rates generated by the lease liabilities range between 2.65% and 6.86% (December 31, 2023: between 2.51% and 6.21%).

Termination and extension options

Termination and extension options are included in most leases of properties and technological equipment. These clauses are used to maximize operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable by the Bank and not by the respective lessor, with a minimum of 30 days' notice.

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11. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of goodwill resulting from the prior acquisition of a subsidiary, as well as amounts paid for software purchased and developed internally.

A summary of goodwill and other intangible assets is as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Goodwill	61,193,018	61,193,018
Software in use and in progress	42,509,924	36,977,572
Other intangible assets	10,000	10,000
	<u>103,712,942</u>	<u>98,180,590</u>

11.1 Goodwill

The goodwill assigned to each business unit is detailed below:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Consumer and SMEs Banking	17,868,358	17,868,358
Corporate and Government Banking	43,324,660	43,324,660
	<u>61,193,018</u>	<u>61,193,018</u>

Goodwill is allocated to the business units that represent the lowest level at which goodwill is monitored internally by the Administration for management purposes. The recoverable amounts of the personal financial services and commercial banking business units have been calculated based on their value in use. The value in use of each business unit is determined by discounting the expected future cash flows from the continued use of each unit. The calculation of value in use is based on the following basic assumptions:

- Actual operating results for the first quarter of 2024 were used, as well as expectations for the remainder of the year based on observed performance and the business plan. Future cash flows were projected using average growth rates based on long-term assumptions of gross domestic product and banking industry growth rates. The forecast period is based on the Bank's long-term outlook for the operation of these units, which was determined to be 5 years, and a perpetuity growth or multiple is defined at the end of the cash flow projection period to estimate the terminal cash flow.

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- The discount rate (before tax effects) of 10.60% (December 31, 2023: 10.90%) was applied in the determination of the amounts receivable for the personal financial services and commercial business units. This discount rate is calculated on the basis of the Capital Asset Pricing Model (CAPM) to determine the cost of equity allocated for these units.
- For the calculation of the long-term growth rate, the average of the 20 years following the projection period (2030-2049) of inflation in dollars adjusted by 50% and the real growth of the Panamanian economy were considered. The combined effect of these variables corresponds to an annual growth of 4.40% (December 31, 2023: 4.50%).

The key assumptions described above may change as market and economic conditions change. The Bank estimates that reasonably possible changes in these assumptions will not affect the recoverable amount of the business units or decrease below the carrying amount.

During the period ended September 30, 2024, no impairment losses on goodwill were recognized.

11.2 *Software in Use and in Process*

The movement of software in use and in process is summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Cost		
Balance at beginning of the period	110,205,482	97,695,589
Additions	9,955,152	12,750,897
Disposals	(562,798)	(36,893)
Others movements	(63,658)	(204,111)
Balance at the end of the period	<u>119,534,178</u>	<u>110,205,482</u>
Accumulated amortization		
Balance at beginning of the period	73,227,910	67,316,997
Expense of the period	4,359,142	5,947,806
Disposals	(562,798)	(36,893)
Balance at the end of the period	<u>77,024,254</u>	<u>73,227,910</u>
Net balance at the end of the period	<u>42,509,924</u>	<u>36,977,572</u>

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11.3 Other Intangible Assets

As of September 30, 2024, there are other intangible assets for B/.10,000 (December 31, 2023: B/.10,000), which correspond to the trading post right held by the subsidiary Valores Banistmo, S.A.

12. Other Assets

Other assets are summarized below:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Foreclosed assets	90,719,753	84,135,627
Tax credits	47,352,003	84,454,066
Prepaid taxes and expenses	31,212,467	32,704,784
Accounts receivable (Note 12.1)	16,285,162	12,030,755
Compensation items	19,788,465	5,824,953
Severance funds	9,868,271	9,272,773
Securities purchased through repurchase agreements (Repos)	5,068,173	4,183,790
Pension funds	638,915	723,399
Guarantee deposits	500,795	540,182
	<u>221,434,004</u>	<u>233,870,329</u>

The movement in foreclosed assets is summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Balance at the beginning of the period	84,135,627	70,982,681
Additions	79,923	7,965
Sales and disposal	(4,922,125)	(10,782,157)
Reclassification from assets held-for-sale	13,436,716	24,707,543
Impairment	(2,010,388)	(780,405)
Balance at the end of the period	<u>90,719,753</u>	<u>84,135,627</u>

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Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

12.1 Accounts Receivable

The following presents the accounts receivable under the simplified model and expected credit losses (ECL):

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Accounts receivable - simplified approach	16,617,245	12,865,773
Accounts receivable - expected credit losses	55,243	8,925
Reserve of accounts receivable	<u>(387,326)</u>	<u>(843,943)</u>
	<u>16,285,162</u>	<u>12,030,755</u>

The movement of the reserve for accounts receivable is summarized as follows:

	September 30 2024 (Unaudited)	Simplified approach model	Expected credit losses model	Total
Balance at the beginning of the period		841,327	2,616	843,943
Impairment release for the period (Note 18)		470,002	24,725	494,727
Recoveries		69,829	-	69,829
Write-offs		<u>(1,021,173)</u>	-	<u>(1,021,173)</u>
Balance at the end of the period		<u>359,985</u>	<u>27,341</u>	<u>387,326</u>
	December 31 2023 (Audited)	Simplified approach model	Expected credit losses model	Total
Balance at the beginning of the year		1,770,498	20,004	1,790,502
Impairment release for the year		(792,919)	(17,388)	(810,307)
Write-offs		<u>(136,252)</u>	-	<u>(136,252)</u>
Balance at the end of the year		<u>841,327</u>	<u>2,616</u>	<u>843,943</u>

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

13. Debt Securities Issued

Debt securities issued are summarized as follows:

September 30 2024 (Unaudited)			
Type of bonds	Rates	Nominal value	Carrying value
Tradable certificates	5.25% - 6.30%	96,014,000	99,105,713
Global ordinary bonds	4.25%	390,390,000	390,662,591
Local ordinary bonds	5.70% - 6.35%	<u>106,868,000</u>	<u>107,843,724</u>
		<u>593,272,000</u>	<u>597,612,028</u>

December 31 2023 (Audited)			
Type of bonds	Rates	Nominal value	Carrying value
Tradable certificates	4.25% - 6.25%	72,690,000	73,983,357
Global ordinary bonds	4.25%	391,961,000	395,722,466
Local ordinary bonds	3.00% - 6.25%	<u>214,744,000</u>	<u>217,421,064</u>
		<u>679,395,000</u>	<u>687,126,887</u>

During the period ended September 30, 2024, the Bank paid B/.27,252,173 (December 31, 2023: B/.27,237,603) in interest on debt securities issued.

On August 1, 2017, the Bank completed the structuring of a program for the issuance of negotiable certificates in the international market, which consists of a global quota whose certificates may be issued in a range of not less than thirty (30) days and not more than five (5) years.

Through Resolution SMV 616-2017 of November 7, 2017, the revolving bond program was approved for B/.300 million, which may be issued in one or more series for terms to be determined by the Issuer according to its needs and market conditions.

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On July 31, 2020, the Bank made an issuance in the international market for B/.400 million in ordinary global bonds at a rate of 4.25%, with maturity on July 31, 2027.

As of September 30, 2024, there is no delinquency or default by the Bank in relation to payments and other contractual clauses in connection with its obligations.

14. Borrowings Received

The borrowings received are summarized below:

Institutions	Interest rate	Maturity	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Foreign financial institutions for financing foreign trade	Between 5.59% and 5.73% (December 31, 2023: between 6.42% and 6.87%)	Several through February 2025 (December 31, 2023: several through September 2024)	90,691,653	114,150,375
Foreign financial institutions for short- and medium-term liquidity management	Between 5.15% and 6.83% (December 31, 2023: between 5.53% and 7.28%)	Several through September 2025 (December 31, 2023: several through September 2025)	413,539,624	542,200,575
Local financial institutions for short- and medium-term liquidity management	Between 1.50% and 6.43% (December 31, 2023: between 1.50% and 6.68%)	Several through December 2030 (December 31, 2023: several through December 2030)	79,174,181	183,639,260
Multilateral organizations for long-term liquidity management	8.04% (December 31, 2023: 8.10%)	Until December 2028 (December 31, 2023: until December 2028)	<u>202,403,112</u> <u>785,808,570</u>	<u>198,131,353</u> <u>1,038,121,563</u>

As of September 30, 2024, there is no delinquency or default by the Bank in relation to payments and other contractual clauses in connection with its obligations.

As of September 30, 2024, the Bank paid B/.49,686,344 (December 31, 2023: B/.59,687,837) in interest on loans received.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

15. Other liabilities

Other liabilities are summarized below:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Other liabilities payable	64,460,655	55,400,338
Accounts payable short term	56,961,629	45,708,745
Outstanding checks	39,806,441	33,050,860
Prepaid customer insurance payable	24,212,446	24,490,373
Unclaimed customer balances	23,234,076	20,482,233
Retained funds for legal cases	18,051,212	18,088,375
Laboral provisions payable	15,408,126	15,610,203
Accrued expenses	13,808,367	30,857,966
Credit commitments and legal contingencies provision (Note 16)	9,790,462	8,316,747
Income tax and other taxes	3,211,633	5,448,786
Fidelization reserve	2,610,012	3,429,692
Special fund on interest compensation payable	2,165,904	2,007,824
Commissions to be deferred	1,680,058	1,899,497
Employee benefits	737,954	798,476
	<u>276,138,975</u>	<u>265,590,115</u>

16. Commitments and Contingencies

In the normal course of its operations, the Bank maintains financial instruments with risks outside the condensed consolidated interim statement of financial position, in order to meet the financial needs of its customers. These financial instruments include letters of credit, guarantees and loan commitments that involve, to various degrees, elements of credit risk.

Guarantees issued by order of customers, commercial letters of credit and loan commitments carry certain elements of risk of loss in case of default by the customer, net of the tangible guarantees that cover these transactions. The Bank's policies and procedures for the granting of contingent loans are the same as those used to extend loans. Management does not anticipate that the Bank will incur material losses resulting from contingent loans in benefit of customers.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements September 30, 2024 (Amounts in Balboas)

Financial instruments with credit risk outside the condensed consolidated interim statement of financial position are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Promise letters	683,059,284	778,464,670
Quotas for revolving products	289,362,861	291,292,766
Financial guarantees	221,982,748	375,061,082
Letters of credit	62,256,547	57,822,525
	<u>1,256,661,440</u>	<u>1,502,641,043</u>

The reserves for loan commitments and legal contingencies are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Credit commitments	9,790,462	7,873,443
Legal contingencies	-	443,304
	<u>9,790,462</u>	<u>8,316,747</u>

The Bank, by the nature of its business, is exposed to legal proceedings that could result in a present contingency on a past event. For these cases, the Bank is of the opinion that disclosing information on a case-by-case basis would prejudice the proceedings, therefore, the Bank does not include detailed and specific information on these cases in its condensed consolidated interim financial statements.

Banistmo S.A. and Subsidiaries

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The movement in the allowance for expected credit losses (ECL) for loan commitments except for pledges is summarized as follows:

	September 30 2024 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses as of December 31, 2023	<u>6,259,595</u>	<u>1,521,432</u>	<u>92,416</u>	<u>7,873,443</u>
Movements with impact in profit or loss				
Net effect in changes in the expected credit losses reserve:				
Expected credit losses during the next 12 months	(1,967,729)	(271,445)	-	(2,239,174)
Expected credit losses during the term	(1,195,366)	5,031,922	-	3,836,556
Financial instruments with credit impairment	(185,254)	(120,315)	36,544	(269,025)
Financial instruments originated or purchased	<u>588,662</u>	<u>-</u>	<u>-</u>	<u>588,662</u>
Net effect in changes in the expected credit losses reserve	<u>(2,759,687)</u>	<u>4,640,162</u>	<u>36,544</u>	<u>1,917,019</u>
Reserve for expected credit losses as of September 30, 2024	<u><u>3,499,908</u></u>	<u><u>6,161,594</u></u>	<u><u>128,960</u></u>	<u><u>9,790,462</u></u>
	December 31 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses as of December 31, 2022	<u>4,118,880</u>	<u>3,906,634</u>	<u>130,395</u>	<u>8,155,909</u>
Movements with impact in profit or loss				
Net effect in changes in the expected credit losses reserve:				
Expected credit losses during the next 12 months	1,236,486	(1,127,512)	-	108,974
Expected credit losses during the term	(249,438)	(816,163)	-	(1,065,601)
Financial instruments with credit impairment	(124,817)	(441,527)	(37,979)	(604,323)
Financial instruments originated or purchased	<u>1,278,484</u>	<u>-</u>	<u>-</u>	<u>1,278,484</u>
Net effect in changes in the expected credit losses reserve	<u>2,140,715</u>	<u>(2,385,202)</u>	<u>(37,979)</u>	<u>(282,466)</u>
Reserve for expected credit losses as of December 31, 2023	<u><u>6,259,595</u></u>	<u><u>1,521,432</u></u>	<u><u>92,416</u></u>	<u><u>7,873,443</u></u>

Banistmo S.A. and Subsidiaries

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17. Common Shares

As of September 30, 2024, the Bank's common shares are represented by 20,000,000 (December 31, 2023: 20,000,000) authorized shares with a par value of B/.1 per share (December 31, 2023: B/.1 per share), of which B/.11,325,781 (December 31, 2023: B/.11,325,781) are issued and outstanding. Additionally, it has an additional paid-in capital of B/.743,744,192 (December 31, 2023: B/.743,744,192).

Net income per basic share is summarized as follows:

	September 30	
	2024	2023
	(Unaudited)	
Net profit of the period	42,970,881	94,676,140
Average number of issued and outstanding common shares	11,325,781	11,325,781
Net profit per basic share	<u>3.79</u>	<u>8.36</u>

18. Provisions Expenses for Impairment of Financial Assets

Provision expenses for impairment of financial assets are summarized below:

	September 30	
	2024	2023
	(Unaudited)	
Provision for impairment in loans (Note 9)	95,171,745	45,901,362
Provision / release for impairment in contingencies (Note 16.)	1,917,019	(613,597)
Provision for impairment on securities at amortized cost (Note 7.3)	1,182,160	5,643,141
Provision / release for impairment in accounts receivable (Note 12.1)	494,727	(651,488)
Provision / release for impairment on securities at fair value through other comprehensive income (Note 7.2)	(11,662)	113,226
	<u>98,753,989</u>	<u>50,392,644</u>

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19. Operating Segments

Management has considered following the guidelines suggested by the Head Office (Bancolombia, S.A.) for the definition of the customer segmentation model, seeking to have an optimal commercial attention model that contributes to obtaining customer satisfaction. The Bank's operating costs are distributed to the different lines of business on a systematic and consistent basis, where appropriate. In addition, the income and expenses generated by these segments that interact with each other in the normal course of operations and have a financial impact on its results, are considered in this distribution, since they are an integral part of the Bank; in this way, it is possible to measure by operating segments in relation to other entities that operate within the industry.

The Bank's segment information is summarized as follows:

Consumer Banking and SMEs

Its management is based on the financial needs of individuals, including the micro, small and medium-large companies that these individuals lead. The following sub-segments are included within the Individuals and SME business: Individuals, Plus, Preferred, Private and SME. The products offered by this segment include: checking and savings accounts, time deposits, personal loans, credit cards, vehicle loans, mortgages, leasing and commercial loans.

Corporate and Government Banking

Its management is focused on the different local and international companies (legal entities), financial institutions of the public sector and the Panamanian government, focused on similar activities within the economic sector of the country, such as: Commerce, Construction, Agriculture, Industry and Government, since they share similar economic characteristics. The Corporate and Government business segment offers a banking services platform integrated by a wide variety of products such as: commercial loans, deposits and cash management services, letters of credit and leasing; as well as investment banking and trust services.

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The composition of operating segments is presented below:

	September 30 2024 (Unaudited)		
	Consumer and SMEs Banking	Corporate and Government Banking	Total
Net income on interest, before provisions	142,784,139	95,064,760	237,848,899
Provision for impairment in financial assets	<u>(95,438,678)</u>	<u>(3,315,311)</u>	<u>(98,753,989)</u>
Net income on interest after provisions	47,345,461	91,749,449	139,094,910
Income from fees and commissions	62,369,394	40,743,205	103,112,599
Commission expenses, net of gain on securities and derivatives	(15,470,512)	(6,750,316)	(22,220,828)
Other income	1,442,651	3,649,787	5,092,438
Impairment of other assets	(758,358)	(1,918,583)	(2,676,941)
General and administrative expenses	<u>(86,287,096)</u>	<u>(89,110,740)</u>	<u>(175,397,836)</u>
Profit before income tax	8,641,540	38,362,802	47,004,342
Income tax	<u>(1,847,651)</u>	<u>(2,185,810)</u>	<u>(4,033,461)</u>
Net profit	<u>6,793,889</u>	<u>36,176,992</u>	<u>42,970,881</u>
Assets	<u>4,796,589,237</u>	<u>5,581,258,204</u>	<u>10,377,847,441</u>
Liabilities	<u>5,550,682,777</u>	<u>3,565,360,355</u>	<u>9,116,043,132</u>

Banistmo S.A. and Subsidiaries

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	September 30 2023 (Unaudited)		
	Consumer and SMEs Banking	Corporate and Government Banking	Total
Net income on interest, before provisions	160,328,505	111,507,731	271,836,236
Provisions for impairment in financial assets	<u>(47,796,747)</u>	<u>(2,595,897)</u>	<u>(50,392,644)</u>
Net income on interest after provisions	112,531,758	108,911,834	221,443,592
Income from fees and commissions	57,942,743	29,391,039	87,333,782
Commission expenses, net of gain on securities and derivatives	(12,595,889)	(18,646,181)	(31,242,070)
Other income	3,769,342	2,096,807	5,866,149
Impairment of other assets	149,545	83,189	232,734
General and administrative expenses	<u>(83,007,252)</u>	<u>(86,001,280)</u>	<u>(169,008,532)</u>
Profit before income tax	78,790,247	35,835,408	114,625,655
Income tax	<u>(9,755,956)</u>	<u>(10,193,559)</u>	<u>(19,949,515)</u>
Net profit	<u>69,034,291</u>	<u>25,641,849</u>	<u>94,676,140</u>
	December 31 2023 (Audited)		
Assets	<u>4,865,730,833</u>	<u>5,852,439,977</u>	<u>10,718,170,810</u>
Liabilities	<u>5,586,247,347</u>	<u>3,916,667,324</u>	<u>9,502,914,671</u>

The Bank evaluated methodological aspects of the distribution of costs between operating segments, generating changes in the distribution that are reflected in the figures as of September 30, 2024. Consequently, the Bank has restated the previously reported segment note for the period ended September 30, 2023.

Banistmo S.A. and Subsidiaries

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20. Income from Fees and Commissions

Income from fees and commissions substantially recognized at a point in time is summarized as follows:

(Unaudited)	September 30 2024 (Third quarter)			September 30 2023 (Third quarter)		
	Consumer and SMEs	Corporate and Government	Total	Consumer and SMEs	Corporate and Government	Total
Debit and credit cards	11,953,331	6,716,000	18,669,331	9,799,757	6,236,905	16,036,662
Banking services	5,253,257	1,626,911	6,880,168	5,112,811	1,473,345	6,586,156
Insurance banking	3,388,686	603,560	3,992,246	4,494,159	-	4,494,159
Acceptances, guarantees and credit letters	579,471	1,108,085	1,687,556	569,506	1,006,223	1,575,729
Brokerage	501,574	553,106	1,054,680	438,288	770,531	1,208,819
Fiduciary activities	36,750	422,512	459,262	-	456,172	456,172
Other commissions	51,294	394,970	446,264	25,636	(130,489)	(104,853)
Custody or management of third parties' portfolio	179,634	207,863	387,497	181,289	161,818	343,107
Collections	353,448	-	353,448	358,394	-	358,394
Own fund management	45,686	31,528	77,214	54,806	39,209	94,015
Debt placement	-	59,760	59,760	-	41,433	41,433
	<u>22,343,131</u>	<u>11,724,295</u>	<u>34,067,426</u>	<u>21,034,646</u>	<u>10,055,147</u>	<u>31,089,793</u>

(Unaudited)	September 30 2024 (Accumulated)			September 30 2023 (Accumulated)		
	Consumer and SMEs	Corporate and Government	Total	Consumer and SMEs	Corporate and Government	Total
Debit and credit cards	32,652,596	18,650,546	51,303,142	27,180,928	17,741,319	44,922,247
Banking services	13,998,607	4,821,510	18,820,117	13,713,728	4,197,317	17,911,045
Insurance banking	10,471,288	1,665,525	12,136,813	12,467,637	-	12,467,637
Other commissions	134,146	7,395,480	7,529,626	104,475	172,827	277,302
Acceptances, guarantees and credit letters	1,927,354	3,359,406	5,286,760	1,709,076	2,536,141	4,245,217
Brokerage	1,382,936	2,517,792	3,900,728	1,012,287	2,238,102	3,250,389
Fiduciary activities	94,250	1,261,306	1,355,556	-	1,322,221	1,322,221
Collections	1,137,413	-	1,137,413	1,006,559	-	1,006,559
Custody or management of third parties' portfolio	453,193	621,255	1,074,448	562,097	852,519	1,414,616
Debt placement	-	336,168	336,168	-	204,391	204,391
Own fund management	117,611	114,217	231,828	185,956	126,202	312,158
	<u>62,369,394</u>	<u>40,743,205</u>	<u>103,112,599</u>	<u>57,942,743</u>	<u>29,391,039</u>	<u>87,333,782</u>

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21. Net Gain on Securities and Derivatives

The net gain on securities and derivatives is summarized as follows:

(Unaudited)	September 30		September 30	
	2024	2023	2024	2023
	(Third quarter)		(Accumulated)	
Gain on securities at fair value through profit or loss	9,153,593	(216,607)	16,040,833	1,329,989
Gain on sale and purchase of foreign currency (Note 8.1)	1,330,765	1,217,304	3,640,389	4,147,000
Dividends on instruments at fair value through other comprehensive income	371,276	3,399	1,972,695	2,062,945
Net gain on derivative contracts	462,527	830,624	1,370,774	1,337,563
Net gain on sale of securities at fair value through other comprehensive income	209,626	(13,499)	317,343	95,518
	<u>11,527,787</u>	<u>1,821,221</u>	<u>23,342,034</u>	<u>8,973,015</u>

22. Income Tax

The principal tax laws and regulations used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the preparation of the 2023 consolidated financial statements.

22.1 Income tax reconciliation

The reconciliation of the income tax expense on financial income to the taxable income tax expense is summarized as follows:

	September 30	
	2024	2023
	(Unaudited)	
Income before income tax	<u>47,004,342</u>	<u>114,625,655</u>
Income tax calculated at 25%	11,751,085	28,656,414
Effect of tax on foreign income, exempt and non-taxable	(55,363,909)	(49,920,732)
Tax effect on non-deductible costs and expenses	49,127,252	42,651,361
Tax loss carryforward	(1,315,621)	(1,315,621)
Income tax for prior periods	(23,571)	(75,886)
Effects from the application of different local taxable incomes	<u>(141,775)</u>	<u>(46,021)</u>
Income tax	<u>4,033,461</u>	<u>19,949,515</u>
Effective rate	<u>8.58%</u>	<u>17.40%</u>

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Management made its estimates of deferred income tax assets and liabilities using the tax rate in effect according to its tax legislation.

The reconciliation of deferred income taxes is summarized as follows:

	September 30 2024 (Unaudited)		
Deferred income tax asset/liability	Beginning balance	Recognition in profit or loss	Ending balance
Reserve for expected credit losses on loans	98,958,551	5,166,630	104,125,181
Amortized cost impact - modified portfolio	1,551,050	(723,557)	827,493
Reserve for credit card awards and litigations	606,416	(69,488)	536,928
Reserve of accounts receivable	210,995	(114,152)	96,843
Reserve for dividend tax	(203,871)	203,871	-
Right-of-use asset / lease liabilities	11,139,079	93,956	11,233,035
Tax loss carryforward	5,262,485	(1,315,621)	3,946,864
	<u>117,524,705</u>	<u>3,241,639</u>	<u>120,766,344</u>
		December 31 2023 (Audited)	
Deferred income tax asset/liability	Beginning balance	Recognition in profit or loss	Ending balance
Reserve for expected credit losses on loans	109,963,955	(11,005,404)	98,958,551
Amortized cost impact - modified portfolio	2,035,020	(483,970)	1,551,050
Reserve for credit card awards and litigations	1,028,005	(421,589)	606,416
Reserve of accounts receivable	447,635	(236,640)	210,995
Reserve for dividend tax	(191,818)	(12,053)	(203,871)
Right-of-use asset / lease liabilities	10,897,076	242,003	11,139,079
Tax loss carryforward	9,216,669	(3,954,184)	5,262,485
	<u>133,396,542</u>	<u>(15,871,837)</u>	<u>117,524,705</u>

Based on current and projected results, Management believes that there will be sufficient taxable income to absorb the deferred tax assets presented in the condensed consolidated interim statement of financial position.

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As of September 30, 2024, the Bank maintains a tax loss carryforward of B/.15,787,455 (December 31, 2023: B/.21,049,940). Article 698-A of the Panamanian tax code establishes that losses suffered by the taxpayer in a fiscal period shall be deductible in the following five fiscal periods at the rate of 20% of the referred loss for the year. Such deductions may not reduce by more than 50% the net taxable income of the taxpayer in the year in which the respective installment is deducted.

Tax loss carryforwards as of September 30, 2024 will be deducted for future years according to the following distribution:

Year	Tax loss
2025	5,262,485
2026	5,262,485
2027	5,262,485

Management estimates to settle the short-term deferred income tax for B/.105 million and the long-term for B/.15 million.

23. Balances and Transactions with Related Parties

The condensed consolidated interim statement of financial position and the condensed consolidated interim statement of profit or loss include balances and transactions with related parties. Related parties with the Grupo Bancolombia include balances and transactions with Bancolombia, S.A. (Head Office), Banco Agrícola, S. A. (El Salvador), Bancolombia (Panama), S.A., Valores Bancolombia S.A., Bancolombia Puerto Rico Internacional Inc, Wompi, S.A.S., Fiduciaria Bancolombia, S.A. and Grupo Agromercantil Holding (G.A.H.), summarized as follows:

	Banistmo S.A. and Subsidiaries		Bancolombia Group			
	Directors and key management personnel		Head office		Related companies	
	September 30 2024 (Unaudited)	December 31 2023 (Audited)	September 30 2024 (Unaudited)	December 31 2023 (Audited)	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Assets						
Cash, cash equivalents and deposits with banks	-	-	57,974	57,434	2,460,450	2,598,124
Investments in securities	-	-	475,703	-	7,550,428	7,159,807
Derivatives	-	-	175,463	801,819	-	-
Loans	6,206,828	5,204,619	-	-	-	-
Other assets / accounts receivable	-	-	-	-	123,740	10,420

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Loans to Directors and key management personnel are granted with the same terms and conditions that are available to other employees, which are based on those granted to third parties adjusted for lower credit risk.

Loans to Directors and key management personnel amount to B/.6,208,828 (December 31, 2023: B/.5,204,619) and have an average annual interest rate of 3.98% (December 31, 2023: 4.09%).

	Banistmo S.A. and Subsidiaries		Bancolombia Group			
	Directors and key management personnel		Head office		Related companies	
	September 30 2024 (Unaudited)	December 31 2023 (Audited)	September 30 2024 (Unaudited)	December 31 2023 (Audited)	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Liabilities						
Customer deposits	7,642,714	9,035,536	750,195	638,832	4,115,513	3,921,692
Derivatives	-	-	11,981	-	-	-
Borrowings received	-	-	51,697,743	104,588,124	50,099,105	-
Other liabilities	-	-	1,424,035	-	70,847	53,325

For the period ended September 30, 2024, the following income and expense items are included in the aggregate amounts resulting from the balances described above:

	Bancolombia Group					
	Directors and key management personnel		Head Office		Related companies	
	September 30 2024 (Unaudited)	September 30 2023	September 30 2024 (Unaudited)	September 30 2023	September 30 2024 (Unaudited)	September 30 2023
Interest income on:						
Loans	161,591	160,541	-	-	-	-
Bank deposits	-	-	1,695	789	92,837	77,618
Securities and others	-	-	2,950	-	-	-
Interest expense on:						
Deposits	146,283	136,078	-	-	844	741
Financing received and debt securities issued	-	-	3,011,011	4,008,638	1,822,761	-
Banking services expenses and others:						
Income from fees and commissions	-	-	3,620	6,717	295,157	128,237
Net gain in securities and derivatives	-	-	735,066	2,428,042	390,620	51,674
Commission expenses	-	-	-	-	1,073,158	1,190,111
General and administrative expenses:						
Salaries and other personnel costs (Short term benefit)	3,204,787	2,747,932	-	-	-	-
Other	-	-	1,539,604	-	42,858	-

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During the period ended September 30, 2024, per diem allowances were paid for B/.217,250 (September 30, 2023: B/.235,750), for attendance to meetings of the Board of Directors and support committees.

24. Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or price quotes from a supplier.

For all other financial instruments, the Bank determines fair value using other valuation techniques.

24.1 Financial Instruments Measured at Fair Value

The table below analyzes the financial instruments measured at fair value on a recurring basis and which are classified into the different levels of the fair value hierarchy based on the inputs and valuation techniques used:

	September 30 2024 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Debt instruments at fair value through profit or loss:				
Corporate bonds	34,595,618	-	-	34,595,618
Bonds of the United States of America	283,743,194	-	-	283,743,194
Bonds of the Republic of Panama	78,566,583	39,054,413	-	117,620,996
Bonds of the Republic of Colombia	6,571,422	-	-	6,571,422
Bonds of the Republic of Germany	3,310,232	-	-	3,310,232
Bonds of the Dominican Republic	3,293,038	-	-	3,293,038
Bonds of the Republic of Costa Rica	1,521,314	-	-	1,521,314
	<u>411,601,401</u>	<u>39,054,413</u>	<u>-</u>	<u>450,655,814</u>
Equity instruments at fair value through profit or loss:				
Share capital *	-	7,550,428	-	7,550,428
	<u>411,601,401</u>	<u>46,604,841</u>	<u>-</u>	<u>458,206,242</u>

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	September 30 2024 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Debt instruments at fair value through other comprehensive income:				
Corporate bonds	63,279,904	-	-	63,279,904
Bonds of the Republic of Panama	314,039,197	-	-	314,039,197
Bonds of the United States of America	49,463,252	-	-	49,463,252
Bonds of the Republic of Colombia	13,968,306	-	-	13,968,306
Bonds of the Republic Chile	6,218,647	-	-	6,218,647
Bonds of the Republic of Germany	4,472,175	-	-	4,472,175
Bonds of the Republic of Mexico	2,198,651	-	-	2,198,651
Negotiable Certificates of Participation (CERPANES)	-	14,206,835	-	14,206,835
	453,640,132	14,206,835	-	467,846,967
Equity instruments at fair value through other comprehensive income:				
Share capital *	-	-	37,225,784	37,225,784
	453,640,132	14,206,835	37,225,784	505,072,751
Derivatives:				
Derivative assets instruments	-	2,407,394	2,401	2,409,795
Derivative liabilities instruments	-	(2,308,770)	(920)	(2,309,690)
	-	(2,308,770)	(920)	(2,309,690)
December 31 2023 (Audited)				
	Level 1	Level 2	Level 3	Total
Equity instruments at fair value through profit or loss:				
Corporate bonds	5,626,972	483,581	-	6,110,553
Bonds of the United States of America	139,378,722	-	-	139,378,722
Bonds of the Republic of Panama	6,949,915	4,856,001	-	11,805,916
Bonds of the Republic of Colombia	7,070,645	-	-	7,070,645
Bonds of the Republic of Costa Rica	1,054,751	-	-	1,054,751
	160,081,005	5,339,582	-	165,420,587
Equity instruments at fair value through profit or loss:				
Share capital *	-	7,159,807	-	7,159,807
	160,081,005	12,499,389	-	172,580,394

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	December 31 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
Debt instruments at fair value through other comprehensive income:				
Corporate bonds	75,227,763	20,861,463	-	96,089,226
Bonds of the Republic of Panama	121,441,662	199,579,568	-	321,021,230
Bonds of the United States of America	223,413,495	-	-	223,413,495
Bonds of the Republic of Colombia	16,071,598	-	-	16,071,598
Bonds of the Republic of Germany	10,826,967	-	-	10,826,967
Bonds of the Republic Chile	6,125,696	-	-	6,125,696
Bonds of the Republic Mexico	2,153,412	-	-	2,153,412
Negotiable Certificates of Participation (CERPANES)	-	18,189,978	-	18,189,978
	<u>455,260,593</u>	<u>238,631,009</u>	<u>-</u>	<u>693,891,602</u>
Equity instruments at fair value through other comprehensive income:				
Share capital *	-	-	43,331,065	43,331,065
	<u>455,260,593</u>	<u>238,631,009</u>	<u>43,331,065</u>	<u>737,222,667</u>
Derivatives:				
Derivative assets instruments	-	2,735,441	983,751	3,719,192
Derivative liabilities instruments	-	(3,671,255)	-	(3,671,255)

* Exclude equity instruments at cost for B/.247,306 (December 31, 2023: B/.247,306).

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Management uses the following valuation techniques for Level 2 financial instruments:

Financial Instrument	Valuation Technique
Debt instrument - government, multilateral financial institutions and corporate	The price is derived from future cash flows discounted to present value, using reference curves calculated for these cash flows, which are derived from observable proxy or theoretical inputs to the valuation.
Negotiable Participation Certificates (CERPANES, for its acronym in Spanish)	Value of CERPANES quotas published weekly by the Public Servant Savings and Pension Capitalization System multiplied by the number of quotas of each CERPAN.
Derivative instruments - swaps	Model of future cash flows discounted to present value, between fixed and variable rate using their respective yield curves of the price provider selected by the Bank. The credit default swap (CDS) market is used to adjust the credit valuation adjustment (CVA), in order to give priority to observable and tradable prices in the market.
Derivative instruments - forward purchase and sale of foreign currencies	Discounted flow model which uses market data from the price supplier selected by the Bank to construct implicit curves or discount rates for each currency. The credit default swap (CDS) market is used to adjust the credit valuation adjustment (CVA), in order to give priority to observable and tradable prices in the market.
Equity instruments (Mutual Funds)	It is defined as the sum of the market value or fair value of each investment of the Fund and the returns obtained, minus commissions and other costs and expenses associated with the operation of the Fund and dividing the result by the number of issued and outstanding Class A common shares of the Fund.

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24.2 Fair Value Measurement of Level 3

The following table presents the movement of financial instruments measured at fair value on a recurring basis classified in Level 3:

	September 30 2024 (Unaudited)			
	Share capital	Derivative assets	Derivative liabilities	Total
Balance at the beginning of the period	43,331,065	983,751	-	44,314,816
Unrealized loss recognized in the condensed consolidated interim statement of comprehensive income	(6,105,281)	-	-	(6,105,281)
Net trading loss	-	-	(920)	(920)
Purchases	-	510,359	-	510,359
Settlements and others	-	(1,491,709)	-	(1,491,709)
Balance at the end of the period	<u>37,225,784</u>	<u>2,401</u>	<u>(920)</u>	<u>37,227,266</u>
	December 31 2023 (Audited)			
	Share capital	Derivative assets	Derivative liabilities	Total
Balance at the beginning of the year	43,345,472	1,997,375	-	45,342,847
Unrealized loss recognized in the condensed consolidated interim statement of comprehensive income	(14,407)	-	-	(14,407)
Net trading profit	-	38,696	(23,736)	14,960
Purchases	-	2,035,268	(136,329)	1,898,939
Settlements and others	-	(3,087,588)	160,065	(2,927,523)
Balance at the end of the year	<u>43,331,065</u>	<u>983,751</u>	<u>-</u>	<u>44,314,816</u>

During the periods ended September 30, 2024 and December 31, 2023, there were no transfers between levels.

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The following table shows information about significant unobservable variables used during the period ended September 30, 2024, in measuring financial instruments classified as Level 3 of the fair value hierarchy:

Type of instruments	Valuation technique	Significant unobservable input data	Criteria or range of estimation	Fair value – measure of sensitivity to inputs
Variable income	Market approach	Reference price or unobservable share value.	<p>EV/EBITDA market multiple (Enterprise Value/EBITDA) and EV/Revenue (Enterprise Value revenue).</p> <p>The comparable company methodology multiples must be adjusted due to the difference in risk perceptions of these comparable companies vs. our shareholdings given the location of its operation and the size of these companies.</p> <p>For the comparable transaction's methodology, it is necessary to apply discount for lack of control, given the participation in the Bank is noncontrolling.</p>	<p>Two scenarios were considered for the estimation of the value range:</p> <p>1. Low Range: The Bank's equity value is estimated taking into account the first quartile of the sample of multiples of comparable companies and transactions.</p> <p>2. High Range: The Bank's equity value is estimated taking into account the third quartile of the sample of multiples of comparable companies and transactions.</p>
Variable income	Quoted Price	Price reflected in the Panama Stock Exchange.	It is received from the price provider contracted by the Bank, which is based on the price reflected in the Panama Stock Exchange, as a result of the operations presented.	The Bank considers a 5% favorable and 10% unfavorable percentage variation on its market value.
Derivatives	Discounted flows	<p>Calculation to obtain the margin taking into account the reference curves.</p> <p>For the swap valuation, the corresponding projection (considering the periodicity of rate fixation) and discount curves will be used.</p> <p>Interest rate swaps establish an exchange of cash flows between a fixed and a variable rate using their respective yield curves.</p> <p>Forwards are valued through discounted flows and exchange rates; forward market points and implicit rates are considered for the valuation.</p>	To make the CVA adjustment for the active positions of derivative transactions closed with local counterparties, the credit risk was incorporated based on the portfolio rates, which incorporate the internal risk rating, and are therefore unobservable inputs in the market.	<p>Increase or decrease in basis points the margin for risk applied to a reference yield curve, which would result in a lower and higher market value, respectively.</p> <p>% Variation in 100 basis points lower or higher over reference values.</p>

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24.3 Financial Instruments not Measured at Fair Value

The following table analyzes the fair value of financial instruments that are not measured at fair value classified by level:

	September 30 2024 (Unaudited)			Fair value	Carrying value
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	-	-	481,643,881	481,643,881	481,643,881
Investments in securities	84,972,796	28,649,980	452,486,786	566,109,562	549,965,708
Loans	-	-	7,711,323,441	7,711,323,441	7,738,748,194
Other assets / accounts receivable (12.1)	-	-	16,285,162	16,285,162	16,285,162
	<u>84,972,796</u>	<u>28,649,980</u>	<u>8,661,739,270</u>	<u>8,775,362,046</u>	<u>8,786,642,945</u>
Liabilities					
Customer deposits	-	-	7,175,028,148	7,175,028,148	7,127,152,236
Interbanking deposits	-	-	170,459,219	170,459,219	175,603,712
Debt securities issued	378,920,342	143,620,086	60,962,476	583,502,904	597,612,028
Borrowings received	-	-	792,021,824	792,021,824	785,808,570
	<u>378,920,342</u>	<u>143,620,086</u>	<u>8,198,471,667</u>	<u>8,721,012,095</u>	<u>8,686,176,546</u>
December 31 2023 (Audited)					
	Level 1	Level 2	Level 3	Fair value	Carrying value
Assets					
Cash and cash equivalents	-	-	944,790,066	944,790,066	944,790,066
Investments in securities	80,492,026	-	455,934,343	536,426,369	549,110,761
Loans	-	-	7,631,793,171	7,631,793,171	7,634,409,254
Other assets / accounts receivable (12.1)	-	-	12,030,755	12,030,755	12,030,755
	<u>80,492,026</u>	<u>-</u>	<u>9,044,548,335</u>	<u>9,125,040,361</u>	<u>9,140,340,836</u>
Liabilities					
Customer deposits	-	-	7,190,345,351	7,190,345,351	7,157,861,019
Interbanking deposits	-	-	155,095,151	155,095,151	160,680,537
Debt securities issued	364,194,483	214,895,387	70,632,187	649,722,057	687,126,887
Borrowings received	-	-	1,036,182,481	1,036,182,481	1,038,121,563
	<u>364,194,483</u>	<u>214,895,387</u>	<u>8,452,255,170</u>	<u>9,031,345,040</u>	<u>9,043,790,006</u>

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The table below describes the valuation techniques and data inputs used for financial assets and liabilities not measured at fair value classified in the fair value hierarchy within Level 3:

Financial Instruments	Valuation technique and input data used
Cash, demand or term deposits in banks, demand or savings deposits of customers and accounts receivables.	The carrying value of these instruments is used provided that they have a short-term maturity.
Loans, term deposits of customers or banks, received borrowings, and debt securities issues.	Represents future cash flows discounted to present value, using appropriate market curves or interest rate references.

25. Assets Under Administration

The Bank maintains in memorandum accounts the accounts of the trusts it manages. The total net assets in managed trusts are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Total assets	3,012,061,222	3,002,199,071
Total liabilities	621,179,699	643,460,058
Net trust assets	<u>2,390,881,523</u>	<u>2,358,739,013</u>

The Bank provides custody services of client securities through third parties. As of September 30, 2024, the nominal value of assets under management amounted to B/.4,894,737,658 (December 31, 2023: B/.4,321,583,309).

Additionally, the Bank holds rights over real and personal property, commercial documents, shares, policy rights and bonds in its favor for up to B/.2,510,811,359 (December 31, 2023: B/.3,458,557,554), which guarantee the issuance of bonds of private companies, transactions with third parties and obligations contracted.

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26. Main Applicable Laws and Regulations

The principal laws and regulations used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the preparation of the consolidated financial statements for 2023.

Details of the regulatory reserves are summarized as follows:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Dynamic equity reserve	127,500,236	127,500,236
Reserve for non-write-off portfolio with extension	11,925,394	9,675,589
Regulatory reserve for securities at fair value through other comprehensive income	194,837	219,064
Regulatory reserve for foreclosed assets	48,872,946	41,544,232
	<u>188,493,413</u>	<u>178,939,121</u>

Dynamic equity reserve

The following table summarizes the dynamic reserve balance of the Bank and one of its subsidiaries:

	September 30 2024 (Unaudited)	December 31 2023 (Audited)
Banistmo S.A.	122,528,628	122,528,628
Leasing Banistmo S.A.	4,971,608	4,971,608
	<u>127,500,236</u>	<u>127,500,236</u>

Regulatory reserve for securities at fair value through other comprehensive income

The Bank maintains a provision to comply with Agreement 12-2019 Article No. 13 on the establishment of provisions for impairment events, in terms of expected losses in the case of investments in equity instruments measured at fair value through other comprehensive income or a structured product measured at fair value.

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Reserve for non-write-off portfolio with extension

Agreement No. 11-2019 indicates that all loans classified as unrecoverable must be written off within a period not exceeding one year. After the year of the extension, if the entity has not made the write-off, it must create a reserve in the equity account, through the appropriation of retained earnings to which the value of the loan net of the provisions already constituted will be charged, according to the established percentages:

- At the beginning of the first year after the extension (fourth year) 50%;
- At the beginning of the second year after the extension (fifth year) 50%.

Specific provision

The following table shows the classification of the loan portfolio and reserves for loan losses, as required by Article 18 of Agreement No.4-2013:

Classification	September 30 2024 (Unaudited)		December 31 2023 (Audited)	
	Portfolio	Reserves	Portfolio	Reserves
Normal	6,785,877,420	-	6,588,460,688	-
Special mention	475,746,519	19,909,584	564,743,311	25,259,654
Subnormal	125,299,789	21,497,462	184,369,214	23,961,834
Doubtful	237,221,160	56,056,725	237,247,595	78,015,198
Uncollectible	365,315,600	68,942,615	276,524,243	62,806,577
Gross amount	<u>7,989,460,488</u>	<u>166,406,386</u>	<u>7,851,345,051</u>	<u>190,043,263</u>
Total subsidiaries	<u>133,294,575</u>	<u>6,048,836</u>	<u>144,510,175</u>	<u>4,119,117</u>
Subtotal	8,122,755,063	172,455,222	7,995,855,226	194,162,380
Plus: Accrued interest receivable	149,085,334	-	164,611,519	-
Less: Interest and unearned discounted commissions	<u>115,474,719</u>	<u>-</u>	<u>126,929,166</u>	<u>-</u>
Total	<u>8,156,365,678</u>	<u>172,455,222</u>	<u>8,033,537,579</u>	<u>194,162,380</u>

The Agreement No.4-2013 defines as expired any credit facility whose non-payment of contractually agreed amounts is more than ninety (90) days old. This term will be counted from the date stated for the fulfillment of the payments. Operations with a single payment at maturity and overdrafts will be considered past due when the seniority of the non-payment exceeds thirty (30) days from the date on which the payment obligation is stated.

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The classification of the loan's portfolio by maturity profile, based on Agreement No.4-2013 is presented below:

	September 30 2024 (Unaudited)			
	Current	Overdue	Past Due	Total
Corporate loans	3,719,207,702	28,647,961	249,399,105	3,997,254,768
Consumer loans	3,567,144,015	206,743,319	218,318,386	3,992,205,720
Subsidiaries	<u>131,642,990</u>	<u>1,031,319</u>	<u>620,266</u>	<u>133,294,575</u>
Subtotal	7,417,994,707	236,422,599	468,337,757	8,122,755,063
Plus: Accrued interest receivable				149,085,334
Less: Unearned discounted interest and commissions				<u>115,474,719</u>
Total				<u><u>8,156,365,678</u></u>
Specific reserve	50,356,825	15,353,397	100,696,164	166,406,386
Subsidiaries	<u>5,157,122</u>	<u>305,364</u>	<u>586,350</u>	<u>6,048,836</u>
Total	<u><u>55,513,947</u></u>	<u><u>15,658,761</u></u>	<u><u>101,282,514</u></u>	<u><u>172,455,222</u></u>

	December 31 2023 (Audited)			
	Current	Overdue	Past Due	Total
Corporate loans	3,537,129,897	13,170,094	245,817,094	3,796,117,085
Consumer loans	3,651,056,651	223,776,847	180,394,468	4,055,227,966
Subsidiaries	<u>143,644,177</u>	<u>396,740</u>	<u>469,258</u>	<u>144,510,175</u>
Subtotal	7,331,830,725	237,343,681	426,680,820	7,995,855,226
Plus: Accrued interest receivable				164,611,519
Less: Unearned discounted interest and commissions				<u>126,929,166</u>
Total				<u><u>8,033,537,579</u></u>
Specific reserve	67,833,106	12,298,880	109,911,277	190,043,263
Subsidiaries	<u>3,716,579</u>	<u>24,761</u>	<u>377,777</u>	<u>4,119,117</u>
Total	<u><u>71,549,685</u></u>	<u><u>12,323,641</u></u>	<u><u>110,289,054</u></u>	<u><u>194,162,380</u></u>

On the other hand, based on Agreement No.8-2014, the recognition of interest on 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:

- For consumer and corporate loans, if there is more than 90 days past due; and
- For mortgage loans for housing, if more than 120 days in arrears.

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Total loans in nonaccrual status amount to B/.273,409,914 (December 31, 2023: B/.184,892,247). The total unrecognized interest on these loans amounts to B/.4,130,544 (September 30, 2023: B/.6,564,226).

Regulatory reserve for loans in equity

The General Resolution of the Board of Directors of the Superintendency of Banks of Panama SBP-GJD-0003-2013 to present its condensed consolidated interim financial statements in accordance with IFRS establishes that when the Bank identifies differences between the application of IFRS and the prudential standards issued by the Superintendency of Banks of Panama, it will follow the following methodology:

- Calculations of how accounting balances would be applied when applying the IFRS and the prudential rules issued by the Superintendency of Banks of Panama and comparing the respective figures;
- When the calculation made in accordance with IFRS results in a greater reserve or provision for the Bank than that resulting from the use of prudential standards, the Bank will account the IFRS figures;
- When the impact of the use of prudential rules results in a greater reserve or provision for the Bank, the effect of the use of IFRS will also be recorded in profit or loss and the difference between the IFRS and the prudential calculation will be appropriated from retained earnings, which will be transferred to a regulatory reserve in equity. In the event that the Bank does not have sufficient retained earnings, the difference will be presented as an accumulated deficit account; and
- The regulatory reserve mentioned in the previous paragraph may not be reversed against retained earnings as long as there are differences between IFRS and the prudential rules that originated it.

Regulatory reserve for foreclosed assets

As of August 2009, the Bank considers the prudential standard issued by the Superintendency of Banks of Panama, which requires banks to establish an equity reserve for assets available for sale based on Rule No.3-2009. The Rule sets a deadline of sale of the asset available for sale for five (5) years, counted from the date of registration in the Public Registry.

Banistmo S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Amounts in Balboas)

If, after the expiration of this period, the Bank has not sold the acquired real estate, it must make an independent appraisal of the asset to determine if its value has decreased, applying, in that case, the provisions of IFRS. The Bank will have to create a reserve in the equity account to which the following allocations of undistributed profits will be made based on the value of the asset available-for-sale: first year, 10%; second year, 20%; third year, 35%; fourth year, 15% and, fifth year, 10%.

Regulatory reserve on country risk

Rule No.7-2018 indicates that regulated subjects must account for and disclose in their condensed consolidated interim financial statements; the information that allows the user to evaluate the country risk profile in the assets, the risk contingencies and the operations with derivatives maintained abroad based on the criteria established in this Rule and in the International Financial Reporting Standards. Regulated subjects must include in their annual report the information that shows their exposure by country risk, as defined in this standard, the amounts of country risk provisions, and the main aspects of the management framework of this risk.

27. Subsequent events

In an extraordinary shareholder's meeting held on November 12, 2024, the Board approved the distribution of dividends for B/.120,000,000. This payment was made effective on November 12, 2024.