

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

As of December 31, 2024

(Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

"This document was prepared with the knowledge
that their content will be made available to the public
investor and the general public".

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Multibank Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Multibank Inc. and Subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as of December 31, 2024, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Allowance for loan losses

See Notes 3(c) and 8 to the consolidated financial statements

Key Audit Matter

The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions for the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 72% of the Bank's total assets as of December 31, 2024.

The allowance for loan losses comprises the ECL as a result of the credit rating of the loans and the methodology for determining the probability of default of the loans according to the impairment stage at which it is assigned.

ECL is determined according to the grouping of loans with similar credit risk characteristics, segregated into models for corporate, consumer and credit card loans. These models are comprised of estimates of the probability of default, loss given default, prospective analysis and exposure at default. The assessment of whether or not a significant increase in the credit risk of loans has been presented involves the application of significant judgements in those models. This is a challenge from an audit perspective due to the complexity in estimating the components used to make these calculations and the application of the Bank's judgment.

How the matter was addressed in the audit

Our audit procedures, considering the involvement of specialists, included:

- Evaluation of key controls over delinquency calculations, internal customer risk ratings, accuracy of customer information and methodologies used.
- For a sample of corporate loans, classified by type of activity or industry, and for debtors with changes in risk classification based on quantitative and qualitative factors, inspection of the respective credit files, including the debtors' financial information, collateral values determined by expert appraisers supporting the credit operations, and other factors that could represent a loss event, in order to assess the reasonableness of the assigned credit risk rating.
- Evaluation of the methodologies applied by the Bank in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals and methodologies documented and approved by the Bank's corporate governance.
- Independent evaluation of the inputs used in the models based on the methodologies for consumer banking, corporate banking, and credit cards, and recalculation according to the ECL estimation model for both methodologies
- Evaluation of the judgments applied by the Bank regarding assumptions related to current economic conditions and forward-looking considerations that may affect the level of ECL, based on our experience and industry knowledge.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other legal information requirements

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

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

KPMG (SIGNED)

ROLANDO WILLIAMS (SIGNED)

Panama, Republic of Panama
February 19, 2025

Rolando Williams
Partner
C.P.A. 0028-2007

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2024

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents		23,388,800	24,735,176
Deposits in banks:			
Demand		76,688,220	58,276,397
Time deposits		104,215,899	100,893,555
Total deposits in banks		180,904,119	159,169,952
Total cash, cash equivalents and deposits in banks	6	204,292,919	183,905,128
Investments in securities	4, 7	950,549,313	876,513,300
Loans	4, 8	3,824,773,731	3,641,709,911
Allowance for loan losses	4	(73,023,133)	(64,897,475)
Loans at amortized cost, net		3,751,750,598	3,576,812,436
Property, furniture, equipment and improvements, net	9	45,390,814	47,336,009
Acceptances outstanding		10,519,738	40,706,425
Other accounts receivable	4	118,678,295	115,836,357
Provision for accounts receivable	4	(1,185,237)	(910,716)
Intangible assets	10	6,980,992	7,471,985
Deferred income tax	25	31,096,675	28,837,557
Other assets	11	62,556,020	47,734,837
Total assets		5,180,630,127	4,924,243,318

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

<u>Liabilities and Equity</u>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Liabilities:			
Deposits from customers:			
Demand		544,369,793	535,882,505
Savings		542,562,819	464,999,355
Time deposits		2,372,116,859	2,332,636,637
Total deposits from customers	12	<u>3,459,049,471</u>	<u>3,333,518,497</u>
Securities sold under repurchase agreements	13	183,633,493	37,565,243
Financial obligations	14	651,693,921	690,330,185
Other financial obligations	15	361,989,958	360,582,005
Lease liabilities	16	10,290,718	11,397,438
Acceptances outstanding		10,531,946	40,762,169
Income tax payable		0	205,075
Deferred income tax	25	133,611	98,608
Other liabilities	17	94,472,456	65,758,023
Total liabilities		<u>4,771,795,574</u>	<u>4,540,217,243</u>
Equity:			
Common stock	19	183,645,893	183,645,893
Additional paid in capital	19	(152,873)	(152,873)
Retained earnings		194,672,489	193,864,270
Capital reserves		177,769	177,769
Regulatory reserves		83,257,069	79,998,877
Other comprehensive loss	20	(52,765,794)	(73,507,861)
Total equity		<u>408,834,553</u>	<u>384,026,075</u>
 Total liabilities and equity		 <u><u>5,180,630,127</u></u>	 <u><u>4,924,243,318</u></u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Income

For the year ended December 31, 2024

(In U.S. dollars)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Interest income:			
Deposits in banks		7,109,344	6,949,151
Investments at fair value		22,568,326	14,971,929
Investments at amortized cost		3,621,193	4,346,631
Loans		265,552,989	258,713,197
Total interest income	30	<u>298,851,852</u>	<u>284,980,908</u>
Interest expense:			
Deposits from customers		154,069,639	123,083,287
Financial obligations		33,567,174	56,016,278
Other financial obligations		27,924,027	25,614,540
Securities sold under repurchase agreements		8,367,747	3,249,147
Lease liabilities		817,590	912,841
Total interest expense	30	<u>224,746,177</u>	<u>208,876,093</u>
Interest income, net		<u>74,105,675</u>	<u>76,104,815</u>
Provision for loan and interest losses	4	26,544,394	20,716,343
Release of provision for credit risk of investments and deposits in banks	4	(446,210)	(1,178,289)
Provision for account receivable losses	4	274,538	19,550
Interest income, net after provisions		<u>47,732,953</u>	<u>56,547,211</u>
Other income (expenses):			
Gain on financial instruments, net	21	804,887	757,998
Service charges	22	18,415,160	17,883,698
Insurance premiums, net		12,458,946	10,843,508
Commissions and other fees, net		5,984,312	4,970,520
(Loss) gain on foreign currency exchange, net		(493,325)	23,323
Impairment of assets held for sale	11	(495,164)	(136,852)
Other income	22	6,543,351	4,892,055
Total other income, net		<u>43,218,167</u>	<u>39,234,250</u>
General and administrative expenses:			
Salaries and employee benefits	23	47,708,509	45,863,061
Depreciation and amortization	9,10	6,843,851	6,386,829
Administrative		6,760,097	5,813,493
Occupancy and related expenses		3,307,835	3,513,328
Other operating expenses	24	21,819,044	22,549,148
Total general and administrative expenses	30	<u>86,439,336</u>	<u>84,125,859</u>
Income before income tax		<u>4,511,784</u>	<u>11,655,602</u>
Current income tax	25	(2,463,606)	(1,726,358)
Deferred income tax	25	1,925,392	(1,243,963)
Net income		<u><u>3,973,570</u></u>	<u><u>8,685,281</u></u>

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024

(In U.S. dollars)

	<u>2024</u>	<u>2023</u>
Net income	<u>3,973,570</u>	<u>8,685,281</u>
Other comprehensive results:		
Items that will not be reclassified to the consolidated income statement		
Employee benefits plan - change in actuarial effect	(874,996)	(326,124)
Deferred tax related to asset revaluation	7,058	233,953
Items that are or can be reclassified to the consolidated income statement		
Valuation of investments at FVOCI:		
Net amount transferred to profit or loss	(132,779)	(15,486)
Net change in fair value	21,856,013	16,086,656
Net change in fair value hedges reclassified to profit or loss	<u>0</u>	<u>1,641,428</u>
Other comprehensive results	<u>20,855,296</u>	<u>17,620,427</u>
Comprehensive income	<u><u>24,828,866</u></u>	<u><u>26,305,708</u></u>

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

(In U.S. dollars)

	Attributable to the Company's owners						Total
	Common shares	Excess paid in acquisition of non-controlling interests	Retained earnings	Capital reserve	Regulatory reserves	Other comprehensive losses	
Balance as of January 01, 2023	183,645,893	(152,873)	183,706,972	177,769	81,362,144	(91,089,582)	357,650,323
Net income	0	0	8,685,281	0	0	0	8,685,281
Other comprehensive results							
Net amount transferred to profit or loss	0	0	0	0	0	(15,486)	(15,486)
Net change in fair value	0	0	0	0	0	16,086,656	16,086,656
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	1,641,428	1,641,428
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(326,124)	(326,124)
Revaluation of assets	0	0	0	0	0	439,101	439,101
Deferred tax related to asset revaluation	0	0	0	0	0	(205,148)	(205,148)
Transfer to retained earnings	0	0	38,706	0	0	(38,706)	0
Total other comprehensive results	0	0	38,706	0	0	17,581,721	17,620,427
Total comprehensive results	0	0	8,723,987	0	0	17,581,721	26,305,708
Other changes in equity							
Regulatory reserves	0	0	1,363,267	0	(1,363,267)	0	0
Transactions with the Bank's owners							
Advanced dividend tax	0	0	70,044	0	0	0	70,044
Total transactions with the Bank's owners	0	0	70,044	0	0	0	70,044
Balance as of December 30, 2023	183,645,893	(152,873)	193,864,270	177,769	79,998,877	(73,507,861)	384,026,075
Balance as of January 01, 2024	183,645,893	(152,873)	193,864,270	177,769	79,998,877	(73,507,861)	384,026,075
Net income	0	0	3,973,570	0	0	0	3,973,570
Other comprehensive results							
Net change in valuation for investments at FVOCI:							
Net amount transferred to income statement	0	0	0	0	0	(132,779)	(132,779)
Net change in fair value	0	0	0	0	0	21,856,013	21,856,013
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(874,996)	(874,996)
Deferred tax related to asset revaluation	0	0	0	0	0	7,058	7,058
Transfer to retained earnings	0	0	113,229	0	0	(113,229)	0
Total other comprehensive results	0	0	113,229	0	0	20,742,067	20,855,296
Total comprehensive results	0	0	4,086,799	0	0	20,742,067	24,828,866
Other changes in equity							
Regulatory reserves	0	0	(3,258,192)	0	3,258,192	0	0
Transactions with the Bank's owners							
Contributions and distributions:							
Additional tax	0	0	(20,388)	0	0	0	(20,388)
Total transactions with the Bank's owners	0	0	(20,388)	0	0	0	(20,388)
Balance as of December 30, 2024	183,645,893	(152,873)	194,672,489	177,769	83,257,069	(52,765,794)	408,834,553

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

(In U.S. dollars)

	Note	2024	2023
Cash flows from operating activities:			
Net income		3,973,570	8,685,281
Adjustments to reconcile net income to net cash provide by operating activities:			
Depreciation and amortization	9, 10	5,012,140	4,575,787
Amortization of the right-of-use assets	16	1,831,711	1,811,042
Provision for loan losses	4	26,544,394	20,716,343
Release of provision for credit risk of investments and deposits in banks	4	(446,210)	(1,178,289)
Provision for accounts receivable losses	4	274,538	19,550
Impairment of assets held for sale	11	495,164	136,852
Impairment of non financial assets		0	68,841
(Release) provision for losses on undisbursed commitments	4	(205,027)	61,897
Interest income, net		(74,105,675)	(76,104,815)
Gain on financial instruments, net	21	(804,887)	(757,998)
Loss on sale and disposal of property and equipment, net		42,287	22,928
Gain on sale of assets held for sale	11	(552,572)	(430,647)
Dividends earned on investments in securities		(1,620,058)	(1,453,709)
Income tax expense	25	538,214	2,970,321
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		1,000,000	1,000,000
Investments at fair value		0	(72,120)
Loans		(207,647,338)	45,839,022
Securities sold under agreements to repurchase		145,560,019	(76,830,598)
Other accounts receivables and other assets		(2,841,956)	36,177,295
Other assets		(18,710,067)	(3,401,879)
Deposits from customers		127,361,156	305,577,404
Other liabilities		28,339,100	(2,726,067)
Cash generated by operations:			
Interest received		306,393,788	297,672,024
Interest paid		(227,146,581)	(203,186,457)
Dividends received		1,620,058	1,453,709
Income tax paid		(2,668,682)	(1,534,346)
Net cash provided by operating activities		112,237,086	359,111,371
Cash flows from investing activities:			
Proceeds from sale of investments securities		3,789,703	1,476,940
Maturities and prepayments of investments securities		113,604,309	200,124,040
Purchase of investments at securities		(171,589,385)	(144,468,537)
Purchase of property and equipment	9	(2,807,057)	(2,151,454)
Proceeds from sale of property and equipment		376,165	96,817
Acquisition of intangible assets	10	(1,415,589)	(1,533,648)
Proceeds from sale of intangible assets	10	127,641	165,314
Proceeds from sale of assets held for sale	11	4,954,955	11,030,508
Net cash (used in) provided by investing activities		(52,959,258)	64,739,980
Cash flows from financing activities:			
Payment of other financial obligations		(9,475,000)	(26,230,000)
Proceeds from financial obligations		637,820,606	949,873,250
Payment of financial obligations		(664,503,004)	(1,380,499,093)
Payment of lease liabilities		(1,692,539)	(2,482,439)
Advanced dividend tax		(20,388)	70,044
Net cash used in financing activities		(37,870,325)	(459,268,238)
Increase (decrease) in cash and cash equivalents		21,407,503	(35,416,887)
Cash and cash equivalents at beginning of the year		177,374,517	212,791,404
Cash and cash equivalents at the end of the year	6	198,782,020	177,374,517

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

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MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

December 31, 2024

(In U.S. dollars)

(1) Organization

Multibank Inc. is incorporated under the laws of the Republic of Panama and started operations on July 12, 1990, under a general banking license issued by the Superintendency of Banks of Panama (hereinafter referred to as “the Superintendency”), by means of Resolution N° 918 dated March 28, 1990, which allows it to provide banking services, indistinctly, in Panama or abroad, and conduct any other activity authorized by the Superintendency.

Multibank Inc. is a 100% subsidiary of Multi Financial Group, Inc. (MFG), an entity incorporated in accordance with the laws of the Republic of Panama, through Public Deed No.27,702 dated November 9, 2007. As of September 29, 2021, MFG is 99.57% owned by Multi Financial Holding Inc. (the “Parent Company”). Multi Financial Holding Inc. is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

The Bank consolidates directly and indirectly with the following entities:

<u>Subsidiary</u>	<u>Activity</u>	<u>Location</u>	<u>Total voting rights</u>
Multi Securities, Inc.	Dealer/Broker	Panama	100%
Multi Trust, Inc.	Trust Company	Panama	100%
Multibank Seguros, S. A.	Insurance	Panama	100%
MB Creditos, S. A	Financial institution	Costa Rica	100%

Multibank Inc. and Subsidiaries; will be referred to collectively as “the Bank”.

During the month of August 2022, the Board of Directors of the Multi Trust subsidiary approved to initiate the voluntary liquidation process, a process that was approved by the Superintendency of Banks of Panama through resolution SBP-BAN-R-2023-01031, dated April 11, 2023.

On May 21, 2024, approval of the merger is received between the subsidiaries MB Créditos, S. A. with MB Leasing, S. A., by the SBP through the resolution SBP-2024-03271.

(2) Basis of Preparation of the Consolidated Financial Statements

(a) Consolidated financial statements

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

- Power over the entity that entitles the Bank to direct any relevant activity that significantly affects the entity’s performance.
- Exposure or rights to variable returns from their participation in the entity.
- Ability to affect those returns through its power over the entity.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(2) **Basis of Preparation of the Consolidated Financial Statements, continued**

To comply with this requirement, the Bank conducts an annual reassessment of all its contractual relationships. New entities are not required to be consolidated as a result of this process, including structured entities.

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

During the consolidation process, the Bank consolidates the assets, liabilities, and gains or losses of the entities under control, previously aligning the accounting policies of all its subsidiaries. This process includes eliminating balances and transactions within the bank and any unrealized and realized income and expenses (except foreign currency translation gains or losses and taxes that are not subject to elimination) arising from transactions within the bank. Unrealized and realized losses are eliminated in the same way as unrealized and realized gains, but only to the extent that there is no evidence of impairment.

(b) *Compliance with International Financial Reporting Standards ("IFRS")*

The consolidated financial statements of the Bank have been prepared in accordance with the International Accounting Standard.

These consolidated financial statements were authorized for issuance by the Audit Committee and ratified by the Board of Directors on February 19, 2025

(c) *Basis of measurement*

The consolidated financial statements have been prepared on a historical and amortized cost, except for the following accounts in the Consolidated financial statements:

- Investments at fair value
- Derivatives financial instruments
- Real estate; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed. Investments in securities and loans at amortized costs are recorded when settled.

(d) *Material Accounting Policies*

The Bank consistently applied the following accounting policies to all periods presented in these Consolidated financial statements, unless otherwise noted.

In addition, the Bank adopted the Accounting Policy Disclosure (Amendment to IAS 1 and IFRS 2 Practice Document) as of January 2023. The amendments require the disclosure of material rather than significant accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they did impact the accounting policy information related to the disclosed financial instruments in certain cases.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(2) Basis of Preparation of the Consolidated Financial Statements, continued

(e) *Functional and presentation currency*

These consolidated financial statements are presented in dollars of the United States of America (US) and are the presentation and functional currency of the Bank. US dollars are expressed in units unless otherwise indicated. The balboas (\$), the monetary unit of the Republic of Panama, which is at par and is freely exchangeable with the dollar (US \$) of the United States of America (E.U.A). The Republic of Panama does not issue its own paper money and, instead, the dollar (US \$) of the United States of America is used as the legal and functional currency.

(f) *Use of estimates and judgments*

Preparation of the consolidated financial statements requires the Bank's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Final results may differ from these estimates. These also require the Bank's management to apply its judgment when applying the Bank's accounting policies.

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

(3) Summary of Significant Accounting Policies

The Bank has applied the policies to the consolidated financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2023, which are detailed below:

(a) *Basis of consolidation*

Subsidiaries

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

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

Investment Entities and Separate Legal Vehicles

The Bank manages and administrates assets held in trust funds and other investment instruments on behalf of investors. The financial statements of these entities are not part of these consolidated financial statements, except when the Bank has control over the entity.

Balances and Transactions Eliminated in the Consolidation

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

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

Loss of control

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

(b) *Foreign Currency*

Assets and liabilities maintained in foreign currency are converted to the functional currency at the current exchange rate on the reporting date. Gains or losses resulting from foreign currency conversion are reflected in other revenues or other expense accounts in the consolidated statement of income.

Subsidiaries of the Bank

The financial position and results of all the Bank's subsidiaries that have a functional currency different from the Bank's functional currency are converted into the presentation currency as follows:

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

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

(c) *Financial assets and liabilities*

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

Classification

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

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

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

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

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

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

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

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

A financial asset is classified in one of the referenced categories at the time of its initial recognition.

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

Business Model Assessment

The Bank assesses the business models' objectives that hold the financial assets in a portfolio to represent better how each subsidiary manages the business and how management information is reported. The information considered include:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance, or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

- How they are evaluated or reported to key management personnel for each Bank subsidiary on portfolio performance.
- The risks that affect the performance of the portfolios (and the financial assets maintained in the business model) and the way those risks are managed.
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,
- The frequency, value, and timing of sales in prior fiscal periods, the reasons for those sales, and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation but rather as part of an assessment of how Bank objectives established for managing financial assets are achieved and how cash flows are realized.

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

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

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

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

- Contingent events that will change the amount and timing of cash flows;
- Leverage conditions;
- Prepayment and extension terms;
- Terms that limit the Bank to obtain cash flows for specific assets (e.g., unfunded asset agreements); and
- Characteristics that modify the considerations of the time value of money, for example, periodic review of interest rates.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

The interest rates on certain consumer and commercial loans are based on variable interest rates that are established at the discretion of the Bank. Variable interest rates are generally established in accordance with practices in each of the countries in which the Group operates, and in accordance with established policies. In these cases, the Bank assesses whether the discretionary characteristic is consistent with the principal and interest-only criterion considering a number of factors which include if:

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

All consumer and commercial fixed-rate loans contain conditions for prepayment.

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

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

Impairment of Financial Assets

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

The expected credit loss model requires the Bank to measure expected losses and consider forward-looking information, reflecting "an unbiased and probability-weighted amount determined by assessing a range of possible outcomes" and taking into account "reasonable information and supporting it from being available at no cost or undue effort on that date on past events", current conditions, and forecasts of future economic conditions. As widely stated in Note 32 to the consolidated financial statements, the Superintendency of Panama, as well as the Panamanian Executive Branch, issued important regulations to mitigate the impacts on projected cash flows of individuals and companies.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

- Debt instruments;
- Lease payments receivable;
- Other accounts receivable;
- Loan portfolio;
- Financial guarantee contracts issued; and
- Loans commitments issued.

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

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

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

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

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

Measuring of ECL

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

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

Definition of impairment

The Bank considers a financial asset to be impaired when:

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

- Qualitative, e.g., breach of contractual clauses;
- Quantitative, e.g., delinquency status and no payment on another obligation of the same issuer to the Bank; and,
- Based on data developed internally and obtained from external sources.

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

Significant increase in credit risk

When determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers reasonable and sustainable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert evaluation of the credit, including information with a forward looking projection.

The Bank expect to identify if there has been a significant increase in the credit risk exposure comparing between:

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

The assessment of whether the credit risk has increased significantly since initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For certain revolving credit (credit cards, overdrafts, among others), the date of the credit was granted might have been a long period of time. The modification of the contractual terms of a financial asset might affect its evaluation, which is discussed as follow.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to be capable of separating credit exposures into homogeneous risk groups. These risk groups, in turn, must meet the minimum criteria for separating and ordering risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors depend on the nature of the exposure and the type of borrower.

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

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

Each exposure is distributed in a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures are subject to continuous monitoring, which may result in the migration of exposure to a different credit risk rating.

Generating the Term Structure of the PD

Credit risk grading are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as the assigned credit risk rating.

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

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

The Bank's approach to preparing forward-looking economic information within its assessment is indicated below:

Determine whether credit risk has increased significantly

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

The initial framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and include limits based on defaults.

The Bank assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on the Bank's quantitative model, the expected probability of credit loss in the remaining life has increased significantly since initial recognition. In determining increased credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities.

In certain circumstances, using the judgment of credit experts and on the basis of relevant historical information, the Bank may determine that an exposure has experienced a significant increase in credit risk if certain qualitative factors can indicate that, and those factors may not be fully captured by quantitative analyses performed periodically. As a limit, the Bank will presume that significant credit risk occurs no later than when the asset is delayed by more than 30 days.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is impaired;
- The criteria do not align with the point in time when an asset is more than 30 days past due;
- Exposures are generally not transferred directly from the PCE 12 months following the measurement of impaired default loans;
- There is no unjustified volatility in the provision for impairment of transfers between the groups of the expected loss in the following twelve months and the expected loss for the remaining life of the loans.

Modified financial assets

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

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

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

The Bank renegotiates loans to customers in financial difficulties to maximize the opportunities to collect and to minimize the probability of default. Under the Bank's renegotiation policies, customers in financial difficulties are given concessions that generally involve a decrease in interest rate, extension of the payment term, reductions in the balances due or a combination of these.

After a follow-up period, the Bank will assess whether, based on its payment capacity and compliance with its obligations, if there are grounds for its classification in a lower risk category or, on the contrary, it should be classified in a higher risk category.

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

Inputs in Measuring ECL

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

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

The above parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect forward-looking information as described below:

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

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

LGD is the magnitude of probable losses if there is a default. The Bank estimates the LGD parameters based on historical loss recovery rates against the defaulted parties. LGD models consider the structure, collateral and the recovery costs of any collateral when there are mortgage guarantees.

For unsecured loans, a cash flow recovery model is used at present value, ordered by vintage. For loans guaranteed with mortgages and/or pledges, a history of the relationship between the sale price of goods available for sale and sold with respect to the balance of the credits is used as a recovery parameter. The calculation is made on a net cost recovery basis, discounted using the effective interest rate of the loan.

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

For credit card balances the Bank measures EADs over a period greater than the maximum period if the contractual ability of the Bank to demand payments and pay off the commitment does not limit the Bank's exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Bank learns of an increase in credit risk at the level of each loan. This longer period is estimated considering the credit risk management actions that the Bank takes and that serve to mitigate EAD. These measures include a reduction in limits and cancellation of loan contracts.

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

- Type of instrument.
- Credit risk rating.
- Warranty.
- Initial recognition date.
- Remaining term for maturity.
- Debtor's geographical location.

Previous groupings are subject to regular reviews to ensure that exposures of a particular group remain homogeneous.

Projection of future conditions

On a quarterly basis, macroeconomic scenarios forecast for twelve months are approved for the six countries where the Bank operates, and they are divided into three categories: upside, base and downside scenario. These scenarios are prepared based on the Bank's macroeconomic simulation model and are complemented by (i) projections from supranational organizations such as the International Monetary Fund, the World Bank, ECLAC, etc. (ii) the macroeconomic program of the Central American central banks and (iii) economists outside the Bank.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

- **Base case scenario:** It goes with current expectations. In the current situation, it contemplates stability in the nominal macroeconomic variables, exchange rate, interest rates, and inflation. Forecasts from other organizations that carry out economic research are used as a reference, for example, the International Monetary Fund, the World Bank and the central banks of each country. External references bring fairness to the exercise.
- **Upside and downside case scenarios:** These are the probable macroeconomic scenarios before the realization of some of the main risks associated with each country. They are categorized as upside and downside risks; furthermore, divided between internal and external risks.
- **External Risks:** The Central American countries, being small and open economies, are exposed to the economic performance of the large economies and main trading partners, mainly the United States and Europe. The economic activity of these countries affects the Central American countries in a generalized way, mainly through income from remittances, exports, tourism, and foreign direct investment.
- **Internal Risks:** These are risks specific to each country. They include risks associated with the internal social, political, and economic situation. In the current situation, the risks associated with the performance of governments predominate public finance management, natural disasters, health policies, etc.

The external information includes economic data and publication of projections by government committees, monetary authorities (mainly in the countries where the Bank operates), supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund and others), academic projections, private sector, and credit risk rating agencies.

The base case represents the most probable outcome. Other scenarios represent a more optimistic or downside outcome. In addition, the Bank also periodically performs stress tests to calibrate the determination of these other representative scenarios.

Financial liabilities

Financial liabilities are listed at amortized cost using the effective interest rate method, except when there are financial liabilities that account for at fair value through profit or loss.

Recognition, derecognition and measurement

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

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

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

Offsetting of financial instruments

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

Presentation of reserve for ECL in the consolidated statement of financial position

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

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

(d) *Loans*

Loans are initially measured at fair value plus incremental direct costs; subsequently measured at amortized cost using the effective interest rate method. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

(e) *Assets held for sale*

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

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

Interest income and expenses

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

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

Fees and commissions

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

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

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

Other fees and commissions received mainly relating to fees for transactions and services are recognized as income when they are received.

Loyalty programs

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

(g) *Cash and cash equivalents*

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

(h) *Property, furniture, equipment and improvements*

Property, furniture, equipment and improvements comprise buildings, furniture and improvements used by branches and offices. Property, furniture, equipment and improvements are presented at their historical cost, less accumulated depreciation and amortization, except for land and buildings, which since December 31, 2014, are recognized under the revalued cost method.

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Bank depreciates amounts with a charge to the period's profit or loss with a credit to the accumulated depreciation account. Land is not depreciated. The estimated useful lives of assets are as follows:

<u>Category</u>	<u>Year/Base</u>
Buildings	Up to 60
Furniture and equipment	3 – 10
Vehicles	3 – 7
IT Equipment	3 – 10
Leasehold improvements	5 – 10

The amount equivalent to the depreciation expense associated with the revaluation of buildings is transferred from the equity account of property revaluation reserve to retained earnings as these assets are being used, without affecting profit or loss.

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

(i) Leases

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

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

At inception or on reassessment of a contract that contains a lease component, the Bank assigns the consideration in the contract to each lease component based on their independent relative prices. However, for land and building leases where the Bank is a lessee, the Bank has elected not to separate the non-lease components and to treat the lease and non-lease components as a single component of the lease.

i. As a lessee

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

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

- Fixed payments, including essentially fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the start date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a call option that the Bank may reasonably exercise, lease payments on an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to effect early termination.

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

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

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

Short-term leases and leases of low-value assets

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

ii. As a lessor

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

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

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

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

(j) *Intangible assets*

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

Cash-generating units to which intangible assets have been attributed are periodically analyzed to determine whether they have deteriorated. This analysis is performed at least annually, or whenever there are signs of deterioration.

The amortization expense of intangible assets is presented in the consolidated statement of income as depreciation and amortization expenses.

Trade names are non-amortizable intangible assets.

(k) *Investment Properties*

Investment properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, the investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the results of the period in which they arise.

An investment property is written off at the time of disposition or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposition. Any gain or loss that arises when the property is derecognized (calculated as the difference between the net proceeds of the disposition and the carrying value of the asset) is included as gain or loss in the period in which the property is written off, from the accounting records.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

(l) *Securities Sold under Repurchase Agreements*

The securities bought under resale agreements are transactions of short-term financing with a securities guarantee, in which the Bank takes possession of the securities at a discount of the market value and agrees to resell them to the debtor at a future date and at a certain price. The difference between the value of purchase and the future sale price is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless there is a breach of the contract by the counterparty, which gives the right to the Bank to take possession of the securities.

(m) *Factoring Receivables*

Factoring consists of the purchase of invoices, which are presented at their principal outstanding value, less unearned interest and commissions, and the allowance for loan losses. These invoices receivable reflect the present value of the contract.

(n) *Deposits, Bonds Payable, Borrowings Received and Negotiable Commercial Papers*

These instruments result from the funds received by the Bank, which are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost, using the effective interest rate method, except for liabilities that the Bank decides to measure at fair value through profit or loss.

(o) *Financial Guarantees*

Financial guarantees are contracts that require the Bank to make specific payments on behalf of its customers for purposes of reimbursing the guarantee beneficiary, in the event that the customer fails to make payment when due, in accordance with the terms and conditions of the arrangement.

Liabilities arising from financial guarantees are initially measured at fair value, which is amortized over the term of the financial guarantee. Subsequently, the guarantee is carried at the highest amount between the amortized amount and the present value of expected future payments. Financial guarantees are included in the consolidated statement of financial position within other liabilities.

(p) *Income Tax*

Tax expense for the period includes current and deferred taxes. Taxes are recognized in the consolidated statement of income, insofar as they refer to items recognized in the consolidated statement of income or directly in equity.

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

Deferred tax assets are recognized only to the extent that it is probable that future economic tax benefits will be available with which to offset the temporary differences.

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

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

(q) *Employee benefits*

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

(r) *Trust Operations and Securities Management*

Trust contracts and custody of securities are not considered part of the Bank, and accordingly, such securities and their corresponding income are not included in these consolidated financial statements. It is the obligation of the Bank to manage and safeguard the assets under contract and independently of its equity.

The Bank charges a fee for the management of trust contracts and custody of securities, which is paid according to agreements between the parties. These fees are recognized as income according to the terms of the contracts either monthly, quarterly, or annually on an accrual basis.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

(s) *Insurance Operations*

Insurance arrangements correspond to those arrangements whereby the Bank assumes the significant insurance risk of a counterparty (the insurer), committing to compensate the policyholder or other beneficiary when an uncertain future event (the insured event) adversely affects the policyholder or beneficiary. By general rule, the Bank determines if the arrangement has a significant insurance risk by comparing premiums collected for benefits to be paid if the insured event occurs. An insurance arrangement might also transfer financial risks. Insurance arrangements are maintained for the rest of their effective term, notwithstanding if the insurance risk significantly decreases, until all the risks and obligations terminate or expire. During the normal course of operations, the Bank has entered into reinsurance arrangements with reinsurance companies.

The reinsurance payable corresponds to the portion of premiums generated by sharing the risks. This sharing is agreed in the reinsurance arrangements; however, reinsurance arrangements do not release the Bank from contracted obligations, retaining overall responsibility for the policyholders or beneficiaries. The reinsurance receivable represents the balance of the amounts receivable from reinsurance companies originating from events occurred, whereby it assumes the indemnity on behalf of the policyholder, and for the reinsurances accepted by other insurance companies. The amounts expected to be recovered from reinsurance companies are recognized in conformity with the terms and conditions included in the arrangements entered into by both parties.

Any gain or loss from the reinsurance arrangement is recognized in the consolidated statements of profit or loss at the inception of the arrangement and they are not amortized. Income and expenses from insurance operations are recorded as follows:

Premiums receivables are recognized when the insurance policy is issued. Income from insurance premiums corresponding to the period contracted in the policy is recognized upon the inception of the insurance without considering the payment status of the premium. Insurance begins with the acceptance of the insurance request submitted by the client and collection of the premium, which may be fractioned or deferred when collected in one single installment, during the term of the policy. Expenses from reinsurance and commissions and other income and expenses related to the policy issuance are recognized upon recognition of income from insurance premiums.

(t) *Segment Information*

An operating segment is a component of the Bank, whose operating results are reviewed on a regular basis by Management to make decisions about resources allocated to each segment and assess its performance, and for which financial information is available.

(u) *Fair value estimates*

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

The different hierarchy levels have been defined as follows:

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

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

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

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

(v) *Transactions between entities under common control*

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

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

(w) *New Standards and amendments to International Financial Reporting Standards ("IFRSs")*

New standards, interpretations, and amendments to IFRS Accounting Standards have been published, but are not mandatory as of December 31, 2024, and have not been early adopted by the Bank.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Summary of Significant Accounting Policies, continued

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

<u>Improvements and Amendments</u>	<u>Mandatory application for annual periods starting from:</u>
Amendments to IAS 21: Effects of Changes in Foreign Exchange Rates – No Exchange.	January 1, 2025
Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18: Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19: Subsidiaries without Public Accountability: Disclosures	January 1, 2027

IFRS 17 Insurance Contracts, the effective date of IFRS 17 was postponed by the Superintendency to January 1, 2024. IFRS 17, Insurance Contracts, replaces IFRS 4, Insurance Contracts

On January 12, 2024, the Superintendency of Insurance and Reinsurance of Panama issued Agreement No. 01-2024, which establishes the provisions for the adoption and application of IFRS Accounting Standards applicable to insurance and reinsurance operations and other related operations and the solvency capital requirement, solvency margin and minimum required liquidity. Under this Agreement, January 1, 2024, remains the adoption date, but it is specified that the first audited consolidated financial statements for public use prepared using IFRS 17 will be the consolidated financial statements as of December 31, 2025. Thus, the consolidated financial statements as of December 31, 2024, and 2024, must still be prepared using IFRS 4. The Bank is in the initial phase of understanding the aforementioned Agreement No. 01-2024 for its implementation as required by the Superintendency of Insurance and Reinsurance of Panama.

With the IFRS 17 adoption, which replaces IFRS 4, insurance contracts require, among other changes, a methodology for measuring the cash flow of insurance contracts, which must be stated at present value and adjusted through an explicit measurement of non-financial risk. The adoption of IFRS 17 is expected to have a significant impact on the financial statements as a whole.

(4) Risk Management

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

Financial assets classification

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

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

<u>December 31, 2024</u>	<u>Designated FVTPL – debt instruments</u>	<u>Designated FVTPL - equity instruments</u>	<u>FVOCI - debt instruments</u>	<u>Amortized cost</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	0	0	0	204,292,919	204,292,919
Investments in securities	28,760,215	1,066,556	873,803,330	46,919,212	950,549,313
Loans at amortized costs	0	0	0	3,751,750,598	3,751,750,598
Other accounts receivable	0	0	0	117,493,058	117,493,058
Total financial assets	28,760,215	1,066,556	873,803,330	4,120,455,787	5,024,085,888

<u>December 31, 2023</u>	<u>Designated FVTPL – debt instruments</u>	<u>Designated FVTPL - equity instruments</u>	<u>FVOCI - debt instruments</u>	<u>Amortized cost</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	0	0	0	183,905,128	183,905,128
Investments in securities	29,883,321	1,047,592	783,483,809	62,098,578	876,513,300
Loans at amortized costs	0	0	0	3,576,812,436	3,576,812,436
Other accounts receivable	0	0	0	114,925,641	114,925,641
Total financial assets	29,883,321	1,047,592	783,483,809	3,937,741,783	4,752,156,505

As of December 31, 2024, all financial liabilities held by the Bank are classified at amortized cost.

The Bank is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk and
- Operational risk.

For the management of these risk, an organizational framework based on current regulations in the region on risk management has been defined. This framework includes policies, procedures and a human and technical infrastructure to identify, analyze and assess risks, as well as to set adequate limits and controls, monitor risk management and compliance with defined limits. These policies and risk management systems are periodically reviewed, updated and reported to the respective committees, to ensure they reflect changes in market conditions, products and services offered.

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

The periodic oversight and management of risks is conducted through the following corporate governance bodies, established both regionally and in the countries where the Bank operates: Committee of Comprehensive Risk Management, Assets and Liabilities Committee (ALICO), Compliance Committee, Credit Committee, and Audit Committee.

(a) Credit Risk

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

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

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

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

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

Establishing Authorization Limits:

Approval limits for credits are established depending on the percentage that each amount represents of the Bank's equity. These limit levels are submitted before the consideration of the Risk Committee and ratified by the Board of Directors.

Exposure Limits:

In order to limit the exposure, maximum limits have been established for an individual debtor or economic group, based on the Bank's capital funds.

Concentration Limits:

In order to limit concentration per activity or industries, exposure limits have been approved based on capital distribution and the strategic orientation to be given to the loan portfolio.

Furthermore, the Bank has limited its exposure to different geographies through the country risk policy, in which it has defined countries where it would like to have exposure based on the Bank's strategic plan; also, credit and investment exposure limits have been implemented in such countries, based on their credit risk rating and the approved risk appetite.

Policy Compliance Review:

Each business unit is responsible for the quality and performance of their loan portfolios, as well as for the control and monitoring of risks. However, through Loan Management and Control, the debtor's financial position and payment capacity are periodically assessed. For loans that are not individually significant, they are monitored through the delinquency day ranges that their installments present and the particular characteristics of said portfolios.

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

In relation to investments, the Bank has a regional guideline that defines the general profile that the investment portfolio must have and establishes two large levels of maximum limits to control the exposure of investments: limit at the level of country risk and risk of issuer. Country risk limits are established based on an internal rating scale and measured as percentages of the Bank's equity or as absolute amounts. In addition, the guideline includes the attributions and approval schemes for new limits or increases to existing ones. Additionally, the Group maintains other internal guidelines approved by ALICO and ratified by the Board of Directors.

Compliance with this guideline is monitored daily by the Market Risk and Liquidity Vice-presidency, part of the Comprehensive Risk Management area, which monitors all transactions to identify any acquisition or purchase outside the parameters and immediately notifies the originating area.

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

Portfolio quality information

Bank deposits portfolio quality

The Bank maintains deposits in banks for \$180,904,119 as of December 31, 2024 (2023: \$159,169,952). Deposits are maintained at central banks and other financial institutions, most of which have AA to BB risk ratings, based on Standard & Poor's, Moody's, and/or Fitch Ratings.

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

Quality of the investment portfolio in securities

The Bank segregates the investment portfolio into investments at FVTPL, investments at AC and investments at FVOCI. As of December 31, 2024, investments amounted to \$950,549,313 (2023: \$876,513,300).

As December 31, 2024, the other assets at FVTPL include investments equity \$1,066,566 (2023: \$1,047,592) and mutual funds of \$22,418,438 (2023: \$21,517,410) which are excluded from the following risk analyses.

- **Investments at FVTPL**

The credit quality of investment is monitored according to the international risk rating of the issuer provided by Standard & Poor's, Moody's, and/or Fitch Ratings.

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

The following table summarizes investments at FVTPL categories:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Governments and agencies		
BBB	0	8,293,127
BBB-	<u>6,341,777</u>	<u>0</u>
Total governments and agencies	<u>6,341,777</u>	<u>8,293,127</u>
Corporate		
Unrated	<u>0</u>	<u>72,784</u>
Total Corporate	<u>0</u>	<u>72,784</u>
Total investments at FVTPL	<u>6,341,777</u>	<u>8,365,911</u>

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	December 31, 2024			December 31, 2023		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>
Governments and agencies						
AAA	48,467,257	0	48,467,257	53,131,036	0	53,131,036
AA+	250,027,940	0	250,027,940	279,777,472	0	279,777,472
BBB	411,248,617	0	411,248,617	298,208,290	0	298,208,290
BB+ to B-	<u>17,863,883</u>	<u>0</u>	<u>17,863,883</u>	<u>17,910,238</u>	<u>0</u>	<u>17,910,238</u>
Total Governments and agencies	<u>727,607,697</u>	<u>0</u>	<u>727,607,697</u>	<u>649,027,036</u>	<u>0</u>	<u>649,027,036</u>
Corporate						
AA	14,727,879	0	14,727,879	14,211,578	0	14,211,578
A-	4,901,798	0	4,901,798	0	0	0
BBB+	0	0	0	4,726,323	0	4,726,323
BBB	19,467,313	0	19,467,313	22,183,823	0	22,183,823
BBB-	7,488,221	0	7,488,221	13,395,336	0	13,395,336
BB+ a B	67,463,243	7,947,412	75,410,655	46,455,955	8,433,732	54,889,687
Unrated	<u>24,199,767</u>	<u>0</u>	<u>24,199,767</u>	<u>25,050,026</u>	<u>0</u>	<u>25,050,026</u>
Total Corporates	<u>138,248,221</u>	<u>7,947,412</u>	<u>146,195,633</u>	<u>126,023,041</u>	<u>8,433,732</u>	<u>134,456,773</u>
Total	<u>865,855,918</u>	<u>7,947,412</u>	<u>873,803,330</u>	<u>775,050,077</u>	<u>8,433,732</u>	<u>783,483,809</u>
Allowance for ECL	<u>484,317</u>	<u>203,832</u>	<u>688,149</u>	<u>482,907</u>	<u>201,774</u>	<u>684,681</u>

- Investment in AC

The following table summarizes the AC investment portfolio ratings:

	December 31, 2024			December 31, 2023		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>
Corporate						
Range BB+ to B-	29,456,291	14,714,270	44,170,561	34,427,945	24,755,325	59,183,270
Unrated	2,748,651	0	2,748,651	<u>2,915,308</u>	<u>0</u>	<u>2,915,308</u>
Total Corporate	<u>32,204,942</u>	<u>14,714,270</u>	<u>46,919,212</u>	<u>37,343,253</u>	<u>24,755,325</u>	<u>62,098,578</u>
Total	<u>32,204,942</u>	<u>14,714,270</u>	<u>46,919,212</u>	<u>37,343,253</u>	<u>24,755,325</u>	<u>62,098,578</u>
Allowance for ECL	<u>156,767</u>	<u>994,529</u>	<u>1,151,296</u>	<u>191,377</u>	<u>1,409,002</u>	<u>1,600,379</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

Quality of the loan portfolio

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

The following table presents the loan portfolio according to its risk category, in accordance with the grading used for each period indicated:

	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
December 31, 2024				
Corporate				
Satisfactory	1,558,931,523	3,001,797	0	1,561,933,320
Special mention	0	106,629,101	0	106,629,101
Sub-standard	0	0	100,929,967	100,929,967
Doubtful	0	0	65,105,309	65,105,309
Loss	0	0	85,087,285	85,087,285
Gross amount	1,558,931,523	109,630,898	251,122,561	1,919,684,982
Allowance for ECL	(10,146,113)	(4,122,265)	(30,728,075)	(44,996,453)
Net amount	1,548,785,410	105,508,633	220,394,486	1,874,688,529
Small Company				
Satisfactory	105,633,241	10,023,600	0	115,656,841
Special mention	1,556,239	8,080,583	92,825	9,729,647
Sub-standard	0	0	673,981	673,981
Doubtful	0	0	2,982,084	2,982,084
Loss	0	0	3,419,685	3,419,685
Gross amount	107,189,480	18,104,183	7,168,575	132,462,238
Allowance for ECL	(418,476)	(1,353,300)	(1,317,375)	(3,089,151)
Net amount	106,771,004	16,750,883	5,851,200	129,373,087
Mortgage				
Satisfactory	643,868,202	105,835,644	0	749,703,846
Special mention	1,063,490	28,361,017	0	29,424,507
Sub-standard	0	0	4,087,358	4,087,358
Doubtful	0	0	8,449,557	8,449,557
Loss	0	0	12,112,606	12,112,606
Gross amount	644,931,692	134,196,661	24,649,521	803,777,874
Allowance for ECL	(1,799,086)	(2,736,534)	(3,306,049)	(7,841,669)
Net amount	643,132,606	131,460,127	21,343,472	795,936,205
Personal banking				
Satisfactory	519,564,711	22,861,109	0	542,425,820
Special mention	5,129	2,489,912	2,062	2,497,103
Sub-standard	0	0	954,716	954,716
Doubtful	0	0	874,571	874,571
Loss	0	0	1,400,649	1,400,649
Gross amount	519,569,840	25,351,021	3,231,998	548,152,859
Allowance for ECL	(4,058,607)	(1,936,851)	(1,434,807)	(7,430,265)
Net amount	515,511,233	23,414,170	1,797,191	540,722,594
Vehicles				
Satisfactory	314,014,961	17,768,080	0	331,783,041
Special mention	341,683	8,723,488	0	9,065,171
Sub-standard	0	0	841,681	841,681
Doubtful	0	0	485,854	485,854
Loss	0	0	22,610	22,610
Gross amount	314,356,644	26,491,568	1,350,145	342,198,357
Allowance for ECL	(1,210,988)	(801,561)	(589,896)	(2,602,445)
Net amount	313,145,656	25,690,007	760,249	339,595,912
Credit Card				
Satisfactory	62,166,381	7,930,869	2,608,338	72,705,588
Special mention	0	3,125,404	252,147	3,377,551
Doubtful	0	1,819,201	0	1,819,201
Loss	0	0	595,081	595,081
Gross amount	62,166,381	12,875,474	3,455,566	78,497,421
Allowance for ECL	(2,823,902)	(1,961,825)	(2,277,423)	(7,063,150)
Net amount	59,342,479	10,913,649	1,178,143	71,434,271
Net carrying amount, loans at amortized cost	3,186,688,388	313,737,469	251,324,741	3,751,750,598

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

<u>December 31, 2023</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
Corporate				
Satisfactory	1,444,428,274	4,503,789	0	1,448,932,063
Special mention	0	117,858,451	0	117,858,451
Sub-standard	0	0	106,659,909	106,659,909
Doubtful	0	0	45,934,206	45,934,206
Loss	0	0	86,325,728	86,325,728
Gross amount	<u>1,444,428,274</u>	<u>122,362,240</u>	<u>238,919,843</u>	<u>1,805,710,357</u>
Allowance for ECL	<u>(10,287,935)</u>	<u>(4,783,344)</u>	<u>(26,438,815)</u>	<u>(41,510,094)</u>
Net amount	<u>1,434,140,339</u>	<u>117,578,896</u>	<u>212,481,028</u>	<u>1,764,200,263</u>
Small Company				
Satisfactory	88,534,330	14,615,581	0	103,149,911
Special mention	180,831	8,101,250	0	8,282,081
Sub-standard	0	0	1,850,735	1,850,735
Doubtful	0	0	790,833	790,833
Loss	0	0	2,318,395	2,318,395
Gross amount	<u>88,715,161</u>	<u>22,716,831</u>	<u>4,959,963</u>	<u>116,391,955</u>
Allowance for ECL	<u>(644,462)</u>	<u>(825,637)</u>	<u>(500,583)</u>	<u>(1,970,682)</u>
Net amount	<u>88,070,699</u>	<u>21,891,194</u>	<u>4,459,380</u>	<u>114,421,273</u>
Mortgage				
Satisfactory	682,020,615	78,203,049	0	760,223,664
Special mention	5,518,027	28,463,958	0	33,981,985
Sub-standard	0	0	2,443,866	2,443,866
Doubtful	0	0	3,728,001	3,728,001
Loss	0	0	11,704,715	11,704,715
Gross amount	<u>687,538,642</u>	<u>106,667,007</u>	<u>17,876,582</u>	<u>812,082,231</u>
Allowance for ECL	<u>(1,812,482)</u>	<u>(1,646,145)</u>	<u>(1,480,850)</u>	<u>(4,939,477)</u>
Net amount	<u>685,726,160</u>	<u>105,020,862</u>	<u>16,395,732</u>	<u>807,142,754</u>
Personal banking				
Satisfactory	485,778,294	16,040,147	19,560	501,838,001
Special mention	3,634	1,581,967	0	1,585,601
Sub-standard	0	0	480,195	480,195
Doubtful	0	0	765,161	765,161
Loss	0	0	1,119,568	1,119,568
Gross amount	<u>485,781,928</u>	<u>17,622,114</u>	<u>2,384,484</u>	<u>505,788,526</u>
Allowance for ECL	<u>(3,840,230)</u>	<u>(1,207,259)</u>	<u>(948,349)</u>	<u>(5,995,838)</u>
Net amount	<u>481,941,698</u>	<u>16,414,855</u>	<u>1,436,135</u>	<u>499,792,688</u>
Vehicles				
Satisfactory	296,466,954	15,129,452	0	311,596,406
Special mention	730,166	11,146,197	0	11,876,363
Sub-standard	0	0	465,733	465,733
Doubtful	0	0	505,556	505,556
Loss	0	0	26,004	26,004
Gross amount	<u>297,197,120</u>	<u>26,275,649</u>	<u>997,293</u>	<u>324,470,062</u>
Allowance for ECL	<u>(848,160)</u>	<u>(538,588)</u>	<u>(503,355)</u>	<u>(1,890,103)</u>
Net amount	<u>296,348,960</u>	<u>25,737,061</u>	<u>493,938</u>	<u>322,579,959</u>
Credit Card				
Satisfactory	56,028,607	34,366	1,714,103	57,777,076
Special mention	138,659	3,066,495	251,627	3,456,781
Doubtful	0	1,441,493	0	1,441,493
Loss	0	0	402,847	402,847
Gross amount	<u>56,167,266</u>	<u>4,542,354</u>	<u>2,368,577</u>	<u>63,078,197</u>
Allowance for ECL	<u>(4,656,383)</u>	<u>(815,873)</u>	<u>(1,407,536)</u>	<u>(6,879,792)</u>
Net amount	<u>51,510,883</u>	<u>3,726,481</u>	<u>961,041</u>	<u>56,198,405</u>
Net carrying amount, loans at amortized cost	<u>3,048,765,010</u>	<u>281,223,017</u>	<u>246,824,409</u>	<u>3,576,812,436</u>

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

The following table presents the balances of credit commitments and guarantee according to its risk categories, as per current classification for each indicated period:

<u>December 31, 2024</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
Corporate				
Satisfactory	89,164,433	0	0	89,164,433
Special Mention	0	15,600	0	15,600
Sub-standar	0	0	88,219	88,219
Doubtful	0	0	170,000	170,000
Gross Amount	89,164,433	15,600	258,219	89,438,252
Allowance for ECL	(101,006)	(123)	(13,329)	(114,458)
Net Book Value	89,063,427	15,477	244,890	89,323,794
Small Business				
Satisfactory	821,026	0	0	821,026
Gross Amount	821,026	0	0	821,026
Allowance for ECL	(952)	0	0	(952)
Net Book Value	820,074	0	0	820,074
Personal Banking				
Satisfactory	41,990,513	0	0	41,990,513
Gross Amount	41,990,513	0	0	41,990,513
Allowance for ECL	(48,663)	0	0	(48,663)
Net Book Value	41,941,850	0	0	41,941,850
Total commitments on loans and guarantees, net	<u>131,825,351</u>	<u>15,477</u>	<u>244,890</u>	<u>132,085,718</u>

<u>December 31, 2023</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
Corporate				
Satisfactory	216,802,091	0	0	216,802,091
Special Mention	0	15,600	0	15,600
Doubtful	0	0	170,000	170,000
Gross Amount	216,802,091	15,600	170,000	216,987,691
Allowance for ECL	(290,138)	(141)	(10,002)	(300,281)
Net Book Value	216,511,953	15,459	159,998	216,687,410
Small Business				
Satisfactory	240,000	0	0	240,000
Gross Amount	240,000	0	0	240,000
Allowance for ECL	(329)	0	0	(329)
Net Book Value	239,671	0	0	239,671
Personal Banking				
Satisfactory	50,489,178	0	0	50,489,178
Doubtful	50,489,178	0	0	50,489,178
Allowance for ECL	(68,489)	0	0	(68,489)
Net Book Value	50,420,689	0	0	50,420,689
Total commitments on loans and guarantees, net	<u>267,172,313</u>	<u>15,459</u>	<u>159,998</u>	<u>267,347,770</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

Guarantees and other improvements to reduce credit risk and its financial effect

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The types of mortgage guarantees include residential and commercial, buildings and land. The types of collateral include private vehicles, commercial use, leasing, machinery and other equipment.

The table below shows the main types of guarantees taken with respect to different types of financial assets.

December 31, 2024					
	<u>Mortgage</u>	<u>Pledge</u>	<u>Certificates of deposit</u>	<u>Unsecured</u>	<u>Total</u>
Investments in securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>949,482,757</u>	<u>949,482,757</u>
Loans at amortized cost					
Corporate					
Corporate	1,087,371,195	36,116,400	178,839,403	609,939,697	1,912,266,695
Corporate leases, net	<u>0</u>	<u>7,418,287</u>	<u>0</u>	<u>0</u>	<u>7,418,287</u>
Total corporate	1,087,371,195	43,534,687	178,839,403	609,939,697	1,919,684,982
Personal Banking and Small company					
Small company					
Small company	107,676,209	1,461,036	13,171,133	10,058,510	132,366,888
Small company leases, net	<u>0</u>	<u>95,350</u>	<u>0</u>	<u>0</u>	<u>95,350</u>
Total Small company	107,676,209	1,556,386	13,171,133	10,058,510	132,462,238
Personal Banking					
Mortgage	803,777,874	0	0	0	803,777,874
Personal	37,684,770	0	47,588,062	462,880,027	548,152,859
Vehicles	0	340,708,057	0	0	340,708,057
Personal leases, net of interest	0	1,490,300	0	0	1,490,300
Credit cards	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,497,421</u>	<u>78,497,421</u>
Total Personal Banking	<u>841,462,644</u>	<u>342,198,357</u>	<u>47,588,062</u>	<u>541,377,448</u>	<u>1,772,626,511</u>
Total Personal Banking and Small company	<u>949,138,853</u>	<u>343,754,743</u>	<u>60,759,195</u>	<u>551,435,958</u>	<u>1,905,088,749</u>
Allowance for ECL	<u>(43,878,943)</u>	<u>(2,848,481)</u>	<u>(225,903)</u>	<u>(26,069,806)</u>	<u>(73,023,133)</u>
Total loans	<u>1,992,631,105</u>	<u>384,440,949</u>	<u>239,372,695</u>	<u>1,135,305,849</u>	<u>3,751,750,598</u>
Credit commitments and financial guarantees	<u>0</u>	<u>473,951</u>	<u>3,259,967</u>	<u>128,351,800</u>	<u>132,085,718</u>

December 31, 2023					
	<u>Mortgage</u>	<u>Pledge</u>	<u>Certificates of deposit</u>	<u>Unsecured</u>	<u>Total</u>
Investments in securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>875,465,708</u>	<u>875,465,708</u>
Loans at amortized cost					
Corporate					
Corporate	1,081,825,892	39,825,643	176,831,659	526,583,240	1,825,066,434
Corporate leases, net	<u>0</u>	<u>6,678,610</u>	<u>0</u>	<u>0</u>	<u>6,678,610</u>
Total corporate	1,081,825,892	46,504,253	176,831,659	526,583,240	1,831,745,044
Personal Banking and Small company					
Small company					
Small company	93,878,129	1,389,398	10,520,685	4,744,084	110,532,296
Small company leases, net	<u>0</u>	<u>113,870</u>	<u>0</u>	<u>0</u>	<u>113,870</u>
Total Small company	93,878,129	1,503,268	10,520,685	4,744,084	110,646,166
Personal Banking					
Mortgage	818,772,381	0	0	0	818,772,381
Personal	35,744,683	0	39,713,374	427,118,665	502,576,722
Vehicles	0	317,309,389	0	0	317,309,389
Personal leases, net of interest	0	1,225,833	0	0	1,225,833
Credit cards	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,434,376</u>	<u>59,434,376</u>
Total Personal Banking	<u>854,517,064</u>	<u>318,535,222</u>	<u>39,713,374</u>	<u>486,553,041</u>	<u>1,699,318,701</u>
Total Personal Banking and Small company	<u>948,395,193</u>	<u>320,038,490</u>	<u>50,234,059</u>	<u>491,297,125</u>	<u>1,809,964,867</u>
Allowance for ECL	<u>(38,443,590)</u>	<u>(2,604,430)</u>	<u>(194,346)</u>	<u>(23,655,109)</u>	<u>(64,897,475)</u>
Total loans	<u>1,991,777,495</u>	<u>363,938,313</u>	<u>226,871,372</u>	<u>994,225,256</u>	<u>3,576,812,436</u>
Credit commitments and financial guarantees	<u>0</u>	<u>371,741</u>	<u>3,296,851</u>	<u>263,679,178</u>	<u>267,347,770</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements**(4) Risk Management, continued**

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

Corporates	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Loans</u>	<u>Covered amount</u>	<u>Loans</u>	<u>Covered amount</u>
Stage 1 and 2	733,607,874	1,018,614,277	1,035,702,648	1,015,075,772
Stage 3	<u>255,920,606</u>	<u>232,754,933</u>	<u>235,866,900</u>	<u>221,321,773</u>
Total	<u>989,528,480</u>	<u>1,251,369,210</u>	<u>1,271,569,548</u>	<u>1,236,397,545</u>

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property	8,915,074	7,105,626
Furniture and equipment	<u>1,573,395</u>	<u>1,322,250</u>
Total	<u>10,488,469</u>	<u>8,427,876</u>

The Bank's policy is to sell these assets to cover the balances due. Using foreclosed assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the ratio of loans to the value of collaterals for the mortgage portfolio. LTV is calculated as a percentage of the loan gross amount with respect to the collateral value. The gross amount of the loan does not include any impairment loss. The collateral value for mortgages is based on the original value of the guarantee at disbursement. The corresponding values are updated based on the requirements of local regulators, new disbursements with the same guarantee, restructuring of the credit or judicial processes that imply execution.

LTV Ratio	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Loans</u>	<u>Credit and guarantee commitments</u>	<u>Loans</u>	<u>Credit and guarantee commitments</u>
Less than 50%	72,341,581	2,429,705	66,865,010	4,922,040
51-70%	149,763,644	2,103,890	155,071,792	2,551,203
71-80%	136,840,349	3,494,088	122,027,477	3,578,125
81-90%	354,905,743	15,009,802	332,722,320	12,885,348
91-100%	78,519,799	17,968,308	132,745,313	26,552,462
More than 100%	<u>11,406,758</u>	<u>984,720</u>	<u>9,340,469</u>	<u>0</u>
Total	<u>803,777,874</u>	<u>41,990,513</u>	<u>818,772,381</u>	<u>50,489,178</u>

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

Impaired Loans

LTV Ratio	December 31, <u>2024</u>	December 31, <u>2023</u>
Less than 50%	859,527	858,541
51-70%	3,483,199	4,399,260
71-80%	4,172,912	1,837,392
81-90%	7,552,755	4,941,550
91-100%	5,121,903	6,008,516
More than 100%	<u>3,459,225</u>	<u>2,030,961</u>
Total	<u>24,649,521</u>	<u>20,076,220</u>

ECL allowance

Projection of future conditions

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

External sector:

External Risks	Upside	Central	Downside
Political/Social/Fiscal Conditions:	<p>1. Considerations from previous iterations prevail. The probability remained unlikely given the challenges ahead for the country. The fiscal outlook is tight, and social spending may be reduced. This could generate social tensions, and citizens have shown little restraint when it comes to demonstrating through strikes and protests. This remains a factor to monitor in the short term, given the developments in the first months of President Mulino's administration.</p>	<p>1. Panama's public finances have shown a widening fiscal deficit in 2024, leaving little room for increased public spending. According to the latest Fitch report, the government has faced persistent fiscal pressures and has resorted to temporary measures and accounting maneuvers to reduce deficits in the past.</p>	<p>1. Previous considerations remain. The country's fiscal situation is a result of relief and subsidies granted, a lack of solutions to increase tax revenues in the medium term, and the potential impact of low remaining reserves on public pension funds. Added to this are factors such as downgrades by rating agencies, the exit of mining companies that contributed a significant amount to the public treasury, among others. According to the most recent S&P report, the country faces significant challenges, although less pronounced than before the elections. In line with this, the Mulino administration is expected to use its political capital to maintain the continuity of business-friendly policies, which have enabled long-term economic growth and allowed foreign direct investment to largely finance current account deficits. Significant challenges in tax collection are also noted.</p>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

The scenarios for each country are detailed below:

Scenario	Scenario Synthesis	Upside	Central	Downside
Panama	1. International financial conditions.	The outlook was revised to optimistic, with a view to more relaxed international financial conditions due to upcoming rate cuts in developed countries and controlled inflation. This was confirmed by recent cuts in benchmark rates by central institutions in major economies such as the Federal Reserve and the European Central Bank. The boards of directors of these organizations and market expectations agree on this view. To moderate Panama's potential impact, the impact was revised to very low due to the challenges Panama faces in terms of country risk and the potential obstacle to seeking international financing.	There are solid medium-term growth prospects for Panama, which Fitch does not expect to be greatly affected by the mining episode, and which are focused on logistics activities and the strategic asset of the Panama Canal.	The considerations from the previous iteration prevail. Panama has historically had a limited impact from adverse environmental events. In Panama's case, alerts and monitoring remain predominantly focused on droughts and the effects they could have on the water level in the canal and on hydroelectric power generators. The extent of the drought could affect water levels in the Canal.
	Occurrences of environmental impacts.			
	Monetary/Exchange Rate/Financial System.	The new president-elect had favorable effects on the country.		
	Global economic growth.	The probability was revised from likely to unlikely due to lower global growth expectations in the next 12 months. The impact was revised to medium due to the growth shown in recent months and the resilience the country exhibits as a global logistics hub. With the normalization of freight and supply chain costs, a favorable outlook is expected for the country in the medium term. In the short term, the risk of reduced flow in the canal was identified; this is expected to diminish over time.		

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

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

Scenario probability weighting	December 31, 2024	December 31, 2023	December 31, 2023
	Panama	Panama	Costa Rica
Upside	10%	40%	40%
Base	75%	50%	50%
Downside	15%	10%	10%

Periodically, the Bank carries out stress tests of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios, advised by at least one external economist.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for loans' portfolios are: Monthly Economic Activity Index, Consumer Price Index, Exchange Rate, Local Currency Interest Rate and Dollars Interest Rate.

The Bank estimates each key driver for credit risk over the active forecast period of one year.

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

		December 31 2024	December 31, 2023	
		Panama	Costa Rica	Panama
		%	%	%
Monthly Economic Activity Index	Upside	3.42%	8.25%	8.25%
	Base	3.03%	7.64%	7.64%
	Downside	2.79%	7.03%	7.03%
Consumer Price Index	Upside	1.51%	1.83%	1.83%
	Base	2.15%	2.32%	2.32%
	Downside	2.33%	2.80%	2.80%
Exchange Rate	Upside	-	-	-
	Base	-	-	-
	Downside	-	-	-
Local Currency Interest Rate	Upside	-	-	-
	Base	-	-	-
	Downside	-	-	-
Dollars Interest Rate	Upside	-0.02%	0.48%	0.48%
	Base	0.10%	0.52%	0.52%
	Downside	0.14%	0.57%	0.57%

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements**(4) Risk Management, continued*****Sensitivity of ECL to future economic conditions***

The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognized on material classes of its financial assets.

The table below shows the allowance for ECL on loans, assuming each forward-looking scenario were weighted at 100% instead of applying scenario probability weights across the three scenarios, See note 3 (c).

<u>December 31, 2024</u>	<u>Upside</u>	<u>Base</u>	<u>Downside</u>
Book Value			
Corporate	1,919,684,983	1,919,684,983	1,919,684,983
Small company	132,462,238	132,462,238	132,462,238
Mortgage	803,777,873	803,777,873	803,777,873
Personal banking	548,152,859	548,152,859	548,152,859
Vehicles	342,198,357	342,198,357	342,198,357
Credit card	<u>78,497,421</u>	<u>78,497,421</u>	<u>78,497,421</u>
	3,824,773,731	3,824,773,731	3,824,773,731
ECL Allowance			
Corporate	44,951,062	44,996,534	45,012,112
Small company	2,918,684	3,092,029	3,113,103
Mortgage	7,385,148	7,880,350	7,987,856
Personal banking	6,887,951	7,467,748	7,656,662
Vehicles	2,562,220	2,603,597	2,614,492
Credit card	<u>6,793,701</u>	<u>9,698,668</u>	<u>9,834,431</u>
	71,498,766	75,738,926	76,218,656
Proportion of assets in Stage 2			
Corporate	5.37%	5.37%	5.37%
Small company	11.79%	13.33%	13.39%
Mortgage	16.32%	31.26%	31.26%
Personal banking	4.15%	4.52%	4.79%
Vehicles	6.77%	7.29%	7.29%
Credit card	16.40%	61.51%	61.51%
	8.07%	12.29%	12.33%
<u>December 31, 2023</u>	<u>Upside</u>	<u>Base</u>	<u>Downside</u>
Book Value			
Corporate	1,831,745,043	1,831,745,043	1,831,745,043
Small company	110,646,165	110,646,165	110,646,165
Mortgage	818,772,383	818,772,383	818,772,383
Personal banking	502,576,721	502,576,721	502,576,721
Vehicles	318,535,223	318,535,223	318,535,223
Credit card	<u>59,434,376</u>	<u>59,434,376</u>	<u>59,434,376</u>
	3,641,709,911	3,641,709,911	3,641,709,911
ECL Allowance			
Corporate	41,841,382	42,073,194	42,322,644
Small company	1,880,338	1,992,170	2,118,250
Mortgage	5,446,817	5,682,316	5,917,816
Personal banking	6,347,504	6,643,347	6,930,615
Vehicles	2,068,045	2,093,740	2,104,967
Credit card	<u>6,463,262</u>	<u>6,964,975</u>	<u>7,466,689</u>
	<u>64,047,348</u>	<u>65,449,742</u>	<u>66,860,981</u>
Proportion of assets in Stage 2			
Corporate	7.42%	7.42%	7.42%
Small company	17.09%	17.72%	20.89%
Mortgage	9.84%	9.84%	9.84%
Personal banking	3.09%	3.12%	3.17%
Vehicles	7.31%	7.40%	7.40%
Credit card	7.51%	7.53%	7.72%
	7.65%	7.69%	7.79%

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(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

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

	December 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Deposits in banks								
Balance as of January 1	7,151	0	0	7,151	9,328	0	0	9,328
Provision expense - remeasurement	(1,721)	0	0	(1,721)	(4,316)	0	0	(4,316)
Provision expense - origination	1,126	0	0	1,126	2,139	0	0	2,139
Balance at period end	<u>6,556</u>	<u>0</u>	<u>0</u>	<u>6,556</u>	<u>7,151</u>	<u>0</u>	<u>0</u>	<u>7,151</u>

	December 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Investments at FVOCI								
Balance as of January 1	482,907	201,774	0	684,681	324,848	845,325	0	1,170,173
Transfer from stage 2 to 1	0	0	0	0	540,637	(540,637)	0	0
Provision expense - remeasurement	(132,191)	0	0	(132,191)	(634,398)	(102,914)	0	(737,312)
Provision expense - origination	133,601	2,058	0	135,659	251,820	0	0	251,820
Balance at period end	<u>484,317</u>	<u>203,832</u>	<u>0</u>	<u>688,149</u>	<u>482,907</u>	<u>201,774</u>	<u>0</u>	<u>684,681</u>

	December 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Investments at AC								
Balance as of January 1	191,377	1,409,002	0	1,600,379	108,600	2,182,399	0	2,290,999
Transfer from stage 1 to 2	274,864	(274,864)	0	0	372,693	(372,693)	0	0
Provision expense - remeasurement	(309,474)	(139,609)	0	(449,083)	(391,328)	(400,704)	0	(792,032)
Provision expense - origination	0	0	0	0	101,412	0	0	101,412
Balance at period end	<u>156,767</u>	<u>994,529</u>	<u>0</u>	<u>1,151,296</u>	<u>191,377</u>	<u>1,409,002</u>	<u>0</u>	<u>1,600,379</u>

The investments' ECL allowance is not recognized within the consolidated statement of financial position, because the book value of the investments at FVOCI is its fair value.

	December 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Loans at AC								
Balance as of January 1	21,749,889	10,180,441	32,967,145	64,897,475	14,822,269	16,918,171	39,040,263	70,780,703
Transfer from stage 1 to 2	(4,529,866)	4,529,866	0	0	(3,501,456)	3,501,456	0	0
Transfer from stage 1 to 3	(50,449)	0	50,449	0	(11,927)	0	11,927	0
Transfer from stage 2 to 3	0	(5,418,808)	5,418,808	0	0	(5,281,806)	5,281,806	0
Transfer from stage 3 to 2	0	4,225,433	(4,225,433)	0	0	5,695,017	(5,695,017)	0
Transfer from stage 2 to 1	6,406,151	(6,406,151)	0	0	12,486,268	(12,486,268)	0	0
Transfer from stage 3 to 1	3,138,102	0	(3,138,102)	0	5,141,567	0	(5,141,567)	0
Provision expense - remeasurement	(1,931,540)	7,614,765	24,357,792	30,041,017	2,089,123	4,294,608	17,175,151	23,558,882
Provision expense - origination	17,064,553	2,728,499	10,715,835	30,508,887	14,700,816	4,389,422	19,589,349	38,679,587
Provision expense - cancellation	(21,389,668)	(4,541,709)	(8,074,133)	(34,005,510)	(23,976,771)	(6,850,159)	(10,695,196)	(41,522,126)
Write-offs	0	0	(49,897,199)	(49,897,199)	0	0	(73,923,253)	(73,923,253)
Recoveries	0	0	31,486,656	31,486,656	0	0	47,322,705	47,322,705
Foreign currency translation	0	0	(8,193)	(8,193)	0	0	977	977
Balance at period end	<u>20,457,172</u>	<u>12,912,336</u>	<u>39,653,625</u>	<u>73,023,133</u>	<u>21,749,889</u>	<u>10,180,441</u>	<u>32,967,145</u>	<u>64,897,475</u>

	December 31, 2024				December 31, 2023			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Other accounts receivable								
Balance as of January 1	910,716	0	0	910,716	888,481	0	0	888,481
Provision expense - remeasurement	(1,203)	0	0	(1,203)	(26,657)	0	0	(26,657)
Provision expense - origination	275,741	0	0	275,741	46,207	0	0	46,207
Write-offs	(27)	0	0	(27)	0	0	0	0
Recoveries	0	0	0	0	2,700	0	0	2,700
Foreign currency translation	10	0	0	10	(15)	0	0	(15)
Balance at period end	<u>1,185,237</u>	<u>0</u>	<u>0</u>	<u>1,185,237</u>	<u>910,716</u>	<u>0</u>	<u>0</u>	<u>910,716</u>

	December 31, 2024				December 31, 2023			
	PCE 12 months	PCE Expected Life - No deterioration	PCE Expected Life - with deterioration	Total	PCE 12 months	PCE Expected Life - No deterioration	PCE Expected Life - with deterioration	Total
Contingencies								
Balance as of January 1	358,957	141	10,001	369,099	226,389	0	114,490	340,879
Stage 1 to 3 Shift	(358,956)	0	358,956	0	(226,389)	0	226,389	0
Provision Expense - Remeasurement	397,071	(18)	(355,631)	41,422	403,310	141	(309,790)	93,661
Provisioning Expense - Origination	0	0	0	0	68,088	0	68,088	136,176
Provision Expense - Cancellation	(246,449)	0	0	(246,449)	(112,441)	0	(89,176)	(201,617)
Balance at the end of the period	<u>150,623</u>	<u>123</u>	<u>13,326</u>	<u>164,072</u>	<u>358,957</u>	<u>141</u>	<u>10,001</u>	<u>369,099</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

Modified Financial Assets

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

	December 31, <u>2024</u>	December 31, <u>2023</u>
Amortized cost before modification	6,412,213	49,495,770
Net loss due to modification	<u>40,451</u>	<u>2,532,136</u>
Total	<u>6,371,762</u>	<u>46,963,634</u>

Concentration of credit risk

The Bank follows up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. As for investments, they are based on the location of the issuer. The analysis of the concentration of credit risks at the reporting date is as follows:

	December 31, 2024					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
Concentration by sector						
Government	0	0	41,889,185	727,607,697	6,341,777	0
Corporate						
Trade	613,428,299	14,618,724	0	0	0	0
Real estate	101,894,735	0	0	5,056,351	19,271,191	1,756,415
Services	137,599,272	1,765,548	0	0	0	2,748,654
General industry	297,983,306	3,176,445	0	0	0	0
Construction	465,789,380	25,600	0	31,129,066	0	0
Agriculture	276,399,157	1,650,000	0	0	0	0
Hotels and restaurants	45,176,903	88,219	0	0	0	0
Financial	73,810,258	68,907,790	139,014,934	67,562,287	3,147,247	0
Transportation	26,755,033	26,952	0	0	0	0
Oil and derivatives	0	0	0	11,481,162	0	0
Telecommunication	13,310,877	0	0	0	0	0
Energy	0	0	0	835,058	0	10,103,638
Real estate	0	0	0	30,131,709	0	32,310,505
Personal banking	1,772,626,511	41,990,513	0	0	0	0
Allowance for ECL	<u>(73,023,133)</u>	<u>(164,073)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>3,751,750,598</u>	<u>132,085,718</u>	<u>180,904,119</u>	<u>873,803,330</u>	<u>28,760,215</u>	<u>46,919,212</u>
Geographic concentration:						
Panama	3,502,066,425	46,823,249	51,839,149	521,676,536	28,760,215	36,815,576
Costa Rica	32,946,686	0	456,428	17,863,883	0	10,103,636
North America	3,262,475	0	50,643,926	306,930,745	0	0
Europe	20,907,066	0	50,605,245	0	0	0
South America	115,897,733	0	27,359,371	12,604,287	0	0
Others	149,693,346	85,426,542	0	14,727,879	0	0
Allowance for ECL	<u>(73,023,133)</u>	<u>(164,073)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>3,751,750,598</u>	<u>132,085,718</u>	<u>180,904,119</u>	<u>873,803,330</u>	<u>28,760,215</u>	<u>46,919,212</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

	December 31, 2023					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
Concentration by sector						
Government	0	0	24,479,206	649,027,036	8,293,127	0
Corporate						
Trade	536,555,280	20,297,330	0	0	0	0
Real estate	98,153,210	0	0	5,398,674	18,889,790	2,125,815
Services	130,039,817	1,511,445	0	0	0	2,915,309
General industry	254,863,981	0	0	0	0	0
Construction	511,223,694	860,854	0	33,334,807	0	0
Agriculture	270,563,967	125,622,000	0	0	0	0
Hotels and restaurants	45,846,753	0	0	0	0	0
Financial	57,809,322	68,936,062	134,690,746	66,578,322	2,627,620	0
Transportation	23,394,841	0	0	0	0	0
Oil and derivatives	0	0	0	11,909,461	72,784	0
Telecommunication	13,940,345	0	0	0	0	0
Energy	0	0	0	832,225	0	9,855,504
Real estate	0	0	0	16,403,284	0	47,201,950
Personal banking	1,699,318,701	50,489,178	0	0	0	0
Allowance for ECL	(64,897,475)	(369,099)	0	0	0	0
Net carrying amount	<u>3,576,812,436</u>	<u>267,347,770</u>	<u>159,169,952</u>	<u>783,483,809</u>	<u>29,883,321</u>	<u>62,098,578</u>
Geographic concentration:						
Panama	3,379,044,601	60,665,560	33,369,800	397,327,850	29,810,537	52,243,075
Costa Rica	17,632,936	0	158,566	17,910,238	0	9,855,503
North America	3,846,281	0	38,580,243	341,110,560	0	0
Europe	21,282,666	0	42,001,296	0	0	0
South America	128,927,513	0	15,009,500	12,923,582	72,784	0
Asia	0	0	0	0	0	0
Others	90,975,914	207,051,309	30,050,547	14,211,579	0	0
Allowance for ECL	(64,897,475)	(369,099)	0	0	0	0
Net carrying amount	<u>3,576,812,436</u>	<u>267,347,770</u>	<u>159,169,952</u>	<u>783,483,809</u>	<u>29,883,321</u>	<u>62,098,578</u>

The Bank has been and will continue to monitor the evolution of the liquidity and the quality of the portfolio of financial instruments placed or acquired in that country, in order to mitigate and manage the impacts of this situation.

(b) Liquidity Risk

Liquidity risk is defined as the contingency for not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the insufficient liquid assets available for this and/or the need to assume unusual funding costs.

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short-term liabilities and assets. The Bank's liquidity is carefully managed and adjusted daily based on the estimated flow of liquidity in expected and contingent scenarios.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(4) Risk Management, continued

The Bank's liquidity management best practices are in compliance with the policies and guidelines issued by Senior management and/or Regional and Local Board of Directors; the regulators of each country in which it operates and the contractual obligations. These best practices are primarily defensive, in the sense of seeking to always maintain appropriate levels of liquidity. In addition, the Bank has implemented the internal liquidity requirements that force it to keep excesses on regulatory requirements.

Specifically, the Bank's liquidity risk is managed through the calculation of liquidity coverage indicators in the short term, net of obligations and requirements, and in normal and stressful situations, as well as a stress model of liquidity based on the cash flow, which considers the activity of assets and liabilities in a time horizon of up to one year, under a variety of scenarios, which include both normal market conditions and more severe conditions. In addition, the Bank seeks to maintain a term matching, which enables it to meet its financial obligations over time.

As in the market risk, Senior Management engages actively in liquidity risk management through regional and local Assets and Liabilities Committee (ALICO) and Comprehensive Risk Management; thus, giving greater support to the strategic decision-making process. The liquidity risk assumed by the Bank is in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by Senior Management and/or Regional and Local Board of Directors.

At the level of the entire Bank is established the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

The following table shows the results of the ratios for high-quality liquidity coverage with respect to the outflow of deposits under normal and stressful conditions, calculated based on internal policies, reported as of the reporting date and during the period:

	<u>% of Liquidity</u>	
	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
At the end of the period/year	30.0%	31.3%
Maximum for the period/year	40.5%	38.1%
Average for the period/year	31.1%	30.7%
Minimum for the period/year	20.3%	20.3%

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

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

Quantitative information

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

December 31, 2024							
	Carrying Amount	Total nominal gross amount inflows / (outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
<i>Amounts in thousands</i>							
Liabilities							
Demand deposits	544,370	(544,370)	(544,370)	0	0	0	0
Savings deposits	542,563	(542,563)	(542,563)	0	0	0	0
Time deposits	2,372,117	(2,490,108)	(254,428)	(415,656)	(1,353,343)	(466,681)	0
Securities sold under repurchase agreements	183,633	(186,433)	(42,696)	(623)	(143,114)	0	0
Financial obligations	651,694	(704,052)	(21,752)	(99,717)	(552,525)	(30,058)	0
Other financial obligations	361,990	(417,339)	(270)	(19,222)	(17,229)	(340,323)	(40,295)
Lease Liabilities	10,291	(11,493)	(230)	(1,150)	(1,380)	(8,165)	(568)
Sub-total liabilities	4,666,658	(4,896,358)	(1,406,309)	(536,368)	(2,067,591)	(845,227)	(40,863)
Commitments and guarantees	46,823	(46,822)	(3,341)	(1,730)	(8,649)	(33,102)	0
Acceptances	10,532	(10,532)	(37)	0	(10,495)	0	0
Total liabilities	4,724,013	(4,953,713)	(4,953,712)	(538,098)	(2,086,735)	(878,329)	(40,863)
Assets							
Cash and cash equivalents	23,389	23,389	23,389	0	0	0	0
Deposits in banks	180,904	181,181	174,452	1,057	4,612	1,060	0
Investments at FVTPL (1)	29,827	28,647	0	24	17,925	982	9,716
Investments at FVOCI	873,803	1,055,489	1,423	81,089	175,819	532,162	264,996
Investments at AC	46,919	67,129	3	347	2,261	29,650	34,868
Loans	3,751,751	4,648,310	484,552	271,007	820,970	1,404,573	1,667,208
Sub-total assets	4,906,593	6,004,145	683,819	353,524	1,021,587	1,968,427	1,976,788
Acceptances outstanding	10,520	10,520	25	0	10,495	0	0
Total assets	4,917,113	6,014,665	683,844	353,524	1,032,082	1,968,427	1,976,788
December 31, 2023							
	Carrying Amount	Total nominal gross amount inflows / (outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
<i>Amounts in thousands</i>							
Liabilities							
Demand deposits	535,883	(535,883)	(535,883)	0	0	0	0
Savings deposits	464,999	(464,999)	(464,999)	0	0	0	0
Time deposits	2,332,637	(2,487,158)	(212,419)	(299,518)	(1,209,872)	(765,349)	0
Securities sold under repurchase agreements	37,565	(38,421)	0	0	(38,421)	0	0
Financial obligations	690,330	(723,759)	(76,507)	(114,779)	(222,085)	(307,975)	(2,413)
Other financial obligations	360,582	(429,899)	(2,342)	(13,632)	(18,529)	(359,228)	(36,168)
Lease Liabilities	11,397	(12,861)	(212)	(1,058)	(1,269)	(9,867)	(455)
Sub-total liabilities	4,433,393	(4,692,980)	(1,292,362)	(428,987)	(1,490,176)	(1,442,419)	(39,036)
Commitments and guarantees	60,666	(60,666)	(2,917)	(9,581)	(32,301)	(15,867)	0
Acceptances	40,762	(40,762)	(410)	0	(40,352)	0	0
Total liabilities	4,534,821	(4,794,408)	(1,295,689)	(438,568)	(1,562,829)	(1,458,286)	(39,036)
Assets							
Cash and cash equivalents	24,735	24,735	24,735	0	0	0	0
Deposits in banks	159,170	159,579	151,747	1,052	3,660	3,120	0
Investments at FVTPL (1)	30,931	33,860	0	31	17,497	1,259	15,073
Investments at FVOCI	783,484	974,660	9,394	7,162	42,800	651,686	263,618
Investments at AC	62,099	88,946	13	518	3,041	47,180	38,194
Loans	3,576,812	4,492,452	354,048	300,368	954,111	1,305,519	1,578,406
Sub-total assets	4,637,231	5,774,232	539,937	309,131	1,021,109	2,008,764	1,895,291
Acceptances outstanding	40,706	40,706	354	0	40,352	0	0
Total assets	4,677,937	5,814,938	540,291	309,131	1,061,461	2,008,764	1,895,291

(1) Includes investments in common shares.

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(4) Risk Management, continued

The liquidity of the Bank is measured and monitored on a daily basis by the treasury. In addition, the Bank maintains appropriate levels of cash in vaults, deposits in banks and short-term deposits which constitutes the Bank's basis of liquidity reserves. The fair value of liquidity approximates its book value, and its composition is presented in the following table:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Cash and cash equivalents	23,388,800	24,735,176
Deposits due from banks maturing in less than 90 days	175,393,220	152,639,341
Deposits due from banks greater than 90 days	<u>5,510,899</u>	<u>6,530,611</u>
Total Cash, cash equivalents and deposits in banks	204,292,919	183,905,128
Not committed sovereign debt instruments	458,535,638	469,444,326
Other credit lines available (1)	<u>602,722,702</u>	<u>891,414,228</u>
Total liquidity reserve	<u>1,265,551,259</u>	<u>1,544,763,682</u>

(1) Amounts not disbursed as of the reporting date.

The available credit lines are for use in normal business scenarios. They may have restricted use in stress full situations.

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

<u>December 31, 2024</u>	Committed	Uncommitted		<u>Total</u>
	As Collateral	Available as Collateral	Other (2)	
Cash and cash equivalents	0	0	23,388,800	23,388,800
Deposits due from banks	77,046,240	5,510,900	98,346,979	180,904,119
Investments in securities at fair value	290,883,020	458,535,638	154,211,443	903,630,101
Investments in securities at amortized cost	0	0	46,919,212	46,919,212
Loans at amortized cost	<u>331,685</u>	<u>0</u>	<u>3,751,418,913</u>	<u>3,751,750,598</u>
Total assets	<u>368,260,945</u>	<u>464,046,538</u>	<u>4,074,285,347</u>	<u>4,906,592,830</u>

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

<u>December 31, 2023</u>	Committed	Uncommitted		<u>Total</u>
	As Collateral	Available as Collateral	Other (2)	
Cash and cash equivalents	0	0	24,735,176	24,735,176
Deposits due from banks	81,099,198	6,530,611	71,540,143	159,169,952
Investments in securities at fair value	232,394,263	469,444,326	112,576,133	814,414,722
Investments in securities at amortized cost	29,974,922	0	32,123,656	62,098,578
Loans at amortized cost	<u>1,231,460</u>	<u>0</u>	<u>3,575,580,976</u>	<u>3,576,812,436</u>
Total assets	<u>344,699,843</u>	<u>475,974,937</u>	<u>3,816,556,084</u>	<u>4,637,230,864</u>

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

(c) Market Risk

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

- Interest rate risk: there is the possibility of an economic loss due to adverse changes in interest rates.
- Exchange rate risk: there is the possibility of an economic loss due to adverse changes in the exchange rate.

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(4) Risk Management, continued

The main objectives of the Bank's corporate governance structure include supervising the performance of the management team in each country, ensuring the proper functioning of the internal control system, monitoring the exposure to risks and managing them effectively. For such purposes, management engages actively in market risk management through the regional and local Assets and Liabilities Committees (ALICO) and the Comprehensive Risk Management Committee; thus, giving greater support to the strategic decision-making process.

The market risks assumed by the Bank are in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by management and/or regional and local board of directors.

The Bank establishes the requirement of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations, as well as ensuring that reports related to market risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of the content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

For the measurement, control and management of market risk, the Bank uses the indicators required by the regulator of each country as well as another set of indicators established in the internal regional guideline, which are calculated by country and in a consolidated manner based on internal sources of information.

In the case of exchange risk, this is measured by determining the percentage of equity that is not dollarized (also known as monetary position). The sensitivity analysis for the exchange rate risk is considered mainly in the measurement of the position within a specific currency. The analysis consists of verifying how much the position in the functional currency would represent over the currency to which it would be converting and, therefore, the exchange rate risk mix

MULTIBANK INC. AND SUBSIDIARIES

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(4) Risk Management, continued

Quantitative information

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

<u>December 31, 2024</u>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Other currencies</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	21,595,681	3,430,713	934,326	825,486	227,897	27,014,103
Investments in securities	20,510	0	0	0	0	20,510
Account receivable	0	0	0	0	595,738	595,738
Total assets	<u>21,616,191</u>	<u>3,430,713</u>	<u>934,326</u>	<u>825,486</u>	<u>823,635</u>	<u>27,630,351</u>
Deposits	21,389,253	3,424,680	923,250	816,286	193,994	26,747,463
Account payable gamishment	152,861	0	0	0	0	152,861
Total liabilities	<u>21,542,114</u>	<u>3,424,680</u>	<u>923,250</u>	<u>816,286</u>	<u>193,994</u>	<u>26,900,324</u>
Exchange risk exposure	<u>74,077</u>	<u>6,033</u>	<u>11,076</u>	<u>9,200</u>	<u>629,641</u>	<u>730,027</u>

<u>December 31, 2023</u>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Other currencies</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	21,656,611	3,907,392	1,019,482	656,684	64,620	27,304,789
Investments in securities	21,878	0	0	0	0	21,878
Total assets	<u>21,678,489</u>	<u>3,907,392</u>	<u>1,019,482</u>	<u>656,684</u>	<u>64,620</u>	<u>27,326,667</u>
Deposits	21,442,056	3,891,760	1,011,242	646,902	42,172	27,034,132
Account payable gamishment	163,058	0	0	0	0	163,058
Total liabilities	<u>21,605,114</u>	<u>3,891,760</u>	<u>1,011,242</u>	<u>646,902</u>	<u>42,172</u>	<u>27,197,190</u>
Exchange risk exposure	<u>73,375</u>	<u>15,632</u>	<u>8,240</u>	<u>9,782</u>	<u>22,448</u>	<u>129,477</u>

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

<u>December 31, 2024</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Cash and cash equivalents	23,388,800	0	0	0	23,388,800
Deposits due from banks	76,718,430	103,185,689	1,000,000	0	180,904,119
Investments in securities	9,930,433	316,371,405	466,008,635	158,238,840	950,549,313
Loans at amortized cost	58,803,909	2,639,731,282	236,868,368	816,347,039	3,751,750,598
Total assets	<u>168,841,572</u>	<u>3,059,288,376</u>	<u>703,877,003</u>	<u>974,585,879</u>	<u>4,906,592,830</u>
Deposits	354,196,033	2,681,214,627	423,638,811	0	3,459,049,471
Securities sold under repurchase Agreement	889,063	182,744,430	0	0	183,633,493
Obligations	6,688,375	594,319,888	50,685,658	0	651,693,921
Other obligations	9,723,236	11,990,423	302,528,713	37,747,586	361,989,958
Total liabilities	<u>371,496,707</u>	<u>3,470,269,368</u>	<u>776,853,182</u>	<u>37,747,586</u>	<u>4,656,366,843</u>
Exchange risk exposure	<u>(202,655,135)</u>	<u>(410,980,992)</u>	<u>(72,976,179)</u>	<u>936,838,293</u>	<u>250,225,987</u>

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Notes to the Consolidated Financial Statements**(4) Risk Management, continued**

<u>December 31, 2023</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Cash and cash equivalents	24,735,176	0	0	0	24,735,176
Deposits due from banks	58,408,086	97,761,866	3,000,000	0	159,169,952
Investments in securities	20,037,460	110,413,025	582,929,130	163,133,685	876,513,300
Loans at amortized cost	60,631,465	2,566,651,436	194,114,170	755,415,365	3,576,812,436
Total assets	163,812,187	2,774,826,327	780,043,300	918,549,050	4,637,230,864
Deposits	335,899,235	2,288,688,050	708,931,212	0	3,333,518,497
Securities sold under repurchase Agreement	380,833	37,184,410	0	0	37,565,243
Obligations	7,781,362	519,050,058	138,133,498	25,365,267	690,330,185
Other obligations	9,701,163	9,466,875	308,418,978	32,994,989	360,582,005
Total liabilities	353,762,593	2,854,389,393	1,155,483,688	58,360,256	4,421,995,930
Exchange risk exposure	(189,950,406)	(79,563,066)	(375,440,388)	860,188,794	215,234,934

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

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

The estimate of the impact of variations in interest rates is conducted under a scenario of increase or decrease of 100 basis points in assets and liabilities at the different terms (parallel movement of the curve). The following table presents a summary of the impact on the Bank's economic value and on the net interest income applying these variations:

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Notes to the Consolidated Financial Statements**(4) Risk Management, continued**

	<u>Increase of 100 bps (1)</u>	<u>Decrease of 100 bps (1)</u>
Impact on equity to interest rate movements		
December 31, 2024	(123,874,947)	123,874,947
Average for the period	(119,327,230)	119,327,230
Maximum for the period	(127,319,309)	127,319,309
Minimum for the period	(109,881,556)	109,881,556
December 31, 2023	(116,190,498)	116,190,498
Average for the year	(108,546,069)	108,546,069
Maximum for the year	(116,190,498)	116,190,498
Minimum for the year	(91,846,617)	91,846,617
Impact on net income from interests		
December 31, 2024	7,870,234	(7,870,234)
Average for the period	8,269,704	(8,269,704)
Maximum for the period	8,860,476	(8,860,476)
Minimum for the period	7,772,213	(7,772,213)
December 31, 2023	7,671,814	(7,671,814)
Average for the year	7,531,734	(7,531,734)
Maximum for the year	8,315,697	(8,315,697)
Minimum for the year	4,697,170	(4,697,170)

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

(d) Operating Risk

The Bank has established a minimum framework for operational risk management within its companies, which is intended to provide general guidelines to ensure the identification, assessment, control, monitoring and reporting of operational risks and materialized events that may affect the organization with the objective of ensuring the proper management, mitigation or reduction of the managed risks and contributing to provide a reasonable assurance with respect to the achievement of organizational objectives.

The operational risk management model considers best practices issued by the Basel Committee on Banking Supervision and by COSO (Committee of Sponsoring Organizations of the Treadway Commission). In addition, it complies with the regulatory requirements of the region, which have been defined by the regulators of the countries where the Bank operates.

Taking the foregoing as a reference, operational risk is defined as the possibility that the events resulting from personnel, information technologies or inadequate or failed internal processes, or produced by external causes, generate negative impacts that go against the objectives. By its nature, it is present in all of the organization's activities.

The priority of the Bank is, therefore, identifying and managing the major risk factors, regardless of whether they can produce monetary losses. Measurement also contributes to the establishment of priorities in the management of operational risk.

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(4) Risk Management, continued

The operational risk management system is properly documented in the Operational Risk Guideline and Manual. It is a continuous process with several stages:

- Measurement of the perspective of control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and review
- Registration and accounting of losses due to operational risk incidents

Additionally, the Bank has policies formally established for the management of information security, business continuity, fraud prevention and code of ethics that support the proper management of operational risks in the organization.

At the regional level and in all countries where the Bank operates, there is an operational risk management unit that monitors, advises and assesses the management conducted by the administration with regard to operational risks. In addition, there is a specialized Operational Risk Committee (OR Committee) to which we report and OR Management gives monitoring of business continuity management. The OR Committee reports to the Comprehensive Risk Management Committee, monitors management and ensures that identified operational risks are kept at accepted levels by the Bank.

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

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

The Bank's management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

Determination of Control Over Investees:

Control indicators mentioned in Note 3 (a) are subject to management's judgment and may have a significant effect on the Bank's interests or participation in investment companies and separate vehicles.

- ***Investment Entities and Separate Legal Vehicles***

The Bank acts as an asset manager on behalf of third parties through investment companies and separate vehicles. When evaluating if the Bank controls those investment companies and vehicles, factors such as the following have been considered: the reach of its authority to make decisions on behalf of the investee, the rights maintained by third parties, the consideration vested in conformity with the compensation agreements and its exposure to return fluctuations. Accordingly, the Bank has concluded that it acts as an investment agent for all cases; therefore, it does not consolidate these investment companies and separate vehicles.

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(5) **Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies, continued**

Loan Impairment Losses

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes decisions as to whether observable information exists indicating that there is a measurable reduction in estimated future cash flows from a loan portfolio before such reduction may be identified with an individual loan in that portfolio. This evidence includes observable information indicating that an adverse change in the payment condition of borrowers in a group, national or local economic conditions that correlate with non-compliance instances in Bank's assets have occurred.

Fair Value of Financial Instruments

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

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

Impairment of Investments at FVOCI

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

Income Tax

The Bank uses the asset and liability method to record income tax. Under this method, the deferred tax assets and liabilities are recognized by the estimates of future tax consequences attributable to temporary differences between the amounts of assets and liabilities in the consolidated financial statements and their respective tax bases and due to accumulated tax losses. The deferred tax assets and liabilities are valued using the enacted tax rates that are expected to be applied to the taxable income for the years in which they are expected to be recovered, or temporary differences are settled. The effect on deferred tax assets and liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

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

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Notes to the Consolidated Financial Statements**(6) Cash, Cash Equivalents and Deposits**

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

	December 31, <u>2024</u>	December 31, <u>2023</u>
Cash and cash equivalents	23,388,800	24,735,176
Deposits in banks and deposits due in less than 90 days	<u>175,393,220</u>	<u>152,639,341</u>
Cash and cash equivalents in the consolidated statement of cash flow	198,782,020	177,374,517
Deposits in banks greater than 90 days and pledged	<u>5,510,899</u>	<u>6,530,611</u>
Total cash, cash equivalents and deposits in banks	<u>204,292,919</u>	<u>183,905,128</u>

(7) Investments in Securities

As of December 31, 2024, investments in securities amounted to \$950,549,313 (2023: \$876,513,300) are summarized as follows:

(a) Investments at FVTPL

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

	December 31, <u>2024</u>	December 31, <u>2023</u>
Government bonds	6,341,777	8,293,127
Corporates bonds	0	72,784
Mutual funds	22,418,438	21,517,410
Common stocks	<u>1,066,556</u>	<u>1,047,592</u>
	<u>29,826,771</u>	<u>30,930,913</u>

(b) Investment at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Governments:		
United States of America	298,495,199	332,908,509
Other governments	<u>429,112,498</u>	<u>316,118,527</u>
	727,607,697	649,027,036
Corporate bonds	<u>146,195,633</u>	<u>134,456,773</u>
	<u>873,803,330</u>	<u>783,483,809</u>

As of December 31, 2024, they maintain operations of securities sold under a repurchase agreement for \$183,633,493 (2023: \$37,565,243), which are guaranteed with investments in securities for a nominal value of \$223,450,000 (2023: \$47,042,068).

(c) Investments at AC

The portfolio of investments to the AC is detailed as follows:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Corporate bonds	<u>46,919,212</u>	<u>62,098,578</u>
	<u>46,919,212</u>	<u>62,098,578</u>

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(8) Loans

The detail of the loan portfolio by product is presented below:

	December 31, 2024			December 31, 2023		
	Gross amount	Allowance for ECL	Net carrying amount	Gross amount	Allowance for ECL	Net carrying amount
Loans						
Corporate						
Corporate	1,912,266,695	(44,910,332)	1,867,356,363	1,825,066,434	(41,864,376)	1,783,202,058
Corporate leases, net (1)	<u>7,418,287</u>	<u>(86,121)</u>	<u>7,332,166</u>	<u>6,678,610</u>	<u>(119,329)</u>	<u>6,559,281</u>
Total corporate loans	<u>1,919,684,982</u>	<u>(44,996,453)</u>	<u>1,874,688,529</u>	<u>1,831,745,044</u>	<u>(41,983,705)</u>	<u>1,789,761,339</u>
Personal Banking and Small company						
Small company						
Small company	132,366,888	(3,088,655)	129,278,233	110,532,296	(1,895,949)	108,636,347
Small company leases, net (1)	<u>95,350</u>	<u>(496)</u>	<u>94,854</u>	<u>113,870</u>	<u>(825)</u>	<u>113,045</u>
Total Small company loans	<u>132,462,238</u>	<u>(3,089,151)</u>	<u>129,373,087</u>	<u>110,646,166</u>	<u>(1,896,774)</u>	<u>108,749,392</u>
Personal Banking						
Mortgage	803,777,874	(7,841,669)	795,936,205	818,772,381	(5,611,664)	813,160,717
Personals	548,152,859	(7,430,265)	540,722,594	502,576,722	(6,520,826)	496,055,896
Vehicles	340,708,057	(2,597,654)	338,110,403	317,309,389	(2,066,565)	315,242,824
Personal leases, net (1)	1,490,300	(4,791)	1,485,509	1,225,833	(3,480)	1,222,353
Credit Cards	<u>78,497,421</u>	<u>(7,063,150)</u>	<u>71,434,271</u>	<u>59,434,376</u>	<u>(6,814,461)</u>	<u>52,619,915</u>
Total Personal Banking	<u>1,772,626,511</u>	<u>(24,937,529)</u>	<u>1,747,688,982</u>	<u>1,699,318,701</u>	<u>(21,016,996)</u>	<u>1,678,301,705</u>
Total Personal Banking and Small company	<u>1,905,088,749</u>	<u>(28,026,680)</u>	<u>1,877,062,069</u>	<u>1,809,964,867</u>	<u>(22,913,770)</u>	<u>1,787,051,097</u>
Total loans at CA	<u>3,824,773,731</u>	<u>(73,023,133)</u>	<u>3,751,750,598</u>	<u>3,641,709,911</u>	<u>(64,897,475)</u>	<u>3,576,812,436</u>
(1) Total leases, net of interest	<u>9,003,937</u>	<u>(91,408)</u>	<u>8,912,529</u>	<u>8,018,313</u>	<u>(123,634)</u>	<u>7,894,679</u>

The following table presents the net value of finance leases receivable:

	December 31, 2024	December 31, 2023
Minimum lease payments receivable	11,270,237	9,748,233
Less: unearned interest	<u>2,211,845</u>	<u>1,690,076</u>
Minimum lease payments receivable, net	9,058,392	8,058,157
Less: allowance for loss in leases	91,408	123,634
Less: net deferred commissions	<u>54,455</u>	<u>39,844</u>
Net value of investment in finance leases	<u>8,912,529</u>	<u>7,894,679</u>

The following table summarizes the minimum lease payments receivable as of December 31, for each year ended:

Year ended:	December 31, 2024
2025	621,470
2026	1,236,864
2027 onwards	<u>7,200,058</u>
	<u>9,058,392</u>

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Notes to the Consolidated Financial Statements

(9) Properties, Furniture, Equipment and Improvements

Properties, furniture, equipment and improvements are summarized below:

	December 31, 2024						
	Land and Buildings	Right of use of Properties	Construction in Progress	Vehicles	Furniture and Office Equipment	Improvements	Total
Cost:							
As of January 1, 2024	21,576,093	18,061,978	5,178,175	1,387,588	22,281,875	21,162,914	89,648,623
Purchase	0	740,752	2,547,183	150,300	109,574	0	3,547,809
Sales and disposals	0	0	(98,662)	(456,737)	(268,522)	(973,534)	(1,797,455)
Reclassification	0	0	(1,898,787)	0	1,401,539	497,248	0
Transfer (Note 11)	<u>0</u>	<u>0</u>	<u>(9,642)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,642)</u>
As of December 31, 2024	<u>21,576,093</u>	<u>18,802,730</u>	<u>5,718,267</u>	<u>1,081,151</u>	<u>23,524,466</u>	<u>20,686,628</u>	<u>91,389,335</u>
Accumulated depreciation							
As of January 1, 2024	612,928	8,982,629	0	691,209	19,092,601	12,933,247	42,312,614
Expense for the year	116,888	1,831,711	0	188,798	1,410,883	1,516,630	5,064,910
Sales and disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>(304,503)</u>	<u>(100,966)</u>	<u>(973,534)</u>	<u>(1,379,003)</u>
As of December 31, 2024	<u>729,816</u>	<u>10,814,340</u>	<u>0</u>	<u>575,504</u>	<u>20,402,518</u>	<u>13,476,343</u>	<u>45,998,521</u>
Net balance	<u>20,846,277</u>	<u>7,988,390</u>	<u>5,718,267</u>	<u>505,647</u>	<u>3,121,948</u>	<u>7,210,285</u>	<u>45,390,814</u>

	December 31, 2023						
	Land and Buildings	Right of use of Properties	Construction in Progress	Vehicles	Furniture and Office Equipment	Improvements	Total
Cost:							
As of January 1, 2023	21,222,691	19,155,282	6,207,997	1,261,876	21,756,231	19,096,931	88,701,008
Purchase	0	0	1,609,702	373,090	168,662	0	2,151,454
Sales and disposals	0	0	(8,316)	(247,378)	(163,614)	0	(419,308)
Closing of contracts	0	(508,937)	0	0	0	0	(508,937)
Reclassification	0	0	(2,631,208)	0	565,225	2,065,983	0
Transfer (Note 11)	0	0	0	0	(44,629)	0	(44,629)
Decrease due to leases	0	(584,367)	0	0	0	0	(584,367)
Revaluation of assets	<u>353,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>353,402</u>
As of December 31, 2023	<u>21,576,093</u>	<u>18,061,978</u>	<u>5,178,175</u>	<u>1,387,588</u>	<u>22,281,875</u>	<u>21,162,914</u>	<u>89,648,623</u>
Accumulated depreciation							
As of January 1, 2023	496,452	7,370,982	0	642,896	17,923,202	11,848,454	38,281,986
Expense for the year	116,476	1,811,042	0	190,656	1,326,619	1,084,793	4,529,586
Sales and disposals	<u>0</u>	<u>(199,395)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(199,395)</u>
Foreign currency conversion	<u>0</u>	<u>0</u>	<u>0</u>	<u>(142,343)</u>	<u>(157,220)</u>	<u>0</u>	<u>(299,563)</u>
As of December 31, 2023	<u>612,928</u>	<u>8,982,629</u>	<u>0</u>	<u>691,209</u>	<u>19,092,601</u>	<u>12,933,247</u>	<u>42,312,614</u>
Net balance	<u>20,963,165</u>	<u>9,079,349</u>	<u>5,178,175</u>	<u>696,379</u>	<u>3,189,274</u>	<u>8,229,667</u>	<u>47,336,009</u>

During 2024, the Bank transferred property, furniture, equipment, and improvements for a net amount of \$9,642 (2023: \$44,629) to intangible assets and other assets. Additionally, during 2023, an appraisal adjustment was made, resulting in a net revaluation of \$353,402.

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Notes to the Consolidated Financial Statements**(10) Intangible Assets**

The gross balance of the book value and the accumulated amortization for each of the intangible assets acquired and developed internally by the Bank as of December 31, 2024, are detailed below:

<u>December 31, 2024</u>	<u>Software in development</u>	<u>Computer programs</u>	<u>Total</u>
Cost:			
As of December 31, 2023	521,714	25,351,620	25,873,334
Additions for the year	1,357,583	58,006	1,415,589
Disposals	(127,641)	0	(127,641)
Transfers	<u>(580,382)</u>	<u>580,382</u>	<u>0</u>
As of December 31, 2024	<u>1,171,274</u>	<u>25,990,008</u>	<u>27,161,282</u>
Accumulated depreciation:			
As of December 31, 2023	0	18,401,349	18,401,349
Amortization	<u>0</u>	<u>1,778,941</u>	<u>1,778,941</u>
As of December 31, 2024	<u>0</u>	<u>20,180,290</u>	<u>20,180,290</u>
Net balance as of December 31, 2024	<u>1,171,274</u>	<u>5,809,718</u>	<u>6,980,992</u>

<u>December 31, 2023</u>	<u>Software in development</u>	<u>Computer programs</u>	<u>Total</u>
Cost:			
As of December 31, 2022	1,480,851	23,024,149	24,505,000
Additions for the year	1,443,008	90,640	1,533,648
Disposals	(165,314)	0	(165,314)
Transfers	<u>(2,236,831)</u>	<u>2,236,831</u>	<u>0</u>
As of December 31, 2023	<u>521,714</u>	<u>25,351,620</u>	<u>25,873,334</u>
Accumulated depreciation:			
As of December 31, 2022	0	16,544,106	16,544,106
Amortization	<u>0</u>	<u>1,857,243</u>	<u>1,857,243</u>
As of December 31, 2023	<u>0</u>	<u>18,401,349</u>	<u>18,401,349</u>
Net balance as of December 31, 2023	<u>521,714</u>	<u>6,950,271</u>	<u>7,471,985</u>

None of the intangible assets mentioned in the table above subject to amortization have a residual value.

During the year ended December 31, 2024, no impairment losses were recognized.

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(11) Other Assets

The other assets detail is presented below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Assets available for sale, net	32,134,379	25,594,838
Investment properties	14,242,507	14,882,562
Severance fund	3,135,511	2,010,838
Assets not available for sale	1,801,916	815,464
Deferred expenses	1,728,023	2,113,754
Security deposits	783,958	1,022,884
Non-embossed credit card plastics	101,575	158,315
Other	<u>8,354,201</u>	<u>3,147,020</u>
	<u>62,556,020</u>	<u>47,734,837</u>

The details of the assets available for sale, net of the impairment estimate, is presented below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Cars	256,755	382,741
Real estate – less than 1 year	8,807,045	6,787,626
Real estate – over 1 year	<u>23,621,801</u>	<u>19,072,235</u>
Assets available for sale, gross	32,685,601	26,242,602
Impairment estimation	<u>(551,222)</u>	<u>(647,764)</u>
Assets available for sale, net	<u>32,134,379</u>	<u>25,594,838</u>

The Bank made sales of goods available for sale totaling \$4,954,955 (2023: \$11,030,508), these generate a profit of \$552,572 (2023: \$430,647).

The following is the movement of the impairment estimate of assets available for sale:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Balance at the beginning of the year	647,764	534,617
Provision charged to expenses	495,164	136,852
Sales	<u>(591,706)</u>	<u>(23,705)</u>
Year-end balance	<u>551,222</u>	<u>647,764</u>

(12) Deposits from Customers

Deposits from customers are detailed below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Retail customers		
Demand	30,037,717	34,639,084
Savings	275,314,508	258,183,897
Time deposits	883,471,227	852,591,364
Corporate customers		
Demand	514,332,076	501,243,421
Savings	267,248,311	206,815,458
Time deposits	<u>1,488,645,632</u>	<u>1,480,045,273</u>
	<u>3,459,049,471</u>	<u>3,333,518,497</u>

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Notes to the Consolidated Financial Statements**(13) Securities Sold Under Repurchase Agreements**

The securities sold under repurchase agreements amounted to \$183,633,493 (2023: \$37,565,243) with maturities in October 2025 (2023: May 2024) and annual interest rates ranging from 3.20% to 5.09% (2023: 6.70%). These securities are secured by debt instruments at fair value through comprehensive income of \$223,450,000 (2023: debt instruments at fair value through comprehensive income of \$47,042,068). See Note 7.

(14) Financial Obligations

Financial obligations are detailed below:

	December 31, 2024		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% a 5.92%	2024 a 2033	75,887,718
Floating rate	4.76% a 7.46%	2024 a 2028	<u>575,806,203</u>
Total financial obligations at amortized cost			651,693,921

	December 31, 2023		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% a 6.00%	2024 a 2029	222,669,794
Floating rate	5.16% a 7.80%	2024 a 2028	<u>467,660,391</u>
Total financial obligations at amortized cost			690,330,185

The Bank has not defaulted on the payment of principal or interest in its financial obligations.

(15) Other Financial Obligations

The Bank has placed commercial bonds and securities, through the local and international Stock Exchange, which are detailed below:

	December 31, 2024		December 31, 2023	
	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Interest rate</u>	<u>Carrying amount</u>
Payable in:				
US dollars	3.00% a 7.75%	<u>361,989,958</u>	2.50% a 7.75%	<u>360,582,005</u>
Total of other financial obligations at AC		<u>361,989,958</u>		<u>360,582,005</u>

<u>Serie</u>	<u>Interest rate</u>	<u>Due date</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
144A/Regulation S corporate bonds - February 2023 issue	7.75%	mar-28	300,000,000	300,000,000
Serie T - February 2020 issue	4.13%	feb-25	7,000,000	7,000,000
Serie W - April 2021 issue	2.50%	abr-24	0	2,000,000
Serie X - May 2021 issue	3.00%	may-26	4,000,000	4,000,000
Serie Y - June 2021 issue	3.00%	jun-26	2,000,000	2,000,000
Serie Z - August 2021 issue	2.50%	ago-24	0	3,000,000
Serie AA - September 2022 issue	4.00%	sep-24	<u>0</u>	<u>2,500,000</u>
			313,000,000	320,500,000
Related parties transactions			0	(2,500,000)
Accrued interest payable			9,579,166	9,584,722
Deferred commissions			<u>(3,472,052)</u>	<u>(4,585,753)</u>
Total corporate bonds			<u>319,107,114</u>	<u>322,998,969</u>

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(15) Other Financial Obligations, continued

<u>Subordinated Corporate Bonds</u>	<u>Tasa de</u>		<u>December 31, 2024</u>	<u>December 31, 2024</u>
<u>Serie</u>	<u>Interés</u>	<u>Due date</u>		
Series A - October 2022 Issue	7.25%	Oct -32	12,000,000	12,000,000
Series B - November 2022 Issue	7.25%	Nov-32	8,000,000	8,000,000
Series C - December 2022 issue	7.25%	Dec-32	8,000,000	8,000,000
Series C - February 2023 Issue	7.25%	Dec-32	1,000,000	1,000,000
Series C - February 2023 Issue	7.25%	Dec-32	1,000,000	1,000,000
Series D - December 2023 Issue	7.25%	Dec-33	3,250,000	3,250,000
Series D - January 2024 Issue	7.25%	Dec-33	1,500,000	0
Series D - February 2024 Issue	7.25%	Dec-33	<u>3,250,000</u>	<u>0</u>
			38,000,000	33,250,000
Accrued interest payable			130,097	105,326
Deferred commissions			<u>(252,415)</u>	<u>(255,012)</u>
Total subordinated bonds			<u>37,877,682</u>	<u>33,100,314</u>

<u>Series</u>	<u>Issue Date</u>	<u>Expiration</u>	<u>Interest Rate</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Series CF	21-Jun-24	20-Jun-25	6.00%	2,000,000	0
Series CE	27-May-24	27-May-25	6.00%	1,500,000	0
Series CD	13-May-24	13-May-25	6.00%	1,500,000	0
Series CC	14-Jul-23	15-Jul-24	5.75%	0	1,000,000
Series CB	8-Feb-23	8-Feb-24	5.50%	0	975,000
Series CA	3-Feb-23	5-Feb-24	5.50%	0	500,000
Series BX	19-Jan-23	19-Jan-24	5.00%	0	1,000,000
Series BW	12-Jan-23	12-Jan-24	5.00%	<u>0</u>	<u>1,000,000</u>
				5,000,000	4,475,000
Accrued interest payable				13,973	11,114
Deferred commissions				<u>(8,811)</u>	<u>(3,392)</u>
Total negotiable commercial papers				<u>5,005,162</u>	<u>4,485,722</u>

The characteristics and guarantees for these issuances are described below:

December 2012 Issuance (placed in 2015, 2017, 2018, 2019, 2020 and 2021)

Public offering of the Corporate Bond Revolving Program for a value of up to \$150,000,000 divided into \$100,000,000 of Revolving Corporate Class A Bonds and \$50,000,000 of Revolving Corporate Class B Bonds, authorized by the Superintendency of the Securities Market of Panama, through SMV Resolution No.436-12 of December 27, 2012 and by the Panamanian Stock Exchange.

Bonds are issued as nominative, revolving, registered, without coupons, and denominated in thousands of Balboas, in different series, with the maturity of Revolving Corporate Class A Bonds being determined by the "Issuer", whereas Corporate Class B Bonds will be issued for a 20-year term; however, after 15 years, they will be renewed automatically for additional 20-year terms each, from the date of maturity of the original 20-year term. Revolving Corporate Class A Bonds were issued during 2013, as Series A, B and C; during 2015; as Series D, E and F; during 2016 as Series G, H, I and J; during 2017 were issued as Series K, L, M, N and O, during 2018 were issued as Q and R, during 2019 were issued as Series S, and during 2020 were issued as Series T and U and for the year 2021 the Serie V, W, X, Y, Z and AA.

The annual interest rate of such Bonds may be fixed or variable at the Bank's discretion. For fixed rates, Bonds will earn an interest rate determined by the Issuer. For variable rates, Bonds will earn an annual interest rate equal to 3-month LIBOR plus a spread determined by the Issuer based on market demand.

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Notes to the Consolidated Financial Statements

(15) Other Financial Obligations, continued

Bond Issue October 2022

Public offering of the Rotating Program of Subordinated Corporate Bonds for a value of up to \$100,000,000, authorized by the Superintendence of the Stock Market of Panama through Resolution SMV No.361-2022 of October 21, 2022 and by Latinex.

The Bonds are issued globally (but they can be issued individually at the request of a Registered Holder), nominative, revolving, registered and without coupons, in denominations of one thousand balboas and will be issued in as many series as the Issuer deems appropriate, according to its needs and market demand. During the period ended December 31, 2022, series A, B, C and D have been issued.

Bond Issuance June 2023

Multibank Inc. was authorized, according to Resolution No. SMV238-23 of June 16, 2023, of the Superintendence of the Securities Market of Panama, to offer through a public offering, Revolving Corporate Bond Program for a nominal value of up to \$200,000,000.

Bond Issuance February 2023

During the month of February 2023, the Bank placed corporate bonds under the structure of 144A Reg(S) in the United States for a par value of \$300,000,000 and a maturity date of February 3, 2028. Interest on the Notes will accrue at a rate of 7.75% per annum and will be paid semi-annually on February 3 and August 3 of each year, beginning August 3, 2023.

Negotiable Commercial Securities (VCN's)

Multibank, Inc. was authorized, according to Resolution No.405-17 of July 26, 2017, of the Superintendence of the Securities Market of Panama, to offer, through public offering, Negotiable Commercial Securities (VCN's) for a nominal value of up to \$200,000,000 and with a maturity of up to one year from their respective date of issuance of each series. The VCNs will be issued in registered and couponless registered securities in denominations of one thousand dollars (US\$1,000) or multiples. The VCNs of each series will accrue a fixed or variable annual interest rate, which will be determined by the Issuer prior to the Respective Offering Date. For each of the series, interest will be payable monthly on the fifteenth (15th) day of each month until its respective maturity date. The basis for the calculation of interest will be calendar days/365 for each of the series. The face value of each VCN will be paid in a single principal payment, on its respective maturity date. VCNs cannot be redeemed early.

During the period ended December 31, 2024, the BX, BW, BZ, CA, CB and CC series are issued and by 2024 the CD, CE and CF series.

The Bank has not defaulted on principal, interest or other contractual clauses in relation to its other financial obligations.

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Notes to the Consolidated Financial Statements**(16) Lease Liabilities**

Lease liabilities are detailed below:

December 31, 2024			
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Undiscounted cash flows</u>
Payable in US dollars	7.36%	2033	<u>10,290,718</u>
Total lease liabilities			<u>11,493,519</u>

December 31, 2023			
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Undiscounted cash flows</u>
Payable in US dollars	7.36%	2033	<u>11,397,438</u>
Total lease liabilities			<u>12,860,479</u>

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Less than a year	2,760,355	2,538,387
One to two years	2,658,094	2,538,387
Two to three years	2,613,683	2,494,073
Three to four years	2,519,078	2,459,228
Four to five years	374,005	2,375,760
More than five years	<u>568,304</u>	<u>454,644</u>
	<u>11,493,519</u>	<u>12,860,479</u>

The following are the items recognized in the consolidated statement of income, related to lease liabilities.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Interest on leases	817,590	912,841
Expense for leases with less than 12 months	577,597	715,346
Expense for leases of low-value assets	<u>459,573</u>	<u>478,362</u>
	<u>1,854,760</u>	<u>2,106,549</u>

(a) Real Estate Leases

The Bank leases buildings in which its administrative offices are located and branches. Office and branch lease agreements are typically running for a period of 2 to 10 years. Some lease agreements include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Extension Options

Termination and extension options are included in property leases estate. These clauses are used to maximize operational flexibility in terms of contract management. Most extension and termination options maintained are exercisable by the Bank and not by the respective lessor, with an advance notice of at least 30 days.

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Notes to the Consolidated Financial Statements**(17) Other Liabilities**

The details of other liabilities is as follows:

	December 31, 2024	December 31, 2023
Accounts payable to suppliers	31,088,298	7,316,988
Checks drawn not cashed	20,258,652	22,859,494
Insurance premiums	14,890,835	12,634,925
Transitional items	5,397,352	3,273,215
Employee benefits	4,630,785	2,565,707
Premiums receivable	2,805,058	1,516,171
Collections	1,113,933	1,645,113
Sales tax payable	523,609	469,575
Credits to accounts receivable to be applied	289,132	625,126
Allowance for expected credit losses on irrevocable commitments	164,072	369,099
Loyalty programs	91,401	363,499
Provision for dismantling of leased assets	46,369	43,129
Other	<u>13,172,960</u>	<u>12,075,982</u>
	<u>94,472,456</u>	<u>65,758,023</u>

(18) Provisions for Insurance Contracts

The provisions relating to insurance contracts are detailed below:

	December 31, 2024			December 31, 2023		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
General Insurance Business						
Unearned premiums	5,614,224	2,591,038	3,023,186	5,432,162	2,391,233	3,040,929
Provision for claims in process						
General insurance policies	4,100,562	2,382,984	1,717,578	2,417,656	710,848	1,706,808
Personal insurance policies	<u>2,677,230</u>	<u>46,542</u>	<u>2,630,688</u>	<u>2,668,991</u>	<u>397,417</u>	<u>2,271,574</u>
Total provisions for claims in process	6,777,792	2,429,526	4,348,266	5,086,647	1,108,265	3,978,382
Long-term business life						
Provisions for non-participating benefits	<u>2,498,819</u>	<u>0</u>	<u>2,498,819</u>	<u>2,116,116</u>	<u>0</u>	<u>2,116,116</u>
Total provisions for Insurance Insurance	<u>14,890,835</u>	<u>5,020,564</u>	<u>9,870,271</u>	<u>12,634,925</u>	<u>3,499,498</u>	<u>9,135,427</u>

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(19) Equity

	<u>Number of Shares</u>	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Common shares:		
Authorized shares without par value	<u>50,000,000</u>	<u>50,000,000</u>
Issued and paid-in-shares:		
At beginning of the year	<u>16,862,753</u>	<u>16,862,753</u>
Total shares issued and outstanding shares, at the end of the period	<u>16,862,753</u>	<u>16,862,753</u>

As of December 31, 2024, the Bank's subsidiaries have capitalizations of retained earnings of \$17,892,633 (2023: \$17,892,633), therefore, these capitalized earnings are not available for dividend distributions.

Excess acquisition of stakes in subsidiaries

The following table summarizes the excess paid in the acquisition of non-controlling interests in subsidiaries of the Group, generated by changes in the shares acquired in the following subsidiaries:

<u>Entity</u>	<u>Acquisition Date</u>	<u>Acquired interest</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
MB Credito, S. A.	April 2014	25%	<u>(152,873)</u> <u>(152,873)</u>	<u>(152,873)</u> <u>(152,873)</u>

(20) Other Comprehensive Income

The following table presents the components and changes in accumulated other comprehensive losses as of December 31, 2024:

	<u>Unrealized gain (loss) in securities</u>	<u>ECL in securities</u>	<u>Assets revaluation</u>	<u>Employee benefits</u>	<u>Total Others Accumulated Comprehensive Losses</u>
Balance as of December 31, 2022	(94,278,161)	1,170,171	1,876,301	142,107	(91,089,582)
Other comprehensive (loss) income before reclassifications	18,213,577	(965,983)	233,953	(326,124)	17,155,423
Reclassified amounts of other comprehensive losses	(15,486)	480,490	0	0	465,004
Transfer to retained earnings	0	0	(38,706)	0	(38,706)
Net other comprehensive (loss) income for the year	<u>18,198,091</u>	<u>(485,493)</u>	<u>195,247</u>	<u>(326,124)</u>	<u>17,581,721</u>
Balance as of December 31, 2023	<u>(76,080,070)</u>	<u>684,678</u>	<u>2,071,548</u>	<u>(184,017)</u>	<u>(73,507,861)</u>
Other comprehensive (loss) income before reclassifications	21,852,545	7,430	7,058	(874,996)	20,992,037
Reclassified amounts of other comprehensive losses	(132,779)	(3,962)	0	0	(136,741)
Transfer to retained earnings	0	0	(64,035)	(49,194)	(113,229)
Net other comprehensive (loss) income for the year	<u>21,719,766</u>	<u>3,468</u>	<u>(56,977)</u>	<u>(924,190)</u>	<u>20,742,067</u>
Balance as of December 31, 2024	<u>(54,360,304)</u>	<u>688,146</u>	<u>2,014,571</u>	<u>(1,108,207)</u>	<u>(52,765,794)</u>

The following table presents the detail of other comprehensive income reclassified to the consolidated statement of income during the year ended December 31, 2024:

	<u>Balance reclassified to Other Comprehensive Income</u>	<u>Disclosure line at the Consolidated Statement of Income</u>
	<u>2024</u>	<u>2023</u>
Investments at FVOCI		
Unrealize net gain on securities	<u>132,779</u>	<u>15,486</u>
Total reclassifications	<u>132,779</u>	<u>15,486</u>

Gains on financial instruments, net

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(21) Net Gain in Financial Instruments, net

Net gain in financial instruments, included in the consolidated statement of income is summarized below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Net gain on sale of investments at FVTPL	132,779	15,486
Unrealized gain from securities at FVTPL	672,108	704,292
Net fair value gain (loss) on derivative financial instruments	<u>0</u>	<u>38,220</u>
	<u>804,887</u>	<u>757,998</u>

(22) Other income

The following are the charges for services segregated by nature:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Consumer and Corporate Banking	16,060,386	15,362,570
Asset Management	1,796,459	2,073,878
Investment Banking Services	<u>558,315</u>	<u>447,250</u>
	<u>18,415,160</u>	<u>17,883,698</u>

Income from fees and commissions from contracts with clients is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when you transfer control over a service to a client.

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(22) Others Income, continued

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

Type of Services	Nature and timing of performance obligations, including significant payment terms	Recognition of income by IFRS 15
Retail and Corporate Banking	<p>The Bank provides banking services to individuals and corporate clients, including account management, provision of overdraft facilities, foreign currency transactions, credit cards and fees for banking services.</p> <p>Charges for the ongoing management of client accounts are charged directly to the client's account on a monthly basis. The Bank sets the fees on an annual basis separately for consumer banking and for corporate banking, taking into account the jurisdiction of each client.</p> <p>Income from commissions for exchange transactions, foreign currency transactions and overdrafts, are charged directly to the client's account when the transaction is carried out.</p> <p>Banking service fees are charged monthly and are based on fixed rates reviewed annually by the Bank.</p>	<p>Income from account management services and fees for banking services are recognized over the time the services are rendered.</p> <p>Transaction-related revenue is recognized at the time the transaction takes place.</p>
Investment Banking services	<p>The Bank's investment banking segment provides a variety of financial services, including loan servicing and agency services, syndicated loan servicing, executing client transactions with exchanges, and underwriting securities.</p> <p>Fees for ongoing services are charged annually at the end of the calendar year directly to the customer's account. However, if a client terminates the contract before December 31 of each year, the termination fee is charged for services performed to date.</p> <p>Transaction-based fees for servicing syndicated loans, executing transactions and underwriting securities are collected when the transaction is completed.</p>	<p>Revenue from administrative agency services is recognized over time as the services are rendered. Amounts receivable from customers as of December 31 are recognized as accounts receivable.</p> <p>Transaction-related revenue is recognized at the time the transaction takes place.</p>
Assets Managements	<p>The Bank provides asset management services.</p> <p>Fees for asset management services are calculated based on a fixed percentage of the value of managed assets and are deducted from the client's account balance on a monthly basis.</p> <p>In addition, the Bank charges a non-refundable amount in advance when opening an account.</p>	<p>Asset management revenue is recognized over time as services are rendered.</p> <p>Initial non-refundable fees give rise to significant entitlements for future services and are recognized as revenue over the period in which a client is expected to continue to receive asset management services.</p>

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Notes to the Consolidated Financial Statements

(22) Other Income, continued

The others income included on the consolidated statement of income, is detailed as follow:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Commercial recoveries	1,397,675	1,298,598
Gain in sales of assets held for sale	552,572	430,647
Other income from associated companies	1,620,058	1,453,709
Rentals	276,067	336,000
Reciprocal operations	94,073	87,111
Gain on sale of fixed assets	56,375	2,882
Gain on investment properties	0	5,000
Others	<u>2,546,531</u>	<u>1,278,108</u>
	<u>6,543,351</u>	<u>4,892,055</u>

(23) Salaries and Other Personnel Expenses

Salaries and other personnel expenses are detailed below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Salaries and other remuneration	29,506,325	30,557,200
Employment benefits	13,191,929	12,760,734
Severance	4,912,683	2,412,179
Others	<u>97,572</u>	<u>132,948</u>
	<u>47,708,509</u>	<u>45,863,061</u>

(24) Other Expenses

The other expenses included in the consolidated statement of income are summarized below:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Maintenance of computer programs and licenses	5,142,461	4,818,460
Telephone service	3,288,194	3,686,985
Advertising and marketing	2,299,259	2,353,592
Other taxes	2,207,400	1,894,800
Credit cards franchises	2,590,064	2,346,059
Vehicles and equipment maintenance	1,726,913	2,258,852
Banking licenses	1,461,074	1,460,099
Security services	999,346	1,177,715
Travel and meetings expenses	611,266	635,676
Other	<u>1,493,067</u>	<u>1,916,910</u>
	<u>21,819,044</u>	<u>22,549,148</u>

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(25) Income Tax

The income tax expense is made up of:

	December 31, 2024	December 31 2023
Current tax	2,463,606	1,726,358
Deferred tax	<u>(1,925,392)</u>	<u>1,243,963</u>
	<u>538,214</u>	<u>2,970,321</u>

Income tax expense for the period ended December 31, 2024, was \$538,214 (2023: \$2,970,321), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	December 31, 2024	December, 31 2023
Calculation of "expected" income tax expense	1,127,946	2,913,900
Increase (decrease) in income tax as a result of		
Non-deductible expenses	26,507,897	24,465,021
Effect of tax losses on subsidiaries	53,889	759,995
Tax loss carryforwards	(461,951)	0
Foreign exempted and non-taxable income	<u>(26,689,567)</u>	<u>(25,168,595)</u>
Income tax	<u>538,214</u>	<u>2,970,321</u>

The temporary differences between the amounts of the consolidated interim financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of December 31, 2024, are as follows:

	December 31, 2024					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensiv e income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	1,788	(149)	0	1,639	1,639	0
Allowances for loan losses	25,688,557	3,154,130	0	28,842,687	28,842,687	0
Reserve for loyalty rewards points	90,875	(68,025)	0	22,850	22,850	0
Reserve for legal Risk	0	99	0	99	99	0
Employee's benefit plan	232,285	(134,557)	0	97,728	97,728	0
Allowance for other accounts receivables	61,338	0	291,665	353,003	358,057	(5,054)
Properties revaluations	154,911	55,314	0	210,225	210,225	0
IFRS 16 leases	(580,657)	0	7,058	(573,599)	0	(573,599)
Investment properties	643,197	(977)	0	642,220	2,605,540	(1,963,320)
Off-balance sheet operations	(37,117)	(36,650)	0	(73,767)	0	(73,767)
Tax loss carry forward	106,212	(62,142)	0	44,070	44,070	0
Deferred tax asset (liability), net	<u>2,377,560</u>	<u>(981,651)</u>	<u>0</u>	<u>1,395,909</u>	<u>1,395,909</u>	<u>0</u>
Compensation of tax items	<u>28,738,949</u>	<u>1,925,392</u>	<u>298,723</u>	<u>30,963,064</u>	<u>33,578,804</u>	<u>(2,615,740)</u>
Total					<u>(2,482,129)</u>	<u>2,482,129</u>
					<u>31,096,675</u>	<u>(133,611)</u>

	December 31, 2023					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensiv e income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,332	(544)	0	1,788	1,788	0
Allowances for loan losses	26,741,804	(1,053,247)	0	25,688,557	25,688,557	0
Reserve for loyalty rewards points	127,092	(36,217)	0	90,875	90,875	0
Reserve for legal Risk	511,372	(279,087)	0	232,285	232,285	0
Impairment of modified loans	(47,371)	0	108,709	61,338	64,696	(3,358)
Investments in local subsidiaries, by undistributed profits	(230,350)	230,350	0	0	0	0
Allowance for other accounts receivables	160,900	(5,989)	0	154,911	154,911	0
Properties revaluations	(375,509)	0	(205,148)	(580,657)	0	(580,657)
IFRS 16 leases	604,262	38,935	0	643,197	2,913,035	(2,269,838)
Investment properties	(36,617)	(500)	0	(37,117)	0	(37,117)
Off-balance sheet operations	90,737	15,475	0	106,212	106,212	0
Tax loss carry forward	<u>2,530,699</u>	<u>(153,139)</u>	<u>0</u>	<u>2,377,560</u>	<u>2,377,560</u>	<u>0</u>
Deferred tax asset (liability), net	<u>30,079,351</u>	<u>(1,243,963)</u>	<u>(96,439)</u>	<u>28,738,949</u>	<u>31,629,919</u>	<u>(2,890,970)</u>
Compensation of tax items					<u>(2,792,362)</u>	<u>2,792,362</u>
Total					<u>28,837,557</u>	<u>(98,608)</u>

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(25) Income Tax, continued

The management presents the net deferred tax, which is derived from the taxes corresponding to the same jurisdiction, within the consolidated statement of financial position.

Deferred taxes assets have not been recognized for \$1,110,573 (2023: \$1,083,161) from accumulated tax losses of \$3,690,721 (2023: \$3,398,218) and by portfolio reserve and other accounts receivable for \$11,189 (2023: \$212,319), because there is not enough evidence that indicates that there will be sufficient future taxable income for the Bank to use the corresponding taxable benefits. These accumulated tax losses expire between 2024 and 2028.

As of December, 31 2024, the Bank has carry forward of net operating losses of \$5,583,637 (2023: \$9,510,247), which are available to offset future taxable income of the subsidiaries as needed. Net operating losses begin to prescribe in 2028, based on annual percentages established by the country's regulation.

As of December 31, 2024, the Bank maintains an effective tax rate of 11.93% (2023: 25.48%).

Tax losses accumulated by companies incorporated in Panama could be used for five years at a rate of 20% per year without exceeding 50% of the net taxable income and should not affect the estimated return.

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the furthest fiscal year subject to inspection: Costa Rica 2021 and Panama: 2020.

(26) Financial Instruments with Off-Balance Sheet Risk and Other Commitments

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

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

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Notes to the Consolidated Financial Statements**(26) Financial Instruments with Off-Balance Sheet Risk and Other Commitments, continued**

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

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

The Bank uses the same credit policies in making commitments and conditional obligations as as those used when granting loans that are accounted for in the consolidated statement of financial position. As of December 31, 2024, the outstanding amounts of letters of credit, financial guarantees and loan commitment letters are as follows:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Stand-by letters of credit	12,146,325	127,220,538
Commercial letters of credit (1)	2,473,896	3,130,066
Financial guarantees	70,806,322	76,700,705
Loans commitments (disbursement commitment letters)	<u>46,823,248</u>	<u>60,665,560</u>
	<u><u>132,249,791</u></u>	<u><u>267,716,869</u></u>

(1) Includes commercial and mortgage disbursement commitment letters.

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

	December 31, <u>2024</u>	December 31, <u>2023</u>
Up to 1 year	83,057,186	241,264,407
Over to 1 year	<u>46,718,709</u>	<u>23,322,396</u>
	<u><u>129,775,895</u></u>	<u><u>264,586,803</u></u>

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Notes to the Consolidated Financial Statements

(26) Financial Instruments with Off-Balance Sheet Risk and Other Commitments, continued.

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other guarantees to cover for these guarantees issued. The assets held as collateral that the Bank can obtain and settle to collect all or part of the amounts paid under these guarantees as of December 31, 2024, amounted to \$3,739,477 (2024: \$3,671,567).

(27) Disclosures on the Fair Value of Financial Instruments

The Bank established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability.

The judgments are developed by the Bank based on the best information available, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Bank believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

Recurrent Fair Value Measurement

The following is a description of the valuation methodologies used to value instruments carried at fair value, including a general classification of such instruments according to the fair value hierarchy.

Investment Securities

When there are market prices in an active market, investment securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid bonds from the government and agencies and investments in highly traded shares.

If market prices are not available for specific security, the fair value is determined using market prices of securities with similar characteristics or discounted cash flows and are classified in Level 2. In certain cases where there is limited activity or less transparency in determining the assumptions used in the valuation, securities are classified in Level 3 of the fair value hierarchy.

Therefore, when valuing certain debt obligations, determining fair value may require comparisons with similar instruments or default and collection rate analysis.

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Notes to the Consolidated Financial Statements

(27) Disclosures on the Fair Value of Financial Instruments, continued

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

	<u>Level 1</u>	<u>Other significant observable Level 2</u>	<u>Significant unobservable Level 3</u>	<u>December 31, 2024</u>
Assets				
Investments at FVTPL:				
Other governments	0	6,341,777	0	6,341,777
Corporates bonds	0	3,122,247	19,296,191	22,418,438
Mutual funds	0	444,367	622,189	1,066,556
Common stocks	<u>0</u>	<u>9,908,391</u>	<u>19,918,380</u>	<u>29,826,771</u>
Total investments at FVTPL				
Investments at FVOCI:				
Governments:				
United States of America	250,027,942	48,467,257	0	298,495,199
Other governments	<u>0</u>	<u>429,112,498</u>	<u>0</u>	<u>429,112,498</u>
	250,027,942	477,579,755	0	727,607,697
Corporate bonds	<u>394,645</u>	<u>145,800,988</u>	<u>0</u>	<u>146,195,633</u>
Total investments at FVOCI	<u>250,422,587</u>	<u>623,380,743</u>	<u>0</u>	<u>873,803,330</u>
	<u>250,422,587</u>	<u>633,289,134</u>	<u>19,918,380</u>	<u>903,630,101</u>
Total Assets				
	<u>Level 1</u>	<u>Other significant observable Level 2</u>	<u>Significant unobservable Level 3</u>	<u>December 31, 2023</u>
Assets				
Investments at FVTPL:				
Other governments	0	8,293,127	0	8,293,127
Corporates bonds	0	72,784	0	72,784
Mutual funds	0	2,602,620	18,914,790	21,517,410
Common stocks	<u>0</u>	<u>453,495</u>	<u>594,097</u>	<u>1,047,592</u>
Total investments at FVTPL	<u>0</u>	<u>11,422,026</u>	<u>19,508,887</u>	<u>30,930,913</u>
Investments at FVOCI:				
Governments:				
United States of America	279,777,472	53,131,037	0	332,908,509
Other governments	<u>0</u>	<u>316,118,527</u>	<u>0</u>	<u>316,118,527</u>
	279,777,472	369,249,564	0	649,027,036
Corporate bonds	<u>381,248</u>	<u>134,075,525</u>	<u>0</u>	<u>134,456,773</u>
Total investments at FVOCI	<u>280,158,720</u>	<u>503,325,089</u>	<u>0</u>	<u>783,483,809</u>
	<u>280,158,720</u>	<u>514,747,115</u>	<u>19,508,887</u>	<u>814,414,722</u>
Total Assets				

The Bank's accounting policies include the recognition of transfers between the levels of the fair value hierarchy on the date of the event or change in the circumstances that caused the transfer.

The table below includes the movement of the figures in the consolidated statement of financial position (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended December 31, 2024. When determining whether to classify a financial instrument in Level 3, the decision is based on the importance of unobservable inputs within the overall fair value measurement.

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Notes to the Consolidated Financial Statements**(27) Disclosures on the Fair Value of Financial Instruments, continued**

		Investments	
		Equity	Mutual funds
<u>December 31, 2024</u>			
<u>Assets</u>			
Fair value at January 01, 2024		594,097	18,914,790
Valuation of investments at FVTPL		<u>28,092</u>	<u>381,401</u>
Fair value at December 31, 2024		<u>622,189</u>	<u>19,296,191</u>
		Investments	
		Equity	Mutual funds
<u>December 31, 2023</u>			
<u>Assets</u>			
Fair value at January 01, 2023		593,406	18,577,030
Valuation of investments at FVTPL		<u>691</u>	<u>337,760</u>
Fair value at December 31, 2023		<u>594,097</u>	<u>18,914,790</u>

The table below describes the valuation techniques and input data used in the financial instruments' recurring fair value measurements:

Financial instrument	Valuation technique and entry data used	Level
Corporate bonds and bonds issued by the government and agencies	Consensus prices obtained through price providers (Bloomberg). For part of these instruments discounted cash flows are applied using a market rate of an instrument with a similar remaining maturity. Market prices provided by price providers or local regulators, in less marketable markets. Discounted cash flows are used for various bonds using a rate of market for an instrument with a similar remaining maturity.	(2,3)
Equity	Discounted cash flows using a capital cost rate adjusted for premium for size.	(3)
Equity	Market prices provided by local stock exchanges.	(2)
Mutual funds and other stocks	Net Asset Value.	(2,3)
Embedded financial derivative instruments	Functional currency cash flows Foreign currency cash flows	(3)

Fair value of Financial Instruments, additional disclosures

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

Financial instruments with carrying amounts that approximate the fair value

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

Loans

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

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Notes to the Consolidated Financial Statements**(27) Disclosures on the Fair Value of Financial Instruments, continued**

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

Deposits

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

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

Securities sold under repurchase agreements

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

Borrowings

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

Other financial obligations

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

The valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the consolidated financial position are as follows:

<u>December 31, 2024</u>		<u>Quantitative information of Level 3 fair values</u>	
	<u>Fair Value</u>	<u>Valuation technique</u>	<u>Unobservable assumptions</u>
Common stocks	622,189	Quoted prices for similar instruments	Similar instruments quotes
Mutual funds	19,296,191	Quoted prices for similar instruments	Similar instruments quotes
<u>December 31, 2023</u>		<u>Quantitative information of Level 3 fair values</u>	
	<u>Fair value</u>	<u>Valuation technique</u>	<u>Unobservable assumptions</u>
Common stocks	594,097	Quoted prices for similar instruments	Similar instruments quotes
Mutual funds	18,914,790	Quoted prices for similar instruments	Similar instruments quotes

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Notes to the Consolidated Financial Statements

(27) Disclosures on the Fair Value of Financial Instruments, continued

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

<u>December 31, 2024</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Carrying amount</u>
Financial assets				
Cash and cash equivalents	0	23,388,800	23,388,800	23,388,800
Deposits in banks	0	180,904,119	180,904,119	180,904,119
Investments at AC	44,324,442	0	44,324,442	46,919,212
Loans, excluding financial leases	0	3,479,854,199	3,479,854,199	3,742,746,527
Acceptances outstanding	0	10,519,738	10,519,738	10,519,738
Total financial assets	<u>44,324,442</u>	<u>3,694,666,856</u>	<u>3,738,991,298</u>	<u>4,004,478,396</u>
Financial liabilities				
Deposits	1,027,667,963	2,424,974,161	3,452,642,124	3,459,049,471
Securities sold under repurchase agreements	0	183,633,493	183,633,493	183,633,493
Financial obligations	0	675,966,517	675,966,517	651,693,921
Other financial obligations	0	358,936,592	358,936,592	361,989,958
Acceptances outstanding	0	10,531,946	10,531,946	10,531,946
Total financial liabilities	<u>1,027,667,963</u>	<u>3,654,042,709</u>	<u>4,681,710,672</u>	<u>4,666,898,789</u>
December 31, 2023	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	24,735,176	24,735,176	24,735,176
Deposits in banks	0	159,169,952	159,169,952	159,169,952
Investments at AC	58,516,915	0	58,516,915	62,098,578
Loans, excluding financial leases	0	3,369,991,272	3,369,991,272	3,568,837,864
Acceptances outstanding	0	40,706,425	40,706,425	40,706,425
Total financial assets	<u>58,516,915</u>	<u>3,594,602,825</u>	<u>3,653,119,740</u>	<u>3,855,547,995</u>
Financial liabilities				
Deposits	1,000,881,860	2,434,381,694	3,435,263,554	3,333,518,497
Securities sold under repurchase agreements	0	37,565,243	37,565,243	37,565,243
Financial obligations	0	682,695,152	682,695,152	690,330,185
Other financial obligations	0	358,593,436	358,593,436	360,582,005
Acceptances outstanding	0	40,762,169	40,762,169	40,762,169
Total financial liabilities	<u>1,000,881,860</u>	<u>3,553,997,694</u>	<u>4,554,879,554</u>	<u>4,462,758,099</u>

(28) Trust Agreements Administration and Custody of Securities

As of December 31, 2024, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$430,350,429 (2023: \$506,014,176).

The Bank maintains, within its portfolio of administered trust agreements, a total of \$326,245,130 (2023: \$292,102,685), corresponding to investments of the Board of Directors of the Savings & Capitalization Pension System for Public Sector Employees (SIACAP). The administration of SIACAP was awarded to the Multibank/Multi Securities, through Service Contract No. 008-2017 published in the Official Gazette No.28379 of October 4, 2017. Some important clauses of this Contract establish the following:

- Operate as an investment manager of the resources of SIACAP members for a period of 5 years.
- Manage and invest the resources of affiliates according to Law No.27 of June 27, 1997, and Executive Decree No.32 of July 6, 1998.
- Deliver monthly investment reports to SIACAP.

As of December 31, 2024, the Administrator maintains a compliance bond in the amount of \$3,500,000 (2023: \$3,000,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

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(29) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. These transactions, according to the internal policies of the Bank are carried out at market conditions.

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

	December 31, 2024		December 31, 2023	
	Directors and Key personnel	Related companies	Directors and Key personnel	Related companies
Assets				
Deposits due from banks	0	336,380	0	215,659
ECL deposits due from banks	0	3,000,000	0	3,000,000
Interest bearing deposits	0	(3,345)	0	(3,491)
Loans	1,924,288	27,079	2,933,465	9,635
Loans loss reserve	(24,441)	(2,369)	(18,674)	(1,239)
Accumulated interest receivable and other accounts receivable	2,059	51,514,421	2,143	52,837,819
	<u>1,901,906</u>	<u>54,872,166</u>	<u>2,916,934</u>	<u>56,058,383</u>
Liabilities:				
Demand deposits	698,958	201,904,642	1,025,363	202,696,120
Time deposits	1,000,150	34,483,732	1,970,027	46,014,500
Accumulated interest payable and other liabilities	13,264	363,118	9,810	498,661
	<u>1,712,372</u>	<u>236,751,492</u>	<u>3,005,200</u>	<u>249,209,281</u>
	December 31, 2024		December 31, 2023	
	Directors and Key personnel	Related companies	Directors and Key personnel	Related companies
Interest income and other income	<u>73,617</u>	<u>207,490</u>	<u>97,266</u>	<u>246,455</u>
Interest expense and other operating expenses	<u>42,030</u>	<u>15,296,750</u>	<u>81,966</u>	<u>8,087,352</u>
Key management personnel benefit	<u>4,425,826</u>	<u>0</u>	<u>5,993,167</u>	<u>0</u>

(30) Operating Segments

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

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

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Notes to the Consolidated Financial Statements

(30) Operating Segments, continued

<u>December 31, 2024</u> <i>Amounts in thousands</i>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets	5,155,600,137	8,737,824	81,445,590	(65,153,424)	5,180,630,127
Total liabilities	4,724,122,365	173,526	24,856,465	22,643,218	4,771,795,574
<u>Consolidated of Statement of Profit or Loss</u>					
Interest income	295,686,197	332,359	2,825,397	7,899	298,851,852
Interest expenses	224,746,177	0	0	0	224,746,177
Interest income, net	70,940,020	332,359	2,825,397	7,899	74,105,675
Provision for credit risk financial instruments	26,294,237	21,269	57,216	0	26,372,722
Interest income, net after provisions	44,645,783	311,090	2,768,181	7,899	47,732,953
Other income, net	27,315,860	2,126,438	13,059,400	716,469	43,218,167
General and administrative expenses	80,878,184	1,330,654	4,381,403	(150,905)	86,439,336
Income before income tax	(8,916,541)	1,106,874	11,446,178	875,273	4,511,784
Less: Income tax	1,494,931	(197,172)	(1,835,973)	0	(538,214)
Net income	(7,421,610)	909,702	9,610,205	875,273	3,973,570

<u>December 31, 2023</u> <i>Amounts in thousands</i>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets	4,904,488,654	7,860,599	66,731,500	(54,837,435)	4,924,243,318
Total liabilities	4,494,716,652	183,954	19,570,710	25,745,927	4,540,217,243
<u>Consolidated of Statement of Profit or Loss</u>					
Interest income	282,897,477	240,250	1,883,385	(40,204)	284,980,908
Interest expenses	208,874,763	324	78	928	208,876,093
Interest income, net	74,022,714	239,926	1,883,307	(41,132)	76,104,815
Provision for credit risk financial instruments	19,515,840	(4,907)	46,671	0	19,557,604
Interest income, net after provisions	54,506,874	244,833	1,836,636	(41,132)	56,547,211
Other income, net	25,180,697	2,277,831	10,982,423	793,299	39,234,250
General and administrative expenses	78,693,899	1,306,672	4,276,193	(150,905)	84,125,859
Income before income tax	993,672	1,215,992	8,542,866	903,072	11,655,602
Less: Income tax	(1,242,367)	(231,012)	(1,496,942)	0	(2,970,321)
Net income	(248,695)	984,980	7,045,924	903,072	8,685,281

(31) Litigations

To the best of management's knowledge, the Bank is not involved in any litigation or claim that is likely to cause a significant adverse effect on its business, its consolidated financial position or its consolidated financial performance.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(32) Regulatory Aspects

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

The Bank's banking operations are subject to various regulatory requirements administered by the various regulators in which it operates or is licensed. Failure to comply with these regulatory requirements may give rise to certain mandatory actions, and possibly other discretionary actions, by regulators that, if assumed, may have a significant effect on the Bank's financial statements. Under the equity sufficiency guidelines and the regulatory framework for prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that contemplate quantitative measures of assets and certain elements outside the consolidated statements of financial position, in accordance with regulatory accounting practices. The capital amounts of the Bank's banking operations and their classification are subject to qualitative judgments by regulators regarding their components, risk weights and other factors.

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

- *Director's Board General Resolution SBP-GJD-003-2013 issued by the Superintendency of July 9, 2013.*

This Resolution establishes that in the event that the calculation of a provision or reserve in accordance with prudential rules applicable to banks, which present specific aspects in addition to those required by IFRS, is greater than the respective calculation determined under IFRS, the excess provision or reserve under prudential rules will be recognized within equity as a regulatory reserve.

- *Agreement No. 4-2013 "By which provisions are established on the management and administration of credit risk inherent in the letter of credit and off-balance sheet transactions", issued by the Superintendency on May 28, 2013.*

Among other aspects, this Rule defines the classification categories for credit facilities for specific and dynamic provisions, as well as the criteria of policies for restructured loans, acceptance of guarantees and write-off of operations. Specific impairment provisions of the loan portfolio should be determined and recognized in the financial statements according to the classification of credit facilities in the risk categories currently in use, according to certain weightings of calculations set out in the Rule and considering certain percentages of minimum provisions per category. Dynamic provisions, as a prudential regulatory criterion, will be determined and recognized quarterly as reserves, within equity following certain calculation criteria and restrictions that will be gradually applied.

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Notes to the Consolidated Financial Statements**(32) Regulatory Aspects, continued**

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Agreement No. 4-2013, as of December 31, 2024:

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Loans</u>	<u>Reserves</u>	<u>Loans</u>	<u>Reserves</u>
Normal	3,063,699,030	0	2,881,159,262	0
Special mention	281,139,971	13,047,302	270,152,548	12,286,786
Subnormal	194,785,574	17,236,152	274,359,309	26,630,892
Uncertain	117,976,131	23,380,071	81,716,485	19,562,232
Irrecoverable	<u>101,343,259</u>	<u>56,953,952</u>	<u>68,939,023</u>	<u>44,897,792</u>
Gross amount	<u>3,758,943,965</u>	<u>110,617,477</u>	<u>3,576,326,627</u>	<u>103,377,702</u>

Agreement No. 4-2013 defined past due loans as any credit facility with any unpaid amount for contractual principal, interest or fees, with an aging of more than 30 days up to 90 days, from the payment due date.

Agreement No. 4-2013 defined non-performing loans as any credit facility which payments have remained past due for more than 90 days. This period shall be calculated from the date contractually set for payment. Operations with a lump-sum payment at maturity and overdrafts will become non - performing when the aging of defaulted payments exceeds 30 days from the date on which payment was required.

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

<u>December 31, 2024</u>		
	<u>Non-</u>	
	<u>performing</u>	
<u>Past due</u>	<u>loans</u>	<u>Total</u>
<u>49,726,173</u>	<u>128,321,472</u>	<u>178,047,645</u>

<u>December 31, 2023</u>		
	<u>Non-</u>	
	<u>performing</u>	
<u>Past due</u>	<u>loans</u>	<u>Total</u>
<u>36,155,502</u>	<u>84,615,148</u>	<u>120,770,650</u>

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

- a) For consumer and corporate loans; if payment is in arrears for more than 90 days; and
- b) For residential mortgage loans, if payments is in arrears for more than 120 days.

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Notes to the Consolidated Financial Statements

(32) Regulatory Aspects, continued

Modified special mention category loans

As of November 1, 2022, Agreement 12-2023 came into force, which repeals in all its parts Agreement No. 2-2021 of June 11, 2021, and all its modifications and Agreement No. 6-2021 of December 22, 2021 and all its modifications and which establishes the parameters and guidelines for the definitive restoration of the Modified Special Mention Category Loans to Agreement No. 4-2013.

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

Article 27. Write-off of Operations: Each bank will write off all loans classified as unrecoverable within a period of no more than one year from the date on which it was classified in this category. The following loans shall be exempt from the application of this period:

- Mortgage loans, consumer loans with real estate guarantees and corporate loans with real estate guarantees, classified as risk mitigators in accordance with Article 42 of Agreement No. 11-2019 and whose guarantee is found duly constituted in the Republic of Panama in favor of the Bank. In these cases, each bank will write off all loans classified as unrecoverable within a period of no more than two years, from the date on which it was classified in this category. The above provision may be extended only once for an additional year upon approval by the Superintendent.
- After the year of extension, if the Bank has not yet carried out the stated write off, it must create a reserve within the equity section, by appropriating retained earnings to which the loan value, net of regulatory credit loss reserve, will be charged, according to the percentages set out in the following table:

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

As of December 31, 2024, the Bank established a capital reserve of \$12,349,999 (2023: \$11,901,850), in compliance with Agreement No. 11-2019.

As of December 31, 2024, in compliance with provisions indicated in articles 36 and 38 of Agreement No. 4-2013, the Bank established a dynamic provision as an equity item that is assigned from retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but it does not replace or offset the requirements for the minimum capital adequacy percentage established by the Superintendency of Banks of Panama.

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Notes to the Consolidated Financial Statements**(32) Regulatory Aspects, continued**

Agreement No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor greater than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of December 31, 2024. These percentages represent the following amounts:

	December 31, <u>2024</u>	December 31, <u>2023</u>
1.25%	<u>31,744,232</u>	<u>28,212,574</u>
2.50%	<u>63,488,463</u>	<u>56,425,147</u>

The following table summarizes the balance constituted for dynamic provision by Multibank Inc. and Subsidiaries for each of the following subsidiaries:

	December 31, <u>2024</u>	December 31, <u>2023</u>
Multibank Inc.	<u>56,425,147</u>	<u>56,425,147</u>
	<u>56,425,147</u>	<u>56,425,147</u>

Resolution SBP-GJD-R-2023-01125, establishes the guidelines and parameters for the reinstatement of the dynamic provision provided for in Agreement No. 4-2013.

Article 2 states that banks whose dynamic provision accounting balance is below 1.25% of their risk-weighted assets corresponding to the credit facilities classified in the “normal” category can take advantage of an adjustment period until December 31, 2024.

As for banks whose dynamic provision calculation is equal or higher than 1.25% of risk-weighted assets corresponding to the credit facilities classified in the “pass” category, and as of the enactment of this resolution, the accounting balance of the provision is below the required percentage, these banks may take advantage of a gradual adjustment period for the constitution of the corresponding dynamic provision, in accordance with the below table:

Gradual Adjustment Table

Quarter	Applicable Percentage
Quarter ending June 30, 2024	1.50%
Quarter ending September 30, 2024	1.75%
Quarter ending December 31, 2024	2.00%
Quarter ending March 31, 2025	2.25%
Quarter ending December 31, 2025	2.50%

Article 3 of this resolution states that banks whose dynamic provision accounting balance, as of the enactment of this resolution, exceeds 2.50% of the riskweighted assets corresponding to credit facilities classified in the “pass” category, can return any surplus up to 2.50% to undistributed profits.

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Notes to the Consolidated Financial Statements

(32) Regulatory Aspects, continued

- *Capital Management*

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets.

Management considers that, as of December 31, 2024, the Bank meets all the financial adequacy requirements to which it is subject. The Bank presents its consolidated capital funds on its risk-weighted assets based on Agreements No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

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

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

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

Agreement No.11-2018, by which new provisions on Operational Risks are issued, began to govern on December 31, 2019.

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

Agreement No. 1-2021, by means of which articles 5 and 7 of Agreement No. 1-2015 are modified, which establishes the Capital Adequacy standards applicable to banks and Banking groups, came into force on March 23, 2021.

Agreement No. 3-2022, by means of which article 2 of Agreement No. 3-2016, which establishes rules for the determination of weighted assets for credit risk and counterparty risk, is modified, came into effect on April 19 of 2022.

Agreement No. 8-2022, which modifies article 2 of Agreement No. 3-2016 on assets weighted by credit risk and counterparty risk, came into force on August 2, 2022.

Resolution SBP-GJD-R-2023, which rescinds Resolution SBP-GJD-0005-2020 that established special and temporary considerations in relation to Article 2 of Agreement No. 3-2016 on risk-weighted assets.

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Notes to the Consolidated Financial Statements**(32) Regulatory Aspects, continued**

The Bank presents consolidated capital funds on its weighted assets based on risks, in accordance with the requirements of the Superintendency of Banks of Panama, which are detailed below:

	December 31, 2024	December 31, 2023
Common Equity Tier 1 Capital		
Stockholders' equity	183,645,893	183,645,893
Excess paid in acquisition of non-controlling interests	(152,873)	(152,873)
Retained earnings	194,396,431	193,878,426
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Gain (loss) on securities at fair value through other comprehensive income and others	(53,670,049)	(75,391,307)
Employee benefits	(1,114,222)	(184,017)
Less: deferred tax – tax loss carryforward	(1,395,909)	(2,377,562)
Other intangible assets	(6,980,992)	(7,471,985)
Total Common Equity Tier 1 Capital	<u>314,906,048</u>	<u>292,124,344</u>
Tier 2 Capital		
Subordinated bonds	38,000,000	33,250,000
Total Tier 2 Capital	<u>38,000,000</u>	<u>33,250,000</u>
Dynamic Provision	56,425,147	56,425,147
Total Regulatory Capital Funds	<u>409,331,195</u>	<u>381,799,491</u>
 Credit Risk Weighted Assets, Net of Deductions	 3,234,548,651	 2,882,813,257
Weighted Assets by Operational Risk (Agreement No. 11-2018)	<u>127,530,734</u>	<u>109,697,233</u>
Total risk-weighted assets	<u>3,362,079,385</u>	<u>2,992,510,490</u>
Ratios:		
Capital Adequacy Ratio	12.17%	12.76%
Common Tier 1 Capital Ratio	9.37%	9.76%
Tier 1 Capital Ratio	9.37%	9.76%
Leverage Ratio	6.40%	6.25%

- *Capital Conservation Buffer*

Through Agreement 05-2023 of October 10, 2023, which establishes the principles, general criteria and minimum procedures that banks must observe in the process of constitution and management of the capital conservation buffer.

Banks must maintain a capital conservation buffer above the established minimum capital requirements.

A capital conservation buffer of 2.5% of risk-weighted assets (credit, market and operating) must be established, consisting of ordinary primary capital and in addition to all the minimum regulatory capital requirements that are established.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(32) Regulatory Aspects, continued

In accordance with the guidelines established in this Agreement, the following table shows the capital adequacy ratio considering 2.5% of the conservation buffer:

Capital Conservation Index and Buffer (in Percentage)

	Ordinary Primary Capital	Total Primary Capital	Minimum Total (Regulatory) Capital
Minimal	4.5%	6.0%	8.0%
Conservation Mattress	2.5%		
Minimum Plus Conservation Mattress	7.0%	8.5%	10.5%

If, in the opinion of the Superintendency of Banks, the percentage of retained earnings is not sufficient to establish the capital conservation buffer at a reasonable pace, the Superintendency of Banks shall require the bank to provide a plan to obtain the capital increase necessary to comply with the Agreement.

This Agreement shall enter into force on 1 July 2024.

- *Liquidity Ratio*

The percentage of the liquidity ratio reported by Multibank Inc. (Parent Bank) to the regulatory body, under the parameters of Agreement No. 4-2008, as of December 31, 2024 was 42.55% (2023: 50.07%).

- *Foreclosed Assets*

Agreement No. 3-2009 issued by the Superintendency of Banks of Panama, through which the provisions on the foreclose of real estate are updated, sets the term of five (5) years for the sale of real estate acquired in lieu of unpaid loans.

Foreclosed properties held for sale are recognized at the lower of the carrying amount of the unpaid loans or the estimated realizable value of the properties. The agreement establishes that the reserve for foreclosed properties, assigned from undistributed profits, progressively increases within a range of 10% for the first year of registration up to 90% in the fifth year of being foreclosed, through the establishment of an equity reserve. The progressive table for provision is presented below:

MULTIBANK INC. AND SUBSIDIARIES

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(32) Regulatory Aspects, continued

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

As of December 31, 2024, the Bank constituted a reserve for foreclosed properties amounting to \$7,158,521, (2023: \$4,434,772), as an equity item that is allocated from undistributed profits.

- *Regulation from the Republic of Costa Rica*

A capital reserve must be created in compliance with article 143 of the Code of Commerce of Costa Rica, which requires allocation of 5% of liquid earnings for each business year, for constitution of a capital reserve, until this reserve becomes equivalent to 20% of the paid-in capital of each individual company.

- *Financial Companies Law*

Financial companies in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.42 of July 23, 2001.

- *Finance Lease Laws*

Leasing operations in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.7 of July 10, 1990.

- *Insurance and Reinsurance Laws*

Insurance and reinsurance operations in Panama are regulated by the Superintendency of Insurance and Reinsurance of Panama pursuant to the regulations established by Insurance Law No.12 of April 3, 2012 and Reinsurance Law No.63 of September 19, 1996.

Insurance Reserve

Reserves for legal and catastrophic risks and/or contingencies and a provision for statistical deviations must be established in accordance with Article 213 of the Insurance Law of the Republic of Panama, which establishes that insurers in Panama are required to constitute and maintain in the country, a reserve fund equivalent to 20% of its net earnings before income tax, until the fund reaches two million dollars (\$2,000,000) and, thereafter, 10% until reaching 50% of paid – in capital. As of December 31, 2024, it presents a reserve of \$7,041,881 (2023: \$6,657,625).

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

(32) Regulatory Aspects, continued

- *Securities Law*

Broker-dealer operations in Panama are regulated by the Superintendency of the Securities Market pursuant to the regulations established by Decree-Law No.1 of July 8, 1999, as amended by Law No. 67 of September 1, 2011.

The operations of brokerage houses are currently in the process of being adapted to the Agreement No. 4-2011, as amended in certain provisions by Agreement No. 8-2013, issued by the Superintendency of the Securities Market, which provides that brokerage houses must comply with the capital adequacy rules and its models.

- *Trust Law*

Trust operations are regulated in Panama by the Superintendency of Banks of Panama pursuant to the regulations established by Law No.1 of January 5, 1984, modified and partially rescinded by Law 21 of 2017, which establishes the standards for regulation and supervisory of the fiduciary and the trust business.