

Banco Crèdit Andorrà (Panama), S. A.

**Report and Financial Statements
December 31, 2023**

"This document has been prepared with the knowledge that its content will be available to the public investor and of the public in general"

Banco Crèdit Andorrà (Panama), S. A.

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December 31, 2023

(Figures in balboas)

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“This version of our financial statements is a translation from the original, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.”



Independent Auditors' Report

To the Board of Directors and Shareholder of
Banco Crédito Andorrà (Panama), S. A.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Banco Credit Andorra (Panama), S. A. (the "Bank") as of December 31, 2023, as well as its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The financial statements of the Bank comprise:

- the statement of financial position as of December 31, 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which includes significant accounting policies and other explanatory information.

Basis for the opinion

We have conducted our audit in accordance with International Audit Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities in relation to the audit of the financial statements* section of our report.

We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professionals Accountants (including International Standards of Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the requirements of the code of professional ethics for certified public accountants that are relevant to our audit of the financial statements in the Republic of Panama. We have complied with the other ethical responsibilities in accordance with the IESBA Code of Ethics and the ethics requirements of the Republic of Panama.



To the Board of Directors and Shareholder of
Banco Crèdit Andorrà (Panama), S. A.
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Emphasis Matter

We draw attention to Note 1 to the financial statements, which refers to the approval of the voluntary liquidation plan of the international banking license by the Superintendency of Banks of Panama in January 2023, operating from that date solely under the license of Brokerage House. Our opinion is not modified with respect to this matter.

Responsibilities of management and those charged with governance of the Bank in relation to the financial statements

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

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

Those responsible for the governance of the Bank are responsible for the supervision of the financial information reporting process of the Bank.

Auditor's responsibilities in relation to the audit of the financial statements

Our objectives are to obtain a reasonable assurance that the financial statements as a whole are free of material misstatements, due to fraud or error, and to issue an audit report that includes our opinion. A reasonable assurance is a high degree of assurance, but it does not guarantee that an audit performed in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or aggregated, may be reasonably expected to influence the economic decisions of users taken on the basis of on the financial statements.

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgement and maintain an attitude of professional skepticism during the whole audit. Also:

- We identify and assess the risks of material misstatements in the financial statements, due to fraud or error, we design and apply audit procedures to respond to these risks and obtain sufficient and appropriate audit evidence to provide the basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that resulting from an error, since fraud implies collusion, falsification, deliberate omissions, intentional misstatements, or overrides of internal control.
- We obtain an understanding of the internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, and not with the objective of expressing an opinion about the effectiveness of the Bank's internal control.



To the Board of Directors and Shareholder of
Banco Crédito Andorrà (Panama), S. A.
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- We evaluate the appropriateness of the accounting policies utilized and the reasonableness of the accounting estimates and related disclosures made by the management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude whether a material uncertainty exists related to facts or conditions that may cast significant doubt about the Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention to it in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, that we express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future facts and conditions may be the cause for the Bank to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and facts in a way that achieves a fair presentation.

We communicate with those responsible for the Bank's governance in relation to, among other issues, the planned scope and timing of the audit, as well as the significant findings of the audit, including significant internal control deficiencies identified during our audit.

Report on other legal and regulatory requirements

In compliance with Law 280 of December 30, 2021, which regulates the profession of Certified Public Accountants in the Republic of Panama, we declare the following:

- The direction, execution and supervision of this audit work has been carried out physically in Panamanian territory.
- The partner in charge who has prepared this report of the independent auditors is Maribel Tejada, with certified public accountant license No.4165.
- The engagement team that has participated in the audit referred to this report is constituted by Maribel Tejada, Partner and Héctor Luna, Manager.

PricewaterhouseCoopers

March 22, 2024
Panama, Republic of Panama

Maribel Tejada M.

Maribel Tejada
CPA 4165

Banco Crèdit Andorrà (Panama), S. A.

Statement of Financial Position
For the year ended December 31, 2023
(Figures in balboas)

	Notes	2023	2022		Notes	2023	2022
Assets				Liabilities and Equity			
Cash and cash equivalents		600	600	Liabilities			
Deposits in bank				Customer deposits			
Demand	6	17,734,076	19,827,004	Demand	11	31,884,195	44,794,141
Time	6	77,312,383	75,772,105	Time	6 and 11	96,212,778	92,906,207
Accrued interest receivable	6	915,567	537,638	Accrued interest payable	6 and 11	517,305	378,061
Total deposits with banks		95,962,026	96,136,747	Total customer deposits	11	128,614,278	138,078,409
Total cash and deposits with banks	7	95,962,626	96,137,347	Lease liabilities	6 and 12	77,843	166,272
				Accounts payable		316,452	318,983
Loans, external sector	8	57,713,248	64,752,980	Accounts payable - related parties	6	53,113	223,693
Accrued interest receivable	8	483,678	155,384	Other liabilities	6 and 13	1,148,566	974,563
Reserve for expected credit losses	8	(3,560)	(5,547)				
				Total liabilities		130,210,252	139,761,920
Loans, net	8	58,193,666	64,902,817				
				Commitments and contingencies	17 and 18		
Right-of-use assets, net	9	75,209	165,461				
Accounts receivable - related parties	6	385,305	385,376	Equity			
Other assets	6 and 10	1,353,806	1,520,588	Common shares	14	11,950,000	11,950,000
				Retained earning		11,653,079	9,037,391
				Regulatory loan reserve	22	2,156,981	2,362,278
Total assets		155,970,312	163,111,589	Total equity		25,760,060	23,349,669
				Total liabilities and equity		155,970,312	163,111,589

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

Banco Crèdit Andorrà (Panama), S. A.**Statement of Comprehensive Income
For the year ended December 31, 2023***(Figures in balboas)*

	Notes	2023	2022
Interest Income			
Time deposits in banks	6	4,562,020	2,817,773
Loans		<u>3,677,562</u>	<u>1,735,656</u>
Total interest income		<u>8,239,582</u>	<u>4,553,429</u>
Interest Expense			
Deposits	6	4,229,330	2,148,799
Lease liabilities	6	<u>7,571</u>	<u>19,544</u>
Total interest expense		<u>4,236,901</u>	<u>2,168,343</u>
Net interest income before provisions		4,002,681	2,385,086
Reverse of expected credit losses in loans	8	<u>2,081</u>	<u>7,709</u>
Net interest and commission income after provisions		<u>4,004,762</u>	<u>2,392,795</u>
Other Income (Expenses)			
Income from contracts	6 and 15	3,209,023	3,268,869
Commissions expense	6	(1,482,231)	(1,134,899)
Net gain on financial instruments	15	160,347	130,811
Unrealized gain on derivative financial instruments		81,254	146,588
Unrealized loss on derivative financial instruments		(69,177)	(146,588)
Other income	15	<u>103,173</u>	<u>106,343</u>
Total other income, net		<u>2,002,389</u>	<u>2,371,124</u>
Revenues, net		6,007,151	4,763,919
General and Administrative Expenses			
Salaries and other personnel costs	6 and 16	1,864,064	1,816,827
Professional fees	6 and 16	664,521	880,538
Other expenses	6 and 16	<u>1,068,175</u>	<u>1,096,403</u>
Total general and administrative expenses	16	<u>3,596,760</u>	<u>3,793,768</u>
Net income		<u>2,410,391</u>	<u>970,151</u>

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

Banco Crèdit Andorrà (Panama), S. A.**Statement of Changes in Equity**
For the year ended December 31, 2023
(Figures in balboas)

	Notes	<u>Common Shares</u>	<u>Retained Earnings</u>	<u>Regulatory Loan Reserve</u>	<u>Total Equity</u>
Balance at December 31, 2021		11,950,000	8,272,537	2,156,981	22,379,518
Net income		-	970,151	-	970,151
Regulatory reserve allocation	22	<u>-</u>	<u>(205,297)</u>	<u>205,297</u>	<u>-</u>
Balance at December 31, 2022		11,950,000	9,037,391	2,362,278	23,349,669
Net income		-	2,410,391		2,410,391
Regulatory reserve reverse	22	<u>-</u>	<u>205,297</u>	<u>(205,297)</u>	<u>-</u>
Balance at December 31, 2023		<u>11,950,000</u>	<u>11,653,079</u>	<u>2,156,981</u>	<u>25,760,060</u>

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

Banco Crèdit Andorrà (Panama), S. A.**Statement of Cash Flows****For the year ended December 31, 2023***(Figures in balboas)*

	Notes	2023	2022
Cash flows from operating activities			
Net income		2,410,391	970,151
Adjustments to reconcile net income with net cash used in the operating activities:			
Depreciation and amortization	9 and 16	90,252	125,308
Gain on sale of financial instruments	15	(160,347)	(130,811)
Unrealized gain on derivative financial instruments		(81,254)	(146,588)
Unrealized loss on derivative financial instruments		69,177	146,588
Reversal provision of expected credit losses on loans	8	(2,081)	(7,709)
Interest income		(8,239,582)	(4,553,429)
Interest expense		4,236,901	2,168,343
Net changes in operating assets and liabilities:			
Time deposits in banks with original maturities greater than three months		(4,199,391)	(2,777,353)
Loans		7,039,732	15,624,623
Other assets		248,107	(194,190)
Demand deposits		(12,909,946)	(43,196,666)
Time deposits		3,306,571	(6,307,901)
Other liabilities		(60,620)	151,604
Interest received		7,533,359	4,234,207
Interest paid		(4,097,657)	(2,000,724)
Net cash used in operating activities		<u>(4,816,388)</u>	<u>(35,894,547)</u>
Cash flows from investing activities			
Purchase of securities at fair value		(9,059,240)	(8,393,773)
Sale of securities at fair value	15	<u>9,219,587</u>	<u>8,524,584</u>
Net cash provided by investing activities		<u>160,347</u>	<u>130,811</u>
Cash flows from financing activities			
Payment of lease liabilities and net cash used in financing activities	12	<u>(96,000)</u>	<u>(146,000)</u>
Net decrease in cash and cash equivalents		(4,752,041)	(35,909,736)
Cash and cash equivalents at the beginning of the year	7	<u>22,486,717</u>	<u>58,396,453</u>
Cash and cash equivalents at the end of the year	7	<u><u>17,734,676</u></u>	<u><u>22,486,717</u></u>

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

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

1. General Information

Banco Crèdit Andorrà (Panama), S. A. (the “Bank”) is incorporated in accordance with the laws of the Republic of Panama, through Public Deed No.16146 of July 21, 2008. It began operations on November 17, 2008, under an International Banking License granted by the Superintendency of Banks of Panama, through Resolution S.B.P. No.207-2008 of August 28, 2008. This License allows the Bank to manage, from an office in Panama, transactions that are perfected, consumed or that take effect abroad and perform those other activities authorized by the Superintendency of Banks.

The Bank is a wholly-owned subsidiary of Crèdit Andorrà Panama Holding, S. A., a company incorporated in Panama. Crèdit Andorrà, a corporation constituted in 1949, in the Principality of Andorrà, is the owner of Crèdit Andorrà Panama Holding, S. A.

The related company, Crèdit Andorrà Panama Securities, S. A. merged its operations with the Bank. This merger by absorption was authorized by the Superintendency of Banks of Panama according to Resolution SBP-RG-No.6-2012 of May 29, 2012. Crèdit Andorrà Panama Securities, S. A. (absorbed company) received from the Superintendency of Capital Markets of Panama, the license to operate as a Brokerage House, through the Resolution No.236-09 of July 22, 2009. Once the merger by absorption was completed, the Bank maintains the license of Brokerage House.

Voluntary Liquidation Plan of the International Banking License

Through Resolution SBP-023-084 of January 13, 2023, the Superintendency of Banks of Panama authorized the Bank to begin the process of voluntary liquidation and cessation of operations covered under the International Banking License, in accordance with the Voluntary Liquidation Plan presented before the Superintendency. The Bank was notified of this resolution on January 30, 2023. After this date, the Bank proceeded to communicate said authorization to collaborators, clients, suppliers and the Superintendency of the Securities Market of Panama.

The voluntary liquidation plan of the International Banking License stipulates, among others, the following important aspects:

- The loans in force on the date of approval will be maintained until maturity and loans with securities operations or reinvestment in investment portfolio may be renewed and will be maintained under the license of the Brokerage House.
- For time deposits, it is stipulated that the duration will be until maturity.
- Normal operations related to international banking activity will cease upon approval by the regulator and those authorized by law to carry out the process of voluntary liquidation of banking operations will be maintained.
- The activities covered under the Brokerage House license will not have changes in their operations and may continue to be carried out, including the granting of loans for the purchase of securities as an activity covered by the brokerage house license.
- After the liquidation process is completed, the legal company name of the entity will be changed.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

1. General Information (Continued)

However, in a timely and exceptional manner and with the approval of the Superintendency of Banks of Panama, certain banking operations, time deposits and overdraft lines may be reviewed and renewed in order to safeguard the commercial and property interests of clients. During the period, time deposit operations were renewed for B/.77,312,383.

The Bank's offices are located in Punta Pacifica, Torres de las Americas, 10th Floor, Suite 1002, Panama City, Republic of Panama.

These financial statements were authorized for issue by the Bank's Board of Directors on March 20, 2024.

2. Basis of Preparation

Compliance with IFRS Accounting Standards

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards). These financial statements were prepared under the historical cost convention. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRS Interpretations) or its predecessor body, the Standing Committee on Interpretations (SIC Interpretations).

Measurement Basis

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value.

In accordance with what is described in Note 1 of the financial statements on the voluntary liquidation of the international banking license and the continuity of operations under the Brokerage House license granted by the Superintendency of Capital Markets of Panama, and based on the position of liquidity of the Bank at the date of authorization for the issuance of these financial statements, Management continues to have a reasonable expectation of having the necessary solvency and liquidity to continue operating, using the going concern accounting basis.

The Bank presents the statement of financial position in order of liquidity.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

2. Basis of Preparation (Continued)

Functional and Presentation Currency

The financial statements are stated in balboas (B/.), the monetary unit of the Republic of Panama, which is at par and is free exchangeable with the dollar (US\$) of the United States of America. The Republic of Panama does not issue its own paper currency and, instead, the dollar (US\$) of the United States of America is used as legal tender, which is considered the functional currency.

New Rules and Amendments Adopted by the Bank

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgments - Disclosure of Accounting Policies: In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 of IFRS, in order to replace the term “significant” with “material” to require entities to disclose material information about their accounting policies, instead of their significant accounting policies. Thus, information about accounting policies may be considered material when considered together with other information in a complete set of financial statements. In the Board's view, accounting policy information is expected to be material if its disclosure would be necessary for primary users to understand the information provided about material transactions, other events or conditions in the financial statements. The amendments to IAS 1 and Statement of Practice 2 of the IFRS are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted

Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of accounting estimate: in February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in order to include the definition of accounting estimates in paragraph 5 and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

Management is evaluating the impact of the changes that this amendment would have on the Bank's financial statements and disclosures.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

2. Basis of Preparation of the Financial Statements (Continued)

New Rules and Amendments not yet Adopted by the Bank

Non-current liabilities with loan agreement agreements - Modifications to IAS 1:

The amendments made to IAS 1 Presentation of Financial Statements in 2020 clarified that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The rating is not affected by the entity's expectations or events after the filing date (for example, receipt of a waiver or breach of covenant). The amendments also clarified what IAS 1 means when it refers to the “settlement” of a liability. The amendments were to apply from January 1, 2022. However, the effective date was subsequently postponed to January 1, 2023 and then to January 1, 2024.

In October 2022, the IASB made additional amendments to IAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current.

The new amendments clarify that loan agreement covenants will not affect the classification of a liability as current or non-current as of the reporting date if the entity is only required to comply with the covenants after the reporting date. However, if the entity is required to comply with a covenant either before or on the filing date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the filing date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The revelations include:

- the carrying amount of the liability,
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the loan covenants.

The amendments should be applied retrospectively in accordance with the normal requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

2. Basis of Preparation of the Financial Statements (Continued)

New Rules and Amendments not yet Adopted by the Bank (continued)

Lease liability for sale and leaseback - modifications to IFRS 16: In September 2022, the IASB finalized limited scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases that explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the post-sale-leaseback lease liability, the seller-lessee determines the “lease payments” and “revised lease payments” in a manner that does not result in the seller-lessee recognizing any amount of profit or loss that is related to the right of use that you retain. This could have a particular impact on sale and leaseback transactions where the lease payments include variable payments that are not dependent on an index or rate. This modification is effective from January 1, 2024.

3. Summary of Material Accounting Policies

Accounting Policies

The accounting policies detailed below have been consistently applied by the Bank to all the periods presented in these financial statements:

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Bank considers deposits in unrestricted financial institutions with original maturities of up to 90 days or less as cash and cash equivalents. (See Note 7).

Transactions in Foreign Currency

Transactions in foreign currency are converted to the functional currency at the exchange rate prevailing on the date of the transaction.

Assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in effect on the date of the statement of financial position.

Foreign currency translation gains or losses are reflected in other income or other expense accounts in the statement of comprehensive income.

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and, simultaneously, to a financial liability or capital instrument in another entity.

Initial Measurement of Financial Assets and Liabilities

Recognized financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities other than financial assets and liabilities at fair value through profit or loss (FVTPL) are aggregated or deducted from the fair value of the financial assets or liabilities, as appropriate, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are immediately recognized in income.

Classification and Subsequent Measurement

The Bank classifies its financial assets according to their subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, based on the Bank's business model for the management of financial assets and the contractual cash flow characteristics of financial assets.

The Bank classifies all financial liabilities according to their subsequent measurement at amortized cost, except for those liabilities measured at fair value through profit or loss, as a result of hedge accounting, as well as liabilities measured at fair value corresponding to non-designated derivatives.

Evaluation of the Business Model

The Bank assesses the objective of the business model in which the financial asset is maintained at the portfolio level, since it reflects the way in which the business is managed, and information is provided to the Management. The information that was considered included the following:

- The policies and objectives of the Bank for the portfolio and the operation of these policies in practice. In particular, if the Management strategy focuses on obtaining income from contractual interests, maintaining a particular interest rate profile, adapting the term of financial assets to the term of the liabilities that finance those assets or making cash flows to through the sale of the assets.
- How the performance of the portfolio is evaluated, and the Bank's Management is informed.
- The risk that affects the performance of the business model and how those risks are managed; and

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Evaluation of the Business Model (continued)

- The frequency, volume and timing of sales in previous years, the reason for such sales and their expectations about future sales activity. However, the information on the sales activity is not considered in isolation, but rather as part of a general evaluation of how the Bank's stated objective is achieved for the management of financial assets and how cash flows are made.

An evaluation of business models to manage financial assets is fundamental for the classification of a financial asset. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the Management's intention for an individual instrument; therefore, the evaluation of the business model is realized at a higher level of aggregation instead of instrument by instrument. The administration does not consider a change in the business model as a result of the cancellation of the international banking license as a result of which the granting of securities-backed loans will continue as an activity covered by the brokerage house license.

Evaluation of whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this evaluation, "principal" is understood as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration for the value of money over time and for the credit risk associated with the outstanding capital during a certain period and for other risks and basic loan costs, as well as the profit margin.

When evaluating whether the contractual cash flows are solely payments of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. When conducting the evaluation, the Bank considers the following:

- Contingent events that would change the amount and periodicity of cash flows.
- Leverage characteristics.
- Terms of advance payment and extension.
- Terms that limit the Bank's claim to the cash flows of specified assets; and
- Characteristics that modify considerations of the value of money over time.

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Financial Assets at Amortized Cost (AC)

Financial assets at amortized cost represent securities and loans whose objective is to maintain them in order to obtain the contractual cash flows during the life of the instrument. These securities and loans are valued at amortized cost if the following two conditions apply:

- The financial asset is maintained within the business model whose objective is to maintain the financial assets to obtain the contractual cash flows; and
- The contractual terms of the financial asset give rise, on the specified dates, to cash flows that are solely payments of the principal and interest on the amount of the outstanding principal.

Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)

These securities are comprised by debt instruments not classified as FVTPL securities or securities at amortized cost and are subject to the same approval criteria as the rest of the loan portfolio. These values are posted at fair value if the following two conditions are met:

- The financial asset is maintained in accordance with a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and
- The contractual conditions of the financial assets give rise on specified dates, to the cash flows that are solely payments of principal and interest on the outstanding balance.

Unrealized gains and losses are reported as net increases or decreases in other comprehensive income ("OCI") in the statement of changes in equity until they are realized. Gains and losses realized by the sale of securities that are included in the net loss in financial instruments are determined using the specific identification method.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

All other financial assets that do not meet the criteria of amortized cost or FVTOCI are measured at fair value through profit or loss. Unrealized and realized gains and losses on financial assets and liabilities are recorded in the statement of comprehensive income as gain (loss) on financial instruments.

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Reclassification

If the business model under which the Bank maintains the financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category are applied prospectively from the first day of the first reporting period following the change in the business model that results in the reclassification of the Bank's financial assets.

Impairment of Financial Assets

The Bank conducts periodic reviews of all its financial assets. The Bank recognizes a reserve for expected credit losses of financial assets at fair value through other comprehensive income and at amortized cost. If at the reporting date, the credit risk of these financial instruments has not increased significantly since the initial recognition, the Bank will measure the reserve for expected losses of said financial instruments for an amount equal to 12 months. However, if the Bank determines that the credit risk of these financial instruments has increased significantly since the initial recognition, then a reserve for the expected loss must be calculated for an amount equal to the expected credit losses over the life of the instrument. If the Bank has calculated a reserve for the loss of a financial instrument for an amount equal to the expected useful life of credit losses in the previous period, due to a significant increase in credit risk, but determines on the date which it is reported that this presumption is no longer fulfilled; then the provision for expected loss must be calculated for an amount equal to 12 months of expected credit losses.

The Bank maintains an internal credit risk rating for each financial asset. These ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. The Bank recognizes in the statement of comprehensive income as a reserve for expected impairment losses, the amount of expected credit losses (or reversal) that is required to adjust the allocation of the loss of the amount that is required to be recognized on the date of presentation.

Loans at Amortized Cost

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and originated by providing funds to a debtor as loans. Loans are presented at their principal amount outstanding, less the allowance for expected credit losses.

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Notes to the Financial Statements

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(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Loans at Amortized Cost (continued)

Default Definition

The Bank considers that a financial asset is in default when it presents any of the following characteristics:

- The debtor is past due for more than 90 days in any of his obligations to the Bank, either in the principal of the loan or interest, or when the principal balance with a single payment at maturity is pending of payment for more than 30 days;
- Impairment in the statement of financial position of the customer, or the existence of other factors to estimate the possibility that the principal balance and the interest of the loans of clients will not be completely recovered.

However, there is a rebuttable presumption that the credit risk of these past due loans has significantly increased since the initial recognition if the Bank has reasonable and sustainable information that is available without disproportionate cost or effort, demonstrating that the credit risk has not significantly increased since its initial recognition despite the contractual payments being more than 30 or 90 days past due.

In assessing whether a borrower is in default, the Bank considers qualitative and quantitative indicators based on data developed internally and obtained from external sources. Inputs in the assessment of whether a financial instrument is in default and its importance may vary over time to reflect changes in circumstances.

Renegotiated or Restructured Loans

They consist of financial assets that, due to difficulties in the payment capacity of the debtor, have been formally documented a variation in the original terms of the credit (balance, term, payment plan, rate or guarantees), and the result of the evaluation of their current condition does not allow to reclassify them as normal. Once restructured, these loans are maintained for a period of six (6) months, in the risk classification prior to the restructuring, independently of any improvement in the debtor's condition after the restructuring.

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3. Summary of Material Accounting Policies (Continued)

Reserve for Expected Credit Losses

Losses derived from debt instruments, loans receivable, credit commitments and financial guarantee contracts and deposits in banks are constituted, using the reserve method for expected credit losses. Increases in the reserve for expected credit losses are charged to results. Write-offs are deducted from the reserve, and subsequent recoveries are added. The reserve is also reduced by reversals of the reserve credited to results. The reserve attributable to loans at amortized cost is presented as a deduction to the loans and the reserve for expected credit losses for credit commitments and financial guarantee contracts, such as letters of credit and guarantees, is presented as a liability.

The Bank maintains a system of internal credit quality indicators. These indicators are assigned based on several factors including profitability, asset quality, cash and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and quality of management, and the borrower's shareholders.

The model of expected credit losses reflects the general pattern of impairment or improvement in the credit quality of loans and debt instruments. The amount of expected credit losses recognized as a reserve or provision depends on the degree of credit impairment since the initial recognition.

Loss reserves are recognized for the amount equivalent to the expected credit loss of 12 months for debt instruments that are determined to reflect credit risk at the report date. For the rest of the cases, reserves are recognized based on the amount equivalent to the expected credit loss during the total lifetime of the asset.

For the default valuation criteria, the standard establishes three stages of impairment for financial assets from the date of acquisition or origin:

- Stage 1: applies to all loans (at the initial recognition), if there is no significant impairment in the credit quality. The Bank calculates and recognizes a reserve for credit losses for the amount equivalent to the expected credit losses of 12 months after the date of the financial statement presentation.

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3. Summary of Material Accounting Policies (Continued)

Reserve for Expected Credit Losses (continued)

- Stage 2: applies when there has been a significant increase in the individually or collectively credit risk since its initial recognition. The Bank calculates and recognizes a reserve for credit losses for the amount equivalent to the expected credit losses during the total life of the asset. At this stage, the reserve for expected credit losses is higher than in stage 1, which only considers a 12-month default horizon.
- Stage 3: applies when there has been a significant increase in the individually or collectively credit risk since its initial recognition. The Bank recognizes a reserve for credit losses for the amount equivalent to the expected credit losses during the total life of the asset, based on a probability of default of 100% on the cash flows of the asset's recoverable funds. At this stage, interest income is calculated on amortized cost (the gross carrying amount after deducting the impairment reserve). In later periods, if the credit quality of the financial assets improves and the improvement can be objectively related to the occurrence of an event (such as an improvement in the credit rating of the borrower), then the Bank must once again perform the calculation of the interest income.

The expected losses for impairment are determined using two methodologies to determine if there is objective evidence of impairment, that is, individually for loans that are individually significant and collectively for loans that are not individually significant.

- Individually assessed loans
Impairment losses on individually assessed loans are determined based on an exposure assessment on a case-by-case basis. If it is determined that there is no objective evidence of impairment, for an individually significant loan, it is included in a group of loans with similar characteristics and is collectively evaluated for impairment. The impairment loss is calculated by comparing the present value of the expected future cash flows, discounted at the current loan rate, against its current carrying amount and the amount of any loss is recognized as a provision for losses in the statement of comprehensive income. The carrying amount of the impaired loans is reduced against the reserve account.
- Collectively evaluated loans
For the purposes of a collective assessment of impairment, loans are grouped according to similar characteristics of credit risk. These characteristics are relevant for the future cash flows estimate for the groups of such assets, being indicative of the debtors' ability to pay the amounts owed according to the contractual terms of the assets that are evaluated.

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Notes to the Financial Statements

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(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Reserve for Expected Credit Losses (continued)

- Collectively evaluated loans (continued)
Future cash flows in a group of loans that are collectively evaluated to determine whether there is impairment are estimated according to the contractual cash flows of the assets in the group, the historical loss experience for assets with credit risk characteristics similar to the group and on experienced Management views on whether the current economy and credit conditions can change the real level of historical inherent losses suggested.

The amount of any estimated loss due to loan impairment is charged as a provision for losses in the statement of comprehensive income and credited to a reserve account. Loans written-off are charged to the reserve account for credit losses.

Significant Increase in Credit Risk

The Bank determines that an exposure to credit risk reflects a significant increase since its initial recognition if, based on the internal models of credit risk classification and/or days of delinquency, there is a significant decline over a certain range.

Measurement of Expected Credit Losses

The balances of the reserves for expected credit losses, both for loans at amortized cost and for loan commitments, are calculated applying the following formula:

$$\text{Reserves} = \sum (E \times \text{PD} \times \text{LGD})$$

- Exposure (E) - total accounting balance at the end of the period under review.
- Probability of default (PD) - the probability of default of one year applied to the portfolio for expected losses less than 12 months and during the lifetime for expected losses greater than 12 months.
- Loss given default (LGD) - a factor based on historical information is used, as well as based on best practices in the banking industry, volatility and simulation scenarios based on prospective information. Management applies judgment and experience of historical losses.

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

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3. Summary of Material Accounting Policies (Continued)

Reserve for Expected Credit Losses (continued)

Consideration of Prospective Information

External information used to assess future conditions may include economic data and projections published by government entities and monetary and financial authorities where the Bank and Headquarters operate. The Bank models a series of possible scenarios (central, optimistic and conservative) by incorporating forward-looking parameters that have historically shown a strong correlation with delinquency levels (mainly Andorra's GDP).

In order to ensure the reliability and consistency of hedging estimates, the Bank has designed retrospective tests (backtesting), through which it compares the estimates made with the actual losses actually observed, and comparison and reference tests (benchmarking), through which it compares the estimates with the estimates of expected loss for solvency purposes and any other reference considered relevant.

Accounts Receivable

Accounts receivable are amounts owed by customers for goods sold or services rendered in the ordinary course of business. Generally, they must be collected in a short term. Accounts receivables are initially recognized for the amount of the unconditional consideration unless they contain significant financing components, in which case they are recognized at fair value. The Bank maintains accounts receivable in order to collect contractual cash flows and, therefore, they are subsequently measured at amortized cost using the effective interest method, less any impairment.

Derivative Financial Instruments for Trading

The Bank accounts for its derivative financial instruments for trading in the statement of financial position at its fair value. Changes in the valuation of these derivative instruments for trading are accounted for in the statement of comprehensive income.

Fair Value Measurement

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

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3. Summary of Material Accounting Policies (Continued)

Fair Value Measurement (continued)

When applicable, the Bank measures the fair value of an instrument using a price quoted in an active market for such instrument. A market is considered to be active when quoted prices are easily and regularly available through a stock exchange, financial intermediaries, a sector institution, a price service or a regulatory body, and these prices reflect real market transactions with the enough frequency and volume to provide information to set market prices.

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

The best evidence of fair value is a quoted market price in an active market. If the market for a financial instrument is not considered active, a valuation technique is used. The decision of whether a market is active may include but is not limited to the consideration of factors such as the magnitude and frequency of commercial activity, the availability of prices and the magnitude of offers and sales. In inactive markets, the guarantee to obtain that the transaction price provides evidence of fair value or to determine the adjustments to transaction prices that are necessary to measure the fair value of the instrument, requires additional work during the valuation process.

Compensation of Financial Assets and Liabilities

Financial assets and liabilities are offset and presented in their net amount in the statement of financial position only when there is a legally recognized right to offset the recognized amounts and there is an intention to settle in net terms, or to realize the asset and settle the liability simultaneously.

Right-of-Use Assets and Lease Liabilities

At the beginning of the lease, if the lease transfers the right to control the use of an identified asset for a period of time in exchange for consideration, the lessee must recognize a right-of-use asset, which represents its right to use the asset. underlying, and a lease liability, which represents its obligation to pay future lease payments.

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(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Right-of-Use Assets and Lease Liabilities (continued)

On the commencement date of a lease, both the right-of-use asset and the lease liability are measured at the present value of the lease payments that have not been paid on that date. Lease payments are discounted using the incremental lessee loan rate.

Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liability, while the lease liability is measured by increasing its value to reflect interest; reducing it to reflect the lease payments obtained and measuring it again to reflect the new measurements or modifications of the lease. The interest on a lease liability over the term of the lease will be the amount that produces a constant periodic rate (incremental lending rate) of interest on the remaining balance of the lease liability.

The Bank has chosen not to recognize right-of-use assets and lease liabilities in the following cases:

- Leases whose term is less than 12 months
- Leases in which the underlying asset is of low value (equal to or less than B/.5,000).

These exemptions and their respective payments are recognized as a rental expense in the results of the period.

Financial Liabilities

The Bank classifies all financial liabilities as subsequently measured at amortized cost, except in the case of financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, will be measured subsequently at fair value. Under IFRS 9, changes in fair value are presented as follows:

- The amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be presented in other comprehensive income; and
- The remaining amount of the change in the fair value of the liability will be presented in the result of the period.

Banco Crèdit Andorrà (Panama), S. A.

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(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Accounts Payable

Accounts payable are recorded at amortized cost and paid in accordance with previously established contractual conditions.

Provisions and Contingent Liabilities

Provisions are reserves in which there is uncertainty about their amount or maturity. Said provisions are recognized in the statement of financial position when the following requirements are met in a copulative manner:

It is a present obligation (legal or implicit) as a result of past events and at the date of the financial statements it is probable that the Bank will have to get rid of resources to settle the obligation and the amount of these resources can be reliably measured.

Provisions (which are quantified taking into account the best information available on the consequences of the event in which they are caused and are re-estimated at each accounting close) are used to meet the specific obligations for which they were originally recognized, proceeding to its reverse, total or partial, when said obligations cease to exist or decrease.

Provisions are classified based on the obligations covered, being for the purposes of these financial statements provisions for contingencies.

A contingent liability is any obligation that arises from past events whose existence will be confirmed only if one or more uncertain future events occur and are not under the control of the Bank.

Interest Income and Expense

Interest income and expense are generally recognized in the statement of comprehensive income for all financial instruments presented at amortized cost using the effective interest method based on the balance and agreed rates.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the financial income or expense over the relevant period.

Income from Contracts

The Bank recognizes income from activities from contracts, which represent the transfer of goods or services promised to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods. Or services.

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(Figures in balboas)

3. Summary of Material Accounting Policies (Continued)

Income from Contracts (continued)

Revenues from contracts with clients are evaluated as follows:

- Identification of the contract with the client: the rights of the parties, payment conditions, evaluation of the commercial rationale, characteristics of the considerations are identified, and it is evaluated if it gives rise to modifications. Or combinations within them;
- Identification of contract performance obligations: the commitments included in the entity's contracts are evaluated to identify when the customer makes use of the service and if the obligations are separately identifiable.
- Determination of the price: the characteristics of the amounts to which one is entitled in exchange for the promised services are reviewed in the contracts, in order to estimate the effect of variable considerations in kind, or others payable to the client;
- Distribution of the price: in the evaluation of the prices to the contracts, it is determined if they are designated individually to the services provided by the entity, even in contracts where there is more than one obligation; and
- Satisfaction of obligations: the obligations established in the contracts with clients are satisfied when the control of the service is transferred to the client and the recognition is made over time or at a specific moment.

The Bank fulfills a performance obligation and recognizes revenue over time if any of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- Through its provision, the Bank creates or improves an asset (for example, products or work in progress) that is under the control of the client during its creation; and
- With its provision, the Bank does not create an asset that has an alternative application for itself and is entitled to payment for the provision made to date.

For performance obligations where none of the indicated conditions are met, revenue is recognized at the time the performance obligation is met. When the Bank fulfills a performance obligation by delivering promised goods or services, it creates a contract asset in the amount of performance consideration.

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3. Summary of Material Accounting Policies (Continued)

Income from Contracts (continued)

Contract Assets

A contract asset is the Bank's right to receive payment in exchange for goods or services that have been transferred to a customer.

Contract Liabilities

Contract liabilities constitute the Bank's obligation to transfer services to a customer, for which the Bank has received payment from the final customer or if the amount is due. They also include deferred fee income related to services to be delivered or rendered in the future, which are billed to the customer in advance, but the services have not yet been provided.

Revenue is recognized to the extent that the performance obligations established in customer contracts are satisfied, which may be over time or at a specific time when control of the service is transferred to the customer.

Non-Contract Revenue

Non-contract revenue includes other revenue

Commissions for Banking Services, Securities Operations and Custody of Assets

Generally, commissions for banking services are recognized as income at the time they are collected, as they are short-term transactions. The revenue recognized at the time of collection is not significantly different from that recognized under the accrual method.

Commissions on securities operations (purchase/sale) are charged at the time the transaction is executed and are deducted from the client's account balance. It is considered that the performance obligation is satisfied at a point in time given that the client has the obligation to pay when the Bank has provided the service; In addition, the client has accepted the obligation.

Asset management commissions such as: maintenance, custody and wealth management are calculated based on a previously negotiated percentage of the value of managed assets and are charged quarterly. The performance obligation is considered to be satisfied over time.

The breakdown of revenue from contracts with customers is presented in Note 15.

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Notes to the Financial Statements

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3. Summary of Material Accounting Policies (Continued)

Distribution of Dividends

The distribution of dividends to the Bank's shareholder is recognized as a liability in the financial statements in the period in which the dividends are approved by the Bank's Board of Directors for distribution.

Employee Benefits

Short-Term Employee Benefits

The Bank grants its employees short-term benefits corresponding, among others, to salaries, social security contributions, layoffs, insurance and bonuses; which are expected to be fully settled within twelve months following the end of the annual reporting period in which the employees have rendered the related services. Short-term benefits are recognized to the extent that employees provide the service, for the expected value to be paid.

Labor Benefits

Current labor regulations require that, at the end of the labor relationship, whatever its cause, the employer recognizes in favor of the employee a seniority bonus at the rate of one week's salary for each year of service. Additionally, the Bank is obliged to indemnify those employees who are dismissed without just cause. There is no material staff reduction plan that makes it necessary to create a provision for the percentage required by labor regulations, for this concept.

The Bank has established a provision for the worker's seniority premium, consisting of 1.92% of the total wages earned, as established by current labor regulations. Said contributions are recognized as an expense in the statement of comprehensive income and are deposited in a trust fund managed with a fiduciary agent.

4. Financial Instrument Risk Management and Operational Risk

A financial instrument is any contract that in turn originates a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank's activities are mainly related to the use of financial instruments and, as such, the statement of financial position consists mainly of financial instruments.

Banco Crédito Andorrà (Panama), S. A.

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4. Financial Instrument Risk Management and Operational Risk (Continued)

The Board of Directors of the Bank is responsible for establishing and monitoring the risk management policies of financial instruments. For this purpose, certain Committees have been established for the management and periodic monitoring of the risks to which the Bank is exposed. Among these committees are the following: Risk Committee, Credit Committee and Management Committee.

In addition, the Bank is subject to the regulations of the Superintendency of Banks of Panama and the Superintendency of Capital Markets of Panama about concentrations of liquidity and credit risks and capitalization levels, among others.

Main risks identified by the Bank are the credit, counterparty, liquidity, market, operational and capital management risks, which are described below:

Credit Risk

It is the risk that the debtor, issuer or counterparty of a financial asset owned by the Bank does not comply, fully and on time, with a payment that must be made to the Bank in accordance with the terms and conditions agreed upon at the time the Bank acquired or originated the respective financial asset.

To mitigate the credit risk, risk management policies establish processes and controls to be followed for approval of loans or credit facilities, and it is established that the Risk Unit periodically monitors the condition of the financial instrument in the statement of financial position.

At the date of the statement of financial position there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position.

The respective Committees, assigned by the Board of Directors and the Management, periodically monitor the financial condition of the respective debtors and issuers, which involve a credit risk for the Bank.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

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4. Financial Instrument Risk Management and Operational Risk (Continued)

Credit Risk (continued)

The Bank has established some procedures for managing credit risk, as summarized below:

Credit Policies Formulation

The credit policies are formulated and approved by the Board of Directors, in coordination with the Credit Committee and the Risk Committee

The clients that comply with the requirements established by Management are subject to credits. At all times, it should be attempted to get as much coverage as possible. Any exception will be authorized by the corresponding instances.

Establishment of Authorization Limits

Authorization limits are established jointly by the Credit Committee, as recommended by the Risk Unit, and ratified by the Board of Directors. Any exception will be authorized by the Head Office through the Credit Commission.

Limits of Concentration and Exposure

Limits of concentration and exposure of maximum risks by industry and debtor, as well as for economic groups, are established by Management, taking into consideration the level of capital of the Bank and the size of the loan portfolio, and adhering to the policies and banking regulations in force in Panama and Andorra.

Development and Maintenance of Risk Assessment

It is verified that the operation meets the policies established in terms of documentation, evaluation, guarantees and disbursement approval. Risk assessments are done individually for all commercial and individual customer.

Review of Policy Compliance

The Bank prepares the reports deemed necessary to keep the Head Office, General Management, Superintendency of Banks of Panama, Superintendency of Capital Markets of Panama and other areas in charge of monitoring risk management informed.

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4. Financial Instrument Risk Management and Operational Risk (Continued)

Credit Risk (continued)

Credit Quality Analysis

The following table analyzes the credit quality of the financial assets and the reserves for impairment maintained by the Bank for these assets:

	<u>Loans Receivable and Interest Receivable</u>		<u>Other Assets at Fair Value</u>		<u>Deposits with Banks and Interest Receivable</u>	
	2023	2022	2023	2022	2023	2022
Maximum exposure						
Book value	<u>58,196,926</u>	<u>64,908,364</u>	<u> </u>	<u> </u>	<u>95,962,026</u>	<u>96,136,747</u>
At amortized cost						
Normal	57,693,985	55,122,801		-	95,962,026	96,136,747
Normal and in vigilance	502,941	9,785,563		-	-	-
Doubtful		-		-	-	-
Reserve for impairment	<u>(3,560)</u>	<u>(5,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value	<u>58,193,366</u>	<u>64,902,817</u>	<u>-</u>	<u>-</u>	<u>95,962,026</u>	<u>96,136,747</u>
With changes through profit or loss						
Normal	<u>-</u>	<u>-</u>	<u>237,788</u>	<u>156,534</u>	<u>-</u>	<u>-</u>
Reserve for impairment individual	<u>3,560</u>	<u>5,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Following are the factors that the Bank has considered in determining its impairment:

Impairment in Loans and Deposits with Banks

The impairment in loans, investments and deposits with banks is determined considering the principal and interest amount, according to the contractual term of the instruments where the book value of the asset is compared with the estimated recoverable value of the asset. As of December 31, 2023, the Bank maintains a reserve for impairment on its loans of B/.3,560 (2022: B/.5,547). In its sensitivity analysis, the Bank considers in determining loan impairment that a change in the assumptions used does not have a major impact on its calculation, due to the nature of the loans.

Past Due but not Impaired

They are considered past due but not impaired, that is, without incurred losses, the loans and investments with guarantees and/or sources of repayment sufficient to cover the book value of the loan and investment.

Banco Crèdit Andorrà (Panama), S. A.

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4. Financial Instrument Risk Management and Operational Risk (Continued)

Credit Risk (continued)

Renegotiated or Restructured Loans

Renegotiated loans are those that, due to difficulties in the repayment capacity of the debtor, a significant variation in the original terms of the credit (balance, term, repayment plan, rate and guarantees) has been formally documented. The objective of the restructuring is to obtain a more favorable situation for the Bank to recover the debt. As of December 31, 2023, the Bank maintains loans amount to B/.23,568 (2022: B/.27,361) under this category.

Write-Offs

The Bank determines the write-off of a group of loans that are uncollectible in the following period that have been classified as irrecoverable, after making an analysis of the financial conditions made since the obligation was not paid and when it is determined that the guarantee is not enough for the full payment of the granted facility. For loans of lesser amounts, the write-offs are usually based on the expired time of the credit granted.

Deposits with Banks

Bank deposits are placed in investment grade financial institutions. 94.21% (2022: 93.44%) of the deposits placed are held at its Parent Company, which has an investment grade of BBB-, according to Fitch Rating, Inc.

Guarantees and Other Improvements to Reduce Credit Risk and its Financial Effect

The Bank has guarantees and other improvements to reduce the credit risk, to ensure the collection of its financial assets exposed to credit risk. The table below presents the main types of guarantees taken regarding different types of financial assets.

	<u>% of exposure subject to guarantee requirements</u>		<u>Type of guarantee</u>
	2023	2022	
Loans receivable	99.99%	99.99%	Cash, properties and debt securities

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Notes to the Financial Statements

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Credit Risk (continued)

Assets Received as Guarantees

Following are the financial and non-financial assets that the Bank has taken over as collateral guarantees to ensure the collection or that have been executed to obtain other credit enhancements during the period.

	2023	2022
Financial instruments (investments in securities)	367,217,387	275,401,907
Deposits with banks	2,650,335	11,098,796
Other guarantees (bank guarantees)	-	10,440,000
Mortgage on real estate	<u>316,950</u>	<u>316,950</u>
	<u>370,184,672</u>	<u>297,257,653</u>

The Bank maintains loans by B/.57,527,118 (2022: B/.53,956,587) guaranteed with investment securities by B/.367,217,387 (2022: B/.275,401,907). These investments are under custody of the Head Office.

The Bank's policy is to realize or execute the sale of these assets, to cover the balances owed.

Credit Risk Concentration

The Bank follows up on the credit risk concentration by sector and geographical location. The analysis of the credit risk concentration at the financial statements date is as follows:

	<u>Loans and Interest Receivable</u>		<u>Deposits with Banks and Interest</u>	
	2023	2022	Receivable 2023	2022
Book value	<u>58,196,926</u>	<u>64,908,364</u>	<u>95,962,026</u>	<u>96,136,747</u>
Concentration by sector:				
Corporate	57,022,854	64,102,363	95,962,026	96,136,747
Consumer	<u>1,174,072</u>	<u>806,001</u>	<u>-</u>	<u>-</u>
	<u>58,196,926</u>	<u>64,908,364</u>	<u>95,962,026</u>	<u>96,136,747</u>

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4. Financial Instrument Risk Management and Operational Risk (Continued)

Credit Risk (continued)

Credit Risk Concentration (continued)

	<u>Loans and Interest Receivable</u>		<u>Deposit with Bank and Interest Receivable</u>	
	2023	2022	2023	2022
Geographic concentration:				
Panama	-	--	1,291,892	903,293
Canada and United States of America	400,682	2,275,400	3,922,366	4,575,623
Latin America and Caribbean	52,082,802	57,756,848	-	-
Europa and Oceania	<u>5,713,442</u>	<u>4,876,116</u>	<u>90,747,768</u>	<u>90,657,831</u>
	<u>58,196,926</u>	<u>64,908,364</u>	<u>95,962,026</u>	<u>96,136,747</u>

Counterparty Risk

It is the risk that a counterparty fails to comply with the settlement of transactions for the purchase or sale of debt securities or other instruments by other participants in the securities markets.

The risk management policies set counterparty limits, which determine, at each moment, the maximum amount of net exposure to unsettled transactions that the Bank may have with a counterparty.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank has difficulty to meet all its obligations associated with its financial liabilities settled through the payment of cash or another financial asset. Liquidity risk can be affected by various causes, such as: unexpected withdrawal of funds contributed by creditors or customers, impairment of in the quality of the loan portfolio, decrease in the value of investments, excessive concentration of liabilities in a particular source, the mismatch between assets and liabilities, the lack of liquidity of assets, or the financing of long-term assets with short-term liabilities. The Bank manages its liquid resources to honor its liabilities upon maturity in normal conditions.

Liquidity Risk Management

The risk management policies establish a liquidity limit that determines the portion of the Bank's assets that must be maintained in high liquidity instruments; as well as financing limits; leverage limits; and term limits.

Banco Crédito Andorrà (Panama), S. A.

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Liquidity Risk (continued)

Liquidity Risk Management (continued)

The Bank is exposed to daily requirements on its available funds due to withdrawals from its demand deposits, maturities of time deposits and obligations and disbursements of loans and guarantees.

The Board of Directors has established minimum liquidity levels on the minimum proportion of funds available to meet such requirements and on the minimum level of inter-bank facilities and other loan facilities that must exist to cover withdrawals at unexpected levels of demand. For this, the Bank's Treasury oversees daily monitoring of liquidity and the Risk Unit carries out the verification on a weekly basis.

All liquidity management policies and procedures are subject to review by the Risk Committee and approval of the Board of Directors.

Liquidity Risk Exposure

The key measure used by the Bank to manage liquidity risk is the net liquid assets ratio on deposits received from customers (net liquid liabilities). The Bank uses the ratio of primary liquid assets to total deposits plus loan payments to measure and monitor its liquidity levels. Primary liquid assets are defined as assets that can be converted into cash within a period equal to or less than one hundred and eighty-six days. A similar calculation is used to measure the liquidity limits established by the Bank in compliance with that indicated by the Superintendency of Banks of Panama with respect to the measurement of liquidity risk.

Following is the Bank's liquidity ratio, which considered the primary liquid assets between the total deposits measured at the financial statements date:

<u>% de Liquidity</u>	2023	2022
As of December, 31	319%	234%
Average	223%	161%
Máximum	525%	234%
Mínimum	143%	80%

Banco Crèdit Andorrà (Panama), S. A.

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Liquidity Risk (continued)

Liquidity Risk Exposure (continued)

The following table details the undiscounted cash flows of financial assets and liabilities in contractual maturity groupings from the remaining period to the date of the statement of financial position.

	2023					Total gross amount nominal input/(output)	Book value
	Up to <u>1 month</u>	From 1 to 3 <u>months</u>	From 3 months to <u>a 1 year</u>	From 1 to 5 <u>years</u>	More than <u>5 years</u>		
Assets							
Cash	600	-	-	-	-	600	600
Deposits with banks	18,064,756	-	82,031,894	-	-	100,096,650	95,046,459
Loans	<u>43,743,504</u>	<u>454,728</u>	<u>14,704,838</u>	-	<u>31,470</u>	<u>58,934,540</u>	<u>57,713,248</u>
Total assets	<u>61,808,860</u>	<u>454,728</u>	<u>96,736,732</u>	-	<u>31,470</u>	<u>159,031,790</u>	<u>152,760,307</u>
Derivate instruments assets							
Future currency exchange Contracts	-	<u>6,493</u>	<u>231,295</u>	-	-	<u>237,788</u>	<u>237,788</u>
Liabilities							
Demand deposits	(31,884,195)	-	-	-	-	(31,884,195)	(31,884,195)
Time deposits	(18,923,679)	-	(81,405,981)	-	-	(100,329,660)	(96,212,778)
Lease liabilities	<u>(7,611)</u>	<u>(15,336)</u>	<u>(54,896)</u>	-	-	<u>(77,843)</u>	<u>77,843</u>
Total liabilities	<u>(50,815,485)</u>	<u>15,336</u>	<u>(81,460,877)</u>	-	-	<u>(132,291,698)</u>	<u>(128,174,816)</u>
Derivative instruments liabilities							
Future currency exchange Contracts	-	<u>(6,493)</u>	<u>(219,218)</u>	-	-	<u>(225,711)</u>	<u>(225,711)</u>
Loan commitments	<u>(31,173,499)</u>	-	-	-	-	<u>(31,173,499)</u>	<u>(31,173,499)</u>

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements December 31, 2023 (Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Liquidity Risk (continued)

Liquidity Risk Exposure (continued)

	2022					Total gross amount nominal input/(output)	Book value
	Up to 1 month	From 1 to 3 months	From 3 months to a 1 year	From 1 to 5 years	More than 5 years		
Assets							
Cash	600	-	-	-	-	600	600
Deposits with banks	21,486,048	1,401,929	76,316,875	-	-	99,204,852	95,599,109
Loans	<u>9,887,179</u>	<u>1,323,216</u>	<u>20,533,269</u>	<u>35,463,405</u>	<u>31,330</u>	<u>67,238,399</u>	<u>64,752,980</u>
Total assets	<u>31,373,827</u>	<u>2,725,145</u>	<u>96,850,144</u>	<u>35,463,405</u>	<u>31,330</u>	<u>166,443,851</u>	<u>160,352,689</u>
Derivate instruments assets							
Future currency exchange Contracts	<u>-</u>	<u>699</u>	<u>155,835</u>	<u>-</u>	<u>-</u>	<u>156,534</u>	<u>156,534</u>
Liabilities							
Demand deposits	(44,794,141)	-	-	-	-	(44,794,141)	(44,794,141)
Time deposits	(18,669,570)	(1,400,253)	(75,816,300)	-	-	(95,886,123)	(92,906,207)
Lease liabilities	<u>(7,169)</u>	<u>(14,445)</u>	<u>(66,815)</u>	<u>(77,843)</u>	<u>-</u>	<u>(166,272)</u>	<u>(166,272)</u>
Total liabilities	<u>(63,470,880)</u>	<u>(1,414,698)</u>	<u>(75,883,115)</u>	<u>(77,843)</u>	<u>-</u>	<u>(140,846,536)</u>	<u>(137,866,620)</u>
Derivative instruments liabilities							
Future currency exchange Contracts	<u>-</u>	<u>(699)</u>	<u>(155,835)</u>	<u>-</u>	<u>-</u>	<u>(156,534)</u>	<u>(156,534)</u>
Loan commitments	<u>(30,105,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,105,556)</u>	<u>(30,105,556)</u>

The following table shows the carrying amounts of non-derivative financial assets expected to be recovered twelve months after the reporting date:

	2023	2022
Loans	<u>23,568</u>	<u>33,651,983</u>

As of December 31, 2023, there are no financial liabilities that are expected to be settled more than twelve months after the reporting date. As of December 31, 2022, financial liabilities pending settlement greater than twelve months after the reporting date corresponded to liabilities for leases with a related party for B/.77,843.

Banco Crèdit Andorrà (Panama), S. A.

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Market Risk

It is the risk that the value of a financial asset of the Bank will be decreased due to changes in interest rates, currency exchange rates, share prices, and other financial variables, as well as the reaction of participants in the markets to political and economic events, to be exposed to the latent losses as to potential gains. The objective of managing market risk is to manage and monitor risk exposures, and to keep them within acceptable parameters by optimizing the return of risk.

Market Risk Management

The monitoring management of this risk is assigned to the Risk Unit in coordination with the Assets, Liabilities and Risks Committee (ALRCO) of Head Office.

ALRCO is responsible for marking the policies related to interest rate, market price and foreign exchange risks, among others; being the establishment of the following limits, an important component of that policy:

- Concentration limits (country, counterparty, sector, credit quality, etc.)
- Foreign exchange limits
- Limits on the investment of the different portfolios
- Market risk limits through VaR (Value at Risk) methodology
- Maximum loss limits
- Limits on the typology of financial instruments

The market risk assessment is performed monthly by the Corporate Risk Department of Head Office, using the VaR (Value at Risk) methodology. The VaR analysis is complemented with Stress test and Backtesting.

The Bank has established maximum limits for market risk losses in its investment portfolio that may be the product of movements in interest rates, credit risk and fluctuations in the market values of investments based on the recommendations of the Assets, Liabilities and Risks Committee (ALRCO) of the Head Office; they take into consideration the portfolio and the assets that comprise it.

Following is the composition and analysis of each type of market risk:

Exchange Rate Risk

It is the risk that the value of a financial instrument fluctuates because of variations in the exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Market Risk (continued)

Exchange Rate Risk (continued)

The sensitivity analysis for exchange rate risk is mainly considered 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 on the currency to which it would be converting and therefore the mix of exchange rate risk.

The following table summarizes the Bank's exposure in foreign currency in its balboas equivalent:

		2023													
		Expressed in USD													
	Argentine Peso	Australian Dollar	Canadian Dollar	Swiss Franc	Danish Krone	Euro	Sterling Pound	Hong Kong Dollar	Yen	Mexican Peso	Norwegian Krone	New Zealand Dollar	Swedish Krona	Total	
Exchange rate	0.0012	0.6795	0.7547	1.1933	0.1491	1.1050	1.2715	0.1280	0.0071	0.1000	0.0983	0.6313	0.0996		
Assets															
Cash and equivalents	834	1,087	1,532,594	235,155	1	553,117	105,159	7,681	13,610	-	55,680	330,706	88,926	2,924,550	
Loans	-	-	-	-	-	12,290,810	8,316,886	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	20,607,696	
Liabilities															
Deposits	834	1,087	1,532,486	228,882	-	12,843,830	8,422,956	7,681	13,620	-	55,680	330,706	88,926	23,526,688	
Other liabilities	-	-	-	-	-	2,387	13,699	-	-	-	-	-	-	16,086	
Total net positions	---	---	108	6,273	1	215,661	81,491	---	(10)	---	---	---	---	303,524	
		2022													
		Expressed in USD													
	Argentine Peso	Australian Dollar	Canadian Dollar	Swiss Franc	Danish Krone	Euro	Sterling Pound	Hong Kong Dollar	Yen	Mexican Peso	Norwegian Krone	New Zealand Dollar	Swedish Krona	Total	
Exchange rate	0.0056	0.6797	0.7386	1.0832	0.1436	1.0666	1.2026	0.1283	0.0076	0.0511	0.1014	0.6350	0.0959		
Assets															
Cash and equivalents	3,807	157,425	3,121,484	169,046	1	1,358,382	53,266	4,617	11,645	12,631	139,609	342,003	936	5,374,852	
Loans	-	-	-	-	-	5,450,359	5,603,540	-	-	-	-	-	-	11,053,899	
Other assets	-	-	6,374	-	-	165,406	1,319	-	-	-	-	-	-	173,099	
Liabilities															
Deposits	3,807	155,586	3,120,837	169,046	1	6,802,422	5,657,657	4,617	11,637	12,631	139,040	342,003	246	16,419,530	
Other liabilities	-	-	2,659	-	-	3,626	5,071	-	-	-	-	-	-	11,356	
Total net positions	---	1,839	4,362	---	---	168,099	(4,603)	---	8	---	569	---	690	170,964	

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Market Risk (continued)

The Bank's Management keeps a monthly control of the local currency position and maintains a conservative position. With this, the Bank keeps the assets in foreign currency updated at its exchange rate, and the financial statements show a gain or loss recognized in the statement of comprehensive income due to the exchange rate differential.

Interest Rate Risk

It is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. To mitigate this risk, the Risk Unit has set exposure limits to the interest rate risk that can be assumed, which are approved by the Board of Directors. Compliance with these limits is monitored by the Risk Committee and the Assets, Liabilities and Risks Committee (ALRCO) of Head Office.

Reform to the Reference Interest

Rate Since 2021, the Bank, together with its Parent Company, formed a LIBOR Transition Team, which, from different work fronts, monitors and manages the discontinuation of active and passive exposures towards the alternative reference rate.

Currently, the Bank has adapted its methodologies, systems and processes to meet the requirements of the transition to the new risk-free rates.

Sensitivity in the Financial Margin

The basic analysis performed by the Bank consists of determining the impact on the financial margin caused by increases or decreases of 200 basis points (bps) in the interest rate. The impact is summarized as follows:

	<u>Sensitivity on the projected net interest income</u>			
	<u>200bps of increase</u>		<u>200bps of increase</u>	
	2023	2022	2023	2022
As of December 31	296,474	1,041,932	(296,474)	(1,041,932)
Average of the year	1,146,140	610,439	(1,146,140)	(654,899)
Maximum of the year	1,819,442	1,323,401	(1,819,442)	(1,323,401)
Minimum of the year	296,474	115,821	(296,474)	(73,746)

The sensitivity to increases or decreases in the market interest rate is made under the Monte Carlo simulation methodology and assumes the generation of 500 interest rate structures according to a normal distribution without considering negative interest rates and the maintenance hypothesis of balance and structure.

Banco Crèdit Andorrà (Panama), S. A.

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(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Market Risk (continued)

Sensitivity in the Financial Margin (continued)

The table below summarizes the Bank's exposure to interest rate risks. The assets and liabilities of the Bank are included in the table at their book value, classified by categories by which occurs first between the new contractual rate fixation or due dates.

	Up to <u>1 month</u>	From 1 to 3 <u>Months</u>	From 3 months <u>to 1 year</u>	From 1 to 5 <u>years</u>	More than 5 <u>years</u>	<u>Total</u>
2023						
Assets						
Deposits with banks	10,730,976	-	77,312,383	-	-	88,043,359
Loans	<u>48,373,672</u>	<u>450,849</u>	<u>8,888,727</u>	-	-	<u>57,713,248</u>
	59,104,648	450,849	86,201,110	-	-	145,756,607
Liabilities						
Customers' deposits	<u>18,900,395</u>	-	<u>77,312,383</u>	-	-	<u>96,212,778</u>
Total interest rate sensitivity	<u>40,204,253</u>	<u>450,849</u>	<u>8,888,727</u>	-	-	<u>49,543,829</u>
	Up to <u>1 month</u>	From 1 to 3 <u>Months</u>	From 3 months <u>to 1 year</u>	From 1 to 5 <u>years</u>	More than 5 <u>years</u>	<u>Total</u>
2022						
Assets						
Deposits with banks	20,452,843	1,386,828	72,907,992	-	-	94,747,663
Loans	<u>43,510,316</u>	<u>12,627,951</u>	<u>8,614,713</u>	-	-	<u>64,752,980</u>
	63,963,159	14,014,779	81,522,705	-	-	159,500,643
Liabilities						
Customers' deposits	<u>18,611,387</u>	<u>1,386,828</u>	<u>72,907,992</u>	-	-	<u>92,906,207</u>
Total interest rate sensitivity	<u>45,351,772</u>	<u>12,627,951</u>	<u>8,614,713</u>	-	-	<u>66,594,436</u>

Price Risk

Price risk is the risk that the value of a financial instrument fluctuates as a result of changes in market prices, regardless of whether they are caused by specific factors related to the particular instrument or its issuer, or factors that affect all of traded securities in the market.

Capital Management

The Bank's policies on capital management are to maintain capital, which can sustain the future growth of the business. The Bank recognizes the need to maintain a balance between the returns to shareholders and the capital adequacy required by the regulator. (See Note 22).

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

4. Financial Instrument Risk Management and Operational Risk (Continued)

Capital Management (continued)

The internal metrics used by the Bank for capital management are based on the requirements by local regulators.

The Bank's Risk Unit is in charge of monitoring compliance with minimum capital requirements.

Operational Risk

Operational risk is the risk of potential losses, direct or indirect, related to the Bank's processes, personnel, technology and infrastructure, and external factors that are not related to credit, market and liquidity risks, such as those arising from of legal and regulatory requirements and of the behavior of generally accepted corporate standards.

The objective of the Bank is to manage operational risk, seeking to avoid financial losses and damage to the Bank's reputation.

The main responsibility for the development and implementation of controls over operational risk are assigned within each area, this responsibility is supported by the development of standards to manage operational risk, in the following areas and processes:

- Considerations on the adequate segregation of duties, including independence in the authorization of transactions.
- Requirements for the adequate monitoring and reconciliation of transactions.
- Compliance with the regulatory and legal requirements.
- Documentation of controls and processes.
- Periodic assessments of the application of operational risk, and adequate controls and procedures on the identified risks.
- Report of operational losses and the proposals for their solution.
- Development of the contingency plan.
- Development of training for Bank's staff.
- Application of ethical standards in the business.
- Development of activities to mitigate risk, including security policies.

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

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(Figures in balboas)

5. Critical Accounting Estimates and Judgments in the Application of Accounting Policies

In preparing the financial statements in accordance with IFRS Accounting Standards, Bank's Management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported figures of the assets, liabilities, income and expenses during the period. Actual results could differ from these estimates.

Estimates and decisions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment Losses on Financial Assets

On the date of each statement of financial position, the Bank reviews its main financial assets such as cash, debt instruments, loans, and loan commitments to determine if there is objective evidence of impairment based on the criteria established in the methodology of expected losses. This methodology establishes provisions for three different stages, losses at 12 months, losses during the expected life of the loan and loans with a probability of 100% default, as described in Note 3.

Fair Value of Derivative Instruments

The fair value of derivative financial instruments is determined using valuation models with quotations of market prices that are provided by electronic systems using inputs directly from observable markets without significant adjustment.

All models are evaluated and adjusted before being used, and the models are calibrated to ensure that the results reflect the current information and comparative market prices. These models are periodically reviewed by qualified independent personnel of the area that created them.

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

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

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(Figures in balboas)

6. Balances and Transactions with Related Parties

The statement of financial position and the statement of comprehensive income include balances and transactions with related parties, which are summarized as follows:

	2023		
	<u>Directors and Management Personnel</u>	<u>Head Office and Related Companies</u>	<u>Total</u>
Assets			
Deposits:			
Demand	<u>-</u>	<u>12,312,911</u>	<u>12,312,911</u>
Time	<u>-</u>	<u>77,312,383</u>	<u>77,312,383</u>
Right-of-use assets, net	<u>-</u>	<u>915,567</u>	<u>915,567</u>
Accrued interest receivable	<u>-</u>	<u>385,305</u>	<u>385,305</u>
Accounts receivable	<u>-</u>	<u>5,661</u>	<u>5,661</u>
Commissions receivable	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Demand deposits	<u>-</u>	<u>18,900,395</u>	<u>18,900,395</u>
Lease liabilities	<u>-</u>	<u>16,086</u>	<u>16,086</u>
Accrued interest payable	<u>-</u>	<u>77,843</u>	<u>77,843</u>
Accounts payable	<u>4,417</u>	<u>21,696</u>	<u>26,113</u>
Commissions payable	<u>-</u>	<u>27,000</u>	<u>27,000</u>
Other liabilities (derivatives)	<u>-</u>	<u>220,050</u>	<u>220,050</u>
Revenue and commissions			
Deposits with banks	<u>-</u>	<u>4,561,390</u>	<u>4,561,390</u>
Commissions on referral and wealth management	<u>-</u>	<u>382,827</u>	<u>382,827</u>
Interest expense			
Deposits and obligations	<u>-</u>	<u>1,083,816</u>	<u>1,083,816</u>
Commission expense			
Correspondent	<u>-</u>	<u>661,875</u>	<u>661,875</u>
Custody	<u>-</u>	<u>53,029</u>	<u>53,029</u>
General and administrative expenses			
Salaries (short-term)	<u>126,470</u>	<u>-</u>	<u>126,470</u>
Professional fees	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Other expenses	<u>-</u>	<u>374,026</u>	<u>374,026</u>

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6. Balances and Transactions with Related Parties (Continued)

	2022		<u>Total</u>
	<u>Directors and Management Personnel</u>	<u>Head Office and Related Companies</u>	
Assets			
Deposits:			
Demand	-	<u>14,128,991</u>	<u>14,128,991</u>
Time	-	<u>75,772,105</u>	<u>75,772,105</u>
Right-of-use assets, net	-	<u>537,638</u>	<u>537,638</u>
Accrued interest receivable	-	<u>385,376</u>	<u>385,376</u>
Accounts receivable	-	<u>305,905</u>	<u>305,905</u>
Commissions receivable			
Liabilities	-	<u>18,611,387</u>	<u>18,611,387</u>
Demand deposits	-	<u>13,708</u>	<u>13,708</u>
Lease liabilities	-	<u>166,272</u>	<u>166,272</u>
Accrued interest payable	<u>175,000</u>	<u>21,693</u>	<u>196,693</u>
Accounts payable	-	<u>27,000</u>	<u>27,000</u>
Commissions payable	-	<u>156,534</u>	<u>156,534</u>
Revenue and commissions			
Deposits with banks	-	<u>2,817,136</u>	<u>2,817,136</u>
Commissions on referral and wealth management	-	<u>357,339</u>	<u>357,339</u>
Interest expense			
Deposits and obligations	-	<u>224,211</u>	<u>224,211</u>
Commission expense			
Correspondent	-	<u>254,512</u>	<u>254,512</u>
Custody	-	<u>53,519</u>	<u>53,519</u>
General and administrative expenses			
Salaries (short-term)	<u>123,573</u>	-	<u>123,573</u>
Professional fees	<u>215,000</u>	-	<u>215,000</u>
Other expenses	-	<u>409,151</u>	<u>409,151</u>

No provisions have been recognized for impairment of financial assets with related parties.

Compensations to directors amounted to B/.191,470 (2022: B/.338,573).

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7. Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows for reconciliation purposes with the statement of cash flows:

	2023	2022
Cash	600	600
Demand deposits with banks	17,734,076	19,827,004
Time deposits with original maturities of three months or less	<u>-</u>	<u>2,659,113</u>
Cash and cash equivalents in the statement of cash flows	17,734,676	22,486,717
Time deposits with original maturities greater than three months	77,312,383	73,112,992
Accrued interest receivable	<u>915,567</u>	<u>537,638</u>
Total cash and deposits with banks	<u>95,962,626</u>	<u>96,137,347</u>

As of December 31, 2023, the Bank maintains pledged deposits by B/.77,312,383 (2022: B/.72,907,992) placed in Head Office.

The annual interest rates earned on time deposits ranged between 3.45% and 6.10% (2022: between 0.18% and 4.80%).

8. Loans

The composition of the loan portfolio by economic activity is summarized as follows:

	2023	2022
Agriculture	159,728	274,713
Services	43,153,084	59,895,095
Financial	13,250,957	3,781,727
Personal	<u>1,149,479</u>	<u>801,445</u>
	57,713,248	64,752,980
Accumulated interest receivable	483,678	155,384
Less: Reserve for expected losses	<u>(3,560)</u>	<u>(5,547)</u>
Loans, net	<u>58,193,366</u>	<u>64,902,817</u>

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8. Loans (Continued)

The annual interest rates on loans ranged between 2.29% and 7.48% (2022: 0.79% and 6.23%). Additionally, there are overdrafts with annual interest rates between 2.93% and 20.00% (2022: 0.79% and 20.00%).

The movement of the reserve for expected credit losses is as follows:

	2023		
	Etapa 1	Etapa 2	Total
Balance at the beginning of the year	2,010	3,537	5,547
Remeasurement of the portfolio	(464)	(775)	(1,239)
Loans canceled (reversals)	(842)	-	(842)
Other movements	94	-	94
Balance at the end of the year	<u>798</u>	<u>2,762</u>	<u>3,560</u>

	2022		
	Etapa 1	Etapa 2	Total
Balance at the beginning of the year	13,246	-	13,246
Transfers between stages	(8,977)	8,977	-
Remeasurement of the portfolio	516	(5,440)	(4,924)
Loans canceled (reversals)	(2,785)	-	(2,785)
Other movements	10	-	10
Balance at the end of the year	<u>2,010</u>	<u>3,537</u>	<u>5,547</u>

9. Right-of-Use Assets

Movement of the right-of-use assets is summarized as follows:

	2023	2022
Cost		
Balance at the beginning of the year	314,509	427,323
Remeasurement for contract modifications	-	(112,814)
Balance at the end of the year	<u>314,509</u>	<u>314,509</u>
Accumulated depreciation		
Balance at the beginning of the year	149,048	23,740
Expense of the year	<u>90,252</u>	<u>125,308</u>
Balance at the end of the year	<u>239,300</u>	<u>149,048</u>
Net balance at the end of the year	<u>75,209</u>	<u>165,461</u>

Depreciation expense of right-of-use assets is included as other expenses in the statement of comprehensive income.

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10. Other Assets

Other assets are summarized as follows:

	2023	2022
Severance Fund	402,262	360,288
Commissions receivable	398,883	687,650
Guarantee deposits	255,504	253,504
Derivative instruments (Note 19)	237,788	156,534
Prepaid expenses	<u>59,369</u>	<u>62,612</u>
	<u>1,353,806</u>	<u>1,520,588</u>

11. Customer's Deposits

The customers' deposits received are detailed as follows:

	2023	2022
Demand deposits – foreign		
Commercial	22,597,918	33,043,540
Personals	<u>9,286,277</u>	<u>11,750,601</u>
	<u>31,884,195</u>	<u>44,794,141</u>
Time deposits - foreign		
Commercial	77,312,383	74,294,820
Interbank	<u>18,900,395</u>	<u>18,611,387</u>
	<u>96,212,778</u>	<u>92,906,207</u>
Accumulated interest payable	<u>517,305</u>	<u>378,061</u>
Total customers' deposits	<u>128,614,278</u>	<u>138,078,409</u>

The annual interest rates on customers' time deposits ranged between 2.97% and 5.30% (2022: 1.40% and 4.00%).

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(Figures in balboas)

12. Lease Liabilities

Movement of lease liabilities with a related party is summarized as follows:

	2023	2022
Balance at the beginning of the year	166,272	405,542
Less: Adjustment in the canon value of lease	<u>-</u>	<u>(112,814)</u>
Lease liabilities, adjusted	166,272	292,728
Amortization for repayments	(96,000)	(146,000)
Interest expense	<u>7,571</u>	<u>19,544</u>
Balance at the end of the year	<u><u>77,843</u></u>	<u><u>166,272</u></u>

13. Other passives

The other liabilities are summarized below:

	2023	2022
Labor reserves payable	922,677	817,856
Derivative instruments (Note 19)	225,711	156,534
Others	<u>178</u>	<u>173</u>
	<u><u>1,148,566</u></u>	<u><u>974,563</u></u>

14. Common Shares

Share capital of the Bank is comprised by 11,950,000 authorized and paid common shares with a nominal value of B/.1 each.

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15. Income from Contracts and Other Income

The breakdown of revenue from contracts and other revenue is detailed below:

	2023	2022
Income from contracts that are recognized at a point in time		
Purchase and sale of securities	1,329,251	1,168,582
Miscellaneous for securities operations	50,675	141,223
Transfers	30,574	33,466
Other	<u>102,133</u>	<u>118,692</u>
	<u>1,512,633</u>	<u>1,461,963</u>
Revenue from contracts that are recognized over time		
Custody service	801,379	904,497
Referral	728,566	657,374
Administration	96,778	119,220
Wealth management	49,127	96,514
Advice	<u>20,540</u>	<u>29,301</u>
	<u>1,696,390</u>	<u>1,806,906</u>
Total revenue from contracts	<u>3,209,023</u>	<u>3,268,869</u>
Other income		
Gain in exchange currency	86,086	67,904
Other income (expenses)	<u>17,087</u>	<u>38,439</u>
	<u>103,173</u>	<u>106,343</u>

Net Gain on Financial Instruments

The Bank realized sales of the investment portfolio at fair value for B/.9,219,587 (2022: B/.8,524,584), with a net gain of B/.160,347 (2022: B/.130,811).

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16. General and Administrative Expenses

General and administrative expenses are summarized below:

	2023	2022
Salaries and other personnel costs		
Salaries	1,305,976	1,254,550
Employee bonuses	239,057	248,233
Labor benefits	185,732	180,745
Seniority premium and indemnity	27,397	26,644
Training	13,875	13,395
Others	<u>92,027</u>	<u>93,260</u>
	<u>1,864,064</u>	<u>1,816,827</u>
Professional fees and services		
Promotions abroad	300,000	336,878
Advice	133,000	261,000
Audit	82,800	102,918
Legal	25,133	23,684
Professional various	<u>123,588</u>	<u>156,058</u>
	<u>664,521</u>	<u>880,538</u>
Other expenses		
Communications and technology	417,624	429,611
Taxes and fees	210,003	214,422
Depreciation and amortization (Note 9)	178,539	149,478
Travel and transportation	90,252	125,308
Rentals	64,565	66,992
Repairs and maintenance	27,820	34,014
Customer Service	23,525	25,222
Stationery and office supplies	12,518	13,542
Others	<u>43,339</u>	<u>37,814</u>
	<u>1,068,175</u>	<u>1,096,403</u>
Total general and administrative expenses	<u>3,596,760</u>	<u>3,793,768</u>

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17. Commitment and Contingencies

In the normal course of its operations, the Bank maintains financial instruments with risks off the statement of financial position to meet the financial needs of its customers. These financial instruments are comprised by irrevocable overdraft commitments and guarantees issued.

The policies and procedures of the Bank in granting of contingent loans are the same as those used to grant loans. Management does not anticipate that the Bank will incur in material losses resulting from contingent credits for the benefit of clients.

Financial instruments with credit risk off the statement of financial position are detailed as follows:

Financial instruments with credit risk outside the statement of financial position correspond to irrevocable loan commitments for B/.31,173,499 (2022: B/.30,105,556).

The Bank has classified in the normal category the financial instruments off the statement of financial position, therefore, a reserve for losses on these operations is not required.

According to the Management's best knowledge, the Bank is not involved in any litigation or claim that is likely to cause an adverse effect on its business, financial situation or operating results of the Bank.

18. Assets Under Management

Under the license of Brokerage House, the Bank manages investment accounts (mainly shares, bonds and other debt instruments). The fair value of the assets under management amounted to B/.585,195,284 (2022: B/.462,354,510), which are controlled in records off the Bank's statement of financial position. These managed customers' assets are under custody by the Head Office.

Within the portfolio of assets under management, the Bank maintains a discretionary portfolio for (2022: B/.3,081,373).

As of December 31, 2023, under the Brokerage House license, the Bank does not manage customer cash, and maintains assets in custody for B/.606,567,159 (2022: B/.484,120,135).

This activity is carried out under the protection of a Casa de Valores license, at the account and risk of the clients. Due to the nature of these services and the provisions of the contracts for assets under management, the Bank's management considers that there are no significant risks.

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19. Derivative Financial Instruments

The Bank maintains derivative financial instruments ("currency forwards") at nominal value to reduce the exchange rate risk of derivative financial liabilities for trading. The Bank reduces its exchange rate risk in relation to these liabilities, by using its Head Office as a counterparty. These instruments are stated at fair value in the statement of financial position in the account of other assets and other liabilities.

Derivative instruments ("currency forwards") by maturity and accounting method are summarized as follows:

	2023		Total	Fair value
	Remaining maturity of the nominal value			
	From 1 to 3 months	From 3 months to 1 year		
Derivative for trading assets	<u>3,500,000</u>	<u>9,380,000</u>	<u>12,880,000</u>	<u>237,788</u>
Derivative for trading liabilities	<u>3,500,000</u>	<u>9,380,000</u>	<u>12,880,000</u>	<u>(225,711)</u>

	2022		Total	Fair value
	Remaining maturity of the nominal value			
	From 1 to 3 months	From 3 months to 1 year		
Derivative for trading assets	<u>1,600,000</u>	<u>2,000,000</u>	<u>3,600,000</u>	<u>156,534</u>
Derivative for trading liabilities	<u>1,600,000</u>	<u>2,000,000</u>	<u>3,600,000</u>	<u>(156,534)</u>

The operations with derivatives generate a net gain of B/.12,077 (2022: B/.0).

20. Fair Value of Financial Instruments

The fair values of financial assets or liabilities traded in active markets are based on quoted market prices or prices quoted traders. For all other financial instruments, the Bank determines the fair values using other valuation techniques.

For financial instruments that are not frequently traded and that have little availability of price information, the fair value is less objective, and its determination requires the use of variable degrees of judgment that depend on liquidity, concentration, uncertainty of factors of the market, the assumptions in the determination of prices and other risks that affect the specific instrument.

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20. Fair Value of Financial Instruments (Continued)

The Bank measures the fair value using the following hierarchy levels that reflect the importance of the input data used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: input data other than quoted prices included in Level 1 that are observable, either directly (that is, prices) or indirectly (that is, determined based on 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 inputs are directly or indirectly observable in a market.
- Level 3: unobservable variables for the asset or liability. This category includes all the instruments in which the valuation techniques include unobservable inputs data and have a significant effect on the valuation of the instrument. This category also includes instruments that are valued, based on quoted prices for similar instruments for which significant unobservable assumptions and adjustments reflect the difference between the instruments.

The following table summarizes the book value and fair value of financial assets and liabilities:

	2023		2022	
	<u>Fair Value</u>	<u>Books Value</u>	<u>Fair Value</u>	<u>Books Value</u>
Assets				
Deposits with banks	95,962,026	95,962,026	96,136,747	96,136,747
Loans	58,197,918	58,196,926	64,908,695	64,908,364
Other assets (derivative instruments)	<u>237,788</u>	<u>237,788</u>	<u>156,534</u>	<u>156,534</u>
	<u>154,397,732</u>	<u>154,396,740</u>	<u>161,201,976</u>	<u>161,201,645</u>
Liabilities				
Customers' deposits	128,614,278	128,614,278	138,078,409	138,078,409
Other liabilities (derivative instruments)	<u>225,711</u>	<u>225,711</u>	<u>156,534</u>	<u>156,534</u>
	<u>128,839,989</u>	<u>128,839,989</u>	<u>138,234,943</u>	<u>138,234,943</u>

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20. Fair Value of Financial Instruments (Continued)

The following table analyzes the fair values of financial instruments measured at fair value on a recurring basis. These instruments are classified in the level 2 of the fair value hierarchy based on the input data and valuation techniques used.

	2023	2022
Assets		
Other assets (derivative instruments)	<u>237,788</u>	<u>156,534</u>
Liabilities		
Other liabilities (derivative instruments)	<u>225,711</u>	<u>156,534</u>

The following table below describes the valuation techniques and the inputs data used in the recurring fair value measurements classified within Level 2:

Financial Instruments	Valuation Techniques and Input Data Used
Derivative instruments	For these values, the fair value is based on valuation models, with quotations of market prices that come from electronic systems using inputs directly from observable markets without significant adjustment.

The following table analyzes the fair values of financial instruments not measured in the statement of financial position at fair value. These instruments are classified in the different levels of the fair value hierarchy based on the input data and valuation techniques used.

	2023		2022	
	<u>Level 2</u>	<u>Level 3</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Deposits with banks	95,962,026	-	96,136,747	-
Loans	<u>-</u>	<u>58,197,918</u>	<u>-</u>	<u>64,908,695</u>
	<u>95,962,026</u>	<u>58,197,918</u>	<u>96,136,747</u>	<u>64,753,311</u>
Financial liabilities				
Customers' deposits	<u>128,614,278</u>	<u>-</u>	<u>138,078,409</u>	<u>-</u>

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20. Fair Value of Financial Instruments (Continued)

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

Financial Instruments	Valuation Techniques and Input Data Used
Demand and time deposits, demand and time customers' deposits, and securities sold under repurchase agreements	Valued at their book value reported in the statement of financial position, which is considered a reasonable estimate due to the short-term (less than 12 months) of the maturity of these instruments.
Loans	The fair value for the loans represents the discounted amount of the estimated future cash flows to be received. The cash flows provided are discounted at current market rates to determine their fair value.

21. Income Tax

According to the Panamanian tax laws, the Bank is not subject to the payment of income tax on profits because it exclusively manages, from an office established in Panama, transactions that are perfected, consumed and have effect abroad and consequently, most of their income is from a foreign source. In addition, income from interest on time deposits in banks operating in Panama is exempt from income tax payment.

22. Main Applicable Laws and Regulations

The main applicable laws and regulations in the Republic of Panama are detailed as following:

Banking Law

Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to the legislation established by Executive Decree No.52 of April 30, 2008, which adopts the single text of the Decree Law No.9 of February 26, 1998, modified by Decree Law No.2 of February 22, 2008, by which the banking regime in Panama is established and the Superintendency of Banks and the rules that govern it are created.

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22. Main Applicable Laws and Regulations (Continuation)

Banking Law (continued)

Panama's Banking Law requires international license banks to maintain a minimum paid-in capital stock of three million balboas (B/.3,000,000), and capital funds for not less than 8% of their weighted assets, including operations off the statement of financial position. International license banks over which the Superintendency exercises destination supervision must comply, at all times, with the adequacy index of capital funds required by its supervisor of origin, based on its legislation of origin in a consolidated manner with its Head Office.

For the International License Banks subject to destination supervision, Article 7 of Agreement No.5-2008 of the Superintendency of Banks of Panama establishes that the Branches of Foreign Banks of General License and International License Banks subject to Supervision of Destination: will comply at all times with the capital adequacy requirements of their origin legislation in a consolidated manner with their Head Office. For these purposes, they must annually submit to the Superintendency a certification from the External Auditor, or a certification from the Supervisor of Origin, stating what the regulatory index of origin is and what the index of the Bank or Banking Group is at the end of the year.

The Superintendency of Banks of Panama in its regulations establishes that any International License Bank for which the Superintendency of Banks exercises the supervision of destination, must have policies, procedures and control systems that ensure an effective management of liquidity risk and that also, they must comply with the regulations established by their supervisor of origin. As such, and as mentioned in a note dated March 31, 2023, from the external auditors of Crèdit Andorrà Head Office, the index calculated on the basis of the Communication 35/2018 issued by the Andorran National Institute of Finance on own fund requirements, contemplated in the Law of Regulation of Solvency and Liquidity Criteria of the Financial Entities dated December 20, 2018, provides that said index must be at least 8%, however, the Crèdit Andorrà Group as of December 31, 2022, exceeded the minimum required and its index was set at 17.09%.

There are no material changes in the Bank's capital management during the period ended December 31, 2023.

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22. Main Applicable Laws and Regulations (Continued)

Loans and Loan Reserves

- *General Resolution of the Board of Directors SBP-GJD-003-2013* dated July 9, 2013, which establishes the accounting treatment for those differences that arise between the prudential standards issued by the Superintendency of Banks and the International Financial Reporting Standards (IFRS), in such a way that 1) the accounting records and the financial statements are prepared in accordance with IFRS as required by Agreement No.6-2012 of December 18, 2012, and 2) in the event that the calculation of a provision or reserve according to prudential standards applicable to banks, which present specific accounting matters in addition to those required by IFRS, is greater than the respective calculation under IFRS, the excess provision or reserve under prudential standards will be recognized in a regulatory reserve on equity.
- *Agreement No.4-2013* dated May 28, 2013, which establishes provisions on management and administration of credit risk inherent to the loan portfolio and operations outside the statement of financial position, including the general criteria for the classification of credit facilities for the purpose of determining the specific and dynamics provisions for the coverage of the Bank's credit risk. In addition, this Agreement establishes certain minimum disclosures required, aligned with the disclosure requirements of IFRS, on the management of credit risk.

This Agreement repeals in all its parts the Agreement No.6-2000 of June 28, 2000 and all its modifications, Agreement No.6-2002 of August 12, 2002 and Article 7 of Agreement No.2-2003 of March 12, 2003. This Agreement became effective on June 30, 2014.

Specific Provisions

Agreement No.4-2013 indicates that the specific provisions originate from the objective and concrete evidence of impairment. These provisions must be established for credit facilities classified in the categories of risk known as special mention, subnormal, doubtful, or irrecoverable, both for individual credit facilities and for a group of such facilities.

As a minimum, the banks must calculate and maintain at all times the amount of the specific provisions determined by the methodology specified in this Agreement, which takes into account the balance owed of each credit facility classified in any of the categories subject to provision, mentioned in the previous paragraph; the present value of each guarantee available as a mitigation of risk, as established by type of guarantee in this Agreement; and a weighting table that applies to the net balance exposed to loss of such credit facilities.

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22. Main Applicable Laws and Regulations (Continued)

Specific Provisions (continued)

If there is an excess of a specific provision, calculated in accordance with this Agreement, on the provision calculated in accordance with IFRS, this excess will be accounted for in a regulatory reserve in the equity that increases or decreases with allocations to or from the retained earnings. The balance of the regulatory reserve will not be considered as capital funds for the purpose of calculating certain prudential ratios or ratios mentioned in the Agreement.

During the year ended December 31, 2023, the Bank has not had to allocate undistributed profits as an excess of specific regulatory provision (2022: allocated B/.205,297).

Dynamic Provision

Agreement No.4-2013 indicates that the dynamic provision is a reserve set up to deal with possible future needs for the establishment of specific provisions, which is governed by prudential criteria appropriate to banking regulation. The dynamic provision is made quarterly on the credit facilities that lack a specific provision assigned, that is, on the credit facilities classified in the normal category.

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

The dynamic provision is an equity item that increases or decreases with allocations from or to retained earnings. The credit balance of this dynamic provision is part of the regulatory capital but does not substitute or compensate the capital adequacy requirements established by the Superintendency.

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22. Main Applicable Laws and Regulations (Continued)

Dynamic Provision (continued)

As of December 31, 2023, the Bank has allocated B/.2,156,981 (2022: B/.2,156,981) of retained earnings, as a regulatory dynamic provision.

Following is the calculation of the dynamic provision:

	2023	2022
Component 1		
Weighted assets by risk (credit facilities - normal category)	57,515,463	53,503,055
By Alfa coefficient (1.50%)		
Result	<u>862,732</u>	<u>802,546</u>
Component 2		
Variation (positive) between the current quarter vs. the previous one of the weighted assets by risk	4,340,315	-
By Beta coefficient (5.00%)		
Results	<u>217,016</u>	<u>-</u>
Less		
Component 3		
Amount of the variation of the specific provisions balance in the quarter	<u>221,328</u>	<u>(207,674)</u>
Total gross dynamic provision	1,301,076	594,872
Plus:		
Restricted amount according to Literal “c” of Article 37	136,811	742,704
Plus:		
Voluntary provision	<u>719,094</u>	<u>819,405</u>
Net dynamic provision	<u><u>2,156,981</u></u>	<u><u>2,156,981</u></u>

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22. Main Applicable Laws and Regulations (Continued)

The following table summarizes the maturity profile of the current loan portfolio according to the remaining contractual period:

	2023							Total
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 days to 1 year	From 1 year to 5 years	More than 5 years	
External sector								
Corporate								
Agriculture	159,728	-	-	-	-	-	-	159,728
Services	36,008,677	47,774	-	997,420	6,096,378	-	-	43,150,249
Financial	7,011,836	-	-	5,190,596	1,048,525	-	-	13,250,957
Total corporate loans	43,180,241	47,774	-	6,188,016	7,144,903	-	-	56,560,934
Individuals								
Personal	-	-	379,508	-	746,403	-	23,568	1,149,479
Total personal loans	-	-	379,508	-	746,403	-	23,568	1,149,479
Total loans	43,180,241	47,774	379,508	6,188,016	7,891,306	-	23,568	57,710,413

	2022							Total
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 days to 1 year	From 1 year to 5 years	More than 5 years	
External sector								
Corporate								
Agriculture	-	-	-	274,713	-	-	-	274,713
Services	101,376	-	1,294,042	9,532,694	8,321,019	30,861,745	-	50,110,876
Financial	-	-	-	-	1,018,850	2,762,877	-	3,781,727
Total corporate loans	101,376	-	1,294,042	9,807,407	9,339,869	33,624,622	-	54,167,316
Individuals								
Personal	100	-	-	-	773,984	-	27,361	801,445
Total personal loans	100	-	-	-	773,984	-	27,361	801,445
Total loans	101,476	-	1,294,042	9,807,407	10,113,853	33,624,622	27,361	54,968,761

The following table summarizes the number and amount by type of industry of current and past due loans:

	2023					
	Current		Past Due		Delinquent	
	Number	Amount	Number	Number	Amount	Number
External sector						
Corporate						
Agriculture	1	159,728	-	-	-	-
Services	13	43,150,249	1	664	3	2,171
Financial	6	13,250,957	-	-	-	-
Total corporate loans	20	56,560,934	-	-	3	2,171
Individuals						
Personal						
Total personal loans	4	1,149,479	-	-	-	-
	4	1,149,479	-	-	-	-
Total loans	24	57,710,413	1	664	3	2,171

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

	2022					
	Current		Past Due		Delinquent	
	Number	Amount	Number	Number	Amount	Number
External sector						
Corporate						
Agriculture	1	274,713	-	-	-	-
Services	19	50,110,876	1	9,784,219	-	-
Financial	4	3,781,727	-	-	-	-
Total corporate loans	<u>24</u>	<u>54,167,316</u>	<u>1</u>	<u>9,784,219</u>	<u>-</u>	<u>-</u>
Individuals						
Personal	5	801,445	-	-	-	-
Total personal loans	<u>5</u>	<u>801,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total loans	<u>29</u>	<u>54,968,761</u>	<u>1</u>	<u>9,784,219</u>	<u>-</u>	<u>-</u>

The Bank maintains renegotiated or restructured loans for B/.23,568 (2022: B/.27,361). There are no loans in non-accrual status.

As of December 31, 2023 and 2022, loans were not written off.

Capital Markets Law in Panama

The securities market in the Republic of Panama is regulated by Decree Law No.1 of July 8, 1999, which has been amended by Law 67 of September 1, 2011, which establishes the interinstitutional system of coordination and cooperation between the financial inspection entities and creates the Superintendency of Capital Markets of Panama. The Bank must comply with the legal regulations and existing agreements issued by the Superintendency of Capital Markets of Panama.

The Superintendency of Capital Markets of Panama has exclusive competence to regulate and supervise the issuers, investment companies, intermediaries and other participants of the Securities Market.

Agreement No.4-2011 of the Superintendency of Capital Markets of Panama dictates rules on adequate capital, solvency ratio, capital funds, liquidity ratio and concentrations of credit risk that must be dealt by Brokerage House in Panama.

The Superintendency of Capital Markets of Panama issued the Agreement No.8-2013 in September 2013 by means of which certain provisions of Agreement No.4-2011 of June 27, 2011 on Adequate Capital, Solvency Ratio, Capital Funds, Liquidity ratio and Concentration of Risks that Brokerage House regulated by this Superintendency must attend.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Agreement No.8-2013, establishes that the Brokerage House shall constitute and maintain free of liens, always, a minimum total equity of B/.350,000. However, those Banks that have a Brokerage House License, it will be understood that the minimum total capital required will be the sum of the capital requirements for each license.

The Bank maintains a net equity of B/.25,760,060 (2022: B/.23,349,669) which complies with the capital adequacy required by the regulators.

The following is a description of the regulations included in the aforementioned Agreements of the Superintendency of Capital Markets of Panama and the indexes on each of these provisions:

- Solvency Ratio: The Brokerage House must maintain at all times a minimum solvency ratio of eight percent (8%) of the total of their assets and off-balance sheet operations, weighted according to their risks.
- Capital Funds: The capital funds of the Brokerage House cannot be, at any time, less than the minimum total capital.

Agreement No.8-2013 establishes an Additional Capital Requirement for the provision of custody services. When the Brokerage Houses offer the service of physical custody (direct) or through an authorized custodian domiciled in a Jurisdiction not recognized by the Superintendency, it will have a minimum requirement of additional capital of 0.10% of the amount under custody.

As of December 31, 2023, the Bank had a total balance in custody of B/.606,567,159 (2022: B/.484,120,135), which represents an additional capital requirement of B/.242,627 (2022: B/.471,061). The Bank maintains issued and paid-in capital in common shares with a par value of B/.11,950,000 (2022: B/.11,950,000).

- Liquidity Coefficient: The Brokerage Houses must maintain at all times a volume of investments in liquid assets, which will be at least ten percent (10%) of all their liabilities due with a residual term of less than one (1) year. A liquidity index of thirty percent (30%) of all its enforceable liabilities with a residual term of less than one (1) year must be met.

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Additionally, there is a provision that indicates that the Brokerage Houses that have a Bank License, it will be understood that the liquidity coefficient will be calculated based on the norm issued by its primary regulator, the Superintendence of Banks of Panama.

- **Credit Risk Concentrations:** The risks that the Brokerage House maintains with respect to an issuer, individual client or a group of issuers or clients related to each other, will be considered as a situation of concentration when the accumulated value of these risks exceeds the ten percent (10%) of the total value of its capital funds.

In any case, the value of all the risks that a Brokerage House incurs and maintains with the same issuer, client or group of issuers or clients related to each other, may not exceed thirty percent (30%) of the total value of its funds. capital. Neither can the set of concentration situations of a brokerage house exceed eight (8) times the value of the capital funds of a brokerage house.

For the administration of Risk Concentration, the Bank is based on Agreement No.6-2009 of the Superintendence of Banks of Panama, which establishes the rules for Risk concentration limits of Economic Groups and Related Parties, which establishes that the banks of which the Superintendency exercises the supervision of the destination, will apply the risk concentration limits established for this purpose by their jurisdiction of origin.

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

The ratio of solvency, capital funds and liquidity ratio indices are summarized below, in accordance with the current regulations of the Superintendency of the Stock Market:

	December 31, 2023	During the period	
		Minimum	Maximum
Solvency ratio	391%	391%	561%
Liquidity	319%	143%	525%
Capital funds	12,461,897	2,467,373	12,461,897

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Year ended December 31, 2023

	<u>Bank</u>	<u>Brokerage House</u>	<u>Total</u>
Assets			
Cash	600	-	600
Bank deposits:			
On demand at banks	16,950,797	783,279	17,734,076
Bank term accumulated	77,312,383	-	77,312,383
Interest receivable	915,567	-	915,567
Total bank deposits	<u>95,178,747</u>	<u>783,279</u>	<u>95,962,026</u>
Total cash and bank deposits	<u>95,179,347</u>	<u>783,279</u>	<u>95,962,626</u>
Loans, foreign sector	43,633,925	14,079,323	57,713,248
Accumulated interest receivable	404,353	79,325	483,678
Less: Reserve for expected losses	(3,541)	(19)	(3,560)
Loans, net	<u>44,034,737</u>	<u>14,158,629</u>	<u>58,193,366</u>
Assets receivable right of use, net	75,209	-	75,209
Accounts receivable - related parties	385,305	-	385,305
Other assets	998,923	354,883	1,353,806
Total assets	<u>140,673,521</u>	<u>15,296,791</u>	<u>155,970,312</u>
Liabilities and Equity			
Liabilities:			
Customer deposits:			
On demand	31,884,195	-	31,884,195
Term	96,212,778	-	96,212,778
Accrued interest payable	517,305	-	517,305
Total customer deposits	<u>128,614,278</u>	<u>-</u>	<u>138,078,409</u>
Lease liabilities	77,843	-	77,843
Accounts payable	229,452	87,000	316,452
Accounts payable - related parties	26,113	27,000	53,113
Other liabilities	(1,572,328)	2,720,894	1,148,566
Total liabilities	<u>127,375,358</u>	<u>2,834,894</u>	<u>130,210,252</u>
Equity:			
Common shares	-	11,950,000	11,950,000
Undistributed earnings	11,141,182	511,897	11,653,079
Loan Regulatory Reserve	2,156,981	-	2,156,981
Total equity	<u>13,298,163</u>	<u>12,461,897</u>	<u>25,760,060</u>
Total liabilities and equity	<u>140,673,521</u>	<u>15,296,791</u>	<u>155,970,312</u>
Off-balance sheet accounts			
Commitments and contingencies	31,173,499	-	31,173,499
Assets managed customers	-	585,195,284	585,195,284
Other assets in custody	-	21,371,875	21,371,875

Banco Crèdit Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Year ended December 31, 2023

	Bank	Brokerage House	Total
Interest income:			
Time deposits in banks	4,562,020	-	4,562,000
Loans	3,295,492	382,070	3,677,562
Total interest income	7,857,512	382,070	8,239,582
Interest expense			
Deposits	4,229,330	-	4,229,330
Lease Liabilities	7,571	-	7,571
Total interest expenses	4,236,901	-	4,236,901
Net interest income	3,620,611	382,070	4,002,681
Reverse (provision) of expected credit losses in loans	2,100	(19)	2,081
Net interest income after provisions	3,622,711	382,051	4,004,762
Other income (expenses):			
Income from contracts	496,104	2,712,919	3,209,023
Commissions expense	(288,201)	(1,194,030)	(1,482,231)
Net gain on financial instruments	-	160,347	160,347
Unrealized gain on derivative financial instruments	81,254	-	81,254
Unrealized loss on derivative financial instruments	(69,177)	-	(69,177)
Other income	103,173	-	103,173
Total other income, net	323,153	1,679,236	2,002,389
General and administrative expenses:			
Salaries and other personnel costs	933,278	930,786	1,864,064
Professional fees	337,764	326,757	664,521
Other expenses	776,328	291,847	1,068,175
Total general and administrative expenses	2,047,370	1,549,390	3,596,760
Net Income	1,898,494	511,897	2,410,391

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Supplemental Information (continued)

Year ended December 31, 2022

	<u>Bank</u>	<u>Brokerage House</u>	<u>Total</u>
Assets			
Cash	600	-	600
Bank deposits:			
On demand at banks	19,237,760	589,244	19,827,004
Bank term accumulated	75,772,105	-	75,772,105
Interest receivable	537,638	-	537,638
Total bank deposits	<u>95,547,503</u>	<u>589,244</u>	<u>96,136,747</u>
Total cash and bank deposits	<u>95,548,103</u>	<u>589,244</u>	<u>96,137,347</u>
Loans, foreign sector	63,807,125	945,855	64,752,980
Accumulated interest receivable	138,465	16,919	155,384
Less: Reserve for expected losses	(5,546)	(1)	(5,547)
Loans, net	<u>63,940,044</u>	<u>962,773</u>	<u>64,902,817</u>
Assets receivable right of use, net	165,461	-	165,461
Accounts receivable - related parties	385,376	-	385,376
Commissions receivable	367,578	282,572	650,150
Other assets	785,319	85,119	870,438
Total assets	<u>161,191,881</u>	<u>1,919,708</u>	<u>163,111,589</u>
Liabilities and Equity			
Liabilities:			
Customer deposits:			
On demand	44,794,141	-	44,794,141
Term	92,906,207	-	92,906,207
Accrued interest payable	378,061	-	378,061
Total customer deposits	<u>138,078,409</u>	<u>-</u>	<u>138,078,409</u>
Lease liabilities	166,272	-	166,272
Accounts payable	203,983	-	203,983
Commissions pay	-	115,000	115,000
Accounts payable - related parties	196,693	27,000	223,693
Other liabilities	977,320	(2,757)	974,563
Total liabilities	<u>139,622,677</u>	<u>139,243</u>	<u>139,761,920</u>
Equity:			
Common shares	10,450,000	1,500,000	11,950,000
Undistributed earnings	11,119,204	280,465	11,399,669
Total equity	<u>21,569,204</u>	<u>1,780,465</u>	<u>23,349,669</u>
Total liabilities and equity	<u>161,191,881</u>	<u>1,919,708</u>	<u>163,111,589</u>
Off-balance sheet accounts			
Commitments and contingencies	30,105,556	-	30,105,556
Assets managed customers	-	462,354,510	462,354,510

Banco Crédito Andorrà (Panama), S. A.

Notes to the Financial Statements

December 31, 2023

(Figures in balboas)

22. Main Applicable Laws and Regulations (Continued)

Capital Markets Law in Panama (continued)

Supplementary Information (continued)

Year ended December 31, 2022

	<u>Bank</u>	<u>Brokerage House</u>	<u>Total</u>
Interest income:			
Time deposits in banks	2,817,773	-	2,817,773
Loans	1,718,737	16,919	1,735,656
Total interest income	<u>4,536,510</u>	<u>16,919</u>	<u>4,553,429</u>
Interest expense			
Deposits	2,148,799	-	2,148,799
Lease Liabilities	19,544	-	19,544
Total interest expenses	<u>2,168,343</u>	<u>-</u>	<u>2,168,343</u>
Net interest income	<u>2,368,167</u>	<u>16,919</u>	<u>2,385,086</u>
Reverse (provision) of expected credit losses in loans	7,710	(1)	7,709
Net interest income after provisions	<u>2,375,877</u>	<u>16,918</u>	<u>2,392,795</u>
Other income (expenses):			
Income from contracts	629,334	2,639,535	3,268,869
Commissions expense	(276,680)	(858,219)	(1,134,899)
Net gain on financial instruments	-	130,811	130,811
Unrealized gain on derivative financial instruments	146,588	-	146,588
Unrealized loss on derivative financial instruments	(146,588)	-	(146,588)
Other income	86,813	19,530	106,343
Total other income, net	<u>439,467</u>	<u>1,931,657</u>	<u>2,371,124</u>
General and administrative expenses:			
Salaries and other personnel costs	892,256	924,571	1,816,827
Professional fees	428,221	452,317	880,538
Other expenses	805,181	291,222	1,096,403
Total general and administrative expenses	<u>2,125,658</u>	<u>1,668,110</u>	<u>3,793,768</u>
Net Income	<u>689,686</u>	<u>280,465</u>	<u>970,151</u>