# JUNE 2021
# EARNINGS REPORT

**For the Fiscal Year ended June 30th, 2021**

GLOBAL BANK

GLOBAL BANK CORPORATION

## Disclaimer

Global Bank Corporation is an issuer of securities in Panama, and as such, it is required to comply with periodic reporting requirements and corporate governance practices. As a financial institution, the Bank is subject to inspection and surveillance from Panama’s Superintendency of Banks.

The financial information included in this report was prepared with non-audited consolidated financial information in accordance with IFRS. However, details of the calculations and IFRS measures such as Adjusted Net Income, ROAA, ROAE, among others, are explained when required throughout the report.

Our Financial Statements are expressed in Balboas (B/.), Panama’s official monetary unit. The Balboa is freely exchangeable for the U.S. dollar on a one-to-one basis. Panama does not issue paper currency; instead, it uses the U.S. dollar as its legal currency. For ease of reference, all amounts discussed herein are expressed in U.S. dollars ($), the lawful currency of the United States of America.

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these and other comparable words.

Actual results and events may differ materially from those anticipated herein because of general economic and business conditions, changes in interest rates, or other risk factors. Recipients of this document are responsible for the assessment and use of the information provided herein. Matters described in this report and our knowledge of them may change extensively and materially over time. Still, we expressly disclaim any obligation to review, update or correct the information provided in this report, including any forward-looking statements, and do not intend to provide any update for such material developments before our next earnings report. This document's content and the figures included herein are designed to provide a summary of the subjects discussed rather than a comprehensive description.

**GLOBAL BANK CORPORATION REPORTS A CONSOLIDATED NET INCOME OF $26.6 MILLION FOR THE YEAR ENDED ON JUNE 30th, 2021.**

## Management Highlights:

- **As of June 30th, 2021, Global Bank reported net income of $26.6 million,** which represents a y-o-y decrease of 37.1%. The decline in net income was mainly driven by a $19.4 million increase in provisioning expense when compared with the same period last year.
- **Our financial margin increased from 37.3% to 39.6% for the full year period ending on June 30th, 2021. The change was driven by our deposit mix and a decrease in the costs of our LIBOR funded liabilities.** Despite lower loan volume and lower yields, our annualized NIM increased during the same period last year (2.31% vs. 2.30%).
- **Loan loss provision expense rose to $83.5 million for the year ended on June 30th, 2021, a $19.4 million (30.2%) increase compared to same period last year.** The increase in provisions was driven by an update to the macroeconomic variables that drive our expected loss model (due to the pandemic) and by the implementation of SBP accord 9-2020, which requires banks to reserve 3% of modified loans[1].
- **As of June 30th, 2021, Global Bank's assets totaled $8.3 billion,** which represents a decrease of 1.7% compared to Q3´21 and a decrease of 2.3% compared to FY20. The decrease in total assets during the quarter was mainly driven by a 38.2% decrease in cash and deposits, net of an increase in the investment portfolio of 17.4%. Our gross loans remained almost flat when compared to Q3´21.
- **Liquidity levels remain stable.** For Q4'21, our cash and equivalents totaled $508.1 million, a decrease of 38.2% from last quarter Q3´21. Part of this decrease was due to higher investment volume geared toward maximizing the yield of our excess liquidity. Lower levels of liquidity in the last quarter respond to growth in our loan portfolio, a slight decrease of client deposits, financings and bond repurchases. Our client deposit base slightly decreased to $5.2 billion, a 1.0% change from Q3'21, and a 1.2% increase from the same period last year.
- **Gross loans remained almost flat, decreasing by -0.2% to $6.1 billion quarter over quarter as of June 30th, 2021.** Consumer loans increased by $9.4 million (0.3%) and corporate loans declined $19.3 million (0.6%).
- **Our non-performing loans increased by 7.0% from $180.3 million in Q3'21 to $192.9 million in Q4'21**. Non-performing loans were split 77.4% in corporate banking and 22.6% in consumer banking.

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Note: Our fiscal year ends on June 30th. Reference to Q4'20 is for the period from April 1st – June 30th, 2020; Q3'21 is for the period from January 1st, 2021 – March 31st, 2021 and Q4'21 is for the period from April 1st – June 30th, 2021.

[1] A modified credit can return to its usual classification once it has made its regular payments for 180 days.

The increase in NPLs led to an increase of 21 basis points in our NPL ratio, from 2.97% in Q3’21 to 3.18% in Q4’21. Our loan loss reserves ended the quarter at $208.6 million, an increase of 2.9% versus Q3’21; this, in turn, resulted in a decrease in our NPL coverage ratio to 108.1% for Q4’21.

- **Our Capital Adequacy Ratio was 15.97%, Common Tier 1 (CT1) 12.74%, and Total Tier 1 (TT1) 15.82%**. Our capital ratios continue to be well above the regulatory minimum for each capital category (Total: 8.0%, CT1: 4.5%, TT1: 6.0%).

## Income Statement Summary[2]

| Global Bank Corporation and Subsidiaries - Income Statement | | | | |
|---|---|---|---|---|
| | | | Δ FY 21/FY 20 | |
| **(Data in US$ thousands)** | **FY 20** | **FY 21** | **$** | **%** |
| Loans | 429,309 | 399,633 | *(29,676)* | (6.9%) |
| Deposits | 6,217 | 1,614 | *(4,603)* | (74.0%) |
| Investments | 38,260 | 34,848 | *(3,412)* | (8.9%) |
| Total Interest income | 473,787 | 436,095 | (37,691) | (8.0%) |
| Deposits | (176,414) | (171,378) | *5,036* | (2.9%) |
| Financing | (37,362) | (23,849) | *13,513* | (36.2%) |
| Bonds & Commercial Paper | (83,243) | (68,106) | *15,137* | (18.2%) |
| Total Interest expense | (297,018) | (263,333) | 33,685 | (11.3%) |
| **Net interest income** | **176,768** | **172,762** | **-4,006** | **(2.3%)** |
| ***Margin*** | ***37.3%*** | ***39.6%*** | | |
| | | | | |
| Net fee income | 40,096 | 35,070 | (5,026) | (12.5%) |
| Other income | 16,037 | 22,758 | 6,721 | 41.9% |
| General and administrative expenses [2] | (131,084) | (129,352) | 1,732 | (1.3%) |
| **Net income before Loan loss allowance** | **101,818** | **101,238** | **-579** | **(0.6%)** |
| ***Margin*** | ***21.5%*** | ***23.2%*** | | |
| | | | | |
| Loan loss allowance | (64,131) | (83,498) | (19,367) | 30.2% |
| **Profit before income tax** | **37,687** | **17,741** | **(19,947)** | **(52.9%)** |
| | | | | |
| Income tax | 4,615 | 8,853 | 4,237 | 91.8% |
| **Net income** | **42,302** | **26,593** | **(15,709)** | **(37.1%)** |

[2] Provision expense related to investments and sovereign risk in FY´21 of $1,706K; and FY´20 of -$739K were included in G&A.

## Balance Sheet Summary

| Global Bank Corporation and Subsidiaries - Balance Sheet | | | | |
|---|---|---|---|---|
| | | | Δ Q4´21/ Q3´21 | |
| (Data in US$ thousands) | Q3´21 | Q4´21 | $ | % |
| **Assets** | | | | |
| Cash and deposits | 494,120 | 215,134 | (278,986) | (56.5%) |
| Interbank Deposits | 328,218 | 292,938 | (35,279) | (10.7%) |
| Interest Receivable | 243 | 244 | 1 | 0.4% |
| Total Cash and deposits | 822,581 | 508,316 | (314,265) | (38.2%) |
| Gross loans | 6,068,738 | 6,058,828 | (9,910) | (0.2%) |
| Interest Receivable | 160,795 | 170,868 | 10,073 | 6.3% |
| Allowance for loan losses | (202,767) | (208,586) | (5,819) | 2.9% |
| Unearned Interest & Commissions | (13,010) | (13,133) | (123) | 0.9% |
| Total Net Loans | 6,013,756 | 6,007,977 | (5,780) | (0.1%) |
| Investments | 975,653 | 1,102,894 | 127,241 | 13.0% |
| Interest Receivable | 6,581 | 7,577 | 995 | 15.1% |
| Total Investments | 982,234 | 1,110,470 | 128,236 | 13.1% |
| Other assets | 647,112 | 696,781 | 49,668 | 7.7% |
| **Total assets** | **8,465,683** | **8,323,544** | **(142,140)** | **(1.7%)** |
| | | | | |
| **Liabilities & Shareholder's Equity** | | | | |
| Demand | 493,272 | 472,469 | (20,804) | (4.2%) |
| Savings | 1,162,111 | 1,182,620 | 20,509 | 1.8% |
| Time Deposits | 3,580,835 | 3,534,371 | (46,464) | (1.3%) |
| Interbank Deposits | 50,973 | 44,910 | (6,063) | (11.9%) |
| Interest Payable | 41,397 | 40,782 | (615) | (1.5%) |
| Total Deposits | 5,328,588 | 5,275,151 | (53,437) | (1.0%) |
| Repos & financings | 949,853 | 876,326 | (73,527) | (7.7%) |
| Bonds and commercial paper | 1,249,906 | 1,231,111 | (18,795) | (1.5%) |
| Interest Payable | 24,631 | 14,036 | (10,595) | (43.0%) |
| Total Financing | 2,224,390 | 2,121,473 | (102,917) | (4.6%) |
| Other liabilities | 129,448 | 137,202 | 7,754 | 6.0% |
| **Total liabilities** | **7,682,425** | **7,533,825** | **(148,600)** | **(1.9%)** |
| | | | | |
| **Shareholder's equity** | **783,258** | **789,719** | **6,461** | **0.8%** |

## Key Performance Metrics[3,4,5]

| | Q1´20 | Q2´20 | Q3´20 | Q4´20 | Q1´21 | Q2´21 | Q3´21 | Q4´21 |
|---|---|---|---|---|---|---|---|---|
| **Profitability** | | | | | | | | |
| Net Interest Margin | 2.24% | 2.27% | 2.31% | 2.30% | 2.42% | 2.42% | 2.35% | 2.31% |
| Efficiency Ratio | 55.44% | 53.65% | 54.63% | 56.28% | 56.75% | 54.55% | 53.94% | 56.10% |
| ROAA | 0.96% | 0.89% | 0.78% | 0.49% | 0.06% | 0.19% | 0.25% | 0.32% |
| ROAE | 10.38% | 9.67% | 8.46% | 5.38% | 0.68% | 2.03% | 2.70% | 3.38% |
| **Loan Quality** | | | | | | | | |
| Overdue (NPLs)/ Gross Loans | 2.30% | 2.57% | 2.20% | 2.03% | 2.88% | 3.18% | 2.97% | 3.18% |
| Allowance / Overdue (NPLs) | 78.81% | 75.28% | 95.51% | 120.74% | 98.91% | 100.81% | 112.43% | 108.12% |
| Allowance/ Gross Loans | 1.81% | 1.93% | 2.11% | 2.45% | 2.85% | 3.21% | 3.34% | 3.44% |
| Loan to Deposit Ratio [3] | 129.06% | 124.20% | 124.19% | 122.51% | 122.04% | 119.55% | 114.78% | 115.75% |
| Loan to Deposits + Corporate Bonds Ratio [4] | 99.00% | 100.86% | 100.89% | 100.49% | 100.95% | 98.95% | 95.43% | 96.32% |
| **Capital Ratios** | | | | | | | | |
| Capital Adequacy Ratio | 14.04% | 13.72% | 14.35% | 14.58% | 15.09% | 15.62% | 15.49% | 15.97% |
| Tier 1 Common | 11.65% | 11.40% | 11.75% | 11.94% | 12.31% | 12.45% | 12.32% | 12.74% |
| Additional Tier 1 Capital | 2.25% | 2.18% | 2.46% | 2.49% | 2.63% | 3.02% | 3.02% | 3.08% |
| Tier 2 Capital | 0.14% | 0.14% | 0.14% | 0.14% | 0.15% | 0.15% | 0.15% | 0.15% |

[3] Ratio calculated using gross deposits (excludes interest payable).
[4] Ratio includes corporate bonds with a maturity over 1 year.
[5] Profitability ratios calculated on an annualized basis.

## Income Statement

### 1.0 Net Interest Income

| (Data in US$ millions) | FY 20 | FY 21 | Δ FY 21/FY 20 $ | % |
|---|---|---|---|---|
| **Interest Income** | | | | |
| Loans | 429.3 | 399.6 | (29.7) | (6.9%) |
| Deposits | 6.2 | 1.6 | (4.6) | (74.0%) |
| Investments | 38.3 | 34.8 | (3.4) | (8.9%) |
| **Total Interest Income** | **473.8** | **436.1** | **(37.7)** | **(8.0%)** |
| **Interest Expense** | | | | |
| Deposits | 176.4 | 171.4 | (5.0) | (2.9%) |
| Loans | 37.4 | 23.8 | (13.5) | (36.2%) |
| Bonds & Commercial Paper | 83.2 | 68.1 | (15.1) | (18.2%) |
| **Total Interest Expense** | **297.0** | **263.3** | **(33.7)** | **(11.3%)** |
| | | | | |
| **Net Interest Income** | **176.8** | **172.8** | **(4.0)** | **(2.3%)** |
| *Margin* | *37.3%* | *39.6%* | | |

- Net interest income for the full year ending June 30th, 2021 reached $172.8 million, a decrease of 2.3% when compared to the same period last year. The decrease in loan volume, coupled with lower yields from our investments and cash, was mitigated by lower funding costs due to repricing of our LIBOR related facilities, open market repurchases of our corporate bonds for a total of $131.9 million[6] and a change in the deposit mix from CDs to savings and demand accounts.
- As a result of the changes described above, our financial margin increased to 39.6% from 37.3% for FY´21 vs. FY´20. Going forward we expect our margin to increase through loan growth from the economic reopening and continued lower funding costs from our LIBOR based facilities.

[6] Amount as of June 30th, 2021.

## 2.0 Net Fee and Other Income

| (Data in US$ millions) | FY 20 | FY 21 | Δ FY 21/FY 20 $ | % |
|---|---|---|---|---|
| **Fee Income** | | | | |
| Loans | 26.3 | 20.3 | (6.0) | (22.8%) |
| Letters of Credit | 2.4 | 2.4 | 0.0 | 1.6% |
| Savings and debit cards | 5.4 | 4.0 | (1.4) | (26.0%) |
| Trust Services | 10.1 | 10.7 | 0.6 | 5.7% |
| Others | 10.9 | 11.1 | 0.2 | 1.8% |
| **Fee Expenses** | **(15.0)** | **(13.5)** | **1.6** | **-10.3%** |
| **Net Fee Income** | **40.1** | **35.1** | **(5.0)** | **(12.5%)** |
| | | | | |
| **Other Income** | | | | |
| Net Insurance premiums | 12.8 | 12.1 | (0.7) | (5.5%) |
| Others | 3.2 | 10.6 | 7.4 | 231.8% |
| **Total Other Income** | **16.0** | **22.8** | **6.7** | **41.9%** |

Net fee income decreased by 12.5% or $5.0 million for FY´21 vs. FY´20. The decrease in fee income was due to lower loan volume despite the removal of most quarantine measures implemented from March 2020 through December 2020.

Total other income increased by 41.9%, or $6.7 million for FY´21 vs. FY´20 due to gains on sale of securities of $7.8 million, $0.4 million on mark-to-market (MTM) of financial instruments, net of -$0.8 million lower income from subsidiaries. Insurance premiums decreased by $0.7 million or 5.5%, due to lower loan volume and life insurance claims related to the pandemic.

## 3.0 Operating Expenses

- General & Administrative Expense (G&A) totaled $129.4 million for FY´21, representing a $1.7 million decrease over the same period last year. The change was primarily driven by cost savings (including a reduction of personnel, marketing, rental, maintenance, utilities, security, and travel costs as a result of closed branches and express centers) and from continuing savings tied to remote working by 46%[7] of our workforce.

- Our operating efficiency ratio[8] for the full year ending June 30th, 2021 was 56.10% vs. 56.28% for the same period last year due to lower expenses.

[7] As of June 30th, 2021.

[8] Efficiency ratio: Total G&A expenses, excluding loan loss provision divided by total net revenue.

## Balance Sheet

### 1.0 Cash and Equivalents

Total cash and equivalents decreased by $314.3 million to a total of $508.1 million for Q4'21, representing a -38.2% quarter over quarter change. Our cash balances were invested in order to maximize investment income through our treasury portfolio. We also observed a slight decrease in clients deposits of $52.8 million, a decline in financings of $73.5 million and corporate bond repurchases of $17.6 million. Our investment portfolio increased by $169.8 million during the quarter. Our liquidity coverage ratio (LCR) was 210.7%, well above the regulatory minimum of 65.0%%. Our legal liquidity ratio was 49.3%, well above the 30.0% regulatory minimum.

### 1.1 Loan Portfolio

As of June 30th, 2021, our gross loan portfolio decreased by 0.2% ($9.9 million), closing at $6.1 billion. The Bank's portfolio mix remained unchanged, with the consumer portfolio accounting for 48.1% of our total gross loans and the corporate portfolio 51.9% of total gross loans.

| | | | | | Δ Q4´21/Q3´21 | |
|---|---|---|---|---|---|---|
| (Data in US$ millions) | Q1´21 | Q2´21 | Q3´21 | Q4´21 | $ | % |
| **Consumer Banking** | | | | | | |
| Mortgages | 1,777.2 | 1,778.1 | 1,781.3 | 1,788.2 | 6.9 | 0.4% |
| Car Loans | 256.4 | 245.7 | 236.4 | 238.7 | 2.3 | 1.0% |
| Personal & Retirees | 674.4 | 680.0 | 678.6 | 687.1 | 8.5 | 1.2% |
| Credit Cards | 145.6 | 142.6 | 137.5 | 135.5 | (1.9) | (1.4%) |
| Pledged | 52.1 | 49.9 | 47.8 | 43.4 | (4.4) | (9.2%) |
| Overdrafts | 24.4 | 24.0 | 22.7 | 20.8 | (1.9) | (8.4%) |
| **Total Consumer Banking** | **2,930.1** | **2,920.4** | **2,904.4** | **2,913.7** | **9.4** | **0.3%** |
| **Corporate Banking** | | | | | | |
| Commerce | 1,481.7 | 1,441.0 | 1,450.9 | 1,595.1 | 144.2 | 9.9% |
| Construction | 722.6 | 640.1 | 611.3 | 606.4 | (5.0) | (0.8%) |
| Agriculture | 384.0 | 376.2 | 364.7 | 358.1 | (6.7) | (1.8%) |
| Factoring | 185.1 | 207.7 | 218.0 | 208.8 | (9.3) | (4.3%) |
| Overdrafts | 166.8 | 196.6 | 165.9 | 179.7 | 13.7 | 8.3% |
| Pledged | 83.5 | 81.8 | 78.3 | 68.2 | (10.2) | (13.0%) |
| Leasing | 53.5 | 53.3 | 50.7 | 48.4 | (2.3) | (4.5%) |
| Small & Medium Enterprise | 223.6 | 214.1 | 205.7 | 62.2 | (143.5) | (69.8%) |
| Transport | 20.3 | 20.5 | 18.7 | 18.4 | (0.3) | (1.7%) |
| **Total Corporate Banking** | **3,321.1** | **3,231.2** | **3,164.4** | **3,145.1** | **(19.3)** | **(0.6%)** |
| **Total Gross Loans** | **6,251.2** | **6,151.6** | **6,068.7** | **6,058.8** | **(9.9)** | **(0.2%)** |
| Interest Receivables | 132.7 | 145.0 | 160.8 | 170.9 | 10.1 | 6.3% |
| Allowance for Loan Losses | (178.1) | (197.2) | (202.8) | (208.6) | (5.8) | 2.9% |
| Unearned interest and fees | (11.3) | (12.3) | (13.0) | (13.1) | (0.1) | 0.9% |
| **Total Net Loans** | **6,194.5** | **6,087.0** | **6,013.8** | **6,008.0** | **(5.8)** | **(0.1%)** |

The consumer portfolio increased by 0.3% to $2.9 billion in Q4'21. Within the consumer portfolio, the products that grew during Q4'21 were mortgages by 0.4%, personal & retirees 1.2%, and car loans 1.0%. All the other products declined as listed: credit cards 1.4%, pledged 9.2%, overdraft by 8.4%.

Global Bank's corporate portfolio decreased by 0.6% to $3.1 billion for Q4'21. Construction and Commercial loans have been affected due to repayments and limited disbursements as a result of the economic closures during the pandemic. The only two products that increased during the quarter, were Commerce by 9.9% and Overdrafts by 8.3%.

We continue to calibrate our expected loss model to reflect potential credit losses due to the pandemic. As a result, we observed a movement from Stage 2 loans to Stage 3 loans during Q4 '21. Our stage 2 loans decreased by 3.7% for Q4'21 vs. Q3'21, while our Stage 3 loans increased by 14.8% (explained in more detail below in section 1.2)

| | Q3´21 | | | | Q4´21 | | | |
|---|---|---|---|---|---|---|---|---|
| **(Data in US$ millions)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Corporate | 2,465.1 | 585.9 | 124.1 | 3,175.1 | 2,517.8 | 498.9 | 137.0 | 3,153.7 |
| Consumer | 2,299.2 | 521.8 | 72.6 | 2,893.6 | 2,248.6 | 567.6 | 88.9 | 2,905.1 |
| **Total** | **4,764.3** | **1,107.7** | **196.7** | **6,068.7** | **4,766.4** | **1,066.6** | **225.9** | **6,058.8** |

## 1.2 Investment Portfolio

For Q4'21, we continue to observe very low volatility in our deposit base while maintaining ample access to international lines of credit. The investment portfolio increased during the quarter by 13.0% or $127.2 million vs. Q3'21, as part of our strategy to continue focusing on investing excess liquidity in US Treasuries, US Agencies, and other investment-grade securities.

Of the total investment portfolio, 45.3% are investment-grade securities, 23.1% are non-investment grade, and 31.6% are local investment grade; excluding investment in local bonds, our investment-grade securities represent 66.2% of the international portfolio. Investments in US Treasuries and US Agency paper totaled US$173.2 million as of June 30th, 2021.

Our investment portfolio is primarily composed of corporate and sovereign fixed income securities, including securities issued by the U.S., Latin American, and European financial institutions.

The avg yield of our investment portfolio was 3.33% during FYE 2021, a 67-bps reduction vs the same period last year.

## 1.3 Impairment Allowance Overview

Impairment allowance increased by $5.8 million, net of charge-offs in Q4'21 to a total of $208.6 million, representing a 2.9% increase versus Q3'21. The Bank continued to build up loan loss provisions during Q4'21 with a quarterly provision expense of $8.4 million.

Non-performing loans totaled $192.9 million for Q4'21 vs. $180.3 million for Q3'21. NPLs in our corporate segment increased q-o-q by $8.6 million in the following segments: commercial loans $14.7 million, factoring loans $0.1 million, net of decrease on agriculture of -$4.1 million, overdraft loans -$0.7 million, and transportation -$0.9 million. Our consumer NPLs increased by $4.0 million: mortgages by $4.0 million, personal by $0.4 million, auto by $0.2 million, net of a decrease in credit cards of -$0.5 million and retirees of -$0.1 million. Our NPLs are distributed across all segments of the economy, with the three largest amounts related to our commercial portfolio ($77.0 million); agriculture portfolio ($30.3 million) and mortgage portfolio ($31.8 million).

Our NPL coverage ratio decreased from 112.4% in Q3’21 to 108.1% in Q4’21.

| (Data in US$ millions) | Q3´21 | Q4´21 | Δ Q4´21/ Q3´21 $ | % |
|---|---|---|---|---|
| Balance Beginning of year | 155.0 | 155.0 | 0.0 | 0.0% |
| Reserve charged to expenses | 75.1 | 83.5 | 8.4 | 11.2% |
| Recoveries | 1.7 | 2.4 | 0.7 | 43.0% |
| Written-off loans | (29.0) | (32.3) | (3.3) | 11.5% |
| **Balance at end of period** | **202.8** | **208.6** | **5.8** | **2.9%** |

### 1.3.1 Modified Loans Status and Regulatory Changes as of June 30th, 2021 (SBP Accord 2-2020, Accord 3-2020, Accord 7-2020, Accord 9-2020, Accord 13-2020, Accord 2-2021 and Accord 3-2021)

The COVID-19 pandemic is an ongoing and dynamic situation that has affected the credit quality of loan portfolios of Banking systems in both Panama and Latin America. The Superintendency of Banks has published a series of regulatory changes to adapt to the ongoing situation. The latest regulatory accords issued since June 2021 are Accord 2-2021 and Accord 3-2021.

Accord 9-2020 requires banks to establish a 3% generic loan loss provision to its identified Modified Loans. The Accord allows Banks to record a minimum of 1.5% of the required reserve through results (provision expense) and up to an additional 1.5% through capital (retained earnings and dynamic reserve). Another important guideline of this Accord is that any modified loan that has made contractual payments for 90 days can be removed from its “modified” status.

Accord 13-2020 extends the end of modified loans from December 31st, 2020, to June 30th, 2021. This extension aims to allow Banks to provide additional flexibility to clients affected by the pandemic, in order to properly restructure their debts due to their new economic situation.

Accord 2-2021 replaces the accord 2-2020 and its updates in order to rule the guidelines and parameters to reestablish the modified loans based on Accord 2-2020 to the Accord 4-2013 risk classification. Some of those guidelines includes: Restructuring timeframe for modified loans, characteristics for the restructuring of modified loans, allowance requirements for modified loans on specific mention classification, disclosures on financial statements, usage of the dynamic provision for these purposes, and transparency and protection of the banking client.

Accord 3- 2021 Adds Article 7-A to Accord 2-2021, with the guidelines for Restructured modified loans as the: “timeframe to comply with their new terms and conditions, rules for classifying credit upon Accord 4-2013, and rules for the declassification of modified loans as established in this Bank Superintendency Board of Directors General Resolution SBP-GJD-0003-2021.”

We expect that these accords will provide additional stability to the banking system as it allows Banks more time to review the economic situation of their clients, in order to assess their repayment possibilities as the economy continues to reopen and stabilize. The trend of repayments has been improving as the economy has reopened and the additional time provided by the Accords will allow for further reduction in modified loans as we expect unemployment to stabilize and GDP to pick up in second half of 2021 and into 2022.

As of Q4’21, our institution had $1.2 billion in modified loans, representing 20.5% of the total portfolio. When compared against Q3’20 (beginning of pandemic), we have observed a reduction of $2.3 billion or 65.4%. The $1.2 billion in modified loans are split 68.7% in retail and 31.3% in corporate.

| Modified Loans as of Q4´21 | | | | |
|---|---|---|---|---|
| **(USD)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Corporate** | | | | |
| 1. Commercial | 213,384,224 | 101,691,212 | 1,378,672 | 316,454,108 |
| 2. Agriculture | 24,070,394 | 3,571,305 | 1,868,199 | 29,509,898 |
| 3. Overdrafts | - | 4,642,571 | - | 4,642,571 |
| 4. Industrial | 20,061,420 | 200,000 | - | 20,261,420 |
| 5. Leasing | 1,215,150 | 699,500 | 167,762 | 2,082,411 |
| 6. Transportation | - | 14,307,056 | 307,275 | 14,614,330 |
| 7. Factoring | - | - | - | - |
| **Sub Total Corporate** | **258,731,188** | **125,111,643** | **3,721,907** | **387,564,738** |
| **Consumer** | | | | |
| 1. Personal | 56,900,893 | 39,530,136 | 6,253,001 | 102,684,029 |
| 2. Mortgages | 398,056,915 | 201,135,599 | 18,736,371 | 617,928,886 |
| 3. Auto | - | 66,005,814 | 9,484,038 | 75,489,852 |
| 4. Retirees | - | 80,593 | - | 80,593 |
| 5. Credit Cards | - | 45,668,056 | 10,760,593 | 56,428,649 |
| **Sub Total Consumer** | **454,957,808** | **352,420,198** | **45,234,003** | **852,612,009** |
| **Total** | **713,688,996** | **477,531,841** | **48,955,910** | **1,240,176,747** |

When compared to Q3’21 total Stage 3 modified loans have increased by $17.7 million, the main driver of the increase was reflected in consumer modified loans, which increased by $18.6 million, while corporate modified loans decreased by $0.8 million.

Below is a table of Stage 3 modified loans by product:

| | | | **Δ Q4´21/Q3´21** | |
|---|---|---|---|---|
| **(USD)** | **Stage 3 Q3´21** | **Stage 3 Q4´21** | **Chng$** | **Chng%** |
| **Corporate** | | | | |
| 1. Commercial | 1,440,403 | 1,378,672 | (61,731) | (4.3%) |
| 2. Agriculture | 1,882,824 | 1,868,199 | (14,625) | (0.8%) |
| 3. Overdrafts | - | - | - | 0.0% |
| 4. Industrial | - | - | - | 0.0% |
| 5. Leasing | 39,370 | 167,762 | 128,392 | 326.1% |
| 6. Transportation | 1,177,861 | 307,275 | (870,586) | (73.9%) |
| 7. Factoring | - | - | - | - |
| **Sub Total Corporate** | **4,540,458** | **3,721,907** | **(818,551)** | **(18.0%)** |
| **Consumer** | | | | |
| 1. Personal | 4,285,630 | 6,253,001 | 1,967,371 | 45.9% |
| 2. Mortgages | 2,710,984 | 18,736,371 | 16,025,387 | 591.1% |
| 3. Auto | 9,383,115 | 9,484,038 | 100,923 | 1.1% |
| 4. Retirees | - | - | - | - |
| 5. Credit Cards | 10,302,601 | 10,760,593 | 457,992 | 4.45% |
| **Sub Total Consumer** | **26,682,330** | **45,234,003** | **18,551,673** | **69.5%** |
| **Total** | **31,222,788** | **48,955,910** | **17,733,122** | **56.8%** |

In compliance with Accord 9-2020, our Bank has reserved 3.44% (minimum 3.00%) of the modified loan portfolio as of June 30th, 2021, fully expensed through provisioning.

According to Resolution SBP-GJD-0003-2021, which has an implementation date starting July 1st, 2021, modified loans should not be classified and reported based on their risk classification according to Accord 4-2013. Loans will be classified according to the new guidelines contained in this new resolution, as follows:

| | Modified Loans - Jul21 | | | | | |
|---|---|---|---|---|---|---|
| (USD) | Normal | Special Mention | Subnormal | Doubtful | Uncollectible | Total |
| Corporate Loans | 104,138,432 | 86,783,115 | 124,521,921 | 32,581,662 | 3,186,327 | 351,211,457 |
| Consumer Loans | 353,280,974 | 34,506,766 | 294,319,657 | 22,018,654 | 50,671,148 | 754,797,199 |
| Other Loans | | | 309,722 | | | 309,722 |
| Total | 457,419,406 | 121,289,881 | 419,151,300 | 54,600,316 | 53,857,475 | 1,106,318,378 |
| Accumulated Interest Receivable | 23,509,142 | 9,620,031 | 34,144,596 | 3,574,090 | 2,170,409 | 73,018,268 |
| Individual & Collective Loan Loss Reserve | 21,156,365 | 3,166,203 | 23,791,646 | 2,763,868 | 17,950,009 | 68,828,091 |

In order to classify the modified loans in accordance with Resolution SBP-GJD-0003-2021, the Bank will follow the parameters listed below:

1. **Modified Loans – Normal**: Loans on which banks made modifications to their terms and conditions until Jun '21 and whose debtors are in compliance with their payments. These loans may be classified according to Accord 4-2013 as normal classification, after complying with their terms and conditions, and if they demonstrate compliance with their payments consecutively during a six-month period.

2. **Modified Loans – Special Mention**: Loans on which banks made modifications to their terms and conditions that include grace periods for principal and/or interests or others. Debtor´s credits once they are restructured, shall be classified as modified subnormal. These loans may be returned to the application of Accord 4-2013 as normal classification, after complying with their terms and conditions, and if they demonstrate compliance with their payments consecutively during a six-month period in case of delinquency these loans shall be classified instead as modified uncollectible.

3. **Modified Loans – Subnormal**: Loans that have been restructured thru new terms and conditions between July 1st and September 30th, 2021 and in compliance with Accord 2-2020. These Restructured modified loans may be returned to the application of Accord 4-2013 as normal classification, after complying with their terms and conditions, and if they evidence compliance with their payments consecutively during a six-month period.

4. **New Rule**: According to Accord 3-2021, these Restructured modified loans that have ninety-one (91) days in arrears without complying with their new terms and conditions, shall be classified as subnormal (as a restructured loan & NPL) in accordance to Accord 4-2013, and shall be declassified from modified loans as established in this Resolution SBP-GJD-0003-2021.

5. **Modified Loans – Doubtful**: Loans whose debtor´s financial situation as of June 30th, 2021 does not qualify for a restructuring process of their facilities in agreement with Accord 2-2020. The banks can agree new terms and conditions from July 1st to and September 30th, 2021 in accordance with Accord 2-2021 to classify these loans as modified subnormal. Debtors in this classification, should evidence willingness to meet their obligations, even though they are facing temporary liquidity challenges.

6. **Modified Loans – Uncollectible**[9]: Loans not in compliance with any of the above classifications, whose debtors do not qualify for a restructuring process of their facilities starting October 1st, 2021, and those already restructured that have ninety-one days (91) of not complying with their new terms and conditions.

## 2.0 Total Liabilities

As of June 30th, 2021 (Q4'21), Global Bank's total liabilities amounted to $7.6 billion, decreasing by $148.6 million or 1.9% vs. the previous quarter. Customer deposits continue to be the largest component of our funding structure, representing 69.5% of total liabilities as of the fourth quarter of our 2021 fiscal year.

## 2.1 Customer and Bank Deposits

| | | | Δ Q4´21/Q3´21 | |
|---|---|---|---|---|
| **(Data in US$ millions)** | **Q3´21** | **Q4´21** | **$** | **%** |
| Demand | 493.3 | 472.5 | (20.8) | (4.2%) |
| Savings | 1,162.1 | 1,182.6 | 20.5 | 1.8% |
| Time | 3,580.8 | 3,534.4 | (46.5) | (1.3%) |
| **Total customer deposits** | **5,236.2** | **5,189.5** | **(46.8)** | **(0.9%)** |
| Interbank deposits | 51.0 | 44.9 | (6.1) | (11.9%) |
| interest Payable | 41.4 | 40.8 | (0.6) | (1.5%) |
| **Total deposits** | **5,328.6** | **5,275.2** | **(53.4)** | **(1.0%)** |

Despite the pandemic's effects on the economy, we continue to observe stability in our main customer deposits. For Q4'21, our total customer deposits totaled $5.2 billion, representing a decrease of $46.8 million or 0.9% compared to Q3'21. Our demand and time deposits declined by 4.2% and 1.3%; while savings accounts grew 1.8% respectively, during the same period. When compared to Q4'20; our demand and savings accounts grew by 7.5% and 13.9% respectively, while time deposits decreased by 2.4%. Growth in savings account is mainly driven by time deposits migrating to savings, new savings accounts openings and an increase in savings from existing clients due to limited economic activity.

The Bank's loan to deposit ratio increased from 114.8% to 115.8% when compared to Q3'21 and is lower than the 122.5% registered in Q4'20.

## 2.2 Financings, Bonds & Commercial Paper

During Q4'21, the Bank decreased its financing liabilities by $73.5 million when compared to Q3'21. The repos & financings net change was driven by the repayment of short- and medium-term facilities totaling

[9] Restructured Loans that make payments on time and comply with their new terms and conditions in timely manner can be reclassified from this category.

$120 million.  Bonds & commercial paper in Q4'21 decreased by $18.8 million to total $1.2 billion, mainly due to repurchases of $17.6 million of corporate bonds during the quarter. The total cost of financing liabilities remained unchanged at 3.5% in Q4'21 vs. Q3'21. Access to liquidity lines and counterparties has been ample and diversified across geographic regions.

## Shareholder’s Equity and Regulatory Capital

Shareholder’s equity as of the end of Q4’21 totaled $789.7 million, a 0.8% increase when compared with Q3’21.

For the full year ending on June 30th, 2021, the bank paid $20.0 million in dividends, a 40.7% decrease from dividends paid during the same period last year.

### Capital Adequacy Ratio

| (Data in US$ millions) | Q3´21 | Q4´21 |
|---|---|---|
| **Primary Capital (Tier I)** | | |
| Paid-in share capital | 270.2 | 270.2 |
| Excess paid-in capital | 2.4 | 1.8 |
| Declared reserves | 42.2 | 42.4 |
| Retained ernings | 364.2 | 372.4 |
| Other items of comprehensive income | 2.0 | 3.4 |
| Dynamic reserve | 87.9 | 87.9 |
| Less: Regulatory adjustments | (92.0) | (92.0) |
| Other intangible assets | (21.3) | (20.9) |
| **Total Primary Capital (Tier 1 Common)** | **655.5** | **665.0** |
| **Additional Primary Capital (Tier 1)** | **160.7** | **160.8** |
| **Tier 2 Capital** | **7.8** | **7.8** |
| **Total Capital Funds** | **824.0** | **833.6** |
| **Risk-Weighted Assets (RWA's)** | **5,319.3** | **5,221.2** |
| | | |
| **Total Capital Ratio** | **15.49%** | **15.97%** |
| **Tier 1 Primary Capital** | **12.32%** | **12.74%** |
| **Additional Tier 1 Capital** | **3.02%** | **3.08%** |
| **Tier 2 Capital** | **0.15%** | **0.15%** |

Total regulatory capital reached $833.6 million, an increase of 1.2% compared to Q3’21. The Bank’s capital ratio increased from 15.49% to 15.97%, while the RWAs declined by -1.8% compared to Q3’21