

**FREE ENGLISH LANGUAGE TRANSLATION FROM
SPANISH VERSION**

**Global Bank Corporation
and Subsidiaries**

Interim condensed consolidated financial statements as of
March 31, 2021

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

Global Bank Corporation and Subsidiaries

Interim Condensed Consolidated Financial Statement as of March 31, 2021

Content	Pages
Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss	2
Condensed consolidated statement of profit or loss and other comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated financial statements	6 - 68

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of financial position

As of March 31, 2021

(In balboas)

	Notes	March 2021	June 2020
Assets			
Cash and bank deposits	7,15	822,337,701	588,475,965
Securities purchased under resale agreements	8	52,047	5,062,025
Investments in securities	6,9,15	975,600,750	1,024,669,796
Loans	6,10	5,852,961,617	6,169,417,198
Property, furniture, equipment and improvements	11	194,602,464	199,336,110
Right-of-use assets	12	20,314,854	22,509,385
Other assets	6,13	<u>599,813,984</u>	<u>506,656,251</u>
Total assets		<u>8,465,683,417</u>	<u>8,516,126,730</u>
Liabilities and equity			
Liabilities			
Customer deposits	6,14	5,236,218,059	5,099,002,031
Bank deposits		50,972,714	72,765,182
Obligations with financial institutions	9,15	949,852,777	1,074,122,772
Marketable securities	16	9,150,000	23,300,000
Corporate bonds	17	1,072,191,003	1,133,628,975
Subordinated bonds	18	7,832,185	7,898,069
Perpetual bonds	19	160,732,462	137,089,374
Lease liabilities	12	21,717,907	23,511,572
Other liabilities	6,20,21	<u>173,758,369</u>	<u>162,832,084</u>
Total liabilities		<u>7,682,425,476</u>	<u>7,734,150,059</u>
Equity			
Common shares	22	270,202,657	270,202,657
Excess paid-in capital	26	2,365,697	1,999,307
Capital reserve		32,324,680	32,324,680
Regulatory reserve	33	112,190,278	106,968,271
Fair value reserve		2,016,929	1,439,777
Retained earnings		<u>364,157,700</u>	<u>369,041,979</u>
Total equity		<u>783,257,941</u>	<u>781,976,671</u>
Total liabilities and equity		<u>8,465,683,417</u>	<u>8,516,126,730</u>

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of profit or loss For the nine months ended March 31, 2021

(In balboas)

	Notes	March	
		2021	2020
Interest income	6	331,183,016	359,023,739
Interest expense	6	(198,315,510)	(226,226,932)
Net interest income	23	<u>132,867,506</u>	<u>132,796,807</u>
Commission income		35,893,117	46,490,834
Commission expense		(9,780,020)	(12,121,709)
Net commission income	23	<u>26,113,097</u>	<u>34,369,125</u>
Net interest and commission income, before provisions	23	<u>158,980,603</u>	<u>167,165,932</u>
Provision for loan impairments		75,055,522	31,677,364
Provision (reversal of provision) for country risk		13,008	(32,242)
Provision (reversal of provision) for investments		290,129	(132,052)
		<u>75,358,659</u>	<u>31,513,070</u>
Net interest and commission income, after impairment losses		83,621,944	135,652,862
Other income	24	<u>18,944,200</u>	<u>14,320,288</u>
Total income, net		<u>102,566,144</u>	<u>149,973,150</u>
Other expenses			
Salaries and other compensation	6	43,181,494	44,710,302
Professional fees		5,809,870	5,294,660
Depreciation and amortization	11,12,13	16,134,033	14,820,856
Marketing and advertising		1,398,710	2,701,176
Maintenance and repairs		7,464,410	7,901,845
Leases		1,812,945	1,287,544
Other taxes		4,233,585	4,454,958
Other expenses	25	<u>15,630,685</u>	<u>18,135,273</u>
		<u>95,665,732</u>	<u>99,306,614</u>
Gain before income tax		<u>6,900,412</u>	<u>50,666,536</u>
Income tax:			
Current		2,670,016	4,559,989
Deferred		(11,646,375)	(3,763,055)
(Benefit) income tax expense	30	<u>(8,976,359)</u>	<u>796,934</u>
Profit for the period		<u>15,876,771</u>	<u>49,869,602</u>

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income For the nine months ended March 31, 2021

(In balboas)

	March	
	2021	2020
Profit for the period	<u>15,876,771</u>	<u>49,869,602</u>
Other comprehensive income:		
Items that can later be reclassified to profit or loss:		
Net amount transferred to profit or loss	7,041,530	7,345,924
Reversal reserve for investments	267,399	141,300
Net changes in the valuation of investments at fair value through other comprehensive income	(6,731,777)	(42,041,132)
Effect in the fair value of reclassified investments from the amortized cost category	-	7,952,846
Other comprehensive income of the period	<u>577,152</u>	<u>(26,601,062)</u>
Total other comprehensive income of the period	<u>16,453,923</u>	<u>23,268,540</u>

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

Global Bank Corporation and Subsidiaries

**Condensed consolidated statement of changes in equity
For the nine months ended March 31, 2021
(In balboas)**

	Notes	Total shareholders' equity	Common shares	Excess paid-in capital	Capital reserves	Regulatory reserve	Fair value reserves	Retained earnings
Balance as of June 30, 2019		<u>779,019,829</u>	<u>270,202,657</u>	<u>2,514,337</u>	<u>32,324,680</u>	<u>104,182,957</u>	<u>6,099,208</u>	<u>363,695,990</u>
Profit for the period		49,869,602	-	-	-	-	-	49,869,602
Provision for investments		141,300	-	-	-	-	141,300	-
Net changes in the valuation of investments at fair value through other comprehensive income		(26,742,362)	-	-	-	-	(26,742,362)	-
Total comprehensive income for the period		<u>23,268,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,601,062)</u>	<u>49,869,602</u>
Excess paid-in capital - share option plan for employees	26	203,550	-	203,550	-	-	-	-
Dividends paid - common shares	22	(26,570,581)	-	-	-	-	-	(26,570,581)
Complementary tax		(392,670)	-	-	-	-	-	(392,670)
Regulatory reserve	33	-	-	-	-	3,088,034	-	(3,088,034)
Balance as of March 31, 2020		<u>775,528,668</u>	<u>270,202,657</u>	<u>2,717,887</u>	<u>32,324,680</u>	<u>107,270,991</u>	<u>(20,501,854)</u>	<u>383,514,307</u>
Balance as of June 30, 2020		<u>781,976,671</u>	<u>270,202,657</u>	<u>1,999,307</u>	<u>32,324,680</u>	<u>106,968,271</u>	<u>1,439,777</u>	<u>369,041,979</u>
Profit for the period		15,876,771	-	-	-	-	-	15,876,771
Provision for investments		267,399	-	-	-	-	267,399	-
Net changes in the valuation of investments at fair value through other comprehensive income		309,753	-	-	-	-	309,753	-
Total comprehensive income for the period		<u>16,453,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,152</u>	<u>15,876,771</u>
Excess paid-in capital - share option plan for employees	26	366,390	-	366,390	-	-	-	-
Dividends paid - common shares	22	(15,048,242)	-	-	-	-	-	(15,048,242)
Complementary tax		(490,801)	-	-	-	-	-	(490,801)
Regulatory reserve	34	-	-	-	-	5,222,007	-	(5,222,007)
Balance as of March 31, 2021		<u>783,257,941</u>	<u>270,202,657</u>	<u>2,365,697</u>	<u>32,324,680</u>	<u>112,190,278</u>	<u>2,016,929</u>	<u>364,157,700</u>

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of cash flows

For the nine months ended March 31, 2021

(In balboas)

	Notes	March	
		2021	2020
Cash flows from operating activities			
Profit for the period		15,876,771	49,869,602
Adjustments for:			
Depreciation and amortization	11,12,13	16,134,033	14,820,856
Gain on sale of property, furniture and equipment		(3,312)	(4,418)
Disposal of fixed asset	11	19,635	-
Gain on sale of securities at fair value through other comprehensive income (FVTOCI)	9,24	(7,041,530)	(7,345,924)
Net gain (loss) on instruments at fair value through profit or loss	24	(204,246)	37,623
Net loss in financial instruments		-	5,132,045
Provision for loan losses		75,055,522	31,677,364
Provision (reversal of the provision) for investments		290,129	(132,052)
Income tax	30	(8,976,359)	796,934
Net interest and commission income	23	(331,183,016)	(359,023,739)
Interest expenses	23	198,315,510	226,226,932
Share option plan for employees	26	366,390	203,550
Deferred tax	30	(11,646,375)	(3,383,705)
		(52,996,848)	(41,124,932)
Changes in:			
Deposits over 90 days		5,724,737	40,392,784
Securities purchased under resale agreements		5,009,978	(24)
Loans		241,400,059	(23,205,814)
Other assets		(31,822,721)	57,309,892
Client deposits		137,216,028	291,407,496
Bank deposits		(21,792,468)	(32,110,306)
Other liabilities		10,597,766	18,108,795
Cash generated from operations		293,336,531	310,777,891
Income tax paid		(3,873,277)	(8,895,080)
Interest received		284,616,424	344,691,584
Interest paid		(185,924,544)	(212,519,923)
Net cash generated by operating activities		388,155,134	434,054,472
Cash flows from investment activities:			
Purchase of securities at fair value through other comprehensive income		(1,322,912,659)	(872,772,276)
Sale of securities at fair value through other comprehensive income		1,427,844,324	837,287,994
Purchase of investments at fair value through profit or loss		(27,877,750)	-
Redemption of investments at fair value through profit or loss		-	19,000,000
Purchase of investments at amortized cost		(21,584,193)	(87,677,184)
Sales, redemptions and amortizations of investments at amortized cost		1,132,123	28,569,911
Purchase of property, furniture and equipment		(7,565,921)	(14,876,398)
Proceeds from sales of property, furniture and equipment		3,312	4,418
Net cash flows provided by (used in) investment activities		49,039,236	(90,463,535)
Cash flows from financing activities			
Obligations received of financial institutions	15	635,853,542	829,479,484
Obligations paid to financial institutions	15	(760,337,616)	(626,376,784)
Proceeds from issuance of marketable securities	16	7,850,000	22,000,000
Payments from redemption of marketable securities	16	(22,000,000)	(56,103,000)
Proceeds from the issuance of bonds	17,18,19	23,850,000	108,825,000
Redemption of bonds	17,18,19	(64,989,050)	(366,774,000)
Dividends paid - common shares	22	(15,048,242)	(26,570,581)
Lease payment		(2,295,730)	(2,549,850)
Complementary tax		(490,801)	(392,670)
Net cash flows used in financing activities		(197,607,897)	(118,462,401)
Net increase in cash and cash equivalents		239,586,473	225,128,536
Cash and cash equivalents at the beginning of the year		559,251,757	559,978,798
Cash and cash equivalents at the end of the period	7	798,838,230	785,107,334

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

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

1. General information

Global Bank Corporation (the "Bank") was incorporated in the Republic of Panama, and started its operations on June 1994 under a general banking license granted by the Superintendency of Banks of Panama, which enables it to carry out banking business in Panama and outside the Republic of Panama. Its main activity is related to commercial and consumer banking.

The main office of the Bank is located at Santa Maria Business District, Panama, Republic of Panama.

The Bank is a wholly-owned subsidiary of G.B. Group Corporation, an entity incorporated on April 20, 1993 according to the laws of the Republic of Panama.

The Bank has an Investment Management License granted by the Superintendency of Securities Market of Panama through Resolution SMV 46-17 of February 1, 2017.

Through Resolution SBP-0077-2019 of the Superintendency of Banks of Panama, the merger by absorption is authorized of the banking entities Global Bank Corporation, Banco Panameño de la Vivienda, S.A. and the company GB, AV INC., all belonging to the same economic group, of which, Global Bank Corporation is the surviving company.

The main activity of the Bank and its Subsidiaries is described in Note 32.

2. Basis of presentation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of June 30, 2020, and for the year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRS)

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements as of June 30, 2020, and for the year then ended.

The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective as of March 31, 2021, and it is assessing the possible impact of these new standards on the interim condensed consolidated financial statements.

3.1 Comparative information

The information as of June 30, 2020 contained in these condensed consolidated interim financial statements is presented only for purposes of comparison with information related to the nine-month period ended March 31, 2021.

3.3 Reclassification of investments

On November 26, 2019, the Bank notified the Superintendency of Banks of Panama of its decision to reclassify the securities portfolio at amortized cost to the category of securities at fair value through other comprehensive income, as a result of a change in the Bank's business model. The carrying value of the reclassification was B/.213,816,270. As a result of the reclassification, an unrealized gain of B/.7,952,846 was recognized, which was recorded in other comprehensive income.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

4. Financial risk management

4.1 Objectives of financial risk management

Financial risk factors

The Bank's activities are exposed to a variety of financial risks: credit, liquidity, market and operational risk.

The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures that are required in the annual financial statement. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements as of June 30, 2020.

There have been no changes in the risk management department or in any risk management policy as of June 30, 2020.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

4.2 Credit and counterparty risk

Credit quality analysis

4.2.1 Table of the credit quality of financial assets and the impairment allowance

	March 2021	June 2020
<u>Bank deposits</u>		
Grade 1	760,342,335	507,060,948
<u>Loans</u>		
Grade 1	5,339,636,387	5,690,853,648
Grade 2	384,707,199	370,189,849
Grade 3	78,067,921	99,664,615
Grade 4	69,648,470	47,021,940
Grade 5	196,677,848	128,392,158
Gross amount	6,068,737,825	6,336,122,210
Allowance for individual and collective impairment	(202,766,514)	(155,025,832)
Unearned discounted interest	(13,009,694)	(11,679,180)
Carrying amount, net	5,852,961,617	6,169,417,198
<u>Restructured loans</u>		
Gross amount	122,754,796	120,553,296
Impairment allowance	(9,704,264)	(29,863,244)
Net amount	113,050,532	90,690,052
<u>Delinquent but not impaired</u>		
31 to 60 days	49,943,051	35,298,485
61 to 90 days	12,508,209	9,468,973
Sub-total	62,451,260	44,767,458
<u>Allowance for loan impairment</u>		
Individual	(95,187,442)	(54,881,462)
Collective	(107,579,072)	(100,144,370)
Total impairment allowance	(202,766,514)	(155,025,832)
<u>Off-balance sheet operations</u>		
Grade 1	141,283,227	102,177,552
Letters of credit	490,109,694	453,158,568
Endorsements and collateral	158,198,528	231,749,808
Promissory notes	451,762,420	439,087,347
Unused credit lines granted	1,241,353,869	1,226,173,275
<u>Securities purchased under resale agreements - at amortized cost</u>		
Grade 1	52,047	5,062,025
<u>Investments at fair value through other comprehensive income</u>		
Grade 1	753,515,144	851,095,526
<u>Investments at fair value through profit or loss</u>		
Grade 1	38,666,064	10,584,068
<u>Investments at amortized cost</u>		
Grade 1	183,781,421	163,329,351

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

Below is the aging of the delinquency of the loan portfolio:

	March 2021		
	<u>Global Bank Corporation</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	5,619,055,878	154,585,870	5,773,641,748
From 31 to 90 days	114,751,452	-	114,751,452
More than 90 days (principal or interest)	110,903,810	-	110,903,810
More than 30 days overdue (maturity principal)	69,440,815	-	69,440,815
Total	<u>5,914,151,955</u>	<u>154,585,870</u>	<u>6,068,737,825</u>

	June 2020		
	<u>Global Bank Corporation</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	5,972,345,006	165,027,951	6,137,372,957
From 31 to 90 days	70,357,095	-	70,357,095
More than 90 days (principal or interest)	101,190,553	-	101,190,553
More than 30 days overdue (maturity principal)	27,201,605	-	27,201,605
Total	<u>6,171,094,259</u>	<u>165,027,951</u>	<u>6,336,122,210</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

4.2.2 Movement of financial instruments and their provisions in the stages of IFRS 9

Due to the analysis of the Bank's exposure to credit risk by financial asset class, the internal classification and the "stage" without taking into account the effects of any collateral or other credit enhancements, are provided in the following tables. Unless specifically stated, for financial assets, the amounts in the table represent the gross carrying value. For loan commitments and financial collateral contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

4.2.2.1 Loan portfolio

4.2.2.1.1 Credit quality analysis of loans by stage:

March 2021

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Classification				
Grade 1	4,764,343,899	575,292,488	-	5,339,636,387
Grade 2	-	384,707,199	-	384,707,199
Grade 3	-	78,067,921	-	78,067,921
Grade 4	-	69,648,470	-	69,648,470
Grade 5	-	-	196,677,848	196,677,848
Gross amount	4,764,343,899	1,107,716,078	196,677,848	6,068,737,825
Reserve for expected credit losses	(25,756,974)	(81,822,098)	(95,187,442)	(202,766,514)
Net carrying value	<u>4,738,586,925</u>	<u>1,025,893,980</u>	<u>101,490,406</u>	<u>5,865,971,311</u>

June 2020

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Classification				
Grade 1	5,521,214,407	169,639,241	-	5,690,853,648
Grade 2	-	370,189,849	-	370,189,849
Grade 3	-	99,664,615	-	99,664,615
Grade 4	-	47,021,940	-	47,021,940
Grade 5	-	-	128,392,158	128,392,158
Gross amount	5,521,214,407	686,515,645	128,392,158	6,336,122,210
Reserve for expected credit losses	(22,875,106)	(77,269,264)	(54,881,462)	(155,025,832)
Net carrying value	<u>5,498,339,301</u>	<u>609,246,381</u>	<u>73,510,696</u>	<u>6,181,096,378</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

4.2.2.1.2 Movement of the reserve for expected credit losses on loans by stages

The reserve for expected credit losses related to loans at amortized cost is broken down as follows:

	March 2021			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at the beginning of the period	22,875,106	77,269,264	54,881,462	155,025,832
Transferred to Stage 1	33,734,783	(31,232,134)	(2,502,649)	-
Transferred to Stage 2	(14,552,162)	39,456,958	(24,904,796)	-
Transferred to Stage 3	(706,123)	(45,540,031)	46,246,154	-
Net effect of changes in reserve for expected credit losses	(17,129,414)	52,420,573	53,783,500	89,074,659
New financial assets originated	4,982,441	-	-	4,982,441
Cancelled loans	(3,447,657)	(10,552,533)	(5,001,388)	(19,001,578)
Written-off loans	-	-	(28,991,087)	(28,991,087)
Recoveries	-	-	1,676,247	1,676,247
Balance at the end of the period	<u>25,756,974</u>	<u>81,822,097</u>	<u>95,187,443</u>	<u>202,766,514</u>
	June 2020			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at the beginning of the year	15,497,853	51,784,473	52,432,529	119,714,855
Changes due to financial instruments recognized as of July 1, 2019				
Transferred to Stage 1	20,682,856	(20,398,052)	(284,804)	-
Transferred to Stage 2	(4,096,555)	34,523,798	(30,427,243)	-
Transferred to Stage 3	(567,533)	(16,084,689)	16,652,222	-
Net effect of changes in reserve for expected credit losses	(15,169,122)	35,221,684	51,997,500	72,050,062
New financial assets originated	9,637,619	-	-	9,637,619
Cancelled loans	(3,110,012)	(7,777,950)	(6,669,156)	(17,557,118)
Written-off loans	-	-	(31,574,609)	(31,574,609)
Recoveries	-	-	2,755,023	2,755,023
Balance at the end of the year	<u>22,875,106</u>	<u>77,269,264</u>	<u>54,881,462</u>	<u>155,025,832</u>

Incorporation of forward-looking information

The Bank uses prospective forward-looking information that is available without undue cost or effort in its assessment of significant increases in credit risk, as well as in its measurement of expected loss provisions. The Bank's Risk Department uses external and internal information to generate a 'base case' scenario of the future forecast of relevant economic variables along with a representative range of other possible projected scenarios. The external information used includes economic data and forecasts published by government agencies and monetary authorities. These short and medium-term projections are the fundamental basis of the forward looking model.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

The Bank applies probabilities to the identified forecast scenarios. The base case scenario is the single most likely outcome. The Bank has identified and documented credit risk and expected loss analysis and, using statistical analysis of historical data, has estimated the relationships between macroeconomic variables and credit risk and credit losses.

For the year ended June 30, 2020, and given the effects on the economy resulting from COVID-19, the Bank has incorporated a Post Model adjustment to the estimate and in this adjustment, the main macroeconomic variable that enters the forward-looking model is the Gross Domestic Product (GDP) projection, which is the fundamental basis for the unemployment rate projection, and with this, the probable rate of credit defaults. The impact of this adjustment was an increase in the provision for expected losses in the amount of B/.24,553,433.

The following table lists the macroeconomic assumptions used, under base, optimistic and pessimistic scenarios and considers an average forecast period of two years. In addition, included is a sensitivity of the differential between the expected loss provision selected, based on the weighting of the different scenarios and the expected loss provision of each scenario..

Scenario	Growth		Sensitivity on the selected reserve
	GDP	Unemployment	
Optimist	1.50%	9%	(10,799,208)
Base	0.0%	11%	(1,542,603)
Pessimist	-1.50%	13%	9,170,906

The relationships predicted between key indicators and default rates and loss rates have been developed based on the analysis of historical data over the last 9 years.

The effects known to Management and that can be reasonably estimated have been recognized in the condensed consolidated financial statements as of March 31, 2021. The main assumptions described above may change as economic and market conditions change. (See Note 34).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

4.2.2.2 Investment portfolio

The following breakdown analyzes the Bank's investment portfolio that is exposed to credit risk and its corresponding evaluation based on the degree of international rating:

March 2021	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	242,215,964	184,564,659	326,734,521	753,515,144
Investments at fair value through profit or loss	4,751,736	-	33,914,328	38,666,064
Investments at amortized cost	151,163,429	12,451,231	20,166,761	183,781,421
Securities purchased under resale agreements	-	-	52,047	52,047
Total	398,131,129	197,015,890	380,867,657	976,014,676

June 2020	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	367,923,452	203,024,401	280,147,673	851,095,526
Investments at fair value through profit or loss	922,991	-	9,661,077	10,584,068
Investments at amortized cost	130,589,286	12,573,304	20,166,761	163,329,351
Securities purchased under resale agreements	-	-	5,062,025	5,062,025
Total	499,435,729	215,597,705	315,037,536	1,030,070,970

To manage the financial risk exposures of the investment portfolio, the Bank uses the rating of external rating agencies, as detailed below:

Rating grade

Investment rating
Standard monitoring
Special monitoring
Default
Not rated

External rating

AAA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
BB+, BB, BB-, B+, B, B-
CCC a C
D
-

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

The allowances for expected credit losses related to investment at fair value through other comprehensive income are as follows:

March 2021

Investments at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	1,793,140	-	-	1,793,140
Net effect of changes in reserve for expected credit losses	34,914	-	-	34,914
New instruments acquired	1,175,354	-	-	1,175,354
Cancelled investments	(942,869)	-	-	(942,869)
Balance at the end of the period	<u>2,060,539</u>	<u>-</u>	<u>-</u>	<u>2,060,539</u>

June 2020

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	2,669,955	-	-	2,669,955
Net effect of changes in reserve for expected credit losses	(1,019,054)	-	-	(1,019,054)
Reclassification	260,303	-	-	260,303
New instruments acquired	648,486	-	-	648,486
Cancelled investments	(766,548)	-	-	(766,548)
Balance at the end of the year	<u>1,793,142</u>	<u>-</u>	<u>-</u>	<u>1,793,142</u>

The reserves for expected credit losses related to investment at amortized cost are as follows:

March 2021

Investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	339,149	-	-	339,149
Net effect of changes in reserve for expected credit losses	19,654	-	-	19,654
New instruments acquired	3,076	-	-	3,076
Balance at the end of the period	<u>361,879</u>	<u>-</u>	<u>-</u>	<u>361,879</u>

June 2020

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	279,397	-	-	279,397
Net effect of changes in reserve for expected credit losses	25,342	-	-	25,342
Reclassification	(260,303)	-	-	(260,303)
New instruments acquired	313,199	-	-	313,199
Cancelled investments	(18,486)	-	-	(18,486)
Balance at the end of the year	<u>339,149</u>	<u>-</u>	<u>-</u>	<u>339,149</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

4.2.2.3 Collateral to reduce credit risk and its financial impact

The Bank maintains collateral to reduce credit risk and to ensure the collection of its financial assets exposed to credit risk.

The main types of collateral taken with respect to different types of financial assets are presented below:

March 2021	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgage	Commercial	Overdraft	
Loans balance	726,364,040	137,465,535	236,432,154	1,781,343,218	2,998,448,461	188,684,417	6,068,737,825
Collateral	365,374,420	3,309,265	337,603,298	2,481,619,355	5,729,785,323	282,878,911	9,200,570,572
Exposure % subject to collateral requirements	50%	2%	143%	139%	191%	150%	152%

June 2020	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgage	Commercial	Overdraft	
Loans balance	738,961,575	149,150,127	265,346,309	1,776,866,924	3,215,375,955	190,421,320	6,336,122,210
Collateral	362,191,799	4,594,393	381,285,417	2,469,939,427	6,112,616,424	346,067,249	9,676,694,709
Exposure % subject to collateral requirements	49%	3%	144%	139%	190%	182%	153%

Residential mortgage loans

The table below shows the loan portfolio ratio of the mortgage portfolio in relation to the value of its collateral ("Loan-To-Value" – LTV). The LTV is calculated as a percentage of the gross amount of the loan in relation to the value of the collateral. The gross amount of the loan excludes any impairment loss. The value of the collateral, for mortgages is based on the original value of the collateral at the date of disbursement.

	March 2021	June 2020
Residential mortgage loans:		
Less than 50%	115,305,934	113,509,742
51% - 70%	367,049,999	358,396,882
71% - 90%	904,498,169	889,235,822
More than 90%	394,489,116	415,724,478
Total	1,781,343,218	1,776,866,924

Time deposits placed in banks

As of March 31, 2021, the Bank held time deposits in banks for B/.328,217,588 (June 2020: B/.312,958,879). Time deposits in banks are kept in local and foreign financial institutions. These institutions have local and/or international ratings, mostly with an international investment grade of at least BBB- by Fitch Ratings or Standard and Poor's, or Baa3 by Moody's.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

4.2.2.4 Credit risk concentration

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

	March 2021		
	Deposits in banks	Loans	Investments
Concentration by sector:			
Corporate	-	3,038,766,537	-
Consumer	-	2,893,618,031	-
Government	80,545,796	-	217,970,030
Other sectors	679,796,539	136,353,257	758,044,646
	<u>760,342,335</u>	<u>6,068,737,825</u>	<u>976,014,676</u>
Geographical concentration:			
Panama	194,725,029	5,762,893,582	536,964,770
Latin America and Caribbean	50,077,304	281,955,297	296,098,993
Europe, Asia and Oceania	196,386,112	23,888,946	34,747,402
United States of America	319,153,890	-	108,203,511
	<u>760,342,335</u>	<u>6,068,737,825</u>	<u>976,014,676</u>
	June 2020		
	Deposits in banks	Loans	Investments
Concentration by sector:			
Corporate	-	3,255,811,269	-
Consumer	-	2,943,946,298	-
Government	147,970,153	-	335,836,312
Other sectors	359,090,795	136,364,643	694,234,658
	<u>507,060,948</u>	<u>6,336,122,210</u>	<u>1,030,070,970</u>
Geographical concentration:			
Panama	251,852,557	6,013,470,709	507,943,304
Latin America and Caribbean	40,078,365	291,838,084	292,098,194
Europe, Asia and Oceania	112,570,200	30,813,417	21,951,941
United States of America	102,559,826	-	208,077,531
	<u>507,060,948</u>	<u>6,336,122,210</u>	<u>1,030,070,970</u>

Concentration by sector, items from other loans comprised to credit facilities to banks, cooperatives, insurance companies, financial companies, government, international agencies and non-for-profit organization.

The geographic concentrations of loans are based on the debtor's location while investments are based on the issuer's domicile.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

4.3 Liquidity or financing risk

Below is the legal liquidity ratio corresponding to the margin of the net liquid assets on deposits received from the Bank's clients at the date of the condensed consolidated financial statements:

	March 2021	June 2020
At the end of the period	56.01%	50.27%
Average for the period	52.03%	53.84%
Maximum for the period	56.99%	64.94%
Minimum for the period	47.74%	49.56%

The following table shows the undiscounted cash flows of the financial liabilities of the Bank based on their remaining maturities with respect to the contractual maturity date. The expected flows of these instruments may vary significantly as a result of this analysis:

March 2021	Carrying value	Undiscounted cash flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,287,190,773	7,170,472,377	5,424,197,724	1,286,175,126	437,506,835	22,592,692
Obligations with financial institutions	949,852,777	987,937,743	491,625,829	389,639,996	79,812,986	26,858,932
Marketable securities	9,150,000	9,244,783	9,244,783	-	-	-
Corporate bonds	1,072,191,003	1,258,770,319	669,508,331	103,497,833	40,717,058	445,047,097
Subordinated bonds	7,832,185	34,430,861	537,537	1,075,075	1,073,602	31,744,647
Perpetual bonds	160,732,462	229,604,016	10,965,376	21,930,751	21,900,709	174,807,180
Lease liabilities	21,717,907	26,801,993	3,446,421	4,866,594	4,221,646	14,267,332
	<u>7,508,667,107</u>	<u>9,717,262,092</u>	<u>6,609,526,001</u>	<u>1,807,185,375</u>	<u>585,232,836</u>	<u>715,317,880</u>
June 2020	Carrying value	Undiscounted cash flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,171,767,213	5,211,036,297	3,267,465,885	1,405,532,788	516,670,188	21,367,436
Obligations with financial institutions	1,074,122,772	1,103,722,853	817,036,367	249,429,755	32,998,083	4,258,648
Marketable securities	23,300,000	23,533,632	23,533,632	-	-	-
Corporate bonds	1,133,628,975	1,361,730,748	88,812,760	736,745,100	75,835,752	460,337,136
Subordinated bonds	7,898,069	35,141,054	542,270	1,083,054	1,084,539	32,431,191
Perpetual bonds	137,089,374	198,103,609	9,401,371	18,776,985	18,802,742	151,122,511
Lease liabilities	23,511,572	30,656,960	3,602,433	6,256,352	4,589,804	16,208,371
	<u>7,571,317,975</u>	<u>7,963,925,153</u>	<u>4,210,394,718</u>	<u>2,417,824,034</u>	<u>649,981,108</u>	<u>685,725,293</u>

To manage liquidity risk arising from financial liabilities, the Bank maintains effective liquid assets such as cash and cash equivalents and investments with an investment grade for which there is an active market. These assets can be sold easily to meet liquidity requirements. Consequently, the Bank believes that it is not necessary to disclose the maturity analysis related to these assets to enable the nature and extent of liquidity risk.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

4.4 Market risk

The following table summarizes the Bank's exposure to interest rate risk. The Bank's assets and liabilities are included in the table at carrying value, categorized by the earlier between the contractual repricing or maturity dates, whichever occurs first.

March 2021	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	326,326,224	1,891,363	-	-	494,120,114	822,337,701
Securities purchased under resale agreements - at amortized cost	36,951	15,096	-	-	-	52,047
Investments at fair value through other comprehensive income	175,909,770	14,225,825	192,096,356	306,286,903	64,996,290	753,515,144
Investments at fair value through profit or loss	-	-	-	28,791,737	9,874,327	38,666,064
Investments at amortized cost	-	-	58,564,821	125,216,600	-	183,781,421
Loans	4,621,446,998	8,946,814	130,900,055	1,307,443,958	-	6,068,737,825
Total financial assets	5,123,719,943	25,079,098	381,561,232	1,767,739,198	568,990,731	7,867,090,202
Financial liabilities:						
Client deposits	2,170,505,050	892,245,803	1,709,129,793	22,037,723	493,272,404	5,287,190,773
Obligations with financial institutions	949,852,777	-	-	-	-	949,852,777
Marketable securities	9,150,000	-	-	-	-	9,150,000
Corporate bonds	-	630,057,547	59,321,255	382,812,201	-	1,072,191,003
Subordinated bonds	-	-	-	7,832,185	-	7,832,185
Perpetual bonds	-	-	-	160,732,462	-	160,732,462
Total financial liabilities	3,129,507,827	1,522,303,350	1,768,451,048	573,414,571	493,272,404	7,486,949,200
Commitments and contingencies	-	-	-	-	1,241,353,869	1,241,353,869
Total interest rate sensitivity	1,994,212,116	(1,497,224,252)	(1,386,889,816)	1,194,324,627	75,718,327	380,141,002
June 2020						
	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	311,358,878	750,000	850,000	-	275,517,087	588,475,965
Securities purchased under resale agreements - at amortized cost	5,025,073	36,952	-	-	-	5,062,025
Investments at fair value through other comprehensive income	338,362,223	23,561,870	214,753,697	226,685,620	47,732,116	851,095,526
Investments at fair value through profit or loss	-	-	-	922,991	9,661,077	10,584,068
Investments at amortized cost	-	-	53,476,257	109,853,094	-	163,329,351
Loans	4,855,007,285	13,523,345	146,739,958	1,320,851,622	-	6,336,122,210
Total financial assets	5,509,753,459	37,872,167	415,819,912	1,658,313,327	332,910,280	7,954,669,145
Financial liabilities:						
Client deposits	2,047,805,882	761,616,623	1,902,163,422	20,748,320	439,432,966	5,171,767,213
Obligations with financial institutions	1,074,122,772	-	-	-	-	1,074,122,772
Marketable securities	20,000,000	3,300,000	-	-	-	23,300,000
Corporate bonds	34,979,313	-	715,871,252	382,778,410	-	1,133,628,975
Subordinated bonds	-	-	-	7,898,069	-	7,898,069
Perpetual bonds	-	-	-	137,089,374	-	137,089,374
Total financial liabilities	3,176,907,967	764,916,623	2,618,034,674	548,514,173	439,432,966	7,547,806,403
Commitments and contingencies	-	-	-	-	1,226,173,275	1,226,173,275
Total interest rate sensitivity	2,332,845,492	(727,044,456)	(2,202,214,762)	1,109,799,154	(106,522,686)	406,862,742

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

4.5 Capital management

As of March 31, 2021, the Bank analyzes its regulatory capital applying the standards of the Superintendency of Banks of Panama based on the new agreements, Agreement No. 1-2015 of February 3, 2015 and Agreement No. 3-2016 of March 22, 2016, which modified Agreement No. 5-2008 of October 1, 2008 that established the standards to determine the weighted assets by credit risk and counterparty risk and the new agreements, Agreements No. 11-2018 of September 11, 2018, modified by Agreement No. 3-2019 of April 30, 2019, by means of which new provisions on Operating Risk are established. Also, Agreement No. 2-2018 of January 23, 2018, by means of which the Superintendency of Banks has determined to take into consideration other risks to determine the capital adequacy index, among which are market risk, operating risk and country risk, to value the capital funds requirement.

As a consequence of the global health pandemic effects of COVID-19 decreed by the World Health Organization (WHO), the need and convenience of establishing temporary special measures such as the validity of the appraisal reports used for the constitution of collateral on movable and immovable property has been made evident through General Resolution SBP-GJD-0004-2020 of the Board of Directors. In addition, for the purposes of Article No. 2 of Agreement No. 3-2016, all risk assets classified in categories 7 and 8, whose weighting is 125% and 150% respectively, will be temporarily weighted as part of category 6, whose weighting is 100% through the 'Board of Directors' General Resolution SBP-GJD-0005-2020.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

The Bank maintains a regulatory capital position composed, as follows:

	March 2021	June 2020
Primary capital (Tier 1)		
Paid in share capital	270,202,657	270,202,657
Excess paid in capital	2,365,697	1,999,307
Declared reserves	42,184,033	41,500,057
Retained earnings	364,157,700	369,041,979
Other items of the comprehensive income	2,016,929	1,439,777
Dynamic reserve	87,863,198	87,863,198
Sub total	<u>768,790,214</u>	<u>772,046,975</u>
Less: Regulatory adjustments to ordinary primary capital calculations		
Trade funds	(92,014,817)	(92,014,817)
Other intangible assets	(21,303,965)	(22,461,470)
Total primary capital fund	<u>655,471,432</u>	<u>657,570,688</u>
Perpetual bonds	160,732,462	137,089,374
Total additional primary capital fund	<u>160,732,462</u>	<u>137,089,374</u>
Subordinated bonds	7,832,185	7,898,069
Total secondary capital fund	<u>7,832,185</u>	<u>7,898,069</u>
Total capital fund	<u>824,036,079</u>	<u>802,558,131</u>
Risk weighted asset		
Total risk weighted assets	<u>5,319,327,495</u>	<u>5,505,142,076</u>
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted asset	<u>15.49%</u>	<u>14.58%</u>
Total Tier 1 expressed as a percentage of risk weighted assets	<u>15.34%</u>	<u>14.43%</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

5. Accounting estimates, critical judgments and contingencies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are periodically assessed and based on the historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

Judgments

In the process of applying the Bank's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

- (a) Valuation of business model: The classification and measurement of financial assets depends on the results of the SPPI and the testing of the business model. The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a particular business objective. This valuation includes reflecting all relevant evidence including how asset performance is evaluated and its performance measured, the risks that affect asset performance and how they are managed. The Bank monitors financial assets measured at amortized cost or at fair value through other comprehensive income that are written-off before maturity, to understand the reason for write-off and whether the reasons are consistent with the business objective for which the asset was held.
- (b) Significant increase in credit risk: For Stage 1 assets, the expected losses are measured as a reserve equal to 12-months expected credit losses, or lifetime expected losses for Stage 2 assets or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. When assessing whether the credit risk of an asset has increased significantly, the Bank takes into account reasonable and supported prospective information, both qualitative and quantitative.
- (c) Establishing the number and relative weights of forward-looking scenarios and determining the relevant forward-looking information for each scenario: When measuring ECLs, the Bank uses reasonable and sustainable forward-looking information, which is based on assumptions for the future movement of different economic forecasts and how those forecasts will affect each other.
- (d) Establishing groups of assets with similar credit risk characteristics: When expected credit losses are measured on a collective basis, financial instruments are grouped based on shared risk characteristics.

The Bank monitors the appropriateness of credit risk characteristics on a continuous basis to assess whether they continue to be similar. This is required to ensure that, when the credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in the creation of new portfolios or that assets are moved to an existing portfolio that best reflects the similar credit risk characteristics of that group of assets. Portfolio re-segmentation and movement between portfolios is more common when there is a significant increase in credit risk (or when this significant increase is reversed) and therefore assets move from 12-months to expected credit losses over a life time, or vice versa, but it can also occur within portfolios that continue to be measured with the same 12-month basis or expected credit losses over a life time but the amount of expected credit losses changes because the portfolio's credit risk differs.

- (e) Models and assumptions used: The Bank uses various models and assumptions in measuring the fair value of financial assets, as well as in estimating expected credit losses. The judgment is applied in the identification of the most appropriate model for each type of asset, as well as to determine the assumptions used in those models, including the assumptions that relate to the key credit risk indicators.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

- (f) Reserve for expected credit losses – When determining the reserve for expected credit, Management’s judgment is required to evaluate the amount and timing of future cash flows in order to determine whether the credit risk has increased significantly from initial recognition, taking into account loan characteristics and default patterns in the past for similar financial instruments. The changes in the risk of default that occur in the next 12 months may be a reasonable approximation of the changes in the risk measured according to the life of the instrument. The Bank uses the changes in the risk of default that occur in the next 12 months to determine if the credit risk has increased significantly since initial recognition, unless the circumstances indicate that an assessment of the life of the instrument is necessary.
- (g) Impairment losses on loans at amortized cost - The Bank reviews its individually significant loans on each date of the consolidated statement of financial position to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, Management’s judgment in estimating the amount and future cash flows is required to determine the impairment loss. These estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes in the provision. Loans that have been individually assessed (and are not impaired) are evaluated together with other non-significant loans in groups of assets with similar risk characteristics. This is done to determine whether it is convenient to establish reserves due to loss events incurred for which there is objective evidence, but whose effects are not yet evident. The collective assessment takes into account the loan portfolio data (such as delinquency levels, credit utilization, loan-collateral relationships, etc.), and judgments on the effect of risk concentration and economic data (including unemployment levels, consumer price indexes, country risk and the performance of different individual groups).
- (h) After evaluating the recoverable value of the generating units to which the goodwill is allocated, Management considers that the goodwill of Banvivienda’s generating unit is the most significant given its weight, whose value is 82% of the total goodwill in the balance sheet and, in addition, the most susceptible to impairment caused by current economic conditions and the effects of COVID-19. The budgets comprise forecasts of income, interest costs, provisions and overhead based on current and anticipated market conditions that have been considered and approved by the Board of Directors. While the Bank has made the projections using the best evidence as of the balance sheet date and applying its judgment on future forecasts, the projections are inherently uncertain due to the uncertainty in the economy as to the ultimate effect that COVID-19 will have.
- The key assumptions in determining the recoverable amount are disclosed in Note 13.
- (i) Impairment of the value of investments measured at fair value through other comprehensive income and investments measured at amortized cost – The Bank reviews its debt securities classified as investments at fair value through other comprehensive income and investments at amortized cost at the end of each reporting date to assess whether they are impaired. This requires a judgment similar to that applied to the individual evaluation of investment securities. The Bank records impairment when there has been a significant or prolonged decrease in the fair value below its cost. The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Bank evaluates, among other factors, historical price movements and the duration and degree to which the fair value of an investment is lower than its cost.
- (j) Fair value and valuation processes of financial instruments – The Bank measures fair value using hierarchy levels that reflect the meaning of data inputs used in the measures. In order to determine fair value, the Bank has established a documented process and policies that assigns responsibilities and the segregation of duties among the different areas responsible involved in this process, which has been approved by the Assets and Liabilities Committee (ALCO), the Risk Committee, and the Board of Directors.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

When the Bank uses or contracts third parties as pricing agents to determine the fair value of the instruments, this control unit assesses and documents the evidence obtained from these third parties that support the conclusion that such valuations meet IFRS requirements. This review includes:

- Verifying that the pricing agents have been approved by the Bank;
- Obtain an understanding of how the fair value was determined and if it reflects current market transactions.

IFRS 13 specifies a hierarchy of valuation techniques based on whether the information included in such valuation techniques is observable or unobservable. Observable information reflects market data obtained from independent sources; the non-observable information reflects the Bank's market assumptions. These two types of information have created the following fair value hierarchy:

Level 1: Inputs that are listed market prices (unadjusted) in active markets for identical assets and liabilities to those that the entity can access on the measurement date.

Level 2: Prices listed in active markets for similar financial instruments or use of a valuation technique where all variables are obtained from observable market information for the assets or liabilities either directly or indirectly. In some cases, the Bank uses benchmark information from active markets for similar instruments, and in other instances, it employs discounted flow techniques where all variables and inputs from the model are obtained from observable market information.

Level 3: When inputs are not available and the fair value is required through a valuation model, the Bank relies on entities engaged in the valuation of equity instruments or of the asset management entities or liabilities in question. The models used to determine the fair value are usually through discount of flows or valuations that use historical market observations.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

Fair value of financial assets and financial liabilities measured on a recurring basis at the end of the period as of March 31, 2021 and June 30, 2020

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key data inputs	Significant unobservable data input(s)	Relationship between unobservable data inputs and fair value
	March 2021	June 2020				
Investments at fair value:						
Shares issued by companies - domestic	7,961,868	6,715,413	Level 2	Observable market prices in non-active markets.	N/A	N/A
Shares issued by companies - domestic	413,840	936,839	Level 3	Share prices in non-liquid market.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Shares issued by companies - foreign	-	129,599	Level 2	Observable market prices in non-active markets.	N/A	N/A
Shares issued by companies - foreign	268,728	-	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by companies - foreign not listed in stock exchange	12,710	2,500	Level 3	Share prices in non-liquid market.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - domestic	20,047,765	18,739,189	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - domestic	38,512,221	31,796,555	Level 2	Observable market prices in non-active markets.	N/A	N/A
Private debt securities - domestic	193,534,307	233,480,548	Level 3	Bond prices in non-liquid market.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - foreign	267,961,530	332,916,894	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - foreign	79,974,025	-	Level 2	Observable market prices in non-active markets.	N/A	N/A
Government debt securities - domestic	2,956,215	23,044,748	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic	-	9,990,340	Level 3	Bond prices in non-liquid market.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Government debt securities - domestic not listed in Stock Exchange	669,516	753,489	Level 3	Bond prices in non-liquid market.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Government debt securities - foreign	50,729,638	153,669,020	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by companies - foreign not listed in stock exchange	66,132,845	49,504,460	Level 3	Price per share, adjusted for the fair value of the issuer's properties, acquisition cost.	Growth in issuer's assets, liabilities, equity and profits.	If growth increases, the price increases and viceversa.
Private debt securities - domestic not listed in Stock Exchange	24,040,000	-	Level 3	Net current value	CMS data, Cash flows	If the unobservable inputs deteriorate, the lower the fair value of the instrument.
Private debt securities - domestic not listed in Stock Exchange	38,966,000	-	Level 3	Discounted flows	Discount rate	If the discount rate is higher than the flows, the lower the fair value of the instrument.
Total investments at fair value	<u>792,181,208</u>	<u>861,679,594</u>				
Derivative financial instruments:						
Interest rate swaps - fair value	214,079	-	Level 2	Present value. The valuation of an interest rate swap is achieved by adding the present value of all expected swap flows, and then applying a credit adjustment.	N/A	N/A
Total derivative financial instruments	<u>214,079</u>	<u>-</u>				

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

The Bank considers that its valuation methodologies for Level 3 investments are appropriate. However, the use of different estimates of unobservable inputs could give different results as to the fair value of such investments. For investments classified as Level 3, valued by the Bank, adjustments in the credit margin in the case of fixed income (+100 bps and - 100 bps) would result in the following favorable and unfavorable impacts on the Bank's equity.

	March 2021	
	Investments at fair value through other comprehensive income	
	<u>Effect on equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed income instruments	11,757,763	(10,964,101)

	June 2020	
	Investments at fair value through other comprehensive income	
	<u>Effect on equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed income instruments	9,373,754	(8,846,413)

Fair value of financial assets and liabilities of the Bank not measured at fair value on a recurring basis (but that require fair value disclosures) at the of the year

A summary of the carrying value of main assets and liabilities not measured at fair value in the Ban's consolidated statement of financial position is summarized as follows:

	March 2021		June 2020	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Assets				
Cash and bank deposits	494,120,113	494,120,113	275,517,086	275,517,086
Time deposits	328,217,588	328,217,588	312,958,879	312,958,879
Securities purchased under resale agreements - at amortized cost	52,047	52,047	5,062,025	5,062,025
Investments at amortized cost	183,781,421	187,153,314	163,329,351	167,822,347
Loans	5,852,961,617	5,975,747,513	6,169,417,198	6,248,190,068
Total financial assets	<u>6,859,132,786</u>	<u>6,985,290,575</u>	<u>6,926,284,539</u>	<u>7,009,550,405</u>
Liabilities				
Demand deposits	493,272,404	493,272,404	439,432,966	439,432,966
Savings deposits	1,162,110,964	1,162,110,964	1,038,507,979	1,038,507,979
Time deposits	3,631,807,405	3,717,103,787	3,693,826,268	3,777,205,726
Obligations with financial institutions	949,852,777	946,168,098	1,074,122,772	1,063,700,059
Marketable securities	9,150,000	9,177,312	23,300,000	23,361,897
Corporate bonds	1,072,191,003	1,102,037,778	1,133,628,975	1,165,061,965
Subordinated bonds	7,832,185	7,861,428	7,898,069	7,903,780
Perpetual bonds	160,732,462	164,266,010	137,089,374	136,647,990
Total financial liabilities	<u>7,486,949,200</u>	<u>7,601,997,781</u>	<u>7,547,806,403</u>	<u>7,651,822,362</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

	Fair value hierarchy			
	<u>Total</u>	March 2021		<u>Level 3</u>
<u>Level 1</u>		<u>Level 2</u>		
Assets				
Cash and bank deposits	494,120,113	-	494,120,113	-
Time deposits	328,217,588	-	328,217,588	-
Securities purchased under resale agreements - at amortized cost	52,047	-	52,047	-
Investments at amortized cost	187,153,314	169,906,523	-	17,246,791
Loans	5,975,747,513	-	-	5,975,747,513
Total financial assets	<u>6,985,290,575</u>	<u>169,906,523</u>	<u>822,389,748</u>	<u>5,992,994,304</u>

Liabilities				
Demand deposits	493,272,404	-	493,272,404	-
Savings deposits	1,162,110,964	-	1,162,110,964	-
Time deposits	3,717,103,787	-	3,717,103,787	-
Obligations with financial institutions	946,168,098	-	946,168,098	-
Marketable securities	9,177,312	-	9,177,312	-
Corporate bonds	1,102,037,778	1,012,404,278	54,633,500	35,000,000
Subordinated bonds	7,861,428	-	3,053,000	4,808,428
Perpetual bonds	164,266,010	-	130,313,020	33,952,990
Total financial liabilities	<u>7,601,997,781</u>	<u>1,012,404,278</u>	<u>6,515,832,085</u>	<u>73,761,418</u>

	Fair value hierarchy			
	<u>Total</u>	June 2020		<u>Level 3</u>
<u>Level 1</u>		<u>Level 2</u>		
Assets				
Cash and due from banks	275,517,086	-	275,517,086	-
Time deposits	312,958,879	-	312,958,879	-
Securities purchased under resale agreements - at amortized cost	5,062,025	-	5,062,025	-
Investments at amortized cost	167,822,347	149,497,709	-	18,324,638
Loans	6,248,190,068	-	-	6,248,190,068
Total financial assets	<u>7,009,550,405</u>	<u>149,497,709</u>	<u>593,537,990</u>	<u>6,266,514,706</u>

Liabilities				
Demand deposits	439,432,966	-	439,432,966	-
Savings deposits	1,038,507,979	-	1,038,507,979	-
Time deposits	3,777,205,726	-	3,777,205,726	-
Obligations with financial institutions	1,063,700,059	-	1,063,700,059	-
Marketable securities	23,361,897	-	23,361,897	-
Corporate bonds	1,165,061,965	1,040,365,070	54,696,895	70,000,000
Subordinate bonds	7,903,780	-	3,022,470	4,881,310
Perpetual bonds	136,647,990	-	136,647,990	-
Total financial liabilities	<u>7,651,822,362</u>	<u>1,040,365,070</u>	<u>6,536,575,982</u>	<u>74,881,310</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

The fair values of financial assets and liabilities included in Level 2 and Level 3 as shown above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of interbank and client deposits is estimated using the discounted cash flow technique, by applying rates offered for deposits with similar terms and maturities. The fair value for demand deposits is the amount payable at the date of the condensed consolidated financial statements.

The movement of investments at fair value through other comprehensive income, and investments at fair value through profit or loss in Level 3 is as follows:

	March 2021	June 2020
Balance at beginning of the period	294,668,176	197,551,777
Additions	139,414,091	75,192,430
Reclassifications from Level 2 to Level 3	-	36,006,966
Reclassifications from Level 3 to Level 2	(523,000)	(3,860)
Net changes in securities	(1,145,999)	(600,674)
Redemptions and amortization	(108,644,050)	(13,478,463)
Balance at the end of the period	<u>323,769,218</u>	<u>294,668,176</u>

As of March 31, 2021, Level 3 investments at fair value through other comprehensive income did not affect the Bank's profits.

The total unrealized gain or loss for investments at fair value through other comprehensive income classified as Level 3 as of March 31, 2021 is for (B/.2,353,370) (June 2020: B/.1,207,370).

As of March 31, 2021, reclassifications between Level 2 and Level 3 investments in domestic corporate bonds occurred as a result of observed activity in the securities market in which they are listed.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

6. Balances and transactions with related parties

A summary of balances and transactions with related parties included in the condensed consolidated financial statements is as follows:

	March 2021	June 2020
<i>Transactions with related companies</i>		
Condensed consolidated statement of financial position		
Assets		
Investments at fair value through other comprehensive income	11,937,081	11,129,876
Investments at amortized cost	4,699,477	4,699,477
Loans	92,515,293	58,918,002
Accrued interest receivable	1,778,933	838,560
Other assets	51,698,851	44,162,235
Liabilities		
Client deposits:		
Demands	23,773,550	15,729,693
Savings	1,887,725	10,989,662
Time	76,466,340	108,543,997
Accrued interest payable	176,642	245,830
Commitments and contingencies	42,969,000	40,432,000
Condensed consolidated statement of profit or loss		
Income and expenses		
Interest and dividend income	2,600,938	2,080,719
Interest expenses	2,064,617	3,468,181

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

	March 2021	June 2020
<i>Transactions with Directors and key Management personnel</i>		
Consolidated statement of financial position		
Assets		
Loans	12,814,187	12,419,400
Accrued interest receivable	76,755	79,200
Liabilities		
Client deposits:		
Demands	2,921,080	3,043,618
Savings	12,994,152	11,516,797
Time	47,772,188	44,682,814
Accumulated interest payable	704,701	112,973
Commitments and contingencies	1,586,500	1,576,500
Consolidated statement of profit and loss		
Income and expenses		
Interest income	433,442	457,520
Interest expenses	1,678,501	1,227,997
Benefits of key Management personnel		
Salaries	4,098,006	4,233,604
Profit sharing	651,826	1,826,788
Share option plan for employees	366,390	203,550
Allowances for Directors	657,250	502,500
	5,773,472	6,766,442

As of March 31, 2021, collateral guaranteeing loans to related parties amounted to B/.111,528,084 (June 2020: B/.133,865,942), which correspond to property, assets and securities.

As of March 31, 2021, no loans with related parties show evidence of impairment. As of March 31, 2021, loans with related parties with maturities between April 2021 and January 2051 and annual interest rates ranging between 3.00% and 9.00% (June 2020: with maturities between July 2020 and September 2048 and annual interest rates ranging between 0.75% and 9.00%).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

7. Cash and cash equivalents

	March 2021	June 2020
Cash and cash equivalents	61,995,366	81,415,017
Demand deposits	432,124,747	194,102,069
Time deposits	328,217,588	312,958,879
Cash and bank deposits	<u>822,337,701</u>	<u>588,475,965</u>
Less:		
Restricted time deposits	(901,172)	(4,674,208)
Time deposits with original maturities greater than 90 days	<u>(22,598,299)</u>	<u>(24,550,000)</u>
Cash and cash equivalents for purposes of the condensed consolidated statement of cash flows	<u>798,838,230</u>	<u>559,251,757</u>

As of March 31, 2021, there were fixed time deposits with original maturities greater than 90 days for B/.22,598,299 (June 2020: B/.24,550,000). In addition, there are fixed time deposits restricted for B/.901,172 (June 2020: B/.4,674,208) that guarantee financial obligations.

8. Securities purchased under resale agreements

As of March 31, 2021, securities purchased under resale agreements for B/.52,047 (June 2020: B/.5,062,025) with maturities in May and September 2021, (June 2020: with maturities in July 2020, September 2020 and May 2021), are guaranteed by corporate bonds and shares.

9. Investments in securities

The breakdown of investments in securities is as follows:

	March 2021	June 2020
Investments at fair value through other comprehensive income	753,515,144	851,095,526
Investments at fair value through profit or loss	38,666,064	10,584,068
Investments at amortized cost	183,781,421	163,329,351
Provision for impairment of investments at amortized cost	<u>(361,879)</u>	<u>(339,149)</u>
Investments in securities, net	<u>975,600,750</u>	<u>1,024,669,796</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

9.1 Investments at fair value through other comprehensive income

	March 2021	June 2020
<u>Securities listed in stock exchange:</u>		
Shares issued by companies - domestic	3,365,957	2,855,752
Shares issued by companies - foreign	268,728	129,600
Private debt securities - domestic	252,094,293	284,016,292
Private debt securities - foreign	343,183,820	331,993,902
Government debt securities - domestic	2,956,215	33,035,088
Government debt securities - foreign	50,729,638	153,669,020
	<u>652,598,651</u>	<u>805,699,654</u>
<u>Securities not listed in stock exchange:</u>		
Shares issued by companies - domestic	61,268,267	44,639,882
Shares issued by companies - foreign	12,710	2,500
Private debt securities - domestic	38,966,000	-
Government debt securities - domestic	669,516	753,490
	<u>100,916,493</u>	<u>45,395,872</u>
	<u>753,515,144</u>	<u>851,095,526</u>

Investments at fair value through other comprehensive income accrued interest at a rate ranging from 1.00% and 9.38% (June 2020: 2.11% and 9.38%)

As of March 31, 2021, there are investments at fair value through other comprehensive income for B/.99,142,545 (June 2020: B/.157,055,197), which guarantee obligations with financial institutions (See Note 15).

As of March 31, 2021, the Bank sold and redeemed investments for B/.1,427,844,324 (June 2020: B/.983,094,209) and, as a result, recorded a gain of B/.7,041,530 (March 2020: B/.7,345,924), which is included in the condensed consolidated statement of profit or loss.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

9.2 Investments at fair value through profit or loss

The investments at fair value through profit or loss are as follows:

	March 2021	June 2020
<u>Securities listed in the stock exchange</u>		
Corporate shares - domestic	5,009,750	4,796,500
Private debt securities - foreign	4,751,736	922,991
	<u>9,761,486</u>	<u>5,719,491</u>
<u>Securities not listed in the stock exchange</u>		
Corporate shares - domestic	4,864,578	4,864,577
Private debt securities - domestic	24,040,000	-
	<u>28,904,578</u>	<u>4,864,577</u>
	<u>38,666,064</u>	<u>10,584,068</u>

9.3 Investments at amortized cost

	March 2021		June 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Securities listed in the stock exchange:</u>				
Private debt securities - foreign	5,093,704	5,057,000	-	-
Government debt securities - domestic	123,511,386	127,946,436	107,752,937	113,180,694
Government debt securities - foreign	35,009,570	36,903,087	35,409,653	36,317,015
	<u>163,614,660</u>	<u>169,906,523</u>	<u>143,162,590</u>	<u>149,497,709</u>
<u>Securities not listed in the stock exchange:</u>				
Private debt securities - domestic	20,166,761	17,246,791	20,166,761	18,324,638
	<u>20,166,761</u>	<u>17,246,791</u>	<u>20,166,761</u>	<u>18,324,638</u>
	<u>183,781,421</u>	<u>187,153,314</u>	<u>163,329,351</u>	<u>167,822,347</u>

As of March 31, 2021, the annual interest rate earned by investments at amortized cost range between 2.25% and 8.875% (June 2020: 2.85% and 8.875%).

As of March 31, 2021, there are investments at amortized cost for B/.50,885,948 (June 2020: B/.62,936,258), which guarantee obligations with financial institutions. (See Note 15).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

10. Loans

	March 2021			June 2020		
	<u>Gross amount</u>	<u>Impairment allowance</u>	<u>Net amount</u>	<u>Gross amount</u>	<u>Impairment allowance</u>	<u>Net amount</u>
<i>Domestic:</i>						
Consumer	1,052,511,353	(63,255,059)	989,256,294	1,098,685,799	(29,277,906)	1,069,407,893
Commercial	1,282,580,235	(48,033,563)	1,234,546,672	1,312,258,778	(39,003,841)	1,273,254,937
Agricultural	363,992,679	(11,241,003)	352,751,676	393,138,731	(12,007,968)	381,130,763
Pledge	115,104,076	(3,953)	115,100,123	117,958,558	(886)	117,957,672
Overdrafts	124,948,517	(3,878,393)	121,070,124	142,012,600	(2,937,638)	139,074,962
Mortgage	1,781,343,218	(20,901,422)	1,760,441,796	1,776,866,924	(16,310,093)	1,760,556,831
Industrial	191,588,349	(3,510,674)	188,077,675	205,159,408	(3,498,688)	201,660,720
Construction	582,101,625	(34,603,769)	547,497,856	699,919,036	(35,573,146)	664,345,890
Financial leasings	50,681,210	(2,053,505)	48,627,705	54,838,765	(1,513,925)	53,324,840
Factoring	218,042,320	(12,544,584)	205,497,736	212,632,110	(10,792,442)	201,839,668
Total domestic	<u>5,762,893,582</u>	<u>(200,025,925)</u>	<u>5,562,867,657</u>	<u>6,013,470,709</u>	<u>(150,916,533)</u>	<u>5,862,554,176</u>
<i>Foreign:</i>						
Commercial	153,452,561	(986,267)	152,466,294	184,435,763	(1,289,831)	183,145,932
Agricultural	750,000	(191)	749,809	738,001	(566)	737,435
Industrials	47,699,402	(319,018)	47,380,384	37,313,131	(190,104)	37,123,027
Construction	29,236,358	(1,347,442)	27,888,916	40,785,863	(2,566,968)	38,218,895
Pledge	10,970,022	-	10,970,022	10,970,022	-	10,970,022
Overdrafts	63,735,900	(87,671)	63,648,229	48,408,721	(61,830)	48,346,891
Total foreign	<u>305,844,243</u>	<u>(2,740,589)</u>	<u>303,103,654</u>	<u>322,651,501</u>	<u>(4,109,299)</u>	<u>318,542,202</u>
	<u>6,068,737,825</u>	<u>(202,766,514)</u>	<u>5,865,971,311</u>	<u>6,336,122,210</u>	<u>(155,025,832)</u>	<u>6,181,096,378</u>
Less:						
Discounted unearned interest and commissions			<u>(13,009,694)</u>			<u>(11,679,180)</u>
Total			<u>5,852,961,617</u>			<u>6,169,417,198</u>

As of March 31, 2021, the loan portfolio accrued interest at a rate ranging from 0.75% to 30.00% (June 2020: 0.75% to 25.99%).

As of March 31, 2021, there are loans that guarantee corporate bonds for a total of de B/. 122,037,600 (June 2020: B/. 196,436,317). (See Note 17).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

The classification of the loan portfolio by type of interest is as follows:

	March 2021	June 2020
Fixed rate	727,669,653	731,868,318
Adjustable rate	5,173,725,641	5,471,409,351
Floating rate (Libor or Prime)	167,342,531	132,844,541
	<u>6,068,737,825</u>	<u>6,336,122,210</u>

Financial leasing

The balance of net financial leases and the maturity profile of minimum payments is summarized as follows:

	March 2021	June 2020
Less than a 1 year	6,575,881	5,181,552
1 to 5 years	44,105,329	49,657,213
Total	<u>50,681,210</u>	<u>54,838,765</u>
Less: unearned interest	(7,961,333)	(8,839,525)
Total financial leasings	<u>42,719,877</u>	<u>45,999,240</u>

Restructured loans

The restructuring activities include payment agreements, approved by external management plans and modification of the payment schedule. Restructuring policies and practices are based on indicators or criteria which, in Management's view, indicate that the payment will most likely continue. These policies are reviewed constantly.

As of March 31, 2021, restructured loans that would otherwise be overdue or impaired amount to B/.122,754,796 (June 2020: B/.120,553,296).

	March 2021	June 2020
<i>Consumer:</i>		
Personal loans	17,176,809	6,334,852
Mortgage	58,586,430	21,851,065
<i>Corporate:</i>		
Commercial	46,991,557	92,367,379
Total	<u>122,754,796</u>	<u>120,553,296</u>

The values shown in the table above do not include modified loans based on Agreement No. 2-2020 as part of governmental relief measures and voluntary and statutory moratorium plans. (See Note 35).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

11. Property, plant, equipment and improvements

	March 2021							
	<u>Land</u>	<u>Property</u>	<u>Furniture and office equipment</u>	<u>Computer equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Projects in progress</u>	<u>Total</u>
Cost:								
At the beginning of the period	12,468,404	134,755,615	30,029,139	79,957,233	3,762,467	15,868,093	14,830,575	291,671,526
Acquisitions or purchases	-	-	77,865	1,457,195	-	-	6,030,861	7,565,921
Reclassifications	-	-	590,037	490,305	-	-	(1,080,342)	-
Sales and write-offs	-	-	(104,646)	(483,814)	(721,792)	(268,765)	-	(1,579,017)
At the end of the period	<u>12,468,404</u>	<u>134,755,615</u>	<u>30,592,395</u>	<u>81,420,919</u>	<u>3,040,675</u>	<u>15,599,328</u>	<u>19,781,094</u>	<u>297,658,430</u>
Accumulated depreciation and amortization:								
At the beginning of the period	-	19,979,497	18,277,075	46,879,605	2,660,783	4,538,456	-	92,335,416
Expense for the period	-	2,928,338	2,455,726	5,789,111	322,281	784,476	-	12,279,932
Sales and write-offs	-	-	(103,781)	(482,945)	(703,891)	(268,765)	-	(1,559,382)
At the end of the period	-	<u>22,907,835</u>	<u>20,629,020</u>	<u>52,185,771</u>	<u>2,279,173</u>	<u>5,054,167</u>	-	<u>103,055,966</u>
Net balances	<u>12,468,404</u>	<u>111,847,780</u>	<u>9,963,375</u>	<u>29,235,148</u>	<u>761,502</u>	<u>10,545,161</u>	<u>19,781,094</u>	<u>194,602,464</u>
	June 2020							
	<u>Land</u>	<u>Property</u>	<u>Furniture and office equipment</u>	<u>Computer equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Projects in progress</u>	<u>Total</u>
Cost:								
At the beginning of the year	12,396,467	82,210,152	28,066,812	70,435,546	3,273,242	15,607,440	66,379,845	278,369,504
Acquisitions or purchases	71,937	138,589	74,250	1,048,318	594,150	975	12,497,463	14,425,682
Reclassifications	-	52,410,602	2,067,008	8,967,892	-	601,231	(64,046,733)	-
Sales and write-offs	-	(3,728)	(178,931)	(494,523)	(104,925)	(341,553)	-	(1,123,660)
At the end of the year	<u>12,468,404</u>	<u>134,755,615</u>	<u>30,029,139</u>	<u>79,957,233</u>	<u>3,762,467</u>	<u>15,868,093</u>	<u>14,830,575</u>	<u>291,671,526</u>
Accumulated depreciation and amortization:								
At the beginning of the year	-	16,797,029	14,923,798	40,235,040	2,279,049	4,013,636	-	78,248,552
Expense for the year	-	3,188,347	3,528,253	7,128,382	464,135	860,486	-	15,169,603
Sales and write-offs	-	(5,879)	(174,976)	(483,817)	(82,401)	(335,666)	-	(1,082,739)
At the end of the year	-	<u>19,979,497</u>	<u>18,277,075</u>	<u>46,879,605</u>	<u>2,660,783</u>	<u>4,538,456</u>	-	<u>92,335,416</u>
Net balances	<u>12,468,404</u>	<u>114,776,118</u>	<u>11,752,064</u>	<u>33,077,628</u>	<u>1,101,684</u>	<u>11,329,637</u>	<u>14,830,575</u>	<u>199,336,110</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements
for the nine months ended March 31, 2021
(In balboas)

12. Right-of-use assets and lease liabilities

(a) Right-of-use assets

Right-of-use assets are presented below:

	March 2021	June 2020
Building and properties		
Cost:		
Balance at the beginning of the period	25,948,456	-
Adjustment from adoption of IFRS 16	-	25,520,133
Increases in right-of-use assets	502,065	428,323
Balance at the end of the period	<u>26,450,521</u>	<u>25,948,456</u>
Accumulated depreciation and amortization:		
Balance at the beginning of the period	3,439,071	-
Expense of the period	2,696,596	3,439,071
Balance at the end of the period	<u>6,135,667</u>	<u>3,439,071</u>
Net balance	<u>20,314,854</u>	<u>22,509,385</u>

Amounts recognized in the condensed consolidated statement of profit or loss:

	March 2021	March 2020
Depreciation expense on right-of-use assets	2,696,596	2,236,951
Interest expense on lease liabilities	445,013	600,729
	<u>3,141,609</u>	<u>2,837,680</u>

(b) Lease liabilities

The following table shows the maturity terms of contingent operating lease commitments under new application by the adoption of IFRS 16.

	March 2021	June 2020
Up to 1 year	2,530,057	2,718,276
Between 1 and 5 years	7,022,256	7,266,914
5 years or more	12,165,594	13,526,382
Total	<u>21,717,907</u>	<u>23,511,572</u>

The Bank does not face significant liquidity risk with respect to its lease liabilities. Lease liabilities are maintained in accordance with the Bank's operations.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

13. Other assets

	March 2021	June 2020
Accrued interest receivable	167,619,085	121,052,493
Goodwill (a)	92,014,817	92,014,817
Accounts receivable - related companies	51,698,851	44,162,235
Accounts receivable - National Treasury	49,023,686	59,934,102
Accounts receivable	48,632,114	43,360,371
Deferred income tax (c)	45,540,478	33,894,103
Foreclosed assets	25,424,787	22,345,463
Prepaid expenses	21,409,391	16,682,779
Intangible assets (b)	21,303,965	22,461,470
Collateral deposits	16,252,191	12,896,224
Insurance premiums receivables, net	7,969,427	10,831,126
Severance Fund	7,534,060	7,155,915
Claims to insurance companies	4,776,162	3,504,654
Tax credit - agrarian subsidy	3,807,320	4,170,801
Legal deposits	3,135,137	3,257,483
Client obligations by acceptances	469,719	277,525
Hedge derivative (d)	214,079	-
Others	32,988,715	8,654,690
	<u>599,813,984</u>	<u>506,656,251</u>

(a) *Goodwill*

The table below summarizes the balance of goodwill generated from the acquired interest in the following entities:

<u>Acquisition date</u>	<u>Company acquired</u>	<u>% of shares acquired</u>	<u>March 2021</u>	<u>June 2020</u>
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Afianzadora Colón, S.A. PROGRESO - Administradora Nacional de Inversiones, Fondos de Pensiones	100%	25,000	25,000
December 2014	y Cesantías, S.A.	100%	8,407,500	8,407,500
December 2018	Banco Panameño de la Vivienda, S.A. y Subsidiarias		75,252,130	75,252,130
			<u>92,014,817</u>	<u>92,014,817</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

(b) Intangible assets

	March 2021	June 2020
Cost:		
Rights to manage the severance fund portfolio		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Trademarks and other intangibles	8,454,809	8,454,809
Intangible assets from purchase of Banvivienda	15,500,000	15,500,000
	<u>25,344,772</u>	<u>25,344,772</u>
Accumulated amortization:		
Balance at beginning of the period	(2,883,302)	(1,339,962)
Amortization	(1,157,505)	(1,543,340)
	<u>(4,040,807)</u>	<u>(2,883,302)</u>
Net balance at end of the period	<u>21,303,965</u>	<u>22,461,470</u>

The amortization expense is presented in the condensed consolidated statement of profit or loss in the item line of depreciation and amortization.

(c) Deferred income tax

Details of the deferred income tax can be found in Note 30.

(d) Hedge derivatives

The Bank reduces its credit risk in relation to these agreements by using financially sound institutions as counterparts. These contracts are recorded at fair value in the consolidated statement of financial position using fair value hedge or cash flow hedge methods, in other assets and other liabilities, as applicable.

Fair value hedge

To manage its position in the consolidated statement of financial position, the Bank has entered into interest rate swap contracts on financing with a nominal value of B/.200,000,000 as of March 31, 2021, which allows the conversion from fixed interest rate to variable rate during each payment period.

Below is a summary of derivative contracts by maturities and accounting method:

<u>Accounting method</u>	March 2021 Remaining maturity of nominal value		
	<u>More than 1 year</u>	<u>Less than 1 year</u>	<u>Total</u>
Cash flows	200,000,000	-	200,000,000
Total	<u>200,000,000</u>	<u>-</u>	<u>200,000,000</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

The nominal value and estimated fair value of interest rate swaps are presented in the table below. The fair value of derivative financial instruments is estimated using internal valuation models with observable market data.

<u>Type</u>	March 2021	
	<u>Par value</u>	<u>Fair value</u>
Derivatives for cash flow hedging (for financing)	200,000,000	214,079
Total	<u>200,000,000</u>	<u>214,079</u>

For the fair value hedge derivatives, the gains or loss from the changes in the fair value of the hedging instrument as well as the hedged item attributable to the hedged risk are included in other income (expenses).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

14. Client deposits

	March 2021	Demand	Savings	Time	Total
Economic sector					
Corporate		410,413,867	390,593,133	2,274,164,595	3,075,171,595
Personal		82,858,537	771,517,831	1,306,670,096	2,161,046,464
		<u>493,272,404</u>	<u>1,162,110,964</u>	<u>3,580,834,691</u>	<u>5,236,218,059</u>
Sector					
Domestic		467,829,469	1,102,615,609	2,963,311,344	4,533,756,422
Foreign		25,442,935	59,495,355	617,523,347	702,461,637
		<u>493,272,404</u>	<u>1,162,110,964</u>	<u>3,580,834,691</u>	<u>5,236,218,059</u>
	June 2020	Demand	Savings	Time	Total
Economic sector					
Corporate		356,160,833	359,635,978	2,288,966,949	3,004,763,760
Personal		83,272,133	678,872,001	1,332,094,137	2,094,238,271
		<u>439,432,966</u>	<u>1,038,507,979</u>	<u>3,621,061,086</u>	<u>5,099,002,031</u>
Sector					
Domestic		413,363,279	952,800,560	2,960,870,874	4,327,034,713
Foreign		26,069,687	85,707,419	660,190,212	771,967,318
		<u>439,432,966</u>	<u>1,038,507,979</u>	<u>3,621,061,086</u>	<u>5,099,002,031</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

15. Obligations with financial institutions

	March 2021	June 2020
As of March 31, 2021, there are obligations with other banks for the financing of foreign trade, with multiple maturities until March 2022 and annual interest rates between 0.6050% and 2.6065% (June 2020: between 0.7656% and 3.7196%)	162,140,300	265,322,776
As of March 31, 2021, there are obligations with financial institutions for the management of short-term liquidity, with renewal maturities starting April 2021 and interest rates between 2.15% and 2.37%, reviewed semiannually (June 2020: between 1.722% and 2.37%).	125,006,833	164,198,408
As of March 31, 2021, there are obligations with international organizations for handling long-term liquidity, with renewal maturities between June 2021 and November 2022 and interest rates between 1.948% and 3.549% (June 2020: between 1.18% and 4.599%).	141,384,214	197,888,904
As of March 31, 2021, there are obligations with foreign banks for working capital, with multiple maturities until December 2027 and annual interest rates between 1.98588% and 3.29488% (June 2020: between 1.47038% and 4.93213%).	375,579,369	279,200,716
As of March 31, 2021, there are obligations with a multilateral financial institution, with various terms and final maturities starting February 2022 until January 2027, interest rates range between 1.5476% and 3.500%, reviewed semiannually (June 2020: between 1.7424% and 3.775%).	145,742,061	167,511,968
	<u>949,852,777</u>	<u>1,074,122,772</u>

As of March 31, 2021, there are investments at fair value through other comprehensive income for B/.99,142,545 (June 2020: B/.157,055,197) and investments at amortized cost for B/.50,885,948 (June 2020: B/.62,936,258) which guarantee these obligations with financial institutions. Additionally, there are restricted time deposits as of March 31, 2021 for B/.901,172 (June 2020: B/.4,674,208), which guarantee these obligations with financial institutions.

The Bank is in compliance with the payments of principal and interest due as well as with contractual clauses regarding their obligations and placements.

The Bank arranged interest rate swaps on financing, which qualify as fair value hedges. As of March 31, 2021, the net fair value of the hedged instrument attributable to the hedged risk was B/.214,079. (See Note 13).

The movement of obligations with financial institutions is broken down as follows for the purpose of conciliation with the reconsolidated statement of cash flows:

	March 2021	June 2020
Balance at the beginning of the period	1,074,122,772	920,612,697
Valuation	214,079	-
Obligations received	635,853,542	1,054,577,680
Payments made	(760,337,616)	(901,067,605)
Balance at the end of the period	<u>949,852,777</u>	<u>1,074,122,772</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

16. Marketable securities (VCNs for its initials in Spanish)

Interest is paid on a monthly basis. The Bank cannot redeem the VCNs early. These VCNs are secured by the Bank's overall credit.

<u>Series</u>	<u>Issuance date</u>	<u>Interest rate</u>	<u>Maturity</u>	March 2021
D-E	Jun-20	3.00%	Jun-21	1,300,000
D-F	Jul-20	3.00%	Jun-21	1,000,000
D-G	Jul-20	3.00%	Jul-21	1,850,000
D-H	Aug-20	3.00%	Aug-21	2,000,000
D-I	Sep-20	2.75%	Sep-21	3,000,000
				9,150,000

<u>Series</u>	<u>Issuance date</u>	<u>Interest rate</u>	<u>Maturity</u>	June 2020
C-V	Jul-19	3.50%	Jul-20	3,000,000
C-W	Aug-19	3.50%	Jul-20	1,000,000
C-X	Aug-19	3.50%	Aug-20	2,000,000
C-Y	Sep-19	3.50%	Sep-20	2,000,000
C-Z	Oct-19	3.25%	Oct-20	5,000,000
D-A	Oct-19	3.00%	Oct-20	2,000,000
D-B	Nov-19	3.00%	Nov-20	3,000,000
D-C	Nov-19	3.00%	Nov-20	2,000,000
D-D	Mar-20	3.00%	Mar-21	2,000,000
D-E	Jun-20	3.00%	Jun-21	1,300,000
				23,300,000

The movement of marketable securities is broken down as follows for the purpose of reconciliation with the consolidated statement of cash flows:

	March 2021	June 2020
Balance at the beginning of the period	23,300,000	59,409,000
Proceeds from issuance	7,850,000	23,300,000
Redemptions	(22,000,000)	(59,409,000)
Balance at the end of the period	9,150,000	23,300,000

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

17. Corporate bonds

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>March 2021</u>	<u>June 2020</u>
A Series - October 2016 Issuance	4.50%	Oct-21	600,147,893	626,976,592
C Series - August 2015 Issuance	5.13%	Aug-20	-	34,979,312
A Series - August 2018 Issuance	5.00%	Aug-21	29,909,653	29,752,358
B Series - August 2018 Issuance	5.25%	Aug-22	24,645,079	24,557,594
C Series - August 2018 Issuance	5.50%	Aug-23	34,676,177	34,584,709
A Series - April 2019 Issuance	5.25%	Apr-29	382,812,201	382,778,410
			<u>1,072,191,003</u>	<u>1,133,628,975</u>

The collateral granted by the Bank for these issuances are described below:

October 2016 Issuance – The bonds of this issuance constitute direct, unconditional and unsecured obligations. This issuance was registered in Panama in December 2017 for an amount of B/.500,000,000.

August 2015 Issuance – The bond issuance is guaranteed through a Collateral Trust with the Fiduciary Agent in whose favor Mortgage Loans with a total value that must cover at least 120% of the Unpaid Capital Balance of Issued and Outstanding Bonds will be transferred. Interest is payable quarterly and the principal of the bonds at maturity.

August 2018 Issuance – The bond issuance is guaranteed through a Collateral Trust with the Fiduciary Agent in whose favor Mortgage Loans with a total value that must cover at least 120% of the Unpaid Capital Balance of Issued and Outstanding Bonds will be transferred. Interest is payable quarterly and the principal of the bonds at maturity.

April 2019 Issuance – The bonds of this issuance constitute direct, unconditional and unsecured obligations and not guaranteed. The coupon is paid semi-annually at a fixed rate and changes to a variable rate of Libor 3 months plus spread 3.30% in the last year of issuance.

As of March 31, 2021, there are corporate bonds that maintain loan collateral in trust for a total of B/.122,037,600 (June 2020: B/.196,436,317). (See Note 10).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

18. Subordinated bonds

For each issuance series there is a single principal payment on the maturity date of each series or until their early redemption. Subordinated bonds are unsecured, without special privileges as to priority and backed only by the Bank's overall credit.

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	March 2021	June 2020
A Series - August 2010 Issuance	6.75%	Aug-70	554,000	554,000
B Series - November 2010 Issuance	6.75%	Aug-70	3,039,301	3,037,514
C Series - December 2010 Issuance	6.75%	Aug-70	3,353,884	3,421,555
D Series - May 2011 Issuance	6.75%	Aug-70	270,000	270,000
E Series - October 2014 Issuance	6.75%	Aug-70	615,000	615,000
			<u>7,832,185</u>	<u>7,898,069</u>

19. Perpetual bonds

Perpetual bonds of any series are unsecured and can be redeemed, totally or partially, at the Issuer's choice starting from the sixth year after the issuance date of the respective series.

<u>Type</u>	<u>Interest rate</u>	March 2021	June 2020
A Series - May 2016 Issuance	6.75%	23,899,120	23,867,621
B Series - July 2016 Issuance	6.75%	90,461,629	90,407,551
C Series - May 2018 Issuance	6.75%	5,191,950	5,490,000
D Series - May 2019 Issuance	6.75%	16,568,763	16,563,202
E Series - June 2020 Issuance	6.75%	4,611,000	761,000
F Series - September 2020 Issuance	6.50%	5,299,000	-
G Series - December 2020 Issuance	6.50%	14,701,000	-
		<u>160,732,462</u>	<u>137,089,374</u>

The movement of corporate, subordinated and perpetual bonds is broken down as follows for the purpose of reconciliation with the consolidated statement of cash flows:

	March 2021	June 2020
Balance at the beginning of the period	1,278,616,418	1,577,813,688
Proceeds from issuances	23,850,000	93,235,000
Cost of debt issuance/ debt issuance cost amortization	2,395,651	3,337,427
Redemptions	(64,989,050)	(409,897,000)
Valuation	-	8,105,718
Premiums, discounts / amortization of discount premium	882,631	6,021,585
Balance at the end of the period	<u>1,240,755,650</u>	<u>1,278,616,418</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

20. Other liabilities

	March 2021	June 2020
Accrued interest payable	66,028,173	53,637,207
Other accounts payable	28,413,057	28,822,572
Cashiers' and certified checks	17,443,139	11,066,166
Employee benefits and other labor liabilities	16,716,648	16,362,218
Reserve of insurance operations	15,035,249	15,394,048
Factoring collateral deposits (a)	9,441,132	7,619,668
Other reserves	7,599,075	9,148,122
Legal and others deposits	3,829,959	3,116,436
Accounts payable - Insurance	2,144,303	2,288,094
Special Interest Offsetting Fund (FECI) payable	1,499,126	1,512,865
Pending acceptances	469,719	277,525
Income tax payable	11,919	513,098
Others	5,126,870	13,074,065
	<u>173,758,369</u>	<u>162,832,084</u>

a) Clients' and other withheld collateral

Clients' withheld collateral payable consists of a percentage value of each discounted invoice withheld until the time the payment is collected. If, at the end of the contract, the invoice becomes uncollectible, the Bank will decrease the amount receivable by the balance of the factoring collateral deposit of the related transaction.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

21. Insurance operating reserves

Unearned premiums

	March 2021	June 2020
Balance at the beginning of period	7,794,965	7,736,732
Issued premiums	24,448,296	32,813,415
Earned premiums	(13,701,752)	(18,144,711)
Balance at the end of the period	<u>18,541,509</u>	<u>22,405,436</u>
Participation of reinsurers		
Premiums assigned	(8,420,878)	(12,250,052)
Unearned premiums	(710,494)	(1,108,593)
Unearned premiums, net	<u>9,410,137</u>	<u>9,046,791</u>

	March 2021	June 2020
Claims pending settlement, estimates		
Balance at the beginning of the period	6,347,257	4,368,926
Claims incurred	11,532,254	11,856,946
Claims paid	(12,254,399)	(9,878,615)
Balance at the end of the period	<u>5,625,112</u>	<u>6,347,257</u>
	<u>15,035,249</u>	<u>15,394,048</u>

22. Common shares

As of March 31, 2021, the authorized capital of Global Bank Corporation consists of 2,000,000 common shares with no nominal value, of which 236,600 (June 2020: 236,600) shares are issued and outstanding for a value of B/.270,202,657 (June 2020: B/.270,202,657).

As of March 31, 2021, a total of B/.15,048,242 (March 2020: B/.26,570,581) was paid as dividends on common shares.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

23. Interest and commission income and expenses

	March 2021	March 2020
Interest earned on:		
Loans	304,268,208	324,414,561
Deposits	1,246,996	5,665,611
Investments	25,667,812	28,943,567
	<u>331,183,016</u>	<u>359,023,739</u>
Interest expense:		
Deposits	(129,015,460)	(132,454,048)
Obligations with financial institutions and repurchase agreements	(18,153,083)	(28,617,720)
Marketable securities and bonds	(51,146,967)	(65,155,164)
	<u>(198,315,510)</u>	<u>(226,226,932)</u>
Net interest income	<u>132,867,506</u>	<u>132,796,807</u>
Commissions earned on:		
Loans	15,009,650	22,626,253
Letters of credit	2,226,216	2,252,186
Savings accounts and debit cards	2,990,780	4,529,681
Fiduciary and management services	8,018,886	7,690,981
Others	7,647,585	9,391,733
	<u>35,893,117</u>	<u>46,490,834</u>
Commission expenses	<u>(9,780,020)</u>	<u>(12,121,709)</u>
Net commissions income	<u>26,113,097</u>	<u>34,369,125</u>
Net interest and commissions income	<u>158,980,603</u>	<u>167,165,932</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

24. Other income, net

	March 2021	March 2020
Insurance premiums, net	8,937,216	9,692,333
Net gain on sale of securities	7,041,530	7,345,924
Fiduciary and brokerage services, net	242,832	195,315
Net gain (loss) on instruments at fair value through profit or loss	204,246	(37,623)
Net loss on financial instruments	-	(5,132,045)
Other income (expenses)	2,518,376	2,256,384
	<u>18,944,200</u>	<u>14,320,288</u>

25. Other expenses

	March 2021	March 2020
Communications and correspondance	1,392,576	1,639,379
Reserve for redemption of miles	1,350,000	2,592,072
Surveillance	1,236,863	1,581,111
Utilities	1,025,919	1,416,598
Supplies and stationery	314,865	604,840
Insurance	181,067	119,186
Other operating expenses	6,631,897	5,841,864
Other general expenses	3,497,498	4,340,223
	<u>15,630,685</u>	<u>18,135,273</u>

26. Excess paid-in capital – Share option plan for employees

As of March 31, 2021, key executive officers held stock options over 35,583 common shares of the Parent Company (G.B. Group Corporation) (June 2020: 71,672), of which 18,630 shares may be exercised in 2021; 16,953 may be exercised in 2022, with an average strike price of B/.41.00 as of March 31, 2021 (June 2020: B/.39.89). The Bank recognized income for B/.366,390 (March 2020: B/.203,550) in the condensed consolidated statement of profit or loss under the line item salaries and other personnel expenses and the corresponding entry in the shareholders' equity, which reflects the capital contribution it will receive from its Parent Company.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

27. Commitments and contingencies

The Bank maintains financial instruments outside the consolidated statement of financial position with credit risks arising in the normal course of business, which involves elements of credit and liquidity risk. Such financial instruments include commercial letters of credit, granted endorsements and collateral and promissory notes, which are summarized as follows:

	March 2021	June 2020
Letters of credit	141,283,227	102,177,552
Endorsements and collateral	490,109,694	453,158,568
Promissory notes	158,198,528	231,749,808
Unused credit lines	451,762,420	439,087,347
Total	<u>1,241,353,869</u>	<u>1,226,173,275</u>

Commercial letters of credit, collateral issued and loan commitments include exposure to some credit loss in the event of default by the customer. The Bank's credit policies and procedures to approve credit commitments and financial collateral are the same as those for granting of loans that are recorded on the condensed consolidated statement of financial position.

Collateral issued have fixed maturity dates and most expire without being drawn upon, and therefore, they generally do not represent a significant liquidity risk to the Bank. With respect to the commercial letters of credit, most are used; however, the majority are on-demand and paid immediately.

Promissory notes represent conditional promises accepted by the Bank, once certain conditions have been met, which have an average maturity of six months and are used basically for disbursements of mortgage loans. The Bank does not anticipate losses as a result of these transactions.

28. Management of trust contracts and investment portfolio

As of March 31, 2021, the Bank held trust contracts at the client's risk that amounted to B/.2,900,287,813 (June: 2020: B/.2,868,011,581).

	March 2021	June 2020
Collateral Trust	2,637,113,200	2,715,252,110
Investment Trust	135,508,671	95,257,902
Management Trust	123,761,026	53,418,175
Pension Trust	2,734,501	2,934,612
Testamentary Trust	590,582	574,761
Assets - PLICA contract	579,833	574,021
	<u>2,900,287,813</u>	<u>2,868,011,581</u>

Considering the nature of these services, Management believes there is no risk for the Bank.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements
for the nine months ended March 31, 2021
(In balboas)

29. Management of pension and severance funds

	March 2021	June 2020
Severance Fund	297,349,277	287,721,156
Pension Fund (under Law No. 10)	231,206,898	219,099,700
Citibank, N. A.	3,346,528	3,544,223
Pribanco and Conase Plus	40,896	258,959
Bipan Plus	67,866	71,140
Other assets under management	30,637,012	25,959,515
	<u>562,648,477</u>	<u>536,654,693</u>

30. Income taxes

Income tax returns for the last three years of banks incorporated in the Republic of Panama are subject to examination by the tax authorities, including for the year ended June 30, 2020, according to current fiscal regulations.

According to current Panamanian tax legislation, banks are exempt from payment of income tax on profits derived from foreign operations, interest earned on time deposits placed in local banks, interest earned on Panamanian Government securities and securities issued through Panama's Stock Exchange.

The subsidiaries Global Capital Investment Corp., Global Bank Overseas and Banvivienda Assets are not subject to income tax payment in their respective jurisdictions, due to the nature of their foreign operations; however, the income tax on operations that generate taxable income in other jurisdictions is classified within the income tax expense.

As of January 1, 2010, by means of Law No.8 of March 15, 2010, Article No.699 of the Tax Code states that all legal entities whose annual income exceeds one million five hundred thousand balboas (B/.1,500,000) must pay an income tax calculated at 25% on whichever amount is greater: (1) the net taxable income calculated by the standard method established in Title I of the Fourth Book of the Tax Code, or (2) the net taxable income resulting from multiplying the total taxable income by four point sixty-seven percent (4.67%).

The current income tax (benefit) expense is broken down as follows:

	March 2021	March 2020
Current income tax	2,670,016	4,559,989
Deferred tax for temporary differences	<u>(11,646,375)</u>	<u>(3,763,055)</u>
(Benefit) income tax expense	<u>(8,976,359)</u>	<u>796,934</u>

The average effective rate of the current income tax is 9% as of March 31, 2020.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

The tax effect item that comprises the deferred tax asset included in the consolidated statement of financial position is the reserve for possible loans losses and the goodwill tax effect, which is broken down below. (See Note 13):

	March 2021	June 2020
Balance at the beginning of the period	33,894,103	25,878,425
Effect of IFRS adoption	-	108,010
Other charges	-	(427,424)
Credit to profit or loss during the period	11,646,375	8,335,092
Balance at the end of the period	<u>45,540,478</u>	<u>33,894,103</u>

Deferred assets are recognized based on the deductible tax differences considering their past operations and projected taxable profits, which are influenced by Management's estimates. Based on current and projected results, the Bank's Management considers that there will be sufficient taxable income to absorb the deferred income tax previously described.

A reconciliation of income tax is shown below:

	March 2021	March 2020
Profit before income tax	6,900,412	50,666,536
Less: non-taxable income	(13,094,588)	(48,088,871)
Plus: non-deductible expenses	10,793,265	15,654,006
Plus: tax loss on subsidiaries	6,069,679	885
Taxable base	<u>10,668,768</u>	<u>18,232,556</u>
Income tax calculated at 25%	2,667,192	4,558,139
Remittance income tax	2,824	1,850
Current income tax expense	<u>2,670,016</u>	<u>4,559,989</u>

The deferred income tax asset is broken down as follows:

	March 2021	June 2020
Deferred income tax asset:		
Provision for expected losses	48,404,978	37,266,587
Intangible asset - core deposit	(3,256,074)	(3,498,264)
Other provision	391,574	125,780
Deferred income tax asset	<u>45,540,478</u>	<u>33,894,103</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

The reconciliation of the deferred income tax from the previous period with the one for the current period is as shown below:

March 2021		Charged to Profit or Loss	IFRS adoption	Proceed from the acquisition	
Deferred income tax asset:					
Provision for expected losses	37,266,587	11,138,391	-	-	48,404,978
Acquired intangible - core deposit	(3,498,264)	242,190	-	-	(3,256,074)
Other provision	125,780	265,794	-	-	391,574
Deferred income tax asset	<u>33,894,103</u>	<u>11,646,375</u>	<u>-</u>	<u>-</u>	<u>45,540,478</u>

June 2020		Charged to Profit or Loss	IFRS adoption	Proceed from the acquisition	
Deferred income tax asset:					
Provision for expected losses	29,753,425	7,513,162	-	-	37,266,587
Acquired intangible - core deposit	(3,875,000)	376,736	-	-	(3,498,264)
Other provision	-	445,194	108,010	(427,424)	125,780
Deferred income tax asset	<u>25,878,425</u>	<u>8,335,092</u>	<u>108,010</u>	<u>(427,424)</u>	<u>33,894,103</u>

Transfer pricing:

On August 29, 2012, Law No.52 entered into force, reforming regulations on transfer pricing, a price regime oriented to regulate transactions for tax purposes between related parties, so that the considerations between them are similar to those made between third parties. According to those rules, taxpayers carrying out transactions with related parties that have an impact on income, costs or deductions for determining taxable income for purposes of income tax for the fiscal period to be declared or the transaction taking place, must prepare an annual report on the operations performed within six months following the termination of the relevant tax period (Form 930). These transactions are subject to a review in order to verify that they meet the assumptions established in the Law.

At the date of these consolidated financial statements, the Bank is in the process of contemplating such an analysis, but according to Management, it is not expected that it will have a significant impact on the estimated income tax for the period.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

31. Segment information

Management has prepared the following segment information based on the Bank's businesses for financial analysis:

	March 2021			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	358,935,293	1,563,787	6,577,053	367,076,133
Interest expenses and provisions	283,269,803	188,268	(3,882)	283,454,189
Other income, net	9,185,607	9,232,123	526,470	18,944,200
Other expenses	73,507,789	4,083,902	1,940,008	79,531,699
Depreciation and amortization expense	15,982,871	9,293	141,869	16,134,033
Profit before income tax	<u>(4,639,563)</u>	<u>6,514,447</u>	<u>5,025,528</u>	<u>6,900,412</u>
Income tax	(11,335,559)	1,273,752	1,085,448	(8,976,359)
Net profit	<u>6,695,996</u>	<u>5,240,695</u>	<u>3,940,080</u>	<u>15,876,771</u>
Total assets	<u>8,378,037,894</u>	<u>57,862,623</u>	<u>29,782,900</u>	<u>8,465,683,417</u>
Total liabilities	<u>7,656,698,312</u>	<u>24,709,817</u>	<u>1,017,347</u>	<u>7,682,425,476</u>
	March 2020			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	398,090,478	1,157,954	6,266,141	405,514,573
Interest expenses and provisions	269,629,985	230,958	768	269,861,711
Other income, net	4,396,770	9,692,333	231,185	14,320,288
Other expenses	78,652,089	3,688,752	2,144,917	84,485,758
Depreciation and amortization expense	14,722,752	12,153	85,951	14,820,856
Profit before income tax	<u>39,482,422</u>	<u>6,918,424</u>	<u>4,265,690</u>	<u>50,666,536</u>
Income tax	(1,665,645)	1,536,979	925,600	796,934
Net profit	<u>41,148,067</u>	<u>5,381,445</u>	<u>3,340,090</u>	<u>49,869,602</u>
	June 2020			
Total assets	<u>8,434,744,643</u>	<u>55,874,115</u>	<u>25,507,972</u>	<u>8,516,126,730</u>
Total liabilities	<u>7,705,000,563</u>	<u>28,603,856</u>	<u>545,640</u>	<u>7,734,150,059</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements
for the nine months ended March 31, 2021
(In balboas)

32. Bank subsidiaries

The following is a breakdown of the Bank, their main economic activity, date of incorporation, beginning of operations, country of incorporation and percentage of ownership of these companies:

Companies	Main economic activity	Date of incorporation	Beginning of operations	Country of incorporation	Percentage of ownership
Factor Global, Inc.	Purchase of discounted invoices - factoring	Dec-95	1995	Panama	100%
Global Financial Funds Corporation	Trust funds	Sep-95	1995	Panama	100%
Global Capital Corporation	Corporate finance and financial advisory	May-93	1994	Panama	100%
Global Capital Investment Corporation	Purchase of discounted invoices - factoring	Jun-93	1993	British Virgin Island	100%
Global Valores, S. A.	Stock brokers	Aug-02	2002	Panama	100%
Global Bank Overseas y Subsidiarias	Foreign banking	Aug-03	2003	Montserrat	100%
Aseguradora Global, S. A.	Subscription and issuance of insurance policies	Apr-03	2004	Panama	100%
Durale Holdings, S. A.	Ownership and management of real estate	Jan-06	2006	Panama	100%
Progreso, S. A.	Trust fund management	Oct-98	2014	Panama	100%
Anverli Investments Corporation	Ownership and management of real estate	Jan-17	2017	Panama	100%
Banvivienda Assets	Asset management	May-13	2013	Grand Cayman Island	100%
Banvivienda Leasing & Factoring	Financial leasing	Oct-06	2007	Panama	100%

33. Regulatory aspects

The following is a breakdown of the regulatory reserves:

	March 2021	June 2020
Banking reserves		
Dynamic reserve	87,863,198	87,863,198
Reserve for foreclosed assets	11,316,133	9,469,118
Equity reserve - modified loans	3,151,594	-
Equity reserve - uncollectible loans	-	460,578
Insurance reserves		
Technical reserve	4,110,160	3,426,184
Legal reserve	5,749,193	5,749,193
	<u>112,190,278</u>	<u>106,968,271</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

Agreement No. 4-2013

The classification of the loan portfolio and reserve for possible loan losses based on Agreement No. 4-2013 is as follows:

March 2021

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,465,243,099	345,448,656	103,899,756	54,204,574	69,970,452	3,038,766,537
Consumer loans	2,727,220,374	114,092,494	4,770,630	6,158,669	41,375,864	2,893,618,031
Other loans	136,259,621	90,000	3,636	-	-	136,353,257
Total	<u>5,328,723,094</u>	<u>459,631,150</u>	<u>108,674,022</u>	<u>60,363,243</u>	<u>111,346,316</u>	<u>6,068,737,825</u>
Specific reserve	-	20,856,140	10,177,240	18,846,417	62,365,936	112,245,733

June 2020

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,764,769,258	320,889,533	77,378,902	39,834,797	52,938,779	3,255,811,269
Consumer loans	2,747,694,027	124,188,361	14,758,403	13,419,612	43,885,895	2,943,946,298
Other loans	136,364,643	-	-	-	-	136,364,643
Total	<u>5,648,827,928</u>	<u>445,077,894</u>	<u>92,137,305</u>	<u>53,254,409</u>	<u>96,824,674</u>	<u>6,336,122,210</u>
Specific reserve	-	20,525,755	8,221,093	15,784,851	38,493,510	83,025,209

The classification of the loan portfolio by maturity profile based on Agreement No. 4-2013 is as follows:

March 2021

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	2,879,485,520	35,216,639	124,064,378	3,038,766,537
Consumer	2,757,896,607	79,444,813	56,276,611	2,893,618,031
Other	136,259,621	90,000	3,636	136,353,257
Total	<u>5,773,641,748</u>	<u>114,751,452</u>	<u>180,344,625</u>	<u>6,068,737,825</u>

June 2020

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	3,173,917,998	13,703,895	68,189,376	3,255,811,269
Consumer	2,827,090,315	56,653,201	60,202,782	2,943,946,298
Other	136,364,643	-	-	136,364,643
Total	<u>6,137,372,956</u>	<u>70,357,096</u>	<u>128,392,158</u>	<u>6,336,122,210</u>

As of March 31, 2021, loans that do not accrue interest represented an amount of B/.142,790,692 (June 2020: B/.106,370,455).

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

Dynamic reserve

Accounting treatment for differences between prudential standards and IFRSs

As indicated in Note 2, the Bank adopted IFRSs for the preparation of its accounting records and the presentation of its consolidated financial statements. According to General Board Resolution SBP GJD-0003-2013, the accounting treatment of the differences between IFRS and prudential standards based on the following methodology is established.

- The respective figures for the calculations of the application of IFRS and prudential regulations issued by the Superintendency of Banks of Panama (SBP) will be made and compared.
- When the calculation performed in accordance with IFRSs results in a reserve resulting greater than the one resulting from the use of prudential standards, the IFRS figures will be recorded.
- When using prudential standards result in a higher reserve, IFRS figures will also be recorded in profit and loss and the difference will appropriate retained earnings, which will be moved to a regulatory reserve in equity. If the Bank does not have sufficient retained earnings, this difference will be presented as an accumulated deficit account.
- The regulatory reserve referred to in the preceding paragraph cannot be reversed against retained earnings while there are differences between IFRSs and prudential rules that originated it.

According to Agreement No. 4-2013, the restriction of the dynamic reserve establish that the amount cannot be less that the amount established for the previous quarter. As of March 31, 2021, the dynamic provision was for B/.87,863,198 (June 2020: B/.87,863,198).

By means of the Board of Directors' General Resolution SBP-GJD-0007-2020 of July 16, 2020, Article No. 1 temporarily suspends the obligation to create the dynamic provision established in Articles No. 36, 37 and 38 of Agreement No. 4-2013 on credit risk, in order to provide financial relief to banks in the market.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

Off-balance sheet operations

The Bank has classified off-balance sheet operations and required reserves based on Agreement No.4-2013 issued by the Superintendency of Banks of Panama and is shown below:

March 2021						Total
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	
Letters of credit	141,283,227	-	-	-	-	141,283,227
Endorsements and collateral	490,109,694	-	-	-	-	490,109,694
Promissory notes	158,198,528	-	-	-	-	158,198,528
Unused credit lines	451,762,420	-	-	-	-	451,762,420
Total	<u>1,241,353,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,353,869</u>

June 2020						Total
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	
Letters of credit	102,177,552	-	-	-	-	102,177,552
Endorsements and collateral	453,158,568	-	-	-	-	453,158,568
Promissory notes	231,749,808	-	-	-	-	231,749,808
Unused credit lines	439,087,347	-	-	-	-	439,087,347
Total	<u>1,226,173,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226,173,275</u>

Letters of credit, collateral issued, and promissory notes are exposed to credit losses in the event that the customer does not fulfill its payment obligations. Policies and procedures for approving credit commitments, financial collateral and promissory notes are the same as those used for granting loans recorded on the consolidated statement of financial position.

Most letters of credit are used; however, most of those used are on demand and their payment is immediate.

Credit lines for customer disbursements correspond to outstanding guaranteed loans, which are not shown in the consolidated statement of financial position but are recorded in the Bank's memorandum accounts.

Foreclosed assets

As of March 31, 2021, the regulatory reserve on foreclosed assets amounts to B/.11,316,133 (June 2020: B/.9,469,118) based on the reserve of Agreement No. 3-2009 of the Superintendency of Banks of Panama.

Premiums and notes receivable

Article No.156 of Law No.12 of April 3, 2012, establishes:

- a) Suspension of coverage: when the contractor has made the payment of the first premium installment and is delayed by more than the grace period stipulated in the payment of any subsequent premium installments, in accordance to the payment Schedule established in the corresponding policy, it will be understood to have incurred in the default of payment, which will have the immediate legal effect of suspending the policy's coverage for up to sixty days.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

- b) The suspension of coverage shall remain until the contractor makes the overdue payments, enabling the reestablishment of the policy's coverage from the moment of the premium payments for said period are made, or until the policy has been cancelled in accordance with the reserve of Article No.161.

Article No.161 of Law No.12 of April 3, 2012 specifies:

- a) Any policy cancellation notice shall be sent to the contractor at the last physical, postal or electronic address that appears in the policy file kept by the insurance company. Copy of the cancellation notice must be issued to the insurance broker.
- b) Any change in the contractor's address must be notified to the insurance Company; otherwise, the last address on the insurance company's file will remain as the valid address.
- c) The cancellation notice of the policy for non-compliance with premium payments must be sent to the contractor in writing, fifteen business days in advance. If the notice is not sent, the contract will remain in force and the reserve in Article No.998 of the Commercial Code will apply.

Technical reserves

Pursuant to Law No.12 of April 3, 2012, the subsidiary Aseguradora Global, S.A. transferred from liability to equity the reserve for statistical deviations and the reserve for catastrophic risk and/or contingencies.

Assets admitted free of encumbrances must cover such capital reserves.

Such reserved shall be cumulative. The Superintendency of Insurance and Reinsurance of Panama will regulate their use and restitution when the claim rate shows adverse results.

	<u>Reserve for statistical deviations</u>		<u>Reserve for catastrophic risk and contingencies</u>	
	March 2021	June 2020	March 2021	June 2020
Balance at the beginning of the period	1,713,091	1,258,018	1,713,091	1,258,018
Additions	<u>341,989</u>	<u>455,074</u>	<u>341,989</u>	<u>455,074</u>
Balance at the end of the period	<u>2,055,080</u>	<u>1,713,092</u>	<u>2,055,080</u>	<u>1,713,092</u>

Regulatory Reserve

The regulatory reserve of the subsidiary Aseguradora Global, S.A. has been established in accordance with the regulations in Article No.213 of Law No.12 of April 3, 2012, which established the following:

Insurance companies are required to create and maintain a reserve fund within the country equivalent to 20% of net profit before income tax, until constituting a fund of B/.2,000,000; after this amount has been reached, 10% must be allocated until it reaches 50% of the paid-in capital.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

The movement of the legal reserve is detailed below:

	March 2021	June 2020
Balance at the beginning of the period	<u>5,749,193</u>	<u>5,749,193</u>
Balance at the end of the period	<u>5,749,193</u>	<u>5,749,193</u>

Laws and Regulations:

a) **Banking Law**

In the Republic of Panama, banks are regulated by the Superintendency of Banks of Panama, through Executive Decree No.52 of April 30, 2008, which adopts the sole text of Decree Law No.9 of February 26, 1998, as amended by Decree Law No.2 of February 22, 2008, as well as Resolutions and Agreements issued by that entity. The main aspects of this law include: authorization of bank licenses, minimum capital and liquidity requirements, consolidated supervision, credit and market risk management procedures, anti-money laundering procedures, banking intervention and liquidation procedures, among other. Likewise, the banks will be subject to at least one inspection every two (2) years by the auditors of Superintendency of Banks of Panama, to determine their compliance with the reserve of Executive Decree No. 52 of April 30, 2008 and Law No. 42 of October 2, 2000, the latter on the prevention of money laundering.

Compliance with the regulatory body

Liquidity ratio

As of March 31, 2021, the liquidity ratio percentage reported to the regulatory body, under the parameters of Agreement No. 4-2008, was 56.01% (June 2020: 50.27%) (See Note 4.3).

Capital adequacy

The Law demands that Banks with a general license must have a minimum paid-in capital or assigned capital of ten million balboas (B/.10,000,000) and equity funds of no less than 8% of their weighted assets, including off-balance sheet operations. As of March 31, 2021, the Bank holds condensed consolidated equity funds of approximately 15.49% (June 2020: 14.58%) of its risk-weighted assets, in accordance with Agreement No. 1-2015 and Agreement No. 3-2016 and the new agreements, Agreement No. 11-2018 and Agreement No. 2-2018. (See Note 4.5).

As a consequence of the global health pandemic effects of COVID-19 decreed by the World Health Organization (WHO), the need and convenience of establishing temporary special measures such as the validity of the appraisal reports used for the constitution of collateral on movable and immovable property has been manifested through General Resolution SBP-GJD-0004-2020 of the Board of Directors. In addition, for the purposes of Article No. 2 of Agreement No. 3-2016, all risk assets classified in categories 7 and 8, whose weighting is 125% and 150% respectively, will be temporarily weighted as part of category 6, whose weighting is 100% through the 'Board of Directors' General Resolution SBP-GJD-0005-2020.

The accounting treatment for the recognition of loan losses, investment securities and foreclosed assets of borrowers in accordance with the prudential standards issued by the Superintendency of Banks of Panama, differs in certain aspects from the accounting treatment under the International Financial Reporting Standards, specifically IAS 39 and IFRS 5. The Superintendency of Banks of Panama requires that general license banks apply these prudential standards.

Global Bank Corporation and Subsidiaries

**Notes to the condensed consolidated financial statements
for the nine months ended March 31, 2021**
(In balboas)

b) Insurance and reinsurance Law

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

c) Securities Law

Stock Exchange operations in Panama are regulated by the Superintendency of Securities Market of Panama in accordance with the legislation established in Decree Law No.1 of July 8, 1999, amended by Law No.67 of September 1, 2011. The operations of the Stock Exchange are in the process of being aligned with Agreement No. 4-2011, modifying certain reserve through Agreement No. 8-2013, established by the Superintendency of Securities Market of Panama, which indicate that these are required to comply with the capital adequacy standards and its modalities.

d) Trust Law

Trust operations in Panama are regulated by the Superintendency of Banks of Panama in accordance with the legislation established in Law No.1 of January 5, 1984.

e) Financial Leasing Law

Financial leasing operations in Panama are regulated by the Directorate of Financial Companies of the Ministry of Commerce and Industries in accordance with the legislation established in Law No. 7 of July 10, 1990.

34. COVID-19 effect

The appearance of the Coronavirus COVID-19 in China at the end of 2019 and its recent global expansion to a large number of countries, has caused the viral outbreak to be qualified as a pandemic by the World Health Organization since March 11, 2020.

As a result of such global affectation and its respective arrival to our country, the National Government decreed a state of national emergency. The national emergency established a quarantine with limited citizen circulation and a closure of a large part of the economy. The operation of all businesses and industries was divided into 6 blocks.

The COVID-19 outbreak has significantly affected the Panamanian economy at the macro and micro levels. This impact may negatively affect the Bank's operating results. Likewise, the Bank is exposed to the performance of its customers, whose consumer loans and commercial operations have been affected by the closure of the economy as a measure to control the spread of the virus. Loan defaults that negatively affect the Bank's earnings correlate with deteriorating economic conditions (such as unemployment and business closures).

The Bank's financial position and results of operations are particularly dependent on the ability of borrowers to meet loan obligations. While its effects continue to materialize, the COVID-19 pandemic has resulted in a significant decrease in business activity throughout Panama. This decrease in business activity may cause the Bank's customers (including affected businesses and individuals) and counterparties to be unable to meet existing payment or other obligations.

The Bank has Policies and Procedures for Business Continuity, which establishes the mechanisms to operate in contingency situations, ensuring uninterrupted continuity of operations and services for our customers.

As a governmental relief measure, the National Government has established both voluntary and legal moratorium plans, has developed an economic reactivation plan by blocks for the return to normality and, among others, has developed a financial assistance program to support economic activities highly impacted by the pandemic.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

In order to further strengthen banking institutions in Panama, the Superintendency of Banks of Panama issued Agreement No. 2-2020 (as amended by Agreement No. 3-2020) to create a temporary regulation for pandemic "modified loans". Pursuant to the temporary regulation of Agreement No. 2-2020, a modified loan is a loan for which the original terms and conditions have been modified at the request of the borrower or at the initiative of the bank, without being considered a restructured loan. The new terms and conditions of modified loans must consider financial feasibility criteria based on the borrower's repayment capacity and the Bank's credit policy.

On March 31, 2020, Global Bank Corporation voluntarily agreed to grant an automatic grace period to borrowers affected in their business or personal activities by COVID-19. On May 4, 2020, the Government of Panama and the Panamanian Banking Association signed an agreement whereby the members of the Banking Association agreed (i) to extend such grace period until December 31, 2020 to any borrower whose commercial or personal activities were affected by COVID-19 and who so requested. This extension applies to mortgage loans, personal loans, auto loans, credit cards, SME loans and commercial loans, and (ii) not to exclude mortgages granted by borrowers affected by COVID-19 who have loans with extended grace periods.

The Panamanian government issued Law No. 156, which grants a moratorium until December 31, 2020 on loan payments to any borrower that can prove that COVID-19 affects it in its commercial or personal activities. Under the terms of the statute, the moratorium applies to mortgage loans, personal loans, auto loans, credit cards, SME loans, commercial loans, loans to the transportation sector, loans to the agricultural and livestock sector, and consumer loans.

As of September 2020, the opening of economic activities began, which has been proportionally based on the behavior of the virus and the infection rates in the country. This opening includes retail, wholesale, restaurants and the construction industry. In addition, the restriction on mobility by gender was lifted in order to reactivate the country's economy.

As part of the Bank's risk management, both collective and individual analyses of the condition of the loan portfolio have been developed from which policies, processes and procedures have been developed for continuous evaluation based on established strategies.

The COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and are likely to continue to adversely affect the Bank's business, of which its extent will depend on future developments that are highly uncertain and cannot be predicted. This includes the scope and duration of the pandemic, the effectiveness of the Bank's response plan, the direct and indirect impact of the pandemic on our customers and counterparties, as well as other market participants, and actions taken by governmental authorities (both domestic and abroad) and other third parties in response to the pandemic.

The effects known to Management and that can be reasonably estimated have been recognized in the condensed consolidated financial statements as of March 31, 2021. Based on the best evidence available at the balance sheet date, Management has performed the impact analysis and adjusted it in these condensed consolidated financial statements. Based on the above, the most significant impact resulting from COVID-19 is in the provision for expected losses as disclosed in Note 4.2 of the condensed consolidated financial statements. The Bank's Management will continue to monitor and modify operating and financial strategies to mitigate potential risks that could affect its business in the short, medium and long term.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

35. Modified loans

On September 10, 2020 and according to note SBP-DR-N-4489-2020, the Superintendency of Banks of Panama required the Bank to incorporate additional disclosures on modified loans in the annual financial statements according to Agreement No. 2-2020 of March 16, 2020,. On September 11, 2020, Banking Agreement No. 9-2020 was issued, which amends Agreement No. 2-2020 and establishes the requirement for additional disclosures on modified loans in the annual financial statements of the Banks.

On September 11, 2020, the Superintendency of Banks of Panama published Agreement No. 9-2020, which establishes the characteristics that modified loans must comply with at the initiative of the banks or at the request of the debtor. Banks will have until December 31, 2020 to reevaluate the loans of those debtors whose cash flow and payment capacity have been affected by the COVID-19 situation, as well as loans that have not been previously modified and that at the original time of their modification were up to 90 days past due.

For credit risk coverage, banks must establish provisions on the portfolio of modified loans classified in the "Modified Special Mention" category, ensuring compliance with International Financial Reporting Standards (IFRSs) equivalent to the greater value between the provision according to IFRS of the Modified Special Mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including uncollected accrued interest and capitalized expenses. Modified loans secured by pledged deposits in the same bank up to the guaranteed amount may be excluded from this calculation.

On October 21, 2020, the Superintendency of Banks of Panama issued Agreement No. 13-2020, which amended Agreement No. 2-2020 establishing additional, exceptional and temporary measures on credit risk and an additional term for financial relief measures.

Banks will have until June 30, 2021 to continue evaluating the credits of those debtors whose cash flow and payment capacity have been affected by the COVID-19 situation and that at the original time of their modification were up to 90 days in arrears.

Likewise, banks may make modifications to those loans that have not been previously modified, whose cash flow and payment capacity continue to be affected by the COVID-19 situation and that are not more than 90 days past due.

During the period January 1 through June 30, 2021, the Bank will not execute the collateral for the modified loans.

These changes are due to the health, economic, financial and social consequences that the spread of COVID-19 has generated. In view of this reality and the economic recession it has caused, many debtors are unable to meet or continue to adequately meet their bank obligations, due to the potential or actual impairment of their ability to pay.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

35.1. Legal Framework - Agreement No. 2-2020

Given the unprecedented situation experienced by the Panamanian economy due to the global pandemic situation, the Superintendency of Banks of Panama issued Agreement No. 2-2020, which establishes additional, exceptional and temporary measures for compliance with the provisions contained in Agreement No. 4-2013 on credit risk. Thus, relief measures are derived with modification of financial terms and conditions of bank loans, through the creation of a new modality of credits, called “modified loans”.

Agreement No. 2-2020 establishes provisions that apply to both consumer loans and corporate loans. In order to allow the debtor the proper attention to its obligation in the face of the potential or actual deterioration of the possibility of payment due to the crisis caused by COVID-19, the Banks may modify the terms of the loans, originally agreed, categorizing the loans as modified; and not considering them as restructured loans according to provisions of Agreement No. 4-2013. This modification may be made at the request of the debtor or at the initiative of the Bank.

The relief measures established for debtors who have been affected by the COVID-19 situation and who meet the criteria of Agreement No. 2-2020 include the revision of loan terms and conditions, granting grace periods and maintaining the credit ratings assigned at the time the agreement became effective.

In addition, Agreement No. 2-2020 allows the Banks to use up to 80% of the dynamic provision for the constitution of specific provisions and suspends the application of the contagion mechanism in credit ratings for the duration of the additional, exceptional and temporary measures.

On March 31, 2020, Global Bank Corporation voluntarily agreed to grant an automatic grace period to borrowers affected in their business or personal activities by COVID-19, until June 30, 2020.

On May 4, 2020, the Government of Panama and the Panamanian Banking Association signed an agreement whereby the members of the Banking Association agreed (i) to extend such grace period until December 31, 2020 to any borrower whose business or personal activities were affected by COVID-19 and who so requested; this extension applies to mortgage loans, personal loans, auto loans, credit cards, SME loans and commercial loans, and (ii) not to foreclose residential mortgage collateral of borrowers affected by COVID-19 who have loans with extended grace periods.

On June 30, 2020, the Panamanian Government issued Law No. 156, which granted a moratorium until December 31, 2020 on loan payments to any borrower who can prove that COVID-19 affects it in its commercial or personal activities. Under the terms of the statute, the moratorium applies to mortgage loans, personal loans, auto loans, credit cards, SME loans, commercial loans, loans to the transportation sector, loans to the agricultural and livestock sector, and consumer loans.

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

35.2. Classification of loans modified by IFRS 9 Stage

The following is the classification of modified loans by Stage according to the expected loss methodology used by the Bank:

March 2021

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Classification				
Gross amount	1,524,726,633	662,096,562	31,222,787	2,218,045,982
Reserve for expected losses	(6,354,250)	(46,304,826)	(22,398,977)	(75,058,053)
Net carrying value	<u>1,518,372,383</u>	<u>615,791,736</u>	<u>8,823,810</u>	<u>2,142,987,929</u>

June 2020

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Classification				
Gross amount	3,244,915,449	301,451,462	1,976,028	3,548,342,939
Reserve for expected losses	(12,158,010)	(20,652,439)	(814,042)	(33,624,491)
Net carrying value	<u>3,232,757,439</u>	<u>280,799,023</u>	<u>1,161,986</u>	<u>3,514,718,448</u>

As of March 31, 2021, the following is the classification of modified loans based on Agreement No. 4-2013 is as follows:

March 2021

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	965,252,971	109,448,977	30,701,245	1,466,650	150,070	1,107,019,913
Consumer loans	1,020,361,150	87,796,458	1,331,408	1,111,412	104,298	1,110,704,726
Other loans	321,343	-	-	-	-	321,343
Total	<u>1,985,935,464</u>	<u>197,245,435</u>	<u>32,032,653</u>	<u>2,578,062</u>	<u>254,368</u>	<u>2,218,045,982</u>
Specific reserve	(48,940,193)	(16,052,119)	(9,530,475)	(494,319)	(40,947)	(75,058,053)
Provision for collective impairment	<u>1,936,995,271</u>	<u>181,193,316</u>	<u>22,502,178</u>	<u>2,083,743</u>	<u>213,421</u>	<u>2,142,987,929</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021

(In balboas)

In accordance, with Article No. 2 of Agreement No. 13-2020, modified restructured loans that were in the subnormal, doubtful or irrecoverable category will maintain the credit classification they have at the time of their modification. As of March 31, 2021, the portfolio classified as “Modified Special Mention” amounts to B/.2,183,180,899.

March 2021	<u>Normal</u>	<u>Special mention</u>	<u>Total</u>
Corporate loans	965,252,971	109,448,977	1,074,701,948
Consumer loans	1,020,361,150	87,796,458	1,108,157,608
Other loans	321,343	-	321,343
Total	<u>1,985,935,464</u>	<u>197,245,435</u>	<u>2,183,180,899</u>
Reserve for individual and collective impairment	<u>(48,940,193)</u>	<u>(16,052,119)</u>	<u>(64,992,312)</u>
Book value, net	<u>1,936,995,271</u>	<u>181,193,316</u>	<u>2,118,188,587</u>

The following is a detail of the loan portfolio in the “Modified Special Mention” category:

	March 2021
Corporate	1,074,701,948
Consumer	1,108,157,608
Others	321,343
Accrued interest receivables	94,591,766
Total	<u>2,277,772,665</u>

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

As required by Article No. 4-E of Agreement No. 9-2020, a detail of the loan portfolio category “Modified Special Mention” and its respective provisions and regulatory reserves as of March 31, 2021 and December 31, 2020, were classified according to the three-step model of IFRS 9 presented below:

March 2021

	ECLs during the following 12 months	ECLs during life time (not impaired collectively evaluated)	Lifetime ECLs (impaired individually assessed)	Total
Modified special category loans				
Modified loans	1,523,481,680	629,436,856	30,262,363	2,183,180,899
Consumer	698,277,114	383,435,535	26,444,959	1,108,157,608
Corporate	825,204,566	246,001,321	3,817,404	1,075,023,291
(+) Accrued interest receivable	62,190,479	31,175,548	1,225,739	94,591,766
Subtotal	1,585,672,159	660,612,404	31,488,102	2,277,772,665
(-) Collateral deposits	3,504,366	2,712,230	24,678	6,241,274
Total portfolio subject to provisions of Agreement No. 9-2020	1,582,167,793	657,900,174	31,463,424	2,271,531,391
IFRS provisions				
IFRS 9 provisions in capital balance	6,050,343	35,810,624	20,623,986	62,484,953
IFRS 9 provisions in interest balance	294,450	987,170	1,225,740	2,507,360
	6,344,793	36,797,794	21,849,726	64,992,313
Regulatory reserve				
Regulatory reserve (complementary to 3%)				3,151,594
Total provisions and reserves				68,143,907

December 2020

	ECLs during the following 12 months	ECLs during life time (not impaired collectively evaluated)	Lifetime ECLs (impaired individually assessed)	Total
Modified special category loans				
Modified loans	1,777,084,555	642,910,773	27,197,038	2,447,192,366
Consumer	880,852,633	374,923,960	17,573,584	1,273,350,177
Corporate	896,231,922	267,986,813	9,623,454	1,173,842,189
(+) Accrued interest receivable	57,468,014	27,995,581	655,878	86,119,473
Subtotal	1,834,552,569	670,906,354	27,852,916	2,533,311,839
(-) Collateral deposits	8,099,820	220,509	112,260	8,432,589
Total portfolio subject to provisions of Agreement No. 9-2020	1,826,452,749	670,685,845	27,740,656	2,524,879,250
IFRS provisions				
IFRS 9 provisions in capital balance	8,890,152	40,936,149	15,186,845	65,013,146
IFRS 9 provisions in interest balance	321,424	2,891,930	234,384	3,447,738
	9,211,576	43,828,079	15,421,229	68,460,884
Regulatory reserve				
Regulatory reserve (complementary to 3%)				7,285,493
Total provisions and reserves				75,746,377

Global Bank Corporation and Subsidiaries

Notes to the condensed consolidated financial statements for the nine months ended March 31, 2021 (In balboas)

35.2.1. Determining a significant risk increase in modified loans

The extension of loan payments or modified loans established by Agreement No. 2-2020 does not automatically translate into those loans having suffered a significant increase in credit risk given that a significant portion of these reliefs address temporary liquidity events generated by the closure or economic downturn caused by the Pandemic. As part of the expected loss methodology, the Bank has mechanisms to identify the significant increase in risk applicable in general terms to the loan portfolio, based on quantitative and qualitative methodologies that incorporate, among other components, behavioral scoring models for consumer debtors and internal qualification (rating) models for corporate debtors.

The assessment for the recognition of expected credit losses over the life of the modified loans considers credit risk based on the best available quantitative and qualitative information on the current circumstances of borrowers and impact of COVID-19.

As time passes and the Bank returns to the new normal, it obtains more information from the borrowers which will complement the analysis and identification of the increase in risk for the modified loans, either by segment or on an individual basis. In order to identify the significant increase in credit risk for modified loans, the Bank considers the following factors associated with the current COVID-19 situation:

1. For the consumer portfolio, the affectation of customers is determined through conditions related to the age of the last payment received and causes such as; termination of contracts, suspended contracts and decrease in income.
2. With respect to the corporate portfolio and other loans, clients are evaluated on a case-by-case basis to determine the impact of COVID-19 on the line of business, economic activity in which it operates and vulnerability conditions that may be identified in the context of future economic conditions.

36. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements of Global Bank Corporation and Subsidiaries for the period ended March 31, 2021 were authorized by General Management and approved by the Board of Directors for their issuance on April 28, 2021.
