FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION

Global Bank Corporation and Subsidiaries

Condensed consolidated interim financial statements as of December 31, 2023 and Interim Financial Information Review Report of February 22, 2024

“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 Financial Information Review Report and Condensed Consolidated Interim Financial Statements as of December 31, 2023

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FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION

INTERIM FINANCIAL INFORMATION REVIEW REPORT

To the Shareholder and Board of Directors of
Global Bank Corporation and Subsidiaries
Panama, Republic of Panama

Review report on the condensed consolidated interim financial statements

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Global Bank Corporation and Subsidiaries** as of December 31, 2023 and the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of the significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Information*. Our responsibility is to indicate whether there are any circumstances that would cause us to believe that the condensed consolidated interim financial information is not fairly presented.

Scope of the review

We conducted our review in accordance with International Standard for Review Engagements 2410, "Review of Interim Financial Information performed by the Entity's Independent Auditor". A condensed consolidated interim financial information review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance whether we would become aware of all significant matters that could be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as of December 31, 2023, is not prepared, in all material respects, in accordance with IAS 34.

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Other legal and regulatory requirements

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

- That the management, execution and supervision of this limited review has been carried out physically in Panamanian territory.
- The engagement team that has participated in the review to which this report refers, is comprised by José Araúz, Partner; Doralis Oda, Manager.

(Signed by Deloitte)

Deloitte, Inc.

(Signed by José Araúz)

José Araúz
C.P.A. No.0017-2023

February 22, 2024
Panama, Republic of Panama

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of financial position
as of December 31, 2023
(In balboas)

	Notes	December 2023	June 2023
Assets			
Cash and bank deposits	7,16	422,538,881	354,965,856
Securities purchased under resale agreements	8	3,947,855	3,547,807
Investments in securities, net	6,9,16	1,044,538,010	1,053,410,069
Loans, net	6,10	6,232,027,578	6,212,554,475
Property, furniture, equipment and improvements	11	190,892,747	190,418,187
Rights-of-use assets	12	12,241,117	13,301,035
Other assets	6,13,29	597,645,856	584,781,470
Total assets		8,503,832,044	8,412,978,899
Liabilities and equity			
Liabilities			
Customer deposits	6,14	5,244,285,201	5,205,576,287
Deposits from banks		91,902,282	82,919,955
Accrued interest payable		32,889,080	33,051,550
Total deposits		5,369,076,563	5,321,547,792
Securities sold under repurchase agreements	15	88,357,081	70,009,751
Obligations with financial institutions	9,16	1,589,972,238	1,582,877,582
Corporate bonds	17	383,766,777	388,450,729
Perpetual bonds	18	177,940,459	177,965,873
Accrued interest payable		28,563,827	25,606,793
Total borrowings		2,268,600,382	2,244,910,728
Lease liabilities	12	13,837,447	15,302,729
Other liabilities	6,19,20	136,339,669	119,464,406
Total liabilities		7,787,854,061	7,701,225,655
Equity			
Common shares	21	270,202,657	270,202,657
Excess paid-in capital	25	1,982,365	2,252,695
Capital reserves	32	44,631,743	44,175,479
Regulatory reserves	32	105,581,543	104,142,557
Fair value reserves		(36,131,395)	(37,365,976)
Retained earnings		329,711,070	328,345,832
Total equity		715,977,983	711,753,244
Total liabilities and equity		8,503,832,044	8,412,978,899

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 six months ended December 31, 2023
(In balboas)

	Notes	December 2023	December 2022
Interest income	6	246,748,403	219,865,853
Interest expense	6	(169,626,927)	(131,112,806)
Net interest income	22	77,121,476	88,753,047
Commissions earned		35,165,110	32,951,129
Commission expenses		(11,851,735)	(10,446,269)
Net commission income	22	23,313,375	22,504,860
Net interest and commission income, before allowances	22	100,434,851	111,257,907
Allowance for uncollectible loans	4.2.2.1.2	17,668,682	28,958,376
(Reversal of allowance) allowance for country risk		(458,698)	609,323
Allowance for investments	4.2.2.2	15,587	346,007
		17,225,571	29,913,706
Net interest and commission income, after allowances		83,209,280	81,344,201
Other income	23	15,346,801	10,487,902
Other expenses			
Salaries and other remuneration	6	31,623,121	30,700,337
Professional fees		5,359,906	5,024,395
Depreciation and amortization	11,12,13	8,834,799	9,403,093
Advertising and publicity		1,321,519	1,367,735
Maintenance and repairs		6,988,840	5,736,767
Leases		3,079,977	1,977,303
Other taxes		3,307,181	3,046,216
Other expenses	24	12,130,919	11,713,835
		72,646,262	68,969,681
Profit before income tax		25,909,819	22,862,422
Income tax:			
Current		1,973,740	1,664,442
Deferred		(2,560,990)	(5,273,033)
Income tax benefit	29	(587,250)	(3,608,591)
Profit for the period		26,497,069	26,471,013

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

Global Bank Corporation and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the six months ended December 31, 2023
(In balboas)

	December 2023	December 2022
Profit for the period	26,497,069	26,471,013
Other comprehensive income:		
Items that could be reclassified subsequently to profit or loss		
Net amount transferred to profit or loss	(201,670)	(188,213)
Allowance for investments	58,445	356,582
Net change in valuation of investments at fair value through other comprehensive income	1,377,806	(2,716,366)
Other comprehensive income for the period	1,234,581	(2,547,997)
Total comprehensive income for the period	27,731,650	23,923,016

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 six months ended December 31, 2023
(In balboas)

	Notes	Total shareholder's equity	Common shares	Excess paid-in capital	Capital reserves	Regulatory reserves	Fair value reserves	Retained earnings
Balance as of June 30, 2022		760,154,339	270,202,657	1,974,519	43,269,167	101,983,796	(37,694,923)	380,419,123
Profit for the period		26,471,013	-	-	-	-	-	26,471,013
Allowance for investments		356,582	-	-	-	-	356,582	-
Net changes in the valuation of investments at fair value through other comprehensive income		(2,904,579)	-	-	-	-	(2,904,579)	-
Total comprehensive income for the period		23,923,016	-	-	-	-	(2,547,997)	26,471,013
Excess paid-in capital - share option plan for employees	25	42,778	-	42,778	-	-	-	-
Dividends paid - common shares	21	(12,833,285)	-	-	-	-	-	(12,833,285)
Complementary tax		(495,542)	-	-	-	-	-	(495,542)
Regulatory reserves	32	-	-	-	-	964,168	-	(964,168)
Capital reserves	32	-	-	-	463,826	-	-	(463,826)
Balance as of December 31, 2022		770,791,306	270,202,657	2,017,297	43,732,993	102,947,964	(40,242,920)	392,133,315
Balance as of June 30, 2023		711,753,244	270,202,657	2,252,695	44,175,479	104,142,557	(37,365,976)	328,345,832
Profit for the period		26,497,069	-	-	-	-	-	26,497,069
Allowance for investments		58,445	-	-	-	-	58,445	-
Net changes in the valuation of investments at fair value through other comprehensive income		1,176,136	-	-	-	-	1,176,136	-
Total comprehensive income for the period		27,731,650	-	-	-	-	1,234,581	26,497,069
Excess paid-in capital - share option plan for employees	25	(270,330)	-	(270,330)	-	-	-	-
Dividends paid - common shares	21	(22,540,130)	-	-	-	-	-	(22,540,130)
Complementary tax		(696,451)	-	-	-	-	-	(696,451)
Regulatory reserves	32	-	-	-	-	1,438,986	-	(1,438,986)
Capital reserves	32	-	-	-	456,264	-	-	(456,264)
Balance as of December 31, 2023		715,977,983	270,202,657	1,982,365	44,631,743	105,581,543	(36,131,395)	329,711,070

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 six months ended December 31, 2023
(In balboas)

	Notes	December 2023	December 2022
Cash flows from operating activities:			
Profit for the year		26,497,069	26,471,013
Adjustments for:			
Depreciation and amortization	11,12,13	8,834,799	9,403,093
Gain on sale of property, furniture and equipment		(303,775)	(312,935)
Fixed-asset disposals		1,227,959	2,159,709
Net gain on sale of securities at fair value through other comprehensive income (FVTOCI)	9,23	(201,670)	(188,213)
Net gain (loss) on instruments at fair value through profit or loss	23	(2,110,229)	11,939
Net gain on financial instruments		-	(3,788,380)
Allowance for loan losses		17,668,682	28,958,376
Allowance for investments, net		15,587	346,007
Income tax benefit	29	(587,250)	(3,608,591)
Interest income	22	(246,748,403)	(219,865,853)
Interest expenses	22	169,626,927	131,112,806
Share option plan for employees	25	(270,330)	42,778
		(26,350,634)	(29,258,251)
Changes in:			
Deposits over 90 days and restricted	7	(9,301,174)	54,252
Securities purchased under resale agreements		(400,048)	-
Loans		(33,572,693)	(156,620,609)
Other assets		(13,918,866)	(27,242,456)
Client deposits		38,708,914	22,909,452
Deposits from banks		8,982,327	23,007,813
Other liabilities		13,906,060	9,896,930
Cash used in operations		(21,946,114)	(157,252,869)
Income tax paid		(1,088,640)	(1,146,915)
Interest received		238,721,692	221,774,944
Interest paid		(166,832,363)	(120,037,870)
Net cash provided by (used in) operating activities		48,854,575	(56,662,710)
Cash flows from investment activities:			
Acquisition of securities at fair value through other comprehensive income		(99,406,415)	(107,816,124)
Sale of securities at fair value through other comprehensive income		109,168,778	179,718,189
Purchase of investments at fair value through profit or loss		(1,741,031)	(15,056,793)
Redemptions of investments at fair value through profit or loss		550,580	30,491
Purchase of investments at amortized cost		-	(6,157,370)
Sales, redemptions and investment amortizations at amortized cost		8,179,494	10,721,610
Purchase of property, furniture and equipment	11	(8,705,730)	(5,774,263)
Proceeds from the sales of property, furniture and equipment		303,775	312,935
Net cash flows provided by investment activities		8,349,451	55,978,675
Cash flows from financing activities			
Payments made under repurchase agreements	15	(38,068,394)	(3,210,787)
Proceeds from securities sold under repurchase agreements	15	56,415,724	-
Obligations received from financial institutions	16	1,182,340,809	870,362,551
Obligations paid to financial institutions	16	(1,170,362,646)	(839,591,025)
Proceeds from issuance of marketable securities		-	9,545,000
Payments on redemption of marketable securities		-	(13,575,000)
Proceeds from issuance of bonds	18	63,654,000	600,000
Redemption of bonds	17,18	(68,318,970)	(40,598,438)
Dividends paid - common shares	21	(22,540,130)	(12,833,285)
Lease payment		(1,465,282)	(1,019,132)
Complementary tax		(696,451)	(495,542)
Net cash flow provided by (used in) financing activities		958,660	(30,815,658)
Net increase (decrease) in cash and cash equivalents		58,162,686	(31,499,693)
Cash and cash equivalents at beginning of the year		346,970,481	415,326,050
Cash and cash equivalents at end of the period	7	405,133,167	383,826,357

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

1. General information

Global Bank Corporation (the "Bank") is incorporated in the Republic of Panama and began operations in June 1994 under a general banking license issued by the Superintendency of Banks of Panama, which allows it to carry out banking business in Panama or abroad. Its main activity is the commercial and consumer banking business.

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

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

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

Resolution SBP-0077-2019 of the Superintendency of Banks of Panama authorized the merger by absorption 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 effective date of the merger was June 1, 2019.

Resolution SBP-0019-2021 of March 10, 2021 of the Superintendency of Banks of Panama authorized the merger by absorption of the banking entities Global Bank Corporation and Factor Global, S.A., all belonging to the same economic group of which Global Bank Corporation is the surviving company. The effective date of the merger was June 22, 2021.

The principal activity of the Subsidiaries is described in Note 31.

2. Basis of preparation

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 together with the annual consolidated financial statements as of June 30, 2023, and for the period then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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, 2023, and for the year then ended.

The new and revised IFRSs not effective as of December 31, 2023, have not been applied and the potential impact of these amendments on the interim condensed consolidated financial statements is in the process of being assessed.

3.1 Comparative information

The information as of June 30, 2023, contained in these condensed consolidated interim financial statements is presented solely for purposes of comparison with the information related to the six-month period ended December 31, 2023.

4. Financial risk management

4.1 Objectives of financial risk management

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

The condensed consolidated interim financial statement do not include all the financial risk management information and disclosures that are required in the annual financial statement. These interim condensed consolidated financial statements should be read together with the consolidated financial statements as of June 30, 2023.

There have been no changes in the risk management department or in any risk management policy as of June 30, 2023.

4.2 Objectives of financial risk management

Credit quality analysis

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

	December 2023	June 2023
Bank deposits		
Grade 1	374,878,892	303,864,284
Loans		
Grade 1	5,235,541,014	5,331,231,491
Grade 2	543,968,524	459,358,530
Grade 3	117,636,692	119,505,701
Grade 4	144,943,223	112,739,798
Grade 5	273,237,938	281,428,774
Gross amount	6,315,327,391	6,304,264,294
Accrued interest receivable	157,881,303	154,312,211
Reserve for individual and collective impairment	(222,301,318)	(230,229,315)
Discounted unearned interest	(18,879,798)	(15,792,715)
Net carrying value	6,232,027,578	6,212,554,475
Off-balance sheet transactions		
Grade 1		
Letters of credit	171,423,698	176,006,674
Endorsements and collaterals	396,072,916	610,223,411
Promissory notes	115,674,701	200,699,607
Unused credit lines	529,865,506	557,564,622
	1,213,036,821	1,544,494,314
Securities purchased under resale agreements - at amortized cost		
Grade 1	3,947,855	3,547,807
Investments at fair value through other comprehensive income		
Grade 1	547,919,989	556,304,546
Investments at fair value through profit or loss		
Grade 1	71,897,115	68,596,435
Investments at amortized cost		
Grade 1	415,683,653	423,863,147

The aging of the loan portfolio delinquency is presented below:

	December 2023		
	Global Bank Corporation	Subsidiaries	Total
Current	5,906,985,985	107,126,293	6,014,112,278
From 31 to 90 days	91,820,298	-	91,820,298
More than 90 days (principal and interest)	154,746,685	-	154,746,685
More than 30 days overdue (maturity principal)	54,648,130	-	54,648,130
Total	6,208,201,098	107,126,293	6,315,327,391

	June 2023		
	Global Bank Corporation	Subsidiaries	Total
Current	5,941,989,103	60,704,438	6,002,693,541
From 31 to 90 days	88,776,840	-	88,776,840
More than 90 days (principal and interest)	155,001,959	-	155,001,959
More than 30 days overdue (maturity principal)	57,791,954	-	57,791,954
Total	6,243,559,856	60,704,438	6,304,264,294

4.2.2 Analysis of financial instruments and their respective reserves in the stages of IFRS 9

The internal classification and the “stage” without taking into account the effects of any collateral or other credit improvements are shown in the following tables according to the analysis of the Bank’s credit risk exposure by class of financial assets. Unless specifically stated, for financial assets, the amounts in the table represent the gross carrying value.

4.2.2.1 Loan Portfolio

4.2.2.1.1 Credit quality analysis of loans by stage:

December 2023

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Classification				
Grade 1	5,086,766,480	148,774,534	-	5,235,541,014
Grade 2	-	543,968,524	-	543,968,524
Grade 3	-	117,636,692	-	117,636,692
Grade 4	-	144,943,223	-	144,943,223
Grade 5	-	-	273,237,938	273,237,938
Gross amount	5,086,766,480	955,322,973	273,237,938	6,315,327,391
Accrued interest receivable	86,537,458	52,818,618	18,525,227	157,881,303
Reserve for expected credit losses	(23,484,757)	(59,329,740)	(139,486,821)	(222,301,318)
Net carrying value	5,149,819,181	948,811,851	152,276,344	6,250,907,376

June 2023

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Classification				
Grade 1	5,127,467,652	203,763,839	-	5,331,231,491
Grade 2	-	459,358,530	-	459,358,530
Grade 3	-	119,505,701	-	119,505,701
Grade 4	-	112,739,798	-	112,739,798
Grade 5	-	-	281,428,774	281,428,774
Gross amount	5,127,467,652	895,367,868	281,428,774	6,304,264,294
Accrued interest receivable	83,113,353	51,238,800	19,960,058	154,312,211
Reserve for expected credit losses	(21,705,616)	(76,040,604)	(132,483,095)	(230,229,315)
Net carrying value	5,188,875,389	870,566,064	168,905,737	6,228,347,190

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

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

December 2023

	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	21,705,615	76,040,605	132,483,095	230,229,315
Transferred to Stage 1	9,327,952	(7,798,345)	(1,529,607)	-
Transferred to Stage 2	(2,680,119)	18,360,365	(15,680,246)	-
Transferred to Stage 3	(172,918)	(19,042,496)	19,215,414	-
Net effect of changes in the reserve for expected credit losses	(7,544,612)	(4,930,133)	34,250,410	21,775,665
Origination of new financial assets	5,288,771	-	-	5,288,771
Settled loans	(2,439,932)	(3,300,256)	(3,655,566)	(9,395,754)
Subtotal	1,779,142	(16,710,865)	32,600,405	17,668,682
Written-off loans	-	-	(27,233,255)	(27,233,255)
Recoveries	-	-	1,636,576	1,636,576
Balance at the end of the period	23,484,757	59,329,740	139,486,821	222,301,318

June 2023

	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	18,110,120	82,566,435	130,363,036	231,039,591
Transferred to Stage 1	37,898,589	(35,172,888)	(2,725,701)	-
Transferred to Stage 2	(6,198,209)	53,731,660	(47,533,451)	-
Transferred to Stage 3	(534,029)	(28,011,411)	28,545,440	-
Net effect of changes in reserve for expected credit losses	(31,169,269)	11,868,713	78,563,670	59,263,114
Origination of new financial assets	9,061,450	-	-	9,061,450
Settled loans	(5,463,037)	(8,941,904)	(4,961,881)	(19,366,822)
Subtotal	3,595,495	(6,525,830)	51,888,077	48,957,742
Written-off loans	-	-	(53,524,753)	(53,524,753)
Recoveries	-	-	3,756,735	3,756,735
Balance at the end of the year	21,705,615	76,040,605	132,483,095	230,229,315

Incorporation of information with a prospective vision

The Bank uses prospective 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.

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

The relationships predicted between key indicators and default rates and loss rates have been developed based on the historical data analysis over the past 10 years.

The effects known to Management and that can be reasonably estimated have been recognized in the interim condensed consolidated financial statements as of December 31, 2023, and June 30, 2023.

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:

December 2023	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	134,759,999	135,488,373	277,671,617	547,919,989
Investments at fair value through profit or loss	22,932,635	-	48,964,480	71,897,115
Investments at amortized cost	357,303,153	38,563,739	19,816,761	415,683,653
Securities purchased under resale agreements	-	-	3,947,855	3,947,855
Total	514,995,787	174,052,112	350,400,713	1,039,448,612

June 2023	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	138,060,233	133,433,104	284,811,209	556,304,546
Investments at fair value through profit or loss	22,335,722	-	46,260,713	68,596,435
Investments at amortized cost	365,154,207	38,892,179	19,816,761	423,863,147
Securities purchased under resale agreements	-	-	3,547,807	3,547,807
Total	525,550,162	172,325,283	354,436,490	1,052,311,935

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

Grade of rating	***External rating***
Investment grade	AAA, AA+, AA–, A+, A–, BBB+, BBB, BBB–
Standard monitoring	BB+, BB, BB–, B+, B, B–
Special monitoring	CCC a C
Default	D
Without rating	–

The following is the analysis of investments by stage:

December 2023

	Stage 1	Stage 2	Stage 3	Total
Investments at fair value through other comprehensive income	472,760,133	75,159,856	-	547,919,989
Investments at amortized cost	395,866,892	19,816,761	-	415,683,653
	868,627,025	94,976,617	-	963,603,642

June 2023

	Stage 1	Stage 2	Stage 3	Total
Investments at fair value through other comprehensive income	479,801,681	76,502,865	-	556,304,546
Investments at amortized cost	404,046,386	19,816,761	-	423,863,147
	883,848,067	96,319,626	-	980,167,693

The allowance for expected credit losses related to investments at fair value through other comprehensive income is broken down as follows:

December 2023

Investments at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	2,721,066	1,344,917	-	4,065,983
Net effect of changes in reserves for expected credit losses	(90,433)	122,879	-	32,446
New instruments acquired	58,674	-	-	58,674
Investments cancelled	(32,675)	-	-	(32,675)
Balance at end of the period	2,656,632	1,467,796	-	4,124,428

June 2023

	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	2,207,796	1,517,264	-	3,725,060
Transfer of 12 months to total life without credit impairment	(22,342)	22,342	-	-
Net effect of changes in reserves for expected credit losses	745,307	(144,521)	-	600,786
New instruments acquired	92,735	-	-	92,735
Investments cancelled	(302,430)	(50,168)	-	(352,598)
Balance at the end of the year	2,721,066	1,344,917	-	4,065,983

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

December 2023

Investments at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of the year	290,045	1,534,374	-	1,824,419
Transfer of 12 months during total life with credit impairment	(33,115)	(9,743)	-	(42,858)
Balance at end of the period	256,930	1,524,631	-	1,781,561

June 2023

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of the year	147,498	1,543,806	-	1,691,304
Net effect of changes in reserves for expected credit losses	140,244	(9,432)	-	130,812
New instruments acquired	2,303	-	-	2,303
Balance at the end of the year	290,045	1,534,374	-	1,824,419

4.2.2.3 Guarantees to reduce credit risk and its financial impact

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

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

	Consumer				Corporate		
December 2023	**Personal**	**Credit cards**	**Vehicles**	**Mortgages**	**Commercial**	**Overdraft**	**Total loans**
Loans balances	847,533,591	130,546,544	216,937,485	1,948,364,504	3,045,886,083	126,059,184	6,315,327,391
Collateral	363,910,466	3,711,228	290,327,864	2,738,767,217	5,269,893,177	229,176,713	8,895,786,665
% of exposure subject collateral requirements	27%	1%	96%	99%	73%	73%	74%

	Consumer				Corporate		
June 2023	**Personal**	**Credit cards**	**Vehicles**	**Mortgages**	**Commercial**	**Overdraft**	**Total loans**
Loans balances	838,501,674	127,844,205	227,071,591	1,950,815,573	3,035,941,980	124,089,271	6,304,264,294
Collateral	360,139,287	3,787,386	307,947,708	2,706,410,013	5,358,377,749	215,742,466	8,952,404,609
% of exposure subject collateral requirements	27%	1%	97%	99%	74%	70%	76%

Residential mortgage loans

The table below shows the loan portfolio ratio of the mortgage portfolio in relation to the value of the guarantees ("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 guarantee. The gross amount of the loan excludes any impairment loss. The value of the guarantee, for mortgages is based on the original value of the guarantee at the date of disbursement.

	December 2023	**June 2023**
Residential mortgage loans:		
Less than 50%	164,284,678	141,990,600
51% - 70%	394,059,467	399,029,670
71% - 90%	905,325,028	950,916,051
More than 90%	484,695,331	458,879,252
Total	1,948,364,504	1,950,815,573

Time deposits placed in banks

As of December 31, 2023, the Bank held time deposits in Banks for B/.130,318,623 (June 2023: B/.136,670,398). Time deposits in banks are kept in domestic and foreign financial institutions. These institutions have domestic 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.

4.2.2.4 Concentration of credit risk

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

	December 2023		
	Deposits in banks	**Loans**	**Investments**
Concentration by sector:			
Corporate	-	3,002,218,232	-
Consumer	-	3,154,496,854	-
Government	44,606,808	-	449,629,379
Other sectors	330,272,084	158,612,305	585,871,378
	374,878,892	6,315,327,391	1,035,500,757
Geographical concentration:			
Panama	110,943,764	5,946,285,917	527,133,776
Latin America and the Caribbean	15,059,009	287,091,919	236,339,364
Europe, Asia and Oceania	52,587,512	81,949,555	16,886,972
United States of America	196,288,607	-	255,140,645
	374,878,892	6,315,327,391	1,035,500,757

	June 2023		
	Deposits in banks	**Loans**	**Investments**
Concentration by sector:			
Corporate	-	3,019,412,494	-
Consumer	-	3,156,181,590	-
Government	57,001,442	-	465,035,394
Other sectors	246,862,842	128,670,210	583,728,734
	303,864,284	6,304,264,294	1,048,764,128
Geographical concentration:			
Panama	125,287,233	5,933,420,769	498,555,042
Latin America and the Caribbean	10,062,341	269,325,918	234,464,720
Europe, Asia and Oceania	48,297,034	101,517,607	15,564,596
United States of America	120,217,676	-	300,179,770
	303,864,284	6,304,264,294	1,048,764,128

In concentration by sector, the items of other loans correspond to credit facilities with banks, credit unions, insurance companies, financial companies, government, international organizations and non-governmental organizations.

The geographic concentrations of the loan portfolio are based on the debtor's location. As for the geographical concentration for investments, it is based on the address of the investment's issuer.

4.3 Liquidity or financing risk

The liquidity risk is defined as the risk that the Bank may encounter difficulties in obtaining funds to meet its commitments and obligations on time.

The respective Committees appointed by the Board of Directors periodically monitors the availability of liquid funds given that the Bank is exposed to daily requirements, current accounts, time deposits at maturity and loan disbursements. The global liquidity risk of the Bank is managed by the Assets and Liabilities Committee (ALCO).

Panamanian Banking Regulations require banks with a general license to keep at all times a minimum balance of liquid assets as defined in Agreement 4-2008 of the Superintendency of Banks of Panama of no less than 30% of their deposits. However, due to the severe liquidity policies for covering their operating liabilities, the liquidity of the Bank based on this standard as of December 31, 2023 was 40.23% (June 2023: 36.34%).

Liquidity risk arising from the mismatch between assets and liabilities is measured by using the Liquidity Gap or Financial Mismatch. In this analysis, simulations and "stress" tests are performed based on the difficulties caused by the lack of liquidity, such as, unexpected withdrawals of funds contributed by creditors and clients, impairment in the quality of the loan portfolio, volatility of resources obtained, etc.

Below is the legal liquidity ratio corresponding to the margin of net liquid assets over the Bank's client deposits at the date of the interim condensed consolidated financial statements:

	December 2023	June 2023
At end of the period	**40.23%**	**36.34%**
Average for the period	37.89%	37.94%
Maximum for the period	40.49%	41.68%
Minimum for the period	34.88%	35.51%

The following table shows the undiscounted cash flows of the Bank's financial liabilities 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:

December 2023	Carrying value	Undiscounted cash flows	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,336,187,483	5,565,269,486	3,877,347,649	1,323,073,103	362,170,614	2,678,120
Securities sold under repurchase agreements	88,357,081	90,437,371	90,437,371	-	-	-
Obligations with financial institutions	1,589,972,238	1,727,615,079	1,026,159,482	499,653,464	163,229,058	38,573,075
Corporate bonds	383,766,777	474,133,517	17,141,555	97,682,068	34,099,240	325,210,654
Perpetual bonds	177,940,459	224,239,929	11,993,661	134,737,557	13,202,402	64,306,309
Lease liabilities	13,837,447	18,439,444	2,512,557	4,312,552	3,215,192	8,399,143
	7,590,061,485	8,100,134,826	5,025,592,275	2,059,458,744	575,916,506	439,167,301

June 2023	Carrying value	Undiscounted cash flows	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,288,496,242	5,512,107,429	3,793,315,214	1,218,212,122	497,503,874	3,076,219
Securities sold under repurchase agreements	70,009,751	72,419,208	72,419,208	-	-	-
Obligations with financial institutions	1,582,877,582	1,727,060,636	1,092,270,161	401,763,904	180,095,938	52,930,633
Corporate bonds	388,450,729	497,879,016	54,164,040	37,590,104	37,641,668	368,483,204
Perpetual bonds	177,965,873	230,337,782	11,996,256	47,824,828	104,214,610	66,302,088
Lease liabilities	15,302,729	19,870,202	2,748,768	4,506,488	3,569,489	9,045,457
	7,523,102,906	8,059,674,273	5,026,913,647	1,709,897,446	823,025,579	499,837,601

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 allow the assessment of the nature and extent of liquidity risk.

4.4 Market risk

It is the risk that the value of a financial asset may be reduced because of changes in interest rates, in foreign exchange rates, in stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses as well as potential profits. The objective of market risk management is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters, optimizing the risk returns.

Risk management policies set compliance with limits by financial instrument and the requirement that, unless approved by the Board of Directors, substantially all assets and liabilities are denominated in United States of America dollar or in balboas.

As part of market risk, the Bank and its subsidiaries are exposed to equity risk arising from the financial instruments available for sale.

The Bank manages the market risk of its financial instruments at fair value with changes in OCI through periodic reports to the Assets and Liabilities Committee (ALCO) and the Risk Committee in which changes in the price of each instrument are analyzed in order to take measures regarding the composition of the portfolio.

Within the Bank's investment strategy, duly approved by the Board of Directors, limits exposure are set to individual risks, which are approved, based on risk rating of the issuers of these instruments.

Additionally, as part of the market risk, the Bank and its subsidiaries are mainly exposed to the interest rate risk.

- *Interest rate risk of cash flows and fair value* – The interest rate risk of cash flows and fair value are the risks that will cause future cash flows and the value of financial instruments to fluctuate due to changes in market interest rates.

The Assets and Liabilities Committee (ALCO) periodically reviews the exposure to interest rate 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.

December 2023	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	125,326,968	3,391,655	1,600,000	-	291,821,927	422,140,550
Securities purchased under resale agreements - at amortized cost	3,947,855	-	-	-	-	3,947,855
Investments at fair value through other comprehensive income	87,835,022	1,800,088	265,217,814	165,286,921	27,780,144	547,919,989
Investments at fair value through profit or loss	1,672,000	-	4,614,940	24,040,000	41,570,175	71,897,115
Investments at amortized cost	10,159,543	-	121,137,811	284,386,299	-	415,683,653
Loans	4,639,925,611	13,854,604	167,736,009	1,493,811,167	-	6,315,327,391
Total financial assets	4,868,866,999	19,046,347	560,306,574	1,967,524,387	361,172,246	7,776,916,553
Financial liabilities:						
Deposits received	2,203,471,589	1,021,440,533	1,552,705,739	6,389,697	552,179,925	5,336,187,483
Securities sold under repurchase agreements	72,369,436	15,987,645	-	-	-	88,357,081
Obligations with financial institutions	1,346,766,921	-	149,582,440	93,622,877	-	1,589,972,238
Corporate bonds	-	-	63,545,877	320,220,900	-	383,766,777
Perpetual bonds	-	-	-	177,940,459	-	177,940,459
Total financial liabilities	3,622,607,946	1,037,428,178	1,765,834,056	598,173,933	552,179,925	7,576,224,038
Commitments and contingencies	-	-	-	-	1,213,036,821	1,213,036,821
Total interest rate sensitivity	1,246,259,053	(1,018,381,831)	(1,205,527,482)	1,369,350,454	(191,007,679)	200,692,515

June 2023	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	129,708,433	4,281,551	2,680,414	-	218,006,292	354,676,690
Securities purchased under resale agreements - at amortized cost	-	3,547,807	-	-	-	3,547,807
Investments at fair value through other comprehensive income	109,741,578	33,490,300	226,874,771	158,144,566	28,053,331	556,304,546
Investments at fair value through profit or loss	-	1,664,339	-	28,419,496	38,512,600	68,596,435
Investments at amortized cost	-	10,360,164	121,697,907	291,805,076	-	423,863,147
Loans	4,636,541,655	15,065,412	152,874,050	1,499,783,177	-	6,304,264,294
Total financial assets	4,875,991,666	68,409,573	504,127,142	1,978,152,315	284,572,223	7,711,252,919
Financial liabilities:						
Deposits received	2,420,289,810	815,987,412	1,564,328,733	7,715,049	480,175,238	5,288,496,242
Securities sold under repurchase agreements	38,068,393	31,941,358	-	-	-	70,009,751
Obligations with financial institutions	1,266,256,219	123,247,560	69,278,762	124,095,041	-	1,582,877,582
Corporate bonds	34,976,155	-	-	353,474,574	-	388,450,729
Perpetual bonds	-	-	-	177,965,873	-	177,965,873
Total financial liabilities	3,759,590,577	971,176,330	1,633,607,495	663,250,537	480,175,238	7,507,800,177
Commitments and contingencies	-	-	-	-	1,544,494,314	1,544,494,314
Total interest rate sensitivity	1,116,401,089	(902,766,757)	(1,129,480,353)	1,314,901,778	(195,603,015)	203,452,742

To assess the interest rate risks and impact on the fair value of the assets and liabilities, the Bank performs simulations to determine the sensitivity of assets and liabilities.

Management's monthly analysis is to determine the net impact on the financial instruments subject to market risk, taking into account the specific effects caused by increases and decreases of 100 basis points in interest rates. The results of these simulations are presented monthly in the asset liability committee (ALCO) to determine if the financial instruments of the Bank's portfolio are within acceptable risk parameters for Management.

An analysis of the Bank's sensitivity is performed to determine the impact on assets and liabilities of the increases or decreases in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position is presented as follows:

December 2023	**Increase of 100bps**	**Decrease of 100bps**
Investment in securities	(48,220,909)	55,425,011
Loans	(21,914,282)	23,433,041
Time deposits	41,929,593	(43,208,819)
Obligations with financial institutions	13,996,602	(14,486,426)
Corporate bonds	16,142,561	(16,956,227)
Perpetual bonds	2,071,807	(2,104,787)
Net impact	4,005,372	2,101,793

June 2023	**Increase of 100bps**	**Decrease of 100bps**
Investment in securities	(50,288,120)	58,062,528
Loans	(21,465,781)	22,936,719
Time deposits	43,394,685	(44,796,774)
Obligations with financial institutions	15,412,112	(15,973,927)
Corporate bonds	17,299,532	(18,291,927)
Perpetual bonds	2,326,541	(2,369,653)
Net impact	6,678,969	(433,034)

4.5 Operating Risk

It is the risk of potential loss, directly or indirectly, related to the processes of the Bank, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and of regulatory requirements and generally accepted corporate standards.

The objective of the Bank is to manage operational risk in order to avoid financial losses and damages to the Bank's reputation.

The Bank has established an integral Operational Risk Administration and Management Policy approved by the Risk Committee, General Management and the Audit Committee of the Board of Directors. The Risk Committee measures liquidity risk, market risk, credit risk and operating risk.

The operating risk management structure has been designed to segregate duties among shareholders operational, control areas and areas in charge of compliance of policies and procedures. The business and services units of the Bank assume an active role in the identification, measurement, control and monitoring of operational risks and is responsible for understanding and managing these risks within their daily activities.

The implementation of this risk management structure has implied the adoption by the Bank of a methodology of business process assessments based on risks, in which the areas and key processes in relation to strategic objectives, business inherent risks, and mapping the cycle process to identified risks and mitigating controls. This is performed with technological tools that allow us to document, quantify and monitor the identified risks in different processes through risk matrixes. The Internal Audit Department through its activities reviews of the compliance with procedures and controls, and together with the Risk Management Department, monitors the severity of the related risks. This methodology has the main objective of adding the maximum value to each activity of the organization by decreasing the possibilities of failures and losses.

In order to establish such methodology, the Bank has assigned resources to enforce internal control and organizational structure allowing independence among business areas, risk control and recordkeeping. It includes a proper operating segregation of duties in the transactional recording, reconciliation and authorization, which is documented through policies, processes and procedures that include control and security standards.

In regard to human resources, the recruitment, evaluation and retention polices have been enforced to maintain highly qualified personnel with professional experience able to accomplish orientation processes in different positions, training, understanding and acceptance of business and conduct policies stated in the Bank’s Code of Ethics.

The Bank has made significant investments in technology to increase efficiency in the different business processes and reduce risk profiles. For such purposes, security policies have been reinforced and policies for technology risk management have been set forth. On the other hand, the Bank is also working on a Contingency Plan to support main applications of information on-line in case of a disruption.

4.6 Insurance risk

The risk inherent in the insurance contract is that which involves the Probability of a sudden event, unforeseeable, unanticipated and separate from the will of the insured and resulting in a claim by the insured resulting in the reduction of an asset or establishing a liability.

The main risk of the Bank in relation to its insurance contracts is that the benefits and claims payments of the current claims or their occurrence differ from expectations. This risk is influenced by the frequency of claims, benefits and actual claims paid, the development of long-term or long lines of claims, as well as claims for catastrophic events in which a large part of both the internal as well as reinsurer portfolio is affected.

The portfolio of insurance contracts is managed mainly under a strict underwriting policy based on the diversification and analysis of risk concentrations, application of rates, conservative practices in long and short-term investments and retention policies through reinsurance contracts. These reinsurance agreements include “stop loss,” excess loss and catastrophic contracts in each of the branches in which it operates. Current contracts allow the acquisition of additional coverages, if required, in the event of a significant event. However, the Bank's main risk is that current claims and payments of benefits to insured persons may exceed the present value of the accumulated liabilities arising from the frequency and/or severity of the events. To mitigate this, the Bank adopts reasonable estimation policies and through evaluations assisted by statistical techniques and actuarial calculations.

4.7 Capital management

As of December 31, 2023, the Bank analyzes its regulatory capital applying the standards of the Superintendency of Banks of Panama based on the new agreements, Agreement 1-2015 of February 3, 2015 and Agreement 3-2016 of March 22, 2016, which modified Agreement 5-2008 of October 1, 2008, by means of which rules are established to determine assets weighted by credit risk and counterparty risk and the new agreements, Agreements 11-2018 of September 11, 2018, amended by Agreement 3-2019 of April 30, 2019, by means of which new provisions are established on Operational Risk and Agreement 2-2018 of January 23, 2018, by means of which, the Superintendency of Banks of Panama has determined to take into consideration other risks to determine the capital adequacy index, among which are the market risk, the operational risk and the country risk, in order to value the requirement of capital funds.

Under the Panamanian Banking Law, banks with a general license are required to maintain a minimum paid-in capital of B/.10,000,000, and shareholders' equity of at least 8% of their risk-weighted assets, including the off-balance sheet financial instruments. For these effects, assets must be considered net of reserve or allowances and are weighted as per the Agreement of the Superintendency of Banks of Panama.

Based on the regulatory regime, capital requirements are measured as follows:

- *Primary capital* - It comprises ordinary primary capital and secondary primary capital. Ordinary primary capital comprises paid-up capital in shares, declared reserves, other items of comprehensive income and retained earnings. The paid-up capital in shares is that which is represented by common shares and perpetual non-cumulative preferred shares issued and fully paid. Declared reserves are those identified as such by the Bank coming from retained earnings in its books to strengthen its financial position. Additional primary capital comprises financial instruments that are perpetual, that is, they do not have a maturity date.

  Retained earnings are undistributed earnings in the fiscal period and accumulated from prior periods.

- *Secondary capital* – It includes hybrid capital and debt instruments, subordinated debt, general allowances for losses, undeclared reserves and asset revaluation reserves. The general reserves for losses are those reserve that are created voluntarily by the Bank's Management, with the purpose of *covering* losses that have not yet been identified; specific undeclared reserves are those appropriated from profit after tax and are available to cover future unanticipated losses and do not have any liens or encumbrances. Revaluation reserves of assets are comprised as the result of any revaluation performed on the Bank's assets.

- *Dynamic reserve* – As defined in Agreement 4-2013.

To calculate the amount of the capital funds of a general licensed bank, deductions must be taken into account, which will be made on a quarterly basis, as detailed below:

- Non-consolidated capital assigned to foreign branches.
- Non-consolidated paid-in capital of Bank's subsidiaries.
- Non-banking subsidiaries paid-in capital. The deduction will include recorded assets at higher-paid value, with respect of the carrying value, of permanent investments in local or foreign entities.
- Asset items related to expenses or other items that under generally accepted accounting principles and International Accounting Standards correspond to overvaluations or unrecognized losses; and also losses incurred anytime during the fiscal period.

The Bank maintains a regulatory capital position that is composed as follows:

	December 2023	June 2023
Primary capital (Tier 1)		
Paid-in share capital	270,202,657	270,202,657
Excess paid in capital	1,982,365	2,252,695
Declared reserves	44,631,743	44,175,479
Retained earnings	329,711,070	328,345,832
Other items of comprehensive income	(36,131,395)	(37,365,976)
Dynamic reserve	87,863,198	87,863,198
Sub total	698,259,638	695,473,885
Less: Regulatory adjustments to the calculation of ordinary primary capital		
Goodwill	(92,014,817)	(92,014,817)
Other intangible assets	(17,059,779)	(17,831,449)
Deferred tax assets	(4,680,850)	(2,475,602)
Total primary capital fund	584,504,192	583,152,017
Perpetual bonds	177,940,459	177,965,873
Total additional primary capital fund	177,940,459	177,965,873
Total capital fund	762,444,651	761,117,890
Assets weighted by credit risk	5,405,253,308	5,529,013,583
Assets weighted by market risk	56,120,155	56,414,370
Assets weighted by operating risk	208,919,070	214,916,253
Total risk weighted assets	5,670,292,533	5,800,344,206
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted asset	13.45%	13.12%
Total Tier 1 expressed as a percentage of risk weighted assets	13.45%	13.12%

The following is the composition of the calculation of market risk weighted assets based on asset type:

	Assets weighted by market risk	
	December 2023	**June 2023**
Category		
Fixed income	1,227,265	3,474,833
Variable income	54,892,890	52,939,537
Assets weighted by market risk	56,120,155	56,414,370

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 year. 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 interim condensed consolidated financial statements.

(a) Significant increase in credit risk: For Stage 1 assets, expected losses are measured as a provision equal to the expected credit losses for 12 months, or the expected losses during the term for Stage 2 assets or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has increased significantly, the Bank takes into account reasonable and supported forward-looking qualitative and quantitative information.

(b) Establishing the number and relative weights of prospective scenarios and determining the relevant prospective information for each scenario: When measuring ECLs, the Bank uses reasonable and supportive prospective information, which is based on assumptions for the future movement of different economic forecasts and how those forecasts will affect each other. See Note 4.2.2.1.2 for further details.

(c) 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.

(d) Allowance 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.

(e) 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-guarantee 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).

(f) In measuring goodwill impairment: The Bank uses the value in use, whose main inputs are the Bank's financial projections. The budgets include income forecasts, interest costs, provisions and general expenses 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 with the best evidence at the balance sheet date and applying its judgment to future forecasts, the projections are inherently uncertain due to the uncertainty in the economy. The key assumptions to determine recoverable value are disclosed in Note 13.

(g) 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.

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;
- Obtaining 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.

Fair value of financial assets and financial liabilities measured at fair value on a recurring basis at the end of the year as of December 31, 2023 and June 30, 2023

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 input data	Relationship between unobservable input data and fair value
	FVTOCI		FVTPL					
	December 2023	June 2023	December 2023	June 2023				
Investments at fair value:								
Shares issued by companies - domestic	7,871,191	8,180,327	4,790,764	4,926,749	Level 2	Observable market prices in non-active markets.	N/A	N/A
Shares issued by companies - domestic	598,363	490,850	-	-	Level 3	Share prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Shares issued by companies - foreign	321,399	448,732	3,008,183	2,941,441	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by companies - foreign, not listed in stock exchange	80,862	83,434	15,309,513	15,014,785	Level 2	Net asset value.	N/A	N/A
Shares issued by companies - foreign , not listed in stock exchange	45,958	37,619	1,250,000	-	Level 3	Share prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - domestic	11,669,820	12,023,482	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - domestic	21,923,199	12,495,971	1,672,000	-	Level 2	Observable market prices in non-active markets.	N/A	N/A
Private debt securities - domestic	191,552,472	207,910,260	-	1,664,339	Level 3	Bond prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - foreign	202,664,776	196,259,326	4,614,940	4,379,496	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic	54,375,132	19,048,642	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic not listed in stock exchange	254,792	348,722	-	-	Level 3	Value of the instrument quota.	N/A	N/A
Government debt securities - foreign	960,733	43,362,638	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by domestic companies, not listed in stock exchange	18,862,371	18,812,370	17,211,715	15,629,625	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 the stock exchange	-	-	24,040,000	24,040,000	Level 3	Present net value.	CMS data, Cash flows.	If the unobservable data deteriorates, the fair value of the instrument will be lower.
Private debt securities - domestic not listed in the stock exchange	36,738,921	36,802,173	-	-	Level 3	Discounted cash flows.	Discount rate.	If the discount rate is higher than the flows, the fair value of the instrument will be lower.
Total investments at fair value	547,919,989	556,304,546	71,897,115	68,596,435				
Derivative financial instruments:								
Interest rate swaps – fair value	2,406,887	7,290,393	-	-	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	2,406,887	7,290,393	-	-				

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.

	December 2023	
	Investments at fair value through other comprehensive income	
	Effect on equity	
	Favorable	(Unfavorable)
Fixed income instruments	8,157,755	(7,740,209)

	June 2023	
	Investments at fair value through other comprehensive income	
	Effect on equity	
	Favorable	(Unfavorable)
Fixed income instruments	9,716,574	(9,186,004)

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 end of the year

The carrying value of main assets and liabilities not measured at fair value in the Bank’s consolidated statement of financial position summarized below:

	December 2023		June 2023	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	291,821,927	291,821,927	218,006,292	218,006,292
Time deposits	130,318,623	130,318,623	136,670,398	136,670,398
Securities purchased under resale agreements at amortized cost	3,947,855	3,947,855	3,547,807	3,547,807
Investments at amortized cost	415,683,653	358,102,140	423,863,147	364,195,119
Loans	6,074,146,275	6,152,351,057	6,058,242,264	6,126,313,419
Total financial assets	6,915,918,333	6,936,541,602	6,840,329,908	6,848,733,035
Liabilities				
Demand deposits	552,179,925	552,179,925	480,175,238	480,175,238
Savings deposits	1,092,062,017	1,092,062,017	1,138,528,545	1,138,528,545
Time deposits	3,691,945,541	3,727,377,802	3,669,792,459	3,699,532,731
Securities sold under repurchase agreements	88,357,081	88,357,081	70,009,751	70,009,751
Obligations with financial institutions	1,589,972,238	1,600,740,836	1,582,877,582	1,601,210,196
Corporate bonds	383,766,777	350,018,050	388,450,729	357,916,085
Perpetual bonds	177,940,459	175,196,442	177,965,873	177,128,238
Total financial liabilities	7,576,224,038	7,585,932,153	7,507,800,177	7,524,500,784

	Fair value hierarchy December 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and deposits in banks	291,821,927	-	291,821,927	-
Time deposits	130,318,623	-	130,318,623	-
Securities purchased under resale agreements at amortized cost	3,947,855	-	3,947,855	-
Investments at amortized cost	358,102,140	339,019,098	-	19,083,042
Loans	6,152,351,057	-	-	6,152,351,057
Total financial assets	6,936,541,602	339,019,098	426,088,405	6,171,434,099
Liabilities				
Demand deposits	552,179,925	-	552,179,925	-
Savings deposits	1,092,062,017	-	1,092,062,017	-
Time deposits	3,727,377,802	-	3,727,377,802	-
Securities sold under repurchase agreements	88,357,081	-	88,357,081	-
Obligations with financial institutions	1,600,740,836	-	1,600,740,836	-
Corporate bonds	350,018,050	286,364,050	63,654,000	-
Perpetual bonds	175,196,442	-	126,708,363	48,488,079
Total financial liabilities	7,585,932,153	286,364,050	7,251,080,024	48,488,079

	Fair value hierarchy June 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and deposits in banks	218,006,292	-	218,006,292	-
Time deposits	136,670,398	-	136,670,398	-
Securities purchased under resale agreements at amortized cost	3,547,807	-	3,547,807	-
Investments at amortized cost	364,195,119	345,499,194	-	18,695,925
Loans	6,126,313,419	-	-	6,126,313,419
Total financial assets	6,848,733,035	345,499,194	358,224,497	6,145,009,344
Liabilities				
Demand deposits	480,175,238	-	480,175,238	-
Savings deposits	1,138,528,545	-	1,138,528,545	-
Time deposits	3,699,532,731	-	3,699,532,731	-
Securities sold under repurchase agreements	70,009,751	-	70,009,751	-
Obligations with financial institutions	1,601,210,196	-	1,601,210,196	-
Corporate bonds	357,916,085	322,916,085	-	35,000,000
Perpetual bonds	177,128,238	-	133,073,118	44,055,120
Total financial liabilities	7,524,500,784	322,916,085	7,122,529,579	79,055,120

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 interim 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:

	Investments at fair value through other comprehensive income		Investments at fair value through profit or loss	
	December 2023	June 2023	December 2023	June 2023
Balance at beginning of the year	264,401,994	244,331,992	41,333,964	29,230,859
Additions	-	-	1,250,000	12,110,767
Reclassifications from Level 2 to Level 3	12,342,000	48,481,332	-	-
Reclassifications from Level 3 to Level 2	(15,461,332)	-	(1,672,000)	-
Net changes in securities	(2,931,749)	(2,315,207)	1,589,751	(7,662)
Redemptions, amortizations and write-offs	(10,298,036)	(26,096,123)	-	-
Balance at the end of the period	248,052,877	264,401,994	42,501,715	41,333,964

As of December 31, 2023, investments at fair value through other comprehensive income in Level 3, did not affect the Bank's results.

The total unrealized loss for fair value investments through changes in other comprehensive income classified as Level 3 as of December 31, 2023, is B/.19,397,454 (June 2023: B/.16,465,705).

As of December 31, 2023, 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.

6. Balances and transactions with related parties

A summary of balances and transactions with related parties included in the interim condensed consolidated financial statements is presented below:

	December 2023	June 2023
Transactions with related companies		
Consolidated statement of financial position		
Assets		
Investments at fair value through other comprehensive income	16,557,076	17,317,747
Investments at fair value through profit or loss	10,861,284	9,440,792
Loans	38,845,137	31,638,133
Accrued interest receivable	1,576,305	1,903,425
Other assets	116,960,309	104,162,869
Liabilities		
Client deposits:		
Demands	36,851,279	24,388,982
Savings	2,901,363	3,069,104
Time	49,675,720	46,831,438
Accrued interest payable	1,345,513	1,158,274
Commitments and contingencies	12,192,902	7,014,723

Consolidated statement of profit or loss	December	
	2023	2022
Income and expenses		
Interest and dividend income	1,401,096	1,462,048
Interest expenses	1,260,294	632,702

	December 2023	June 2023
Transactions with directors and key management personnel		
Consolidated statement of financial position		
Assets		
Loans	17,145,618	15,210,623
Accrued interest receivable	59,512	55,528
Liabilities		
Client deposits:		
Demands	536,065	539,213
Savings	3,938,067	3,210,703
Time	23,598,040	22,866,776
Accumulated interest payable	438,454	330,089
Commitments and contingencies	298,627	454,609

	December	
Consolidated statement of profit and loss	**2023**	**2022**
Income and expenses		
Interest income	381,114	322,038
Interest expenses	569,418	412,497
Benefits of key Management personnel		
Salaries	3,147,683	3,039,169
Profit sharing	1,510,775	1,407,667
Allowances for Directors	429,350	441,310
	5,087,808	4,888,146

As of December 31, 2023, collaterals guaranteeing loans to related parties amounted to B/.76,424,636 (June 2023: B/.80,213,343), which correspond to property, furniture and securities.

As of December 31, 2023, no loans with related parties show evidence of impairment. As of December 31, 2023, loans with related parties have maturities between February 2024 and June 2052 and annual interest rates ranging between 3.50% and 8.75% (June 2023: maturities between July 2023 and June 2052 and annual interest rates ranging between 2.75% and 8%).

7. Cash and cash equivalents

	December 2023	June 2023
Cash and cash equivalents	47,261,658	50,812,406
Demand deposits	244,560,269	167,193,886
Time deposits	130,318,623	136,670,398
	422,140,550	354,676,690
Interest receivable	398,331	289,166
Cash and bank deposits	422,538,881	354,965,856
Less:		
Interest receivable	(398,331)	(289,166)
Restricted time deposits	(3,576,969)	(3,025,795)
Time deposits with original maturities greater than 90 days	(13,430,414)	(4,680,414)
Cash and cash equivalents for purposes of the consolidated statement of cash flows	405,133,167	346,970,481

As of December 31, 2023, there are time deposits with original maturities greater than 90 days for B/.13,430,414 (June 2023: B/.4,680,414). In addition, there are restricted time deposits for B/.3,576,969 (June 2023: B/.3,025,795) that guarantee financial obligations.

8. Securities purchased under resale agreements

As of December 31, 2023, securities purchased under resale agreements for B/.3,947,855 (June 2023: B/.3,547,807) with maturities in February 2024, March 2024, May 2024 and June 2024 (June 2023: with maturity on March 2024, May 2024 and June 2024), are guaranteed by corporate bonds of companies listed in the Panama Stock Exchange.

9. Investments in securities, net

The breakdown of investments in securities is as follows:

	December 2023	June 2023
Investments at fair value through other comprehensive income	547,919,989	556,304,546
Investments at fair value through profit or loss	71,897,115	68,596,435
Investments at amortized cost	415,683,653	423,863,147
Interest receivable	10,818,814	6,470,360
Allowance for impairment of investments at amortized cost	(1,781,561)	(1,824,419)
Investments in securities, net	1,044,538,010	1,053,410,069

9.1 Securities at fair value through other comprehensive income

	December 2023	June 2023
Securities listed in stock exchange:		
Shares issued by companies - domestic	8,469,554	8,671,177
Shares issued by companies - foreign	321,399	448,732
Private debt securities - domestic	225,145,491	232,429,713
Private debt securities - foreign	202,664,776	196,259,326
Government debt securities - domestic	54,375,132	19,048,642
Government debt securities - foreign	960,733	43,362,638
	491,937,085	500,220,228
Securities not listed in stock exchange:		
Shares issued by companies - domestic	18,862,371	18,812,370
Shares issued by companies - foreign	126,820	121,053
Private debt securities - domestic	36,738,921	36,802,173
Government debt securities - domestic	254,792	348,722
	55,982,904	56,084,318
	547,919,989	556,304,546

The annual interest rates accruing on investments at fair value through other comprehensive income ranged from 2.50% and 9.645% (June 2023: 2.50% and 9.375%).

As of December 31, 2023, there are investments at fair value through other comprehensive income for B/.87,765,710 (June 2023: B/.153,404,683), which guarantee obligations with financial institutions. (See Note 16). In addition, as of December 31, 2023, there are investments at fair value through other comprehensive income for B/.102,839,514 (June 2023: B/.63,689,175), which guarantee repurchase agreements. (See Note 15).

As of December 31, 2023, the Bank sold and redeemed investments for B/.109,168,778 (June 2023: B/.301,697,831) and, as a result, recorded a profit of B/.201,670 (December 2022: B/.188,213), which is included in the consolidated statement of profit or loss.

9.2 Securities at fair value through profit or loss

Securities at fair value through profit or loss are presented below:

	December 2023	June 2023
Securities listed in the stock exchange		
Shares issued by companies - domestic	4,790,764	4,926,749
Shares issued by companies - foreign	3,008,183	2,941,441
Private debt securities - domestic	1,672,000	1,664,339
Private debt securities - foreign	4,614,940	4,379,496
	14,085,887	13,912,025
Securities not listed in the stock exchange		
Shares issued by companies - domestic	17,211,715	15,629,625
Shares issued by companies - foreign	16,559,513	15,014,785
Private debt securities - domestic	24,040,000	24,040,000
	57,811,228	54,684,410
	71,897,115	68,596,435

As of December 31, 2023, sales of investments at fair value through profit or loss were made with a gain of B/.10,806 (December 2022: loss of B/.2,255).

9.3 Securities at amortized cost

	December 2023		June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Securities listed in the stock exchange:				
Private debt securities - foreign	5,563,420	4,308,546	5,715,344	4,395,807
Government debt securities - domestic	115,756,275	106,157,794	116,364,772	108,086,937
Government debt securities - foreign	274,547,197	228,552,759	281,966,270	233,016,450
	395,866,892	339,019,099	404,046,386	345,499,194
Securities not listed in the stock exchange:				
Private debt securities - domestic	19,816,761	19,083,041	19,816,761	18,695,925
	19,816,761	19,083,041	19,816,761	18,695,925
	415,683,653	358,102,140	423,863,147	364,195,119

As of December 31, 2023, the annual interest rate accrued by securities at amortized cost, ranges between 1.00% and 9.375% (June 2023: 1.00% and 9.375%).

As of December 31, 2023, there are securities at amortized cost for B/.50,120,928 (June 2023: B/.29,208,650), which guarantee obligations with financial institutions (See Note 16). In addition, as of December 31, 2023, there are investments at amortized cost for B/.9,067,230 (June 2023: B/.21,183,781) that guarantee repurchase agreements. (See Note 15).

10. Loans, net

	December 2023			June 2023		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Domestic sector:						
Consumer	1,149,467,636	(61,326,658)	1,088,140,978	1,150,979,532	(56,908,586)	1,094,070,946
Commercial	1,208,129,450	(71,100,858)	1,137,028,592	1,275,097,314	(87,703,025)	1,187,394,289
Agricultural	357,054,027	(18,666,287)	338,387,740	356,141,355	(17,509,248)	338,632,107
Pledges	135,080,672	(37,342)	135,043,330	131,488,253	(4,857)	131,483,396
Overdrafts	97,134,088	(3,694,028)	93,440,060	105,313,456	(4,446,340)	100,867,116
Mortages	1,948,364,505	(21,735,669)	1,926,628,836	1,950,815,572	(19,614,038)	1,931,201,534
Industrial	297,836,558	(2,489,602)	295,346,956	270,582,965	(2,081,509)	268,501,456
Construction	420,676,796	(28,977,375)	391,699,421	405,354,778	(26,938,245)	378,416,533
Financial leasings	47,978,983	(1,828,910)	46,150,073	45,587,281	(1,758,123)	43,829,158
Factoring	284,563,202	(3,739,400)	280,823,802	242,060,263	(4,841,423)	237,218,840
Total domestic sector	5,946,285,917	(213,596,129)	5,732,689,788	5,933,420,769	(221,805,394)	5,711,615,375
Foreign sector:						
Commercial	243,616,404	(2,365,418)	241,250,986	251,410,815	(1,971,725)	249,439,090
Industrial	84,997,765	(5,684,616)	79,313,149	89,004,576	(5,973,649)	83,030,927
Construction	2,032,187	(582,733)	1,449,454	2,182,297	(431,537)	1,750,760
Pledge	9,470,023	-	9,470,023	9,470,022	-	9,470,022
Overdrafts	28,925,095	(72,422)	28,852,673	18,775,815	(47,010)	18,728,805
Total foreign sector	369,041,474	(8,705,189)	360,336,285	370,843,525	(8,423,921)	362,419,604
	6,315,327,391	(222,301,318)	6,093,026,073	6,304,264,294	(230,229,315)	6,074,034,979
Plus: Interest receivable			157,881,303			154,312,211
Less: Discounted unearned interest and commissions			(18,879,798)			(15,792,715)
Total			6,232,027,578			6,212,554,475

As of December 31, 2023, the loan portfolio accrues interest at a rate range of 1.00% to 25.99% (June 2023: 0.25% to 25.99%).

As of June 30, 2023, there were loans that guaranteed corporate bonds for a total of B/.125,275,182. (See Note 17).

The classification by type of interest rate of the loan portfolio is detailed below:

	December 2023	June 2023
Fixed rate	904,676,924	856,047,401
Adjustable rate	5,232,547,106	5,281,131,798
Floating rate (Libor or Prime)	178,103,361	167,085,095
	6,315,327,391	6,304,264,294

Finance leases

The balance of net finance leases and the maturity profile is summarized as follows:

	December 2023	June 2023
Up to 1 year	7,675,951	8,242,262
1 to 5 years	40,303,032	37,345,019
Total	47,978,983	45,587,281
Less: unearned interest	(8,068,395)	(7,101,759)
Total financial leasings, net	39,910,588	38,485,522

Restructured loans

The restructuring activities include payment agreements, approved external management plans and modification of the payment plan. 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 December 31, 2023, restructured loans that would otherwise be overdue or impaired totaled B/.186,331,810 (June 2023: B/.174,973,688).

	December 2023	June 2023
Consumer:		
Personal loans	33,529,868	33,507,226
Mortgage	95,591,699	85,038,995
Corporate:		
Commercial	57,210,243	56,427,467
Total	186,331,810	174,973,688

11. Property, plant, equipment and improvements

December 2023

	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	Total
Cost:								
At the beginning of the year	12,132,412	145,069,273	34,579,319	99,600,785	2,981,454	12,404,110	24,969,415	331,736,768
Additions or purchases	-	-	29,139	592,563	53,700	-	8,030,328	8,705,730
Reclassifications	-	-	153,756	1,507,366	4,624	-	(1,665,746)	-
Sales and write-offs	(690,769)	(975,070)	(415,886)	(358,999)	(25,000)	(114,991)	-	(2,580,715)
At the end of the period	11,441,643	144,094,203	34,346,328	101,341,715	3,014,778	12,289,119	31,333,997	337,861,783
Accumulated depreciation and amortization:								
At the beginning of the year	-	33,486,319	31,243,297	68,301,058	2,145,587	6,142,320	-	141,318,581
Expense for the period	-	1,976,382	1,045,216	3,493,887	183,053	304,673	-	7,003,211
Sales and write-offs	-	(446,907)	(407,907)	(358,795)	(25,000)	(114,147)	-	(1,352,756)
At the end of the period	-	35,015,794	31,880,606	71,436,150	2,303,640	6,332,846	-	146,969,036
Net balances	11,441,643	109,078,409	2,465,722	29,905,565	711,138	5,956,273	31,333,997	190,892,747

June 2023

	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	Total
Cost:								
At the beginning of the year	16,203,604	145,386,134	34,628,450	90,426,217	3,116,163	14,338,793	25,157,505	329,256,866
Additions or purchases	-	-	116,416	520,086	345,000	1,600	11,403,006	12,386,108
Reclassifications	-	1,182,575	614,957	9,479,526	-	314,038	(11,591,096)	-
Sales and write-offs	(4,071,192)	(1,499,436)	(780,504)	(825,044)	(479,709)	(2,250,321)	-	(9,906,206)
At the end of the year	12,132,412	145,069,273	34,579,319	99,600,785	2,981,454	12,404,110	24,969,415	331,736,768
Accumulated depreciation and amortization:								
At the beginning of the year	-	30,139,952	29,636,754	61,854,532	2,230,619	7,635,359	-	131,497,216
Expense for the year	-	4,008,177	2,206,586	7,199,143	391,742	625,524	-	14,431,172
Sales and write-offs	-	(661,810)	(600,043)	(752,617)	(476,774)	(2,118,563)	-	(4,609,807)
At the end of the year	-	33,486,319	31,243,297	68,301,058	2,145,587	6,142,320	-	141,318,581
Net balances	12,132,412	111,582,954	3,336,022	31,299,727	835,867	6,261,790	24,969,415	190,418,187

12. Right-of-use assets and lease liabilities

a) Right-of-use assets

Right-of-use assets are presented below:

Building and land	December 2023	June 2023
Cost:		
Balance at the beginning of the year	25,694,588	25,694,588
Balance at the end of the period	25,694,588	25,694,588
Accumulated depreciation and amortization:		
Balance at the beginning of the year	12,393,553	10,109,766
Expenses of the period	1,059,918	2,283,787
Balance at the end of the period	13,453,471	12,393,553
Net balance	12,241,117	13,301,035

Amounts recognized in the consolidated statement of profit or loss:

	December 2023	December 2022
Depreciation expense in right-of-use assets	1,059,918	1,190,444
Interest expenses on lease liabilities	253,621	285,468
	1,313,539	1,475,912

b) Lease liabilities

The following table shows the maturity terms of contingent operating lease commitments under IFRS 16:

	December 2023	June 2023
Up to 1 year	1,613,356	1,777,588
Between 1 and 5 years	4,841,879	5,447,260
5 years or more	7,382,212	8,077,881
Total	13,837,447	15,302,729

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

13. Other assets

	December 2023	June 2023
Accounts receivable - related companies	116,960,309	104,162,869
Goodwill (a)	92,014,817	92,014,817
Repossessed assets	63,461,827	52,584,396
Deferred income tax (b)	54,813,035	52,252,045
Investment properties (c)	52,860,897	52,860,897
Accounts receivable - National Treasury	51,883,909	60,715,664
Accounts receivable	47,858,122	53,932,947
Intangible assets (d)	17,059,779	17,831,449
Deposits in collateral	14,489,628	8,971,154
Prepaid expenses	13,574,336	13,761,249
Insurance premiums receivable	9,138,809	9,055,136
Severance fund	9,129,292	8,699,183
Reinsurers' participation	5,112,599	5,146,661
Insurance company claims	4,624,262	3,997,339
Tax credit - agricultural subsidy	4,285,616	3,920,702
Hedging derivate (e)	2,406,887	7,290,393
Customer obligations for acceptances	2,260,233	1,309,166
Judicial deposits	759,985	772,817
Other	34,951,514	35,502,586
	597,645,856	584,781,470

(a) Goodwill

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

Acquisition date	Company acquired	% of shares acquired	December 2023	June 2023
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Afianzadora Colón, S.A.	100%	25,000	25,000
December 2014	PROGRESO - Administradora Nacional de Inversiones, Fondos de Pensiones 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
			92,014,817	92,014,817

(b) Deferred income tax

Details of deferred income tax can be found in Note 29.

(c) Investment properties

As of December 31, 2023, investment properties consist of real estate for future development with a value of B/.86,861,200 (June 2023: B/.86,861,200) according to the appraisal performed by Avalúos Inspecciones y Construcciones S.A., an independent appraiser of the Bank with experience and capacity to perform these appraisals. The fair value is based on the market methodology where the sales price per square meter of the land is the most relevant input. Fair value has been classified in level 3 of the IFRS 13 valuation hierarchy.

(d) Intangible assets

	December 2023	June 2023
Cost:		
Rights to manage HSBC's severance fund portfolio		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Tradermarks and other intangibles	8,454,809	8,454,809
Intangible assets from the purchase of Banvivienda	15,500,000	15,500,000
	25,344,772	25,344,772
Accumulated amortization:		
Balance at the beginning of the year	7,513,323	5,969,982
Amortization	771,670	1,543,341
	8,284,993	7,513,323
Net balance at the end of the period	17,059,779	17,831,449

In order to check for impairment in goodwill or other intangible assets, a periodic valuation is made of the various assets (contracts, portfolios) or businesses acquired by the Bank that have generated such goodwill or intangible assets. The Bank mainly uses the model of discounted future cash flows from the corresponding assets or businesses or valuation alternative methods including business multiples profit or equity, depending on the case.

As of December 31, 2023 and June 30, 2023, there were no impairment losses recognized in goodwill or intangible assets. The valuation made using the discount method of net future cash flows generated by the acquired assets or business, indicates that the present value of these exceeds the carrying value of goodwill or intangible assets.

To carry out the valuation of acquired assets and businesses, expected net cash flows of assets or businesses were projected for periods five years, and also an increase is defined in perpetuity or flow multiples at the end of the projected flow period to estimate the terminal flow. Growth rates in the assets or businesses fluctuate based on their nature, while the perpetual growth rates is 3.5%.

- To determine the growth rates of the assets or businesses, we used as reference the real historical growth, performance, and metrics of the relevant assets or businesses, their future perspectives, the anticipated macroeconomic growth of the country which is between 4% and 5% during the five years of projection. Segments or businesses were evaluated, as well as the Bank's business plans and expected growth rates in general, and also for specific businesses under evaluation.

- To calculate the present value of future cash flows and determine the value of assets and businesses under assessment, the discount rate was used as the estimated average capital cost of the Bank for the periods referred to when the business unit assessed is the Bank. When the flows of asset funds or units are discounted with a profile different from the Bank, the capital cost applicable to that activity is used in case it differs. The Bank's cost of capital is based on the average interest rates at long-term of AAA instruments in dollars, of the country risk premium and of the return premium for applicable capital investments. The cost of the Bank's capital is approximately 11%.

- The key assumptions previously described may change as economic and market conditions change. The Bank estimates that the changes reasonably possible under these assumptions do not affect the recoverable amount of the business units or falls below the carrying value.

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

(e) Hedging derivatives

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

Fair value hedging

In order to manage its position in the consolidated statement of financial position, the Bank has entered into interest rate swap contracts for financings with a face value of B/.200,000,000 as of December 31, 2023 and June 30, 2023, which allow it to convert from variable to fixed interest rates during each payment period.

The following is a summary of derivative contracts by maturity and method of accounting:

	December 2023 Remaining maturity of notional amount		
Method of accounting	**Over 1 year**	**Less than 1 year**	**Total**
Fair value	-	200,000,000	200,000,000
Total	-	200,000,000	200,000,000

	June 2023 Remaining maturity of nominal value		
Method of accounting	**Over 1 year**	**Less than 1 year**	**Total**
Fair value	-	200,000,000	200,000,000
Total	-	200,000,000	200,000,000

The notional amount and estimated fair value of interest rate derivative instruments as of December 31, 2023, and June 30, 2023, are presented in the table below. The fair value of derivative financial instruments is estimated using valuation models with observable market data.

	December 2023	
Type	Notional value	Fair value
Derivatives for fair value hedging (for financing)	200,000,000	2,406,887
Total	200,000,000	2,406,887

	June 2023	
Type	Notional value	Fair value
Derivatives for fair value hedging (for financing)	200,000,000	7,290,393
Total	200,000,000	7,290,393

14. Client deposits

December 2023	Demand	Savings	Time	Total
Economic segment				
Corporate	473,256,040	336,968,996	2,104,587,715	2,914,812,751
Personal	78,923,885	755,093,021	1,495,455,544	2,329,472,450
	552,179,925	1,092,062,017	3,600,043,259	5,244,285,201
Segment				
Domestic	517,773,463	1,033,052,309	3,250,135,275	4,800,961,047
Foreign	34,406,462	59,009,708	349,907,984	443,324,154
	552,179,925	1,092,062,017	3,600,043,259	5,244,285,201

June 2023	Demand	Savings	Time	Total
Economic segment				
Corporate	397,897,889	359,399,246	2,168,264,354	2,925,561,489
Personal	82,277,349	779,129,299	1,418,608,150	2,280,014,798
	480,175,238	1,138,528,545	3,586,872,504	5,205,576,287
Segment				
Domestic	455,817,928	1,076,666,537	3,235,019,868	4,767,504,333
Foreign	24,357,310	61,862,008	351,852,636	438,071,954
	480,175,238	1,138,528,545	3,586,872,504	5,205,576,287

15. Securities sold under repurchase agreements

As of December 31, 2023, there are repurchase agreements for B/.88,357,081 (June 2023: B/.70,009,751), guaranteed by investments at fair value through other comprehensive income for B/.102,839,514 (June 2023: B/.63,689,175) and securities at amortized cost for B/.9,067,230 (June 2023: B/.21,183,781), at interest rates between 6.25% and 6.70% (June 2023: 4.42% and 6.34%), maturing in February 2024, June 2024 and August 2024 (June 2023: maturing in August 2023, September 2023 and June 2024).

Securities sold under repurchase agreements at amortized cost are detailed below:

	December 2023	June 2023
Securities sold under repurchase agreements	88,357,081	70,009,751
Accrued interest payable	1,674,253	745,861
Securities sold under repurchase agreements at amortized cost	90,031,334	70,755,612

16. Obligations with financial institutions

	December 2023	June 2023
As of December 31, 2023, there are obligations with other banks for foreign trade financing, with various maturities until September 2025 and annual interest rates between 5.0692% and 7.8323% (June 2023: between 2.40% and 7.50%).	414,561,943	406,921,939
As of December 31, 2023, there are obligations with financials institutions for short-term liquidity management, with a renewable maturity beginning in May 2024 and interest rates between 2.15% and 6.92%, reviewed semianually (June 2023: between 2.15% and 6.75%).	109,761,230	138,254,393
As of December 31, 2023, there are obligations with international organizations for long-term liquidity management, with various maturities until September 2025 and interest rates of 7.332% reviewed quarterly (June 2023: between 7.351% and 7.651%).	69,457,407	53,207,262
As of December 31, 2023, there are obligations with foreign banks for working capital, with various maturities until August 2031 and annual interest rates between 1.50% and 9.34552% (June 2023: between 1.50% and 9.37518%).	791,738,309	829,158,492
As of December 31, 2023, there are obligations with a multilateral financial institutions, with various maturities and final maturities from February 2024 to September 2028, interest rates range between 3.50% and 7.835%, reviewed semiannually (June 2023: between 3.50% and 7.74%).	204,453,349	155,335,496
	1,589,972,238	1,582,877,582

As of December 31, 2023, there are investments at fair value through other comprehensive income for B/.87,765,710 (June 2023: B/.153,404,683) and securities at amortized cost for B/.50,120,928 (June 2023: B/.29,208,650) that guarantee these obligations with financial institutions. In addition, there are restricted time deposits as of December 31, 2023, for B/.3,576,969 (June 2023: B/.3,025,795), which guarantee these obligations with financial institutions.

The Bank is in compliance with the maturity payments of principal and interest, as well as the contractual clauses in relation to its obligations and placements.

Obligations with financial institutions at amortized cost are detailed below:

	December 2023	June 2023
Obligations with financial institutions	1,589,972,238	1,582,877,582
Accrued interest payable	22,844,034	20,865,348
Obligations with financial institutions at amortized cost	1,612,816,272	1,603,742,930

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

	December 2023	June 2023
Balance at the beginning of the year	1,582,877,582	1,488,606,294
Others movements	(4,883,507)	(2,200,942)
Obligations received	1,182,340,809	1,766,870,623
Payments made	(1,170,362,646)	(1,670,398,393)
Balance at the end of the period	1,589,972,238	1,582,877,582

17. Corporate bonds

Type	Interest rate	Maturity	December 2023	June 2023
C Series - August 2018 Issuance	5.50%	Aug-23	-	34,976,155
A Series - April 2019 Issuance	5.25%	Apr-29	320,220,900	353,474,574
A Series - October 2023 Issuance	7.00%	Nov-26	49,891,877	-
B Series - October 2023 Issuance	7.00%	Nov-26	9,938,000	-
C Series - October 2023 Issuance	7.00%	Dec-26	3,716,000	-
			383,766,777	388,450,729

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

August 2018 issuance - The bond issuance was guaranteed through a Guarantee Trust with the Trustee Agent in favor of which Mortgage Loans were assigned with a total value covering at least 120% of the Outstanding Principal Balance of the Bonds issued and outstanding. Interest was payable quarterly and the principal of the bonds at maturity. Series C issue was paid in August 2023.

April 2019 Issuance – The bonds of this issuance constitute direct, unconditional and unsecured obligations. The coupon is paid semiannually at a fixed rate and changes at a variable rate of 3 months plus 3.30% spread in the last year of the issuance.

October 2023 Issuance – The bonds of this issuance constitute direct, unconditional and unsecured obligations. The bonds may be redeemed at sole discretion, in whole or in part, on any business day. The terms of early redemption of each of the series of bonds will be determined by the Issuer in the Information Supplement for each series.

As of June 30, 2023, there were corporate bonds held in trust loan guarantees totaling B/.125,275,182. (See Note 10).

Corporate bonds at amortized cost are detailed below:

	December 2023	June 2023
Corporate bonds	383,766,777	388,450,729
Accrued interest payable	3,965,825	3,955,433
Corporate bonds at amortized cost	387,732,602	392,406,162

18. Perpetual bonds

Perpetual bonds of any series are unsecured and can be redeemed, totally or partially, at the Issuer's choice staring from the sixth year after the issuance date of the respective series and have no guarantee.

Type	Interest rate	December 2023	June 2023
A Series - May 2016 Issuance	6.75%	24,029,370	24,003,842
B Series - July 2016 Issuance	6.75%	90,444,460	90,400,883
C Series - May 2018 Issuance	6.75%	5,191,950	5,191,950
D Series - May 2019 Issuance	6.75%	16,591,679	16,587,198
E Series - June 2020 Issuance	6.75%	4,611,000	4,611,000
F Series - September 2020 Issuance	6.50%	5,299,000	5,299,000
G Series - December 2020 Issuance	6.50%	14,701,000	14,701,000
H Series - September 2021 Issuance	5.75%	14,901,000	15,000,000
I Series - December 2021 Issuance	5.75%	2,171,000	2,171,000
		177,940,459	177,965,873

Perpetual bonds at amortized cost are detailed as follows:

	December 2023	June 2023
Perpetual bonds	177,940,459	177,965,873
Accrued interest payable	79,715	40,151
Perpetual bonds at amortized cost	178,020,174	178,006,024

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

	December 2023	June 2023
Balance at beginning of the year	566,416,602	616,731,157
Proceeds from issuances	63,654,000	600,000
Debt issuance cost / amortization of debt issuance cost	449,356	799,005
Redemptions	(68,318,970)	(51,306,097)
Premiums, discounts / discount premium amortization	(493,752)	(407,463)
Balance at the end of the period	561,707,236	566,416,602

19. Other liabilities

	December 2023	June 2023
Other creditors	28,665,088	24,684,922
Cashiers´ and certified checks	27,486,515	26,212,058
Employee benefits and other labor liabilities	19,390,201	21,757,063
Reserve for insurance operations (Note 20)	15,933,334	15,678,014
Other reserves	10,635,401	10,002,479
Factoring collateral deposits (a)	7,406,094	6,310,653
Judicial and other deposits	3,315,735	3,427,953
Insurance accounts payable	2,787,656	2,316,930
Acceptances outstanding	2,260,233	1,309,166
Special Interest Compensation Fund (FECI) accounts payable	1,641,003	1,892,616
Income tax payable	1,055,007	531,062
Others	15,763,402	5,341,490
	136,339,669	119,464,406

a) Guarantees withheld by customers and others

Guarantees withheld by customers consist of a percentage value of each discounted invoice withheld until collection is effective. If at the end of the contract the invoice becomes uncollectible, the Bank reduces the account receivable by the balance of the factoring guarantee deposit of the related transaction.

20. Reserves from insurance operations

Unearned premiums

	December 2023	June 2023
Balance at the beginning of the year	10,635,411	10,476,953
Premiums issued	18,014,090	34,440,559
Premiums earned	(8,750,351)	(17,975,119)
Balance at the end of the period	19,899,150	26,942,393
Participation of reinsurers		
Premiums ceded	(7,849,540)	(15,555,860)
Unearned premiums	(572,084)	(751,122)
Unearned premiums, net	11,477,526	10,635,411

Pending claims to be settled, estimates	December 2023	June 2023
Balance at the beginning of the year	5,042,603	5,243,813
Claims incurred, net	4,990,520	10,738,764
Claims paid	(5,577,315)	(10,939,974)
Balance at the end of the period	4,455,808	5,042,603
	15,933,334	15,678,014

21. Common shares

As of December 31, 2023, the authorized capital of Global Bank Corporation consists of 2,000,000 common shares without par value, of which 236,600 (June 2023: 236,600) shares are issued and outstanding for a value of B/.270,202,657 (June 2023: B/.270,202,657).

As of December 31, 2023, dividends were paid on common shares approved by the Board of Directors for a total of B/.22,540,130 (December 2023: B/.12,833,285).

22. Interest and commission income and expense

	December 2023	December 2022
Interest earned on:		
Loans	220,790,499	197,992,708
Deposits	5,739,756	2,256,396
Investments	20,218,148	19,616,749
	246,748,403	219,865,853
Interest expense on:		
Deposits	(100,121,253)	(79,974,303)
Obligations with financial institutions and repurchase agreements	(53,210,902)	(33,805,464)
Marketable securities and bonds	(16,294,772)	(17,333,039)
	(169,626,927)	(131,112,806)
Net interest income	77,121,476	88,753,047
Commissions earned on:		
Loans	14,948,611	14,266,404
Letters of credit	1,471,354	3,094,102
Savings accounts and debit cards	1,846,782	2,051,408
Fiduciary and management services	5,555,836	5,111,949
Others	11,342,527	8,427,266
	35,165,110	32,951,129
Commission expenses	(11,851,735)	(10,446,269)
Net commissions income	23,313,375	22,504,860
Net interest and commissions income	100,434,851	111,257,907

23. Other income, net

	December 2023	December 2022
Insurance premiums, net	7,159,930	6,510,943
Gain (loss) on instruments at fair value through profit or loss, net	2,110,229	(11,939)
Gain on sale of investments through other comprehensive income (OCI)	201,670	188,213
Fiduciary services and brokerage services, net	170,901	164,487
Gain (loss) on sale of investments through profit or loss	10,806	(2,255)
Gain on derivative financial instruments, net	-	3,788,380
Other income (expenses)	5,693,265	(149,927)
	15,346,801	10,487,902

24. Other expenses

	December 2023	December 2022
Reserve for mileage redemption	1,813,017	1,813,007
Communications and correspondance	931,579	882,965
Surveillance	886,822	879,520
Public utilities	834,936	803,650
Supplies and stationary	308,083	267,118
Insurance	141,259	114,973
Other operating expenses	4,134,289	3,352,336
Other general expenses	3,080,934	3,600,266
	12,130,919	11,713,835

25. Excess paid-in capital

Restricted stock plan

In August 2023, G.B Group Corporation's Board of Directors approved reserving a total of up to 15,561 common shares of its authorized capital for awards under the Restricted Stock Plan for participants, which will be in effect for the 2024-2023 period.

In August 2022, the Board of Directors of G.B Group Corporation approved reserving a total of up to 12,351 common shares of its authorized capital to vest under the Restricted Stock Plan for participants, which will be in effect for the 2024-2023 period.

The number of shares to be awarded will be determined annually by the Compensation Committee of the Board of Directors of G.B. Group Corporation based on the performance of the Bank and the participants.

Shares granted to participants are awarded at the average price of the Panama Stock Exchange for the month prior to the award.

Once the restricted shares are granted, the participant will be able to dispose of them as follows: 50% after the first year and 50% in the second year.

Since the restricted stock plan is unilateral and voluntary, it may be discontinued by the Board of Directors of G.B. Group Corporation at any time.

In the period 2024-2023, 14,048 (2023-2022: 5,864) shares were granted under the restricted stock plan and an expense of B/.235,398 (2023-2022: B/.235,398) was recorded.

26. 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 guarantees and promissory notes, which are summarized below:

	December 2023	June 2023
Letters of credit	171,423,698	176,006,674
Endorsements and collaterals	396,072,916	610,223,411
Promissory notes	115,674,701	200,699,607
Unused credit lines	529,865,506	557,564,622
Total	1,213,036,821	1,544,494,314

Commercial letters of credit guarantees 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 guarantees are the same as those for granting of loans that are recorded on the consolidated statement of financial position.

Guarantees 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.

27. Management of trust contracts and investment portfolio

As of December 31, 2023, the Bank held in administration trust contracts at the account and risk of customers amounting to B/.2,891,348,871 (June 2023: B/.2,934,842,204).

	December 2023	June 2023
Collateral Trust	2,638,012,319	2,661,669,988
Management Trust	136,493,895	152,301,601
Investment Trust	109,929,155	113,904,289
Assets - PLICA contract	4,934,480	4,863,233
Pension Trust	1,979,022	2,103,093
	2,891,348,871	2,934,842,204

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

28. Pension and severance fund management

	December 2023	June 2023
Severance Fund	321,688,016	319,094,430
Pension Fund (under Law No. 10)	230,661,698	227,237,564
Citibank, N. A.	1,685,184	2,047,054
Other assets under management	36,986,418	34,426,299
	591,021,316	582,805,347

29. Income tax

Income Tax returns of banks incorporated in the Republic of Panama are subject to review by the tax authorities for the last three years, including the year ended June 30, 2023, in accordance with current tax regulations.

According to current Panamanian Tax Legislation, banks are exempt from paying income tax on foreign source earnings. Also exempt from income tax are interest earned on time deposits in local banks, interest earned on Panamanian government securities and investments in securities issued through the Panamanian Stock Exchange.

The subsidiaries Global Capital Investment Corp. and Global Bank Overseas are not subject to income tax in their respective jurisdictions, due to the nature of their foreign operations. However, income tax incurred on operations that generate taxable income in other jurisdictions is classified as income tax expense.

As of January 1, 2010, with the entry into force of Law No.8 of March 15, 2010, Article No.699 of the Tax Code states that legal entities whose taxable income exceeds one million five hundred thousand balboas (B/.1,500,000) per year must pay income tax at a rate of 25% on the greater of: (1) the net taxable income calculated by the traditional method established in Title I of Book Four of the Tax Code, or (2) the net taxable income resulting from applying four point sixty seven percent (4.67%) to the total taxable income.

The current income tax expense is detailed below:

	December 2023	December 2022
Current income tax	1,973,740	1,664,442
Deferred tax for temporary differences	(2,560,990)	(5,273,033)
Income tax benefit	(587,250)	(3,608,591)

As of December 31, 2023, the average effective current income tax rate is 7.62% (December 2022: 7.28%).

The item with tax effect that composes the deferred tax asset included in the consolidated statement of financial position is mainly the allowance for possible loan losses and the tax effect of goodwill, which is detailed below:

	December 2023	June 2023
Balance at the beginning of the year	52,252,045	51,891,478
Other charges	5,225,290	-
Credit to profit or loss during the period	(2,664,300)	360,567
Balance at the end of the period	54,813,035	52,252,045

The deferred asset is recognized based on deductible tax differences considering its past operations and projected taxable income, which are influenced by Management's estimates. Based on current and projected results, the Bank's Management believes that there will be sufficient taxable income to absorb the deferred income tax detailed above.

A reconciliation of income taxes is presented as follows:

	December 2023	December 2022
Profit before income tax	25,909,819	22,862,422
Less: non-taxable income	(58,804,861)	(58,347,702)
Plus: non-deductible expenses	40,788,063	42,142,314
Plus: tax loss in subsidiaries	805	734
Taxable base	7,893,826	6,657,768
Income tax calculated at 25%	1,973,457	1,664,442
Remittance income tax	283	-
Current income tax expense	1,973,740	1,664,442

The deferred income tax asset is detailed below:

	December 2023	June 2023
Deferred income tax asset:		
Allowance for expected losses	52,243,612	54,433,116
Acquired intangible asset - core deposit	(2,368,049)	(2,529,507)
Other reserve	4,937,472	348,436
Deferred income tax asset	54,813,035	52,252,045

The reconciliation of prior year deferred income taxes to current period is as follows:

December 2023		**Charged to Profit or Loss**	**Other charges**	
Deferred income tax asset:				
Allowance for expected losses	54,433,116	(2,189,504)	-	52,243,612
Acquired intangible - core deposit	(2,529,507)	161,458	-	(2,368,049)
Other reserve	348,436	(636,254)	5,225,290	4,937,472
Deferred income tax asset	52,252,045	(2,664,300)	5,225,290	54,813,035

June 2023		**Charged to Profit or Loss**	**Other charges**	
Deferred income tax asset:				
Allowance for expected losses	54,452,586	(19,470)	-	54,433,116
Acquired intangible - core deposit	(2,852,424)	322,917	-	(2,529,507)
Other reserve	291,316	57,120	-	348,436
Deferred income tax asset	51,891,478	360,567	-	52,252,045

Transfer Pricing:

On August 29, 2012, Law No.52 came into force, which reforms the regulations regarding Transfer Pricing, a pricing regime oriented to regulate the transactions carried out between related parties for tax purposes, so that the considerations between them are similar to those carried out between independent parties. According to such rules, taxpayers that carry out transactions with related parties that have effects on income, costs or deductions to determine the taxable income for income tax purposes of the tax period in which the transaction is declared or carried out, must prepare annually a report of the transactions carried out within the six months following the end of the corresponding tax period (Form 930). Said operations must be submitted to a study in order to establish their compliance with the assumption contemplated in the Law.

As of the date of these interim condensed consolidated financial statements, the Bank is in the process of contemplating such analysis; however, according to Management, it is not expected to have a significant impact on the estimated income tax for the period.

30. Segment information

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

	December 2023			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	275,409,555	1,581,156	4,922,802	281,913,513
Interest expenses and reserves	198,696,271	6,721	1,241	198,704,233
Other income, net	7,837,575	7,207,958	301,268	15,346,801
Other expenses	58,703,547	3,571,962	1,535,954	63,811,463
Depreciation and amortization expense	8,761,751	5,761	67,287	8,834,799
Profit before income tax	17,085,561	5,204,670	3,619,588	25,909,819
Income tax expense (benefit)	(2,372,051)	1,068,880	715,921	(587,250)
Net profit	19,457,612	4,135,790	2,903,667	26,497,069
Total assets	8,380,937,580	78,973,492	43,920,972	8,503,832,044
Total liabilities	7,763,143,878	23,801,154	909,029	7,787,854,061

	December 2022			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	247,064,468	1,247,880	4,504,634	252,816,982
Interest expenses and reserves	171,475,417	(2,634)	(2)	171,472,781
Other income, net	3,782,714	6,642,156	63,032	10,487,902
Other expenses	54,692,319	3,534,755	1,339,514	59,566,588
Depreciation and amortization expense	9,318,907	5,820	78,366	9,403,093
Profit before income tax	15,360,539	4,352,095	3,149,788	22,862,422
Income tax expense (benefit)	(5,106,886)	876,525	621,770	(3,608,591)
Net profit	20,467,425	3,475,570	2,528,018	26,471,013
	June 2023			
Total assets	8,298,521,727	73,934,911	40,522,261	8,412,978,899
Total liabilities	7,677,993,502	23,019,838	212,315	7,701,225,655

31. Subsidiaries of the Bank

The following are the Bank's subsidiaries, their main economic activity, date of incorporation, beginning of operations, country of incorporation and percentage of ownership of such companies:

Companies	Main economic activty	Date of incorporation	Beginning of operations	Country of incorporation	Percentage of ownership
Global Financial Funds Corporation	Fiduciary trust services	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 and Subsidiaries	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 AFPC, S.A.	Pension Fund Management	Oct-98	2014	Panama	100%
Anverli Investment Corporation	Ownership and management of real estate	Jan-17	2017	Panama	100%
Banvivienda Leasing & Factoring	Financial leasing	Oct-06	2007	Panama	100%

32. Regulatory aspects and capital reserve

The following is a detail of the regulatory reserves:

	December 2023	June 2023
Regulatory reserves:		
Dynamic reserve	87,863,198	87,863,198
Foreclosed assets reserve	17,062,367	15,637,168
Equity reserve - investments	655,978	642,191
	105,581,543	104,142,557

Agreement No.4-2013

Loan portfolio classification and allowance for loan losses based on Agreement No.4-2013:

December 2023

	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	2,427,863,512	333,265,816	69,974,184	57,046,962	114,067,758	3,002,218,232
Consumer loans	2,837,357,015	210,922,598	24,864,336	18,730,816	62,622,089	3,154,496,854
Other loans	158,612,305	-	-	-	-	158,612,305
Total	5,423,832,832	544,188,414	94,838,520	75,777,778	176,689,847	6,315,327,391
Specific reserve	-	25,450,022	13,559,802	17,742,972	111,981,067	168,733,863

June 2023

	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	2,408,102,317	339,277,338	78,902,051	67,142,622	125,988,166	3,019,412,494
Consumer loans	2,957,385,758	95,189,798	24,945,937	18,198,211	60,461,886	3,156,181,590
Other loans	128,360,368	309,760	82	-	-	128,670,210
Total	5,493,848,443	434,776,896	103,848,070	85,340,833	186,450,052	6,304,264,294
Specific reserve	-	22,846,236	15,188,911	22,340,773	109,060,100	169,436,020

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

December 2023

	Current	Delinquent	Overdue	Total
Corporate	2,874,579,118	7,901,978	119,737,136	3,002,218,232
Consumer	2,980,920,855	83,918,320	89,657,679	3,154,496,854
Others	158,612,305	-	-	158,612,305
Total	6,014,112,278	91,820,298	209,394,815	6,315,327,391

June 2023

	Current	Delinquent	Overdue	Total
Corporate	2,880,527,395	6,258,880	132,626,219	3,019,412,494
Consumer	2,993,805,778	82,517,960	79,857,852	3,156,181,590
Others	128,360,368	-	309,842	128,670,210
Total	6,002,693,541	88,776,840	212,793,913	6,304,264,294

As of December 31, 2023, loans in nonaccrual status represent B/.146,261,215 (June 2023: B/.151,038,705).

Accounting treatment of the 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 interim condensed consolidated financial statements. According to the General Resolution of the SBP Board of Directors GJD-0003-2013, the accounting treatment of the differences between prudential standards and IFRSs is established based on the following methodology.

- The respective figures of the calculations of the IFRSs application and prudential standards issued by the Superintendency of Banks of Panama (SBP) will be made and compared.

- When the calculation made in accordance with IFRS results in a provision greater than the one resulting from the use of prudential standards, the IFRS figures shall be accounted for.

- When the use of prudential standards results in a higher provision, the IFRS figures will also be recorded in profit or loss and the difference will be taken from retained earnings, which will be transferred to a regulatory reserve in equity. In the event that the Bank does not have sufficient retained earnings, this difference will be presented as an accumulated deficit account.

- The regulatory reserve mentioned in the previous point cannot be reversed against retained earnings, as long as the differences between IFRSs and the prudential standards that originated it, exist.

Dynamic reserve

According to Agreement No.4-2013, the restrictions of the dynamic provision establish that the amount cannot be less than the amount established in the previous quarter. As of December 31, 2023, the dynamic provision was for B/.87,863,198 (June 2023: B/.87,863,198).

By means of General Resolution of the Board of Directors SBP-GJD-R-2023-01125 of June 6, 2023, the General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020, which temporarily suspended the obligation to constitute the dynamic provision, was repealed in all its parts.

Off-balance sheet transactions

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, as shown below:

December 2023	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Letters of credit	171,423,698	-	-	-	-	171,423,698
Endorsements and collaterals	396,072,916	-	-	-	-	396,072,916
Promissory notes	115,674,701	-	-	-	-	115,674,701
Unused lines of credit granted	529,865,506	-	-	-	-	529,865,506
Total	1,213,036,821	-	-	-	-	1,213,036,821

June 2023	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Letters of credit	176,006,674	-	-	-	-	176,006,674
Endorsements and collaterals	610,223,411	-	-	-	-	610,223,411
Promissory notes	200,699,607	-	-	-	-	200,699,607
Unused lines of credit granted	557,564,622	-	-	-	-	557,564,622
Total	1,544,494,314	-	-	-	-	1,544,494,314

Letters of credit, guarantees issued and promissory notes are exposed to credit losses in the event that the customer does not comply with its obligation to pay. The Bank's policies and procedures for approving commitments of credit, financial guarantees and promissory notes are the same as those used for granting loans recorded in the consolidated statement of financial position.

However, letters of credit, most of which are utilized, the majority are on demand and their payment is immediate.

Lines of credit for customer disbursements correspond to secured loans pending disbursement, which are not shown in the consolidated statement of financial position but are recorded in the Bank's memorandum accounts.

Foreclosed assets

As of December 31, 2023, the regulatory provision on foreclosed assets totals B/.17,062,367 (June 2023: B/.15,637,168), based on the provisions 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 states:

a) Suspension of coverage: when the contracting party has made the payment of the first fraction of the premium and is delayed for more than the end of the grace period stipulated in the payment of any of the fractions of subsequent premiums, it will be understood that it has incurred in default of payment, according to the payment schedule established in the corresponding policy, which has the immediate legal effect of suspending the coverage of the policy for up to sixty days.

b) The suspension of coverage shall be maintained until the default ceases, and may be reinstated upon payment of the premium not paid during said period or until the policy is cancelled, in accordance with the provisions of Article 161.

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

a) Any notice of cancellation of the policy shall be notified by mailing to the contracting party at the last physical, postal or electronic address recorded in the policy file maintained by the insurer. A copy of the notice of cancellation shall be issued to the insurance broker.

b) Any change of address of the contracting party must be notified to the insurer, otherwise the last address on file with the insurer shall be considered valid.

c) The notice of cancellation of the policy for non-payment of the premium must be sent to the contracting party in writing, fifteen working days in advance. If the notice is not sent, the contract shall remain in force and the provisions of Article No. 998 of the Code of Commerce shall apply.

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. Among the main aspects of this Law are the following: authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, credit and market risk management procedures, money laundering prevention, and bank intervention and liquidation procedures, among others. Likewise, banks will be subject, at least, to an inspection every two (2) years by the auditors of the Superintendency of Banks of Panama, to determine compliance with the provisions 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.

Regulatory compliance

Liquidity Ratio

As of December 31, 2023, the liquidity ratio percentage reported to the regulator under the parameters of Agreement No.4-2008 was 40.23% (June 2023: 36.34%). (See Note 4.3).

Capital Adequacy

The Law requires general license banks to maintain a minimum paid-in share capital or assigned capital of ten million balboas (B/.10,000,000) and capital funds of not less than 8% of their weighted assets, including off-balance sheet operations. As of December 31, 2023, it presents consolidated capital funds of approximately 13.45% (June 2023: 13.12%) over its risk-weighted assets, according to Agreement No.1-2015, Agreement No.3-2016 and the new agreements, Agreement No.11-2018 and Agreement No.2-2018. (See Note 4.7).

The accounting treatment for the recognition of losses on loans, investment securities and foreclosed assets of borrowers in accordance with prudential regulations issued by the Superintendency of Banks of Panama, differs in some aspects from the accounting treatment in accordance with International Financial Reporting Standards, specifically IFRS 9 and IFRS 5. The Superintendency of Banks of Panama requires general license banks to apply these prudential standards.

b) Insurance and reinsurance laws

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

c) Securities Law

The operations of brokerage firms in Panama are regulated by the Superintendency of the Securities Market of Panama according to 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 Securities Brokerage Firms are in the process of adaptation to Agreement No.4-2011, modified in certain provisions through Agreement No.8-2013, established by the Superintendency of the Securities Market of Panama, which indicate that they are obliged to comply with the rules of capital adequacy and its modalities.

d) Trust Law

Trust operations in Panama are regulated by the Superintendency of Banks of Panama according to 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.

Capital Reserves

The Global Bank Overseas subsidiary, in accordance with the Montserrat banking regulator, establishes that every licensed financial institution shall maintain a reserve fund and, from its net profits for each year, shall transfer an amount equal to not less than 20 percent of such profits to that fund, provided that the amount of the reserve fund is less than 100 percent of the paid-in or, as the case may be, assigned capital of the financial institution. As of December 31, 2023, the reserve is B/.32,324,680 (June 2023: B/.32,324,680).

The following are the capital reserves:

	December 2023	June 2023
Capital reserve	32,324,680	32,324,680
Insurance reserves:		
Technical reserves	6,557,870	6,101,606
Legal reserve	5,749,193	5,749,193
	44,631,743	44,175,479

Technical reserves

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

These capital reserves must be covered with admitted assets free of encumbrances.

These reserves shall be cumulative. Their use and restitution will be regulated by the Superintendency of Insurance and Reinsurance of Panama when the loss ratio shows adverse results.

	Reserve for statistical deviations		Reserve for catastrophic risk and/or contingencies	
	December 2023	June 2023	December 2023	June 2023
Balance at the beginning of the year	3,050,803	2,597,647	3,050,803	2,597,647
Additions	228,132	453,156	228,132	453,156
Balance at the end of the period	3,278,935	3,050,803	3,278,935	3,050,803

Legal reserve

The legal reserve of the subsidiary Aseguradora Global, S.A. is established in accordance with Article No.213 of Law No.12 of April 3, 2012, which establishes the following:

Insurers are obliged to form and maintain a reserve fund in the country equivalent to 20% of net profits before income tax, until constituting a fund of B/.2,000,000 and thereafter 10%, until reaching 50% of the paid-in capital.

The movement of the legal reserve is detailed below:

	December 2023	June 2023
Balance at the beginning of the year	5,749,193	5,749,193
Balance at the end of the period	5,749,193	5,749,193

33. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements of Global Bank Corporation and Subsidiaries for the year ended December 31, 2023 were authorized by Management for issuance on February 22, 2024.

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