

# **Global Bank Corporation and Subsidiaries**

Consolidated financial statements for the  
period ended September 30, 2023

“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

## Consolidated Financial Statements as of September 30, 2023

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## Global Bank Corporation and Subsidiaries

### Consolidated statement of financial position as of September 30, 2023 (In balboas)

	Notes	September 2023	June 2023
<b>Assets</b>			
Cash and bank deposits	7,16	372,997,558	354,965,856
Securities purchased under resale agreements	8	3,957,809	3,547,807
Investments in securities, net	6,9,16	1,038,399,056	1,053,410,069
Loans, net	6,10	6,216,206,302	6,212,554,475
Property, furniture, equipment and improvements	11	189,633,426	190,418,187
Rights-of-use assets	12	12,759,021	13,301,035
Other assets	6,13,29	611,398,285	584,781,470
<b>Total assets</b>		<b>8,445,351,457</b>	<b>8,412,978,899</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Customer deposits	6,14	5,291,935,273	5,205,576,287
Deposits from banks		96,143,184	82,919,955
Accrued interest payable		34,530,872	33,051,550
Total deposits		5,422,609,329	5,321,547,792
Securities sold under repurchase agreements	15	93,034,566	70,009,751
Obligations with financial institutions	9,16	1,528,393,820	1,582,877,582
Corporate bonds	17	352,566,208	388,450,729
Perpetual bonds	18	178,003,100	177,965,873
Accrued interest payable		30,750,569	25,606,793
Total borrowings		2,182,748,263	2,244,910,728
Lease liabilities	12	14,830,123	15,302,729
Other liabilities	6,19,20	122,844,708	119,464,406
<b>Total liabilities</b>		<b>7,743,032,423</b>	<b>7,701,225,655</b>
<b>Equity</b>			
Common shares	21	270,202,657	270,202,657
Excess paid-in capital	25	2,370,394	2,252,695
Capital reserves	32	44,403,009	44,175,479
Regulatory reserves	32	105,575,235	104,142,557
Fair value reserves		(42,954,985)	(37,365,976)
Retained earnings		322,722,724	328,345,832
<b>Total equity</b>		<b>702,319,034</b>	<b>711,753,244</b>
<b>Total liabilities and equity</b>		<b>8,445,351,457</b>	<b>8,412,978,899</b>

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

## Global Bank Corporation and Subsidiaries

### Consolidated statement of profit or loss for the three ended September 30, 2023

(In balboas)

	Notes	September	
		2023	2022
Interest income	6	121,033,169	108,176,937
Interest expense	6	(82,372,910)	(62,583,463)
Net interest income	22	<u>38,660,259</u>	<u>45,593,474</u>
Commissions earned		17,587,005	16,523,562
Commission expenses		(5,873,265)	(5,321,320)
Net commission income	22	<u>11,713,740</u>	<u>11,202,242</u>
Net interest and commission income, before allowances	22	<u>50,373,999</u>	<u>56,795,716</u>
Allowance for uncollectible loans	4.2.2.1.2	8,904,136	14,767,706
(Reversal of allowance) allowance for country risk		(290,970)	343,288
Allowance for investments	4.2.2.2	<u>16,724</u>	<u>685,353</u>
		<u>8,629,890</u>	<u>15,796,347</u>
Net interest and commission income, after allowances		41,744,109	40,999,369
Other income	23	3,523,223	4,816,145
<b>Other expenses</b>			
Salaries and other remuneration	6	15,676,213	15,555,981
Professional fees		2,844,944	2,607,129
Depreciation and amortization	11,12,13	4,421,715	4,643,160
Advertising and publicity		539,302	460,827
Maintenance and repairs		4,020,431	3,113,867
Leases		1,905,139	947,393
Other taxes		1,697,140	1,429,927
Other expenses	24	<u>6,175,032</u>	<u>6,292,321</u>
		<u>37,279,916</u>	<u>35,050,605</u>
Profit before income tax		<u>7,987,416</u>	<u>10,764,909</u>
Income tax:			
Current		861,562	843,774
Deferred		(6,369,821)	(3,141,291)
Benefit income tax	29	<u>(5,508,259)</u>	<u>(2,297,517)</u>
Profit for the period		<u>13,495,675</u>	<u>13,062,426</u>

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

## Global Bank Corporation and Subsidiaries

### Consolidated statement of profit or loss and other comprehensive income for the period ended September 30, 2023

(In balboas)

	September	
	2023	2022
Profit for the period	13,495,675	13,062,426
<b>Other comprehensive income:</b>		
<b>Items that could be reclassified subsequently to profit or loss</b>		
Net amount transferred to profit or loss	(140,770)	(114,629)
Allowance for investments	18,258	685,591
Net change in valuation of investments at fair value through other comprehensive income	(5,466,497)	(11,898,576)
<b>Other comprehensive income for the period</b>	<b>(5,589,009)</b>	<b>(11,327,614)</b>
<b>Total other comprehensive income for the period</b>	<b>7,906,666</b>	<b>1,734,812</b>

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

**Global Bank Corporation and Subsidiaries**

**Consolidated statement of changes in equity  
for the period ended September 30, 2023**  
(In balboas)

	Notes	Total shareholder's equity	Common shares	Excess paid-in capital	Capital reserves	Regulatory reserves	Fair value reserves	Retained earnings
<b>Balance as of June 30, 2022</b>		<u>760,154,339</u>	<u>270,202,657</u>	<u>1,974,519</u>	<u>43,269,167</u>	<u>101,983,796</u>	<u>(37,694,923)</u>	<u>380,419,123</u>
Profit for the period		13,062,426	-	-	-	-	-	13,062,426
Allowance for investments		685,591	-	-	-	-	685,591	-
Net change in valuation of investments at fair value through other comprehensive income		<u>(12,013,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,013,205)</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>1,734,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,327,614)</u>	<u>13,062,426</u>
Excess paid-in capital - employee stock option plan	25	(75,030)	-	(75,030)	-	-	-	-
Dividends paid - common shares	21	(6,253,427)	-	-	-	-	-	(6,253,427)
Complementary tax		(328,866)	-	-	-	-	-	(328,866)
Regulatory reserves	32	-	-	-	-	55,957	-	(55,957)
Capital reserves	32	-	-	-	231,218	-	-	(231,218)
<b>Balance as of September 30, 2022</b>		<u>755,231,828</u>	<u>270,202,657</u>	<u>1,899,489</u>	<u>43,500,385</u>	<u>102,039,753</u>	<u>(49,022,537)</u>	<u>386,612,081</u>
<b>Balance as of June 30, 2023</b>		<u>711,753,244</u>	<u>270,202,657</u>	<u>2,252,695</u>	<u>44,175,479</u>	<u>104,142,557</u>	<u>(37,365,976)</u>	<u>328,345,832</u>
Profit for the period		13,495,675	-	-	-	-	-	13,495,675
Allowance for investments		18,258	-	-	-	-	18,258	-
Net change in valuation of investments at fair value through other comprehensive income		<u>(5,607,267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,607,267)</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>7,906,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,589,009)</u>	<u>13,495,675</u>
Excess paid-in capital - employee stock option plan	25	117,699	-	117,699	-	-	-	-
Dividends paid - common shares	21	(16,917,342)	-	-	-	-	-	(16,917,342)
Complementary tax		(541,233)	-	-	-	-	-	(541,233)
Regulatory reserves	32	-	-	-	-	1,432,678	-	(1,432,678)
Capital reserves	32	-	-	-	227,530	-	-	(227,530)
<b>Balance as of September 30, 2023</b>		<u>702,319,034</u>	<u>270,202,657</u>	<u>2,370,394</u>	<u>44,403,009</u>	<u>105,575,235</u>	<u>(42,954,985)</u>	<u>322,722,724</u>

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

Global Bank Corporation and Subsidiaries

Consolidated statement of cash flows  
for the period ended September 30, 2023  
(In balboas)

		September	
	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Profit for the period		13,495,675	13,062,426
Adjustments for:			
Depreciation and amortization		4,421,715	4,643,160
Gain on sale of property, furniture and equipment	11,12,13	(1,310)	(148)
Disposal of property, furniture and equipment		265,917	659
Gain on sale of securities at fair value through profit or loss, net	9,23	(140,770)	(114,629)
(Gain) loss on instruments at fair value through profit or loss, net	23	(8,215)	398,816
Allowance for uncollectible loans		8,904,136	14,767,706
Allowance for investments		16,724	685,353
Income tax	29	(5,508,259)	(2,297,517)
Net interest income	22	(121,033,169)	(108,176,937)
Interest expense	22	82,372,910	62,583,463
Employee stock option plan	25	117,699	(75,030)
		(17,096,947)	(14,522,678)
Changes in:			
Securities purchased under resale agreements		(410,002)	-
Loans		(14,293,565)	(88,924,970)
Other assets		(24,140,716)	(17,572,223)
Customer deposits		86,358,986	110,262,963
Bank deposits		13,223,229	12,561,113
Other liabilities		3,390,475	7,958,334
Cash used in operations		47,031,460	9,762,539
Income tax paid		-	(18,676)
Interest received		118,973,589	109,908,207
Interest paid		(75,749,812)	(54,826,264)
Net cash flow provided by operating activities		90,255,237	64,825,806
<b>Cash flows from investing activities</b>			
Purchase of securities at fair value through other comprehensive income		(50,382,438)	(65,330,281)
Sales of securities at fair value through other comprehensive income		59,395,943	108,399,925
Purchase of investments at fair value through profit or loss		(474,264)	(15,015,691)
Sales of investments at fair value through profit or loss		498,482	30,491
Purchase of investments at amortized cost		-	(6,157,370)
Amortization of investments at amortized cost		4,244,086	6,264,901
Purchase of property, furniture and equipment	11	(2,975,022)	(3,020,034)
Proceeds from sales of property, furniture and equipment		1,310	148
Net cash flows provided by investing activities		10,308,097	25,172,089
<b>Cash flows from financing activities</b>			
Payments made under repurchase agreement transactions	15	(38,068,393)	579,546
Proceeds from securities sold under repurchase agreements	15	61,093,208	-
Obligations received from financial institutions	16	445,032,571	331,497,706
Obligations paid to financial institutions	16	(497,317,613)	(366,015,786)
Proceeds from issuance of bonds	18	-	600,000
Redemption of bonds	17,18	(35,409,862)	(40,094,692)
Dividends paid on common shares	21	(16,917,342)	(6,253,427)
Lease payment		(472,606)	(526,105)
Complementary tax		(541,233)	(328,866)
Net cash flow used in by financing activities		(82,601,270)	(80,541,624)
Net decrease in cash and cash equivalents		17,962,064	9,456,271
Cash and cash equivalents at beginning of the year		346,970,481	415,326,050
<b>Cash and cash equivalents at end of the period</b>	<b>7</b>	<b>364,932,545</b>	<b>424,782,321</b>

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 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. Adoption of the new and revised International Financial Reporting Standards (IFRSs)

##### 2.1 Standards and interpretations adopted without effects on the consolidated financial statements

For the period ended September 30, 2023, the following standards IFRSs and interpretations (hereinafter “IFRICs”) became effective and did not have an impact on the Bank’s consolidated financial statements.

##### 2.2 New and amended standards issued but not yet effective

New standards, interpretations and amendments to accounting standards have been issued, but are not mandatory for the period ended September 30, 2023, and have not been adopted early by the Bank.

The main changes of these new standards are presented below:

##### **IFRS 17 – Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - *Insurance contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB issued the Extension of the Temporary Exemption from the Application of IFRS 9 (*Amendments to IFRS 4*) that extends the fixed expiration date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

This IFRS is mandatory for periods beginning on or after January 1, 2023. Earlier application is permitted. Management is in the process of assessing the impact of the adoption of IFRS 17 on the Bank's consolidated financial statements and disclosures.

#### ***Amendments to IAS 1 - Classification of liabilities as current or non-current***

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of «settlement» to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Management does not expect the adoption of the above standard to have a material impact on the Bank's consolidated financial statements in future periods:

#### ***Amendments to IAS 12 "Taxes"***

The IASB has issued an amendment to IAS 12 to clarify how deferred taxes arising from transactions such as leases or decommissioning obligations should be accounted for. The amendments clarify that entities are required to recognize deferred taxes on leases and provisions for decommissioning. The purpose of the amendments has been to reduce diversity in the reporting of deferred tax information in such transactions. The amendments are effective January 1, 2023 with early application permitted.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### ***Amendments to IFRS 16 “Leases”***

The IASB has published an amendment to IFRS 16 detailing the accounting for sale transactions with subsequent leaseback. According to the amendment to the standard, the seller - lessee must calculate the value of the lease liability in such a way that it does not recognize any gain or loss related to the retained right of use. The amendment enters into force on January 1, 2024 allowing its early application.

#### ***Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Bank's Management do not anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods.

#### ***Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgments - Disclosure of Accounting Policies***

The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy disclosures.” Information about accounting policies is material if, when considered together with other information included in a company's financial statements, it could reasonably be expected to influence the decisions that primary users of general purpose consolidated financial statements make on the basis of those financial statements.

The supporting paragraphs of IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information related to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, early application permitted and are applied prospectively. The Amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### ***Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates***

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. According to the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty.”

The definition of change in accounting estimates was eliminated. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate resulting from new information or new developments is not the correction of an error.
- The effects of a change in an input or measurement technique used to develop an accounting estimate are changes in accounting estimates if they are not the result of correction of prior period errors. The Board added two examples (Examples 4-5) to the accompanying Guidance on the implementation of IAS 8. The Board has removed one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with early application permitted.

#### ***Amendments to IAS 12 – Income Taxes - Deferred Taxes related to Assets and Liabilities Arising from a Single Transaction***

The amendments introduced a new exception to the exemption from initial recognition. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. For example, this may arise when recognizing a lease liability and the corresponding right-of-use asset by applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments apply.

The amendments apply to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the related amounts recognized as part of the related asset cost.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) as of that date.

## **Global Bank Corporation and Subsidiaries**

### **Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)**

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The Bank currently accounts for deferred income tax on leases on a net basis in the consolidated statement of financial position. Under the amendments, the Bank will be required to recognize a separate deferred income tax asset and liability account. As of September 30, 2023, the net deferred income tax asset generated from leases is B/.517,608 (June 2023: B/.500,423) and with the amendment a deferred income tax asset of B/.3,189,922 (June 2023: B/.3,325,259) and a liability of B/.3,707,530 (June 2023: B/.3,825,682). would be presented separately. There would be no impact on retained earnings or results. The amendments apply for annual periods beginning on or after January 1, 2023.

Except as mentioned above, Management does not expect the adoption of the aforementioned standards to have a material impact on the Bank's consolidated financial statements in future periods.

### **3. Basis of presentation**

#### **3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

#### **3.2 Basis of preparation**

The consolidated financial statements have been prepared under the historical cost basis, except for investments at fair value through profit or loss (FVTPL); investments at fair value through other comprehensive income (FVTOCI), assets or liabilities with fair value hedges and derivative instruments which are presented at fair value.

The historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The consolidated financial statements have been prepared by Management assuming that the Bank will continue to operate as a going concern.

#### **3.3 Basis of consolidation**

The consolidated financial statements include the Bank and its subsidiaries, in which it has control. Control is achieved when all the following three criteria are met:

- Has power over investment,
- Is exposed, or has rights, to variable returns from its involvement with the entity, and
- Has the ability to affect those returns through its power over the entity in which it invests.

The Bank reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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When the Bank has less than the majority of the voting rights over an investee, has control over an investee when the voting rights give it the current ability to direct the relevant activities of the investee, which are the activities that significantly affect the return of the investee. The Bank considers all the facts and circumstances to evaluate if the voting rights over an investee are sufficient to have power including:

- The size of the Bank's participation of voting rights relative to the size and dispersion of holding of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Subsidiaries are consolidated from the date on which the Bank obtains control until the moment the control ends. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or from the disposal effective date, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

All balances and transactions between the Bank and its subsidiaries have been eliminated in full on consolidation.

#### Changes in the Banks' ownership interests in existing subsidiaries

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions.

When the Bank loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the consideration received and the fair value of any retained interest and (ii) the previous carrying value of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (reclassified to profit or loss transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 – Financial Instruments, when applicable, the cost at the beginning of the transaction of an investment in an associate or a joint venture.

#### **3.4 Foreign currency transactions**

Assets and liabilities held in foreign currencies are converted at the exchange rate effective at the date of the consolidated statement of financial position, except for those transactions with contractually agreed fixed exchange rates. Foreign currency transactions are recorded at the exchange rates effective at the dates of the transactions. Gains or losses from foreign currency translation are reflected in the accounts of other income or other expenses in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. The foreign currency differences arising in the retranslation are recognized in profit or loss, except in the case of differences arising from the reconversion of capital instruments available for sale, a financial liability designated as a hedge of the net investment in an operation abroad, or qualified cash flow hedges, which are recognized directly in the consolidated statement of profit or loss.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### Functional and presentation currency

Records are carried in Balboas and the consolidated financial statements are expressed in this currency. The Balboa, the monetary unit of the Republic of Panama, is at par and freely exchangeable with the United States dollar. The Republic of Panama does not issue paper money and instead uses the US dollar as legal tender.

#### **3.5 Segment reporting**

A business segment is a component of the Bank, whose operating results are regularly reviewed by the Bank's Management for making decisions about resources to be allocated to the segment and to evaluate its performance, and for which financial information is available for this purpose.

#### **3.6 Financial assets**

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal (SPPI), are later measured at amortized cost. Debt instruments held in a business model, whose objective is both to collect the contractual cash flows as well as to sell financial assets and that have contractual cash flows that are SPPI, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments (for example, those managed on a fair value basis, or held for sale) and capital investments are subsequently measured at fair value through profit and loss (FVTPL).

However, the following irrevocable choice or designation may be made in the initial recognition of a financial asset on an asset-by-asset basis:

- It is possible to irrevocably choose to present subsequent changes in the fair value of a capital investment that is not held for trading, nor a contingent consideration recognized by an acquirer in a business combination to which IFRS 3 is applied - "*Business Combinations*", in other comprehensive income; and
- A debt instrument that meets the amortized cost or the FVTOCI criteria measured at FVTPL can be irrevocably designated if doing so eliminates or significantly reduces it, causing an accounting asymmetry.

##### 3.6.1 Classification

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

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

##### 3.6.2 Evaluation of the business model

The Bank carries out an evaluation of the objective of the business model in which the financial asset is held at the portfolio level, as it reflects the way in which the business is managed and information is provided to Management. The information considers the following:

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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- The risk that affects the performance of the business model and how these risks are managed;
- The frequency, volume and schedule of sales in previous years, the reason for such sales and their expectations about future sales activity. However, information on sales activity is not considered in isolation, but as part of a general assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

An evaluation of business models to manage financial assets is essential for the classification of a financial asset. The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a particular business objective. The business model does not depend on Management's intentions for an individual instrument; therefore, the evaluation of the business model is carried out at a higher level of aggregation rather than instrument by instrument.

In the initial recognition of a financial asset, it is determined whether the newly recognized financial assets are part of an existing business model or if they reflect the beginning of a new business model. The Bank reassesses its business model in each reporting period to determine if business models have changed since the previous period. For the current and previous reporting period, the Bank has not identified a change in its business model.

#### 3.6.3 Evaluation on contractual cash flows if they are only capital and interest payments

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

The contractual cash flows that are SPPI are consistent with a basic loan agreement. Contractual terms that introduce exposure to risks or volatility in contractual cash flows that are not related to a basic loan agreement, such as exposure to changes in stock prices or commodity prices, do not give rise to contractual cash flows that are SPPI. A financial asset originated or acquired may be a standard credit agreement regardless of whether it is a loan in its legal form.

In assessing whether contractual cash flows are only payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the schedule or amount of contractual cash flows so that it does not meet this condition. When conducting the evaluation, the Bank considers the following:

- Contingent events that would change the amount and schedule of cash flows;
- Leverage characteristics;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to the cash flows of specified assets (for example, agreements with assets without recourse); and characteristics that modify the consideration of the value of money over time (for example, periodic readjustment of interest rates).

#### 3.6.4 Financial assets at fair value through other comprehensive income FVTOCI

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

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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Unrealized gains and losses are reported as net increases or decreases in other comprehensive income (“OCI”) in the consolidated statement of changes in shareholders' equity until they are realized. Gains and losses made from the sale of securities that are included in the net gain on the sale of securities are determined using the specific identification method.

For an equity instrument designated as measured at FVTOCI, the accumulated gain or loss previously recognized in other comprehensive income is not subsequently reclassified to gains and losses but may be transferred within the equity.

#### 3.6.5 Financial assets at amortized cost

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

- The financial asset remains within the business model whose objective is to maintain the financial assets so as to obtain the contractual cash flows, and
- The contractual conditions of the financial asset give rise, on the specified dates, to cash flows that are only payments of the principal and interest on the amount of the outstanding principal.

#### 3.6.6 Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities at fair value through profit and loss include a) assets and liabilities with contractual cash flows that are not SPPI; and/or b) assets and liabilities designated in FVTPL using the fair value option; and accounts receivable (unrealized gains) and accounts payable (unrealized losses) related to derivative financial instruments that are not designated as hedging or that do not qualify for hedge accounting.

Unrealized gains and losses made on assets and liabilities for trading are recorded in the consolidated statement of profit or loss as profit (loss) of financial instruments at fair value through profit or loss.

#### 3.6.7 Reclassification

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

Changes in contractual cash flows are considered under the accounting policy of modification and derecognition of financial assets and liabilities described below.

#### 3.6.8 Asset write-off

A financial asset (or, where appropriate, a part of a financial asset or a part of a group of similar financial assets) is written-off when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive the cash flows of the asset and has either substantially transferred all the risks and benefits of the asset, or has transferred or substantially retained the risks and benefits of the asset, but control has been transferred of the asset.
- The Bank reserves the right to receive the cash flows of the asset but has assumed an obligation to pay the cash flows received in full and without significant delay to a third party under a “pass-through agreement.”



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, and neither has substantially transferred or retained all the risks and benefits of the asset, nor transferred control of the asset, the asset is recognized to the extent that the Bank's participation in the asset continues. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the contractual rights and obligations that the Bank has withheld.

The continued participation that takes the form of a guarantee on the transferred asset is measured by the lower amount between the original carrying value of the asset and the maximum amount of the consideration that the Bank could be required to pay.

The Bank carries out operations through which it transfers recognized assets in its consolidated statement of financial position but retains all or substantially all the risks and rewards of the transferred asset or part thereof. In such cases, the transferred assets are not written-off. Examples of these transactions are securities loans and sale and repurchase transactions.

#### 3.6.9 Impairment of financial statements

Measuring the provision for expected credit losses (ECLs) for financial assets measured at amortized cost and at fair value through other comprehensive income requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Several significant judgments are also required when applying accounting requirements to measure expected losses, such as:

- Determine the criteria for a significant increase in credit risk.
- Choice of appropriate models and assumptions for measuring the expected loss.
- Incorporate future scenarios of macroeconomic conditions for each type of product / market and the associated expected loss, and
- Establish groups of similar financial assets in order to measure the expected loss.

Critical judgments are described in Note 5.

The Bank recognizes provision for ECLs in the following financial instruments that are not measured at FVTPL:

- Loans at amortized cost;
- Investment debt securities;
- Accounts receivable from leases;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognized in equity investments.

With the exception of financial assets, ECLs are required to be measured for those impaired financial assets that are acquired through a loss provision at an amount equal to:

- ECLs at 12-months - ECLs during the life time that results from events of default in the financial instrument that are possible within 12 months after the filing date of the report, (referred to as Stage 1); or
- ECLs during the lifetime - ECLs during the lifetime that result from all possible events of default during the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The provision for loss by all ECLs during the lifetime is required for a financial instrument if the credit risk in that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the ECLs of 12 months.

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### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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These are measures such as the present value of the difference between the cash flows due to the Group under the contract and cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted to the effective interest rate (EIR) of the asset.

- For the signed loan commitments, ECLs are the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment takes the loan and the cash flows that the Bank expects to receive if the loan is taken;  
and,
- For financial guaranteed contracts, ECLs are the difference between the expected payments to reimburse the secured debt instrument holder less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECLs on an individual basis, or on a collective basis for loan portfolios that compare similar economic risk characteristics (type of instrument, credit rating group and date of origination). The measurement of the provision for loss is based on the present value of the expected cash flows of the asset, using the original EIR of the asset, regardless of whether it is measured on an individual basis or a collective basis.

#### 3.6.9.1 Impaired financial assets

A financial asset is 'credit-impaired' when one or more events have occurred that have a detrimental effect on the estimated future cash flows of the financial asset. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data of the following events:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- For economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider is granted to the borrower.
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset with a huge discount reflecting the incurred credit losses.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or at FVTOCI are credit-impaired on each reporting date. To assess whether sovereign and corporate debt instruments have credit-impaired, the Bank considers factors such as bond yields, credit ratings and the borrower's ability to obtain funds.

A loan is considered credit-impaired when a concession is granted to the borrower due to an impairment in the borrower's financial condition, unless there is evidence that as a result of the granting of the concession, the risk of not receiving contractual cash flows has been significantly reduced and there are no other indicators. For financial assets where concessions are contemplated, but have not been granted, the asset is considered credit-impaired when there is observable evidence of credit impairment, including meeting the definition of default. The definition of default (see below) includes the improbability of payment indicators and interruption of support if the amounts are 90 or more days past due.

#### 3.6.9.2 Definition of default

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

- The debtor is overdue for more than 90 days in any of his obligations to the Bank, either in the principal of the loan or interest; or when the principal balance with a single payment at maturity is pending payment for more than 30 days;
- Impairment in the client's financial situation, or the existence of other factors to estimate the possibility that the principal balance and interest on the client loans will not be fully recovered. Clients classified in high-risk category when the behavior score and credit rating model meet this criterion.

## Global Bank Corporation and Subsidiaries

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

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

#### 3.6.9.3 Significant increase in credit risk

In order to determine whether there has been a significant increase in the credit risk of the financial instrument, the evaluation is based on quantitative information and qualitative information. The Bank considers the following factors, although not exhaustive, in measuring the significant increase in credit risk:

- Assets with a default height of more than 30 days.
- Assets restructured by risks, where the client is experiencing financial difficulties, other than liquidity problems considered to be temporary, and until it is proven that his credit risk has improved.
- Customers with a significant increase in risk measured by the performance score for the consumer portfolio and the credit rating for the corporate portfolio, as detailed below, produced by:
  - o A real or expected significant change in the borrower's operating results;
  - o A significant expected or actual adverse change in the borrower's regulatory, economic or technological environment;
  - o Significant changes in the value of the collateral guarantee that supports the obligation;
  - o Significant changes, such as reductions in the financial support of a controlling entity or other subsidiary or a significant actual or expected change in the quality of the credit improvement, among other factors incorporated in the Bank's expected credit loss model.
  - o Adverse changes existing or foreseen in the business, and financial or economic conditions;
- Significant changes in the external credit risk market indicators for a specific financial instrument or similar financial instruments with the same expected life;
- A significant real or expected change in the external credit rating of the financial instrument.

In determining whether there is a significant increase in risk, apply the following models:

- For the consumer portfolio, risk is measured through a behavior scoring model in which historical credit risk behavior variables are aligned on each product based on weighting for each variable until a credit risk score is obtained.
- With respect to the corporate portfolio and other loans, the Bank maintains a system of internal credit quality indicators. These indicators are assigned based on several factors that include: profitability, asset quality, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory and/or industry framework, sensitivity scenarios and quality of the management and shareholders of the borrower.

Through the evaluation of the credit rating on each reporting date, the Bank evaluates whether there is a significant increase in credit risk based on the change in the risk of default that occurs during the expected life of the credit instrument. In order to carry out the evaluation of whether there has been a significant impairment of credit, the Bank considers reasonable and sustainable information that is available without cost or disproportionate effort:

- The risk of default that occurs in the financial instrument on the reporting date, and
- The risk of default that occurs in the financial instrument on the date of its initial recognition.

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The Bank incorporates information on the future economic environment in its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition through its forward looking model, complemented with other Management analyses, which take into consideration the projection of macroeconomic variables that attempt to predict the unemployment rate and the rate of past due loans, which is the basis for the expected loss adjustments.

For credit commitments, the Bank considers changes in the risk of default that occurs in the “potential” loan referred to in the credit commitment, and for financial guaranteed contracts, changes are taken into account in the risk that the specific debtor defaults.

#### 3.6.9.4 Modified or renegotiated loans

A modified or renegotiated loan is a loan whose borrower is experiencing financial difficulties, other than liquidity problems considered to be temporary, and renegotiation constitutes a concession to the borrower. A concession may include the modification of terms such as an extension of the maturity term, the reduction in the established interest rate, the rescheduling of future cash flows, and the reduction of the nominal amount of the loan or the reduction of interest accrued, among others.

When a financial asset is modified, the Bank verifies if this modification results in derecognition. According to Bank policies, the modification results in derecognition when it gives rise to significantly different terms. To determine whether the modified terms are significantly different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after the modification are no longer SPPI, currency exchange or counterparty change, the extension of the change in interest rate, maturity, and payment agreements. If they do not clearly identify an important modification, then;
- A quantitative valuation is performed to compare the present value of the remaining contractual cash flows according to the original terms with the contractual cash flows, according to the revised terms, with both amounts discounted at the original effective interest.

When the contractual terms of a financial asset are modified and the modification does not result from a derecognition, the Bank determines whether the credit risk of the financial asset has increased significantly as of the initial recognition and doing so by comparing:

- The estimated probability of default during the remaining lifetime, based on data on the initial recognition and original contractual terms; with
- The probability of default with the remaining lifetime as of the filing date of the report, based on the modified terms.

In the modification or renegotiation of the contractual cash flows of the loan, the Bank shall:

- Continue with the current treatment for the existing loan that has been modified.
- Recognize a gain or loss on the modification by calculating the gross carrying value of the financial asset as the current value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate of the loan.
- Evaluate if there has been a significant increase in the credit risk of the financial instrument, comparing the risk of default that occurs on the filing date (based on the modified contractual terms) and the risk of default that occurs in recognition initial (based on the original unmodified contractual terms). The loan that is modified is not automatically considered to have a lower credit risk. The evaluation should consider credit risk through the expected life of the asset based on historical information and prospective vision, including information on the circumstances that led to the modification. The evidence, that the criteria for the recognition of the expected credit losses for the life of the instrument are no longer met, may include a history to date and timely payment in subsequent years. A minimum period of observation will be necessary before a financial asset can qualify to return to an expected credit loss measurement of 12 months.

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- Make the adequate quantitative and qualitative disclosures required for renegotiated or modified loans to reflect the nature and effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these modified loans.

#### 3.6.9.5 Write-offs

Loans are charged to losses when it is determined that they are unrecoverable for a period not exceeding one year. This determination is made after considering a number of factors such as: the debtor's inability to pay, when the collateral is insufficient or is not properly constituted; or it is established that all resources made to manage the collection for the recovery of the credit were exhausted.

#### 3.6.9.6 Presentation of the provision for ECLs in the consolidated statement of financial position

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying value of the assets;
- For debt instruments measured to FVTOCI: no provision for loss is recognized in the consolidated statement of financial position given that the carrying value is at fair value. However, the provision for loss is included as part of the revaluation amount in the reserve for investment revaluation;
- For loan commitments and financial guarantee contracts: as a provision; and
- When a financial instrument includes both a subscription component and a non-subscription component, the Bank cannot identify ECLs in the loan commitment component separately from the subscription component: The Bank presents a combined loss provision for both components. The combined amount is presented as a deduction from the gross carrying value of the subscription component.

#### 3.6.9.7 Loans at amortized cost

The Bank recognizes an allowance for expected credit losses for a loan that is measured at amortized cost on each reporting date for an amount equal to the credit losses for the entire expected life if the credit risk of that loan has increased significantly since its initial recognition. If on the reporting date, the credit risk of the loan has not increased significantly from initial recognition, the Bank measures the credit loss for that loan in an amount equal to 12 months expected credit losses.

The Bank's loan policy applies to all types of loans.

The reserve for credit losses is established to cover the losses derived from the credit granting process, inherent in the loan portfolio and credit commitments and financial guarantee contracts, using the reserve method for expected credit losses. Increases to the allowance for expected credit losses are made with a charge to profits. Expected credit losses are deducted from the reserve, and subsequent recoveries are added. The reserve is also reduced by reversals of the reserve with credit to profit or loss. The reserve attributable to loans at amortized cost is presented as a deduction to loans and the allowance for expected credit losses for credit commitments and financial guarantee contracts, such as letters of credit and guarantees, is presented as a liability.

The Bank measures the expected credit losses in a manner that reflects: a) an unbalanced weighted probability amount that is determined by evaluating a range of possible outcomes; b) the value of money over time; and c) reasonable and sustainable information that is available without disproportionate cost or effort on the presentation date about past events, current conditions and the forecast of future economic conditions.

The expected credit loss model reflects the general pattern of impairment or improvement in the credit quality of the loans. The amount of expected credit losses recognized as a reserve or provision depends on the degree of credit impairment since initial recognition. There are two assessment criteria:

- 12 months of expected credit losses (Stage 1), which applies to all loans (initial recognition), provided there is no significant deterioration in credit quality, and

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- Expected credit losses during the lifetime (Stages 2 and 3), which is applied when there has been a significant increase in credit risk individually or collectively. In these Stages 2 and 3, interest income is recognized. In Stage 2 (as in Stage 1), there is a total dissociation between the recognition of interest and impairment and interest income is calculated on the gross carrying value. In Stage 3, when a loan is subsequently converted into impaired credit (where a credit event has occurred), interest income is calculated on the amortized cost (the gross carrying value after deducting the impairment reserve). In subsequent years, if the credit quality of the financial assets improves and the improvement can be objectively related to the occurrence of an event (such as an improvement in the borrower's credit rating), then the Bank must once again perform the calculation of Interest income.

The provision for expected credit losses includes a specific active component and a formula based component. The specific active component, or of the specific allocation, refers to the provision for losses in credits considered impaired and individually assessed, on a case-by-case basis. A specific provision is established when the discounted cash flows (or observable fair value of the guarantee) of the credit is less than the carrying value of that credit. The component based on the formula (collective basis), covers the normal credit portfolio of the Bank and is established based on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and qualitative management judgment. This analysis should take into account the complete information that incorporates not only default data, but other relevant credit information, such as prospective macroeconomic information.

The Bank determines the expected loss using two methodologies to determine whether there is objective evidence of impairment:

- Individually assessed loans - Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case by case basis. This procedure applies to all loans that are individually significant. If it is determined that there is no objective evidence of impairment for an individual loan, this loan is included in a group of loans with similar characteristics and are collectively evaluated to determine whether impairment exists.

The impairment loss is calculated by comparing the present value of expected future cash flows, discounted at the loan's original effective interest rate, with its current carrying value and the amount of any loss is charged as a reserve for losses in the consolidated statement of profit or loss. The carrying amount of impaired loans is reduced using a reserve account.

- Collectively assessed loans - For purposes of a collective evaluation of impairment, loans are grouped according to similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets indicating the ability of borrowers' payment of amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans, which are collectively evaluated to determine whether impairment exists, are estimated according to contractual cash flows of the assets in the group, the historical loss experience for assets with credit risk characteristics similar to the group credit and experienced Management opinions on whether the current economy and credit conditions can change the actual level of historical inherent losses suggested.

### **3.7 Financial liabilities and issued equity instruments**

#### Client deposits

These instruments are the result of the resources that the Bank receives and these are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method.

#### Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the contractual arrangements.

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Perpetual bonds with mandatory interest payment are classified as financial liabilities.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued are recorded at the amount received, net of direct issuance costs.

Preferred shares for which there is no contractual maturity and for which the distribution to the holders of the shares is at the discretion of the Bank ("the Issuer") are classified as an equity instrument.

#### Liabilities from financial guaranteed contracts

Contracts that an entity is in the obligation to pay specific amounts on behalf of a third party in case of default, regardless of how this obligation is implemented: either by bond, financial or technical guarantee, documented irrevocably credit issued or confirmed by the entity, insurance and credit derivative.

Financial guarantees, regardless of its owner, instrumentation and other circumstances, are regularly analyzed to determine the credit risk they are exposed to and, if necessary, to estimate the needs of an allowance for them. This is determined by applying similar criteria to those established for quantifying impairment losses experienced by debt instruments measured at their amortized cost as detailed in the note of impairment of financial assets.

Financial guarantees are initially recognized in the consolidated financial statements at fair value at the date on which the guarantee was issued. After initial recognition, bank liabilities under such guarantees are measured at the higher of the initial recognition, less amortization calculated for recognition in the consolidated statement of profit or loss from fees earned on a straight-line basis on the life of the guarantee, and best estimate of disbursement required to settle any financial obligation arising as of the date of the consolidated statement of financial position. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by Management's judgment.

#### Obligations

Obligations are recognized initially at fair value net of transaction costs incurred. Subsequently, borrowings are recognized at amortized cost; any difference between the net proceeds of the transaction costs and the redemption value is recognized in the consolidated statement of profit or loss during the period of obligations using the effective interest method. Those obligations whose interest rate risk is hedged by a derivative are presented at fair value.

#### Securities sold under repurchase agreements

Securities sold under repurchase agreements are generally accounted for as financing transactions received with guarantees, and are recorded at the amount at which the securities were sold, plus accrued interest.

The Bank evaluates the market value of securities sold and releases guarantees to counterparties when appropriate.

#### Other financial liabilities

Other financial liabilities, including debts, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an accrual basis. For those whose market risks are hedged at fair value, the gain or loss attributable to the hedged risk will adjust the carrying amount of the hedged instrument and will be recognized in the consolidated statement of financial of profit or loss.

#### Derecognition of financial liabilities

Financial liabilities are derecognized when, and only when, the obligations are settled, cancelled or expired.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### Dividends

Dividends on common shares are recognized in equity in the period in which they were approved by the Board of Directors.

#### **3.8 Compensation of financial instruments**

Financial assets and liabilities are offset, that is, when the net amount is presented in the consolidated statement of financial position only when the dependent entities have the right, legally enforced, to offset the recognized amounts of such instruments, as well as the intention to liquidate the net amount, or to realize the asset and pay the liability simultaneously.

#### **3.9 Interest income and expenses**

Interest income and expenses are recognized in the consolidated statement of profit or loss for all financial instruments that generate interest using the effective interest method. The method of effective interest rate is the method used to calculate the amortized cost of an asset or financial liability and to distribute the income or interest expense over a period of time. The effective interest rate is the rate that exactly discounts the estimated cash flows over the expected life of a financial instrument or, when appropriate in a shorter period, to its net carrying amount. When calculating the effective interest rate, cash flows are estimated considering the contractual terms of the financial instrument, but future losses due to credit are not considered.

#### **3.10 Commission income**

Generally, commissions on short-term loans, letters of credit and other banking services are recognized as income at the time of its collection due to being short-term transactions. The revenue recognized at the time of its collection is not significantly different from that recognized under the cumulative or accrual method. Commissions on loans and other medium and long-term transactions, net of certain direct costs from granting them, are deferred and amortized over their terms.

#### **3.11 Securities purchased under resale agreements**

Securities purchased under resale agreements ("repos") are short-term transactions guaranteed with securities, in which the Bank takes possession of the securities at a discounted market value and agrees to resell them to the debtor at a future date and at determined price. The difference between acquisition and selling value is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless a default is given by the counterparty of the contract, which would entitle the Bank to take possession of the securities.

The market prices of the underlying securities are monitored and in case of a significant decline and not temporary in the value of a specific security, the Bank could obtain more guarantees, as appropriate.

#### **3.12 Financial leases receivable**

Financial leases consist mainly of leases of vehicles, machinery and equipment, whose contracts have a maturity period between thirty-six (36) to sixty (60) months.

The leasing contracts of leases receivable are recorded under the financial method which are classified as part of the loan portfolio, the Bank's net investment in leasing. The difference between the financial lease receivable and the Bank's net investment in the lease is recorded as unearned interest and is amortized to the revenue account during the term of the lease, under the interest method.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 3.13 Operating leases

The Bank assesses whether a contract is or contains a lease, at the beginning of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and active low-value leases (such as tablets and personal computers, small office furniture items and telephones). For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefit of the leased goods is consumed.

The lease liability is initially measured at the present value of the lease payments due at the inception date, discounted using the implicit rate in the lease. If this rate cannot be readily determined, the lessee uses its incremental interest rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including fixed payments in substance), less any lease incentive receivables;
- Variable lease payments that are dependent on an index or rate, initially measured using the index or rate at the inception date;
- The amount the lessee expects to pay under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Penalty payments for terminating the lease, if the lease term reflects the exercise of a termination option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- The term of the lease has changed or there is a significant event or change in circumstances that results in a change in assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payment using a revised discount rate.
- Lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payment using an unchanged discount rate (unless the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the amended lease by discounting the revised lease payments using a revised discount rate at the effective date of the amendment.

The Bank did not make such adjustments during the periods presented.

Right-of-use assets comprise the initial measurement of the related lease liability, lease payments made on or before the inception date, less lease incentives received and initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for the costs of dismantling and removing a leased asset, restoring the site where the asset is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured in accordance with IAS 37. To the extent that costs relate to an active right of use, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventory.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the life of the underlying asset. Depreciation begins on the start date of the lease. The right-of-use asset is presented as a separate line in the consolidated statement of financial position.

Variable rents that are not dependent on an index or rate are not included in the measurement of the lease liability and right-of-use asset. Related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the item line "Other expenses" in the consolidated statement of profit or loss.

#### **3.14 Property, plant, equipment and improvements**

Property, plant, equipment and improvements are stated at cost, net of accumulated depreciation and amortization. Major improvements are capitalized, while other minor repairs and maintenance, which do not increase its useful life or improve the assets, are charged to expenses as incurred.

Depreciation and amortization are charged to current operations under the straight-line method, based on the estimated useful lives of the assets:

Property	40 – 50 years
Furniture and office equipment	5 - 10 years
Computer equipment and software	3 - 10 years
Vehicles	3 - 5 years
Leasehold improvements	15 years

Assets that are subject to amortization are reviewed for impairment whenever changes in the circumstances indicate that carrying values are not recoverable. The carrying value of fixed assets is immediately written down to its recoverable amount, which is the higher between the fair value less cost and the value in use.

An item of property, plants, equipment and improvements are written off to their eventual disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising on the disposal or discard of an item of property, furniture, equipment and improvements are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

#### **3.15 Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

#### **3.16 Foreclosed assets for sale**

Foreclosed assets for sale are recorded at the lower between the book value of outstanding loans and their estimated market value less sale costs.

#### **3.17 Goodwill and intangible assets**

At the time of an acquisition of a significant portion of the assets of another company or of an asset or business, goodwill represents the cost of acquisition over the fair value of the net assets acquired. Goodwill is recognized as an asset in the consolidated statement of financial position and an impairment test is made annually.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The Bank annually tests for impairment the Cash Generating Unit ("CGU" or "Unit") to which goodwill was allocated and to intangible assets with indefinite useful lives and whenever there is an indication that an asset may be impaired, in accordance with the reserve of IAS 36. If the recoverable amount of the cash-generating units is less than the carrying amount of the unit, the impairment loss is allocated first to decrease the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying value of each asset in the unit. Impairment losses recognized on goodwill are not reversed in subsequent periods.

The other intangible assets acquired by the Bank are recognized at cost less accumulated amortization and impairment losses and are amortized up to 20 years under the straight-line method over the estimated useful life. Intangible assets are subject to evaluation or changes in circumstances indicating that the carrying value may not be recoverable.

#### **3.18 Impairment of non-financial assets other than goodwill**

On the date of each consolidated statement of financial position, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have been an impaired loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In case the asset does not generate cash flows for itself, that be independent from other assets, the Bank calculates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment annually.

The recoverable amount is the higher of fair value less costs of sale and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is immediately recognized as expenses.

When an impairment loss subsequently is reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as income.

As of September 30, 2023, Management has not identified impairment loss of its non-financial assets.

#### **3.19 Employee benefits**

##### Labor benefits

Panamanian labor law requires that employers constituted a severance fund to guarantee the payment of seniority premiums and indemnity to employees in cases of unjustified dismissals or upon resignation. For the establishment of this fund, employers have to contribute the fund based on 1.92% of total salaries paid in the Republic of Panama and 5% of the monthly quota part of the indemnity. Payments should be founded on a quarterly basis in a trust. Such contributions are recognized as other assets in the consolidated statement of financial position.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### Retirement plan

Retirement benefits are recognized as expenses for the amount that the Bank is committed under the subscribed retirement plan.

On December 13, 2013, retirement plan No.1 was approved and began on March 1, 2014, for executives, who have a minimum of one year in the executive position. The executive can participate voluntarily. The Bank's contribution is equivalent to 1% to 3% of monthly salary of participating executives based on their respective contribution.

These funds are administered through an external fund's manager, as required by Law No.1 dated January 5, 1984, amended by the Executive Decrees No.16 of October 3, 1984 and No.53 of December 30, 1985.

#### **3.20 Share-based payments and restricted stock plan**

The Board of Directors of G.B. Group, the holding company owning 100% of the shares of Global Bank Corporation and Subsidiaries, approved a stock option plan to purchase shares of G.B. Group in favor of the key executives of any G.B. Group subsidiary.

The fair value of options granted is measured by the fair value of the equity instruments at the grant date, if it can be reliably estimated. Otherwise, the equity instruments are measured by their intrinsic value, and subsequently, at each reporting date and at the date of final settlement, recognizing the changes in intrinsic value in profit or loss.

In a concession of share options, the share-based payment arrangement will be finally settled when the options are exercised, forfeited (e.g., for retirement) or expired (e.g., at the end of the option period).

The fair value of restricted shares granted annually to participants is recognized as an expense for the year by the Bank.

#### **3.21 Income tax**

Income taxes include the current year tax and deferred tax. Income tax is recognized in the results of operations of the current year. The current income tax refers to the estimated income tax payable over taxable income of the fiscal year, using the applicable rate at the date of the consolidated statement of financial position.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Complementary tax

The complementary tax corresponds to a portion of tax prepaid in advance on dividends on behalf of the shareholders, which is deducted when dividends are paid to shareholders.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### **3.22 Insurance operations**

Unearned premiums and the reinsurers' participation on unearned premiums are calculated using the monthly pro rata method.

Accident claims pending settlement of estimates consist of all claims incurred but not paid at the date of the consolidated statement of financial position, whether they are reported or not and related internal and external expenses of claims management.

Fees paid to brokers and taxes paid on premiums are deferred in the consolidated statement of financial position as deferred acquisition costs according to their relationship with unearned premiums net of the reinsurers' participation.

Collective life insurance premiums received for periods longer than one year are deferred as a liability in the consolidated statement of financial position according to their maturity dates. The portion corresponding to the current year is carried to revenue as premiums issued on the anniversary dates and the other premiums related to future effective years, will remain in the consolidated statement of financial position as deferred liabilities.

#### **3.23 Trust operations**

Assets held in trust or in a fiduciary function are not considered part of the Bank and, therefore, such assets and related income are not included in these consolidated financial statements. The commission income from trusts' management is recorded based on the accrual method in the consolidated statement of profit or loss.

#### **3.24 Hedge derivatives**

The Bank records its derivative financial instruments in the consolidated statement of financial position at fair value on the date on which the derivative contract starts, and subsequently when revalued to fair value at each reporting date under the fair value method or cash flows when hedge accounting is used, or as instruments for trading when the derivative does not qualify for hedge accounting. The fair value is presented in the consolidated statement of financial position within other assets or other liabilities, as appropriate.

At the beginning of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item. Later, at the date of inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is highly effective to offset the changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedging effectiveness requirements:

- There is an economic relationship between the hedging instrument and hedged item.
- The effect of the credit risk does not dominate the value of the changes resulting from the economic relationship; and
- The hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Bank actually hedges and the amount of the hedged instrument that the Bank actually uses to hedge that hedged item amount.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as:

- Hedges of fair value of recognized assets or liabilities or firm commitments (fair value hedges).

At the beginning of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item. Later, at the date of inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is highly effective to offset the changes in cash flows of the hedged item attributable to the hedged risk.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### ***Fair value hedge***

Derivative instruments under the fair value method are hedges of the exposure to changes in fair value of: (a) a portion or all of an asset or liability recognized in the consolidated statement of financial position, (b) a firm commitment or transaction likely to occur. Changes in the valuation of hedging under the fair value method are recorded in the consolidated statement of profit or loss.

If the asset or liability is carried at amortized cost, the carrying value must be adjusted to reflect the changes in fair value as a result of movements in interest rates. These hedged assets and liabilities are recorded at amortized cost as soon as the hedging relationship is ended using the effective yield rate adjusted for the amortization calculation. If the hedged asset is carried at amortized cost is impaired, the loss is calculated based on the difference between the book value, after adjusting for changes in the fair value of the hedged asset, resulting from the hedged risk and the present value of estimated cash flows discounted at an adjusted effective yield basis.

Derivative instruments that are not related to a hedging strategy are classified as assets or liabilities at fair value and recorded in the consolidated statement of financial position at fair value. The changes in the valuation of these derivative instruments are recognized in the consolidated statement of profit or loss.

The Bank discontinues the hedge accounting when is determined that the hedging instrument is no longer highly effective to compensate the changes in the fair value or the cash flows of the hedge item; the hedging instruments expire or are sold or executed; the asset or liability hedged expires or is sold or executed; the derivative is not designated as hedging instrument because the forecasted transaction is no longer expected to occurs or Management determines that the derivative designation as hedging instrument is no longer appropriate.

#### ***Cash flow hedges***

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Banco expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

The fair values of derivatives used for hedging purposes are described in Note 13.

#### **3.25 *Cash equivalents***

For purposes of the consolidated statement of cash flows, the Bank considers as cash and cash equivalents, cash and demand deposits and time deposits in unrestricted Banks and/or with original maturities of 90 days or less.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 4. Financial risk management

##### 4.1 Objectives of financial risk management

The Bank's activities are exposed to multiple financial risks and these activities include the analysis, evaluation, acceptance, and management of certain degree of risk or combination of risks. Taking risks is central to the financial business, and the operational risks are an inevitable consequence of being in business. Therefore, the objective of the Bank is to achieve an appropriate balance between risk and return and minimize the potential adverse effects on the Bank's financial profit. The activities of the Bank are mainly related with the use of financial instruments, and, as such, the consolidated statement of financial position is mainly composed of financial instruments. The Bank is therefore exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operating risk

The Board of Directors of the Bank has the responsibility to establish and overlook the policies of financial instruments risk management. In that effect, it has appointed committees in charge of the periodic management and overlook of the risks to which the Bank is exposed. The committees are the following:

- Audit Committee, under the leadership of the Board of Directors;
- Risk Committee
- Credit Committee
- Assets and Liabilities Committee (ALCO)
- Investment Committee
- Compliance Committee
- Operational Committee

In addition, the Bank is subject to the regulations of the Superintendency of the Securities Market of Panama and the Superintendency of Banks of Panama, in relation to concentration risks, liquidity and capitalization risk among others. The Superintendency of Banks of Panama regulates the operations of Global Bank Corporation.

The main risks identified by the Bank are credit, liquidity and market risks, which are described below:

##### 4.2 Credit and counterparty risk

Credit risk is the risk of a financial loss for the Bank that may take place if a client or a counterparty of a financial instrument fails to meet their contractual obligations arising mainly on loans to clients and investment in equity securities.

For purposes of risk management, the Bank considers and consolidates all the elements of exposure of credit risk, debtor risk, country risk, and segment or industry risk. The credit risk that originates in maintaining securities is managed independently, but informed as a component of credit risk exposure.

The respective committees appointed by the Board of Directors periodically monitor the financial condition of the debtors and issuers of negotiable instruments that involve a credit risk for the Bank.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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The Bank has established certain policies and procedures to mitigate credit risk summarized as follows:

#### *Issuance of Credit Policies:*

Credit policies are issued and revised by recommendation of any member of the Credit Committee or by the Vice-Presidents or Managers of Credit Banking, as well as by the control areas, who must suggest by written considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the moment.

All changes in policies or the Issue of new policies must be approved by the Credit Committee, who in turn submits them to the Board of Directors for approval, issuing a memorandum of instructions for subsequent disclosure and implementation.

#### *Establishment of Authorization Limits:*

The limits for approval of credits depend on the significance of each amount related to the equity of the Bank. These limit levels are presented to the Credit Committee, who in turn submits them for the approval of the Bank's Board of Directors.

#### *Exposure Limits:*

To limit exposure, maximum limits have been set out for an individual debtor or economic group based on capital funds of the Bank.

#### *Concentration Limits:*

To limit concentration per activity or industry, exposure limits have been approved based on capital distribution and the strategic orientation set for the loan portfolio. The Bank has also limited its exposure in different geographical areas through the country risk policy, the countries in which the Bank is willing to have exposure have been defined based on its strategic plan as well as, the credit and investment limit exposure in such countries based on credit rating of each one.

#### *Counterparty Maximum Limits:*

In regard to counterparty exposure, limits have been defined based on risk rating of the counterparty, as a proportion of the Bank's capital.

#### *Review of Compliance Policies:*

Each business unit is responsible for the quality and performance of credit portfolios, as well as the control and monitoring of the risks. However, through its Risk Department, which is independent of the business areas, evaluate the financial conditions of debtors and their payment capacity is assessed regularly, giving attention to major individual debtors. For the rest of the credits that are not individually significant, follow-ups are done based on delinquency of payments and specific conditions of such portfolios.

#### *Review of guarantees:*

The Bank holds collaterals for loans granted to customers related to mortgages on properties and other guarantees. Estimates of fair value are based on current appraisals of the collateral and taking into account the evaluation of support and possibilities of realization of each type of guarantee. These guarantees are updated according to the period of credit time and in the credit conditions in which the credit is impaired individually.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### *Impairment and provisioning policies:*

The internal and external systems of classification are focused on the credit quality since the beginning of the loan and investment activities. By contrast, an impairment allowance is recognized for financial reporting purposes based on the expected loss model based on IFRS 9. Due to the different methodologies applied, the amount of credit losses provided for in the consolidated financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

#### Credit quality analysis

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

	<b>September 2023</b>	<b>June 2023</b>
<u>Bank deposits</u>		
Grade 1	<u>322,713,848</u>	<u>303,864,284</u>
<u>Loans</u>		
Grade 1	5,284,833,859	5,331,231,491
Grade 2	493,058,721	459,358,530
Grade 3	113,203,709	119,505,701
Grade 4	127,455,941	112,739,798
Grade 5	<u>295,445,687</u>	<u>281,428,774</u>
Gross amount	<u>6,313,997,917</u>	<u>6,304,264,294</u>
Accrued interest receivable	152,574,609	154,312,211
Reserve for individual and collective impairment	(231,344,180)	(230,229,315)
Discounted unearned interest	<u>(19,022,044)</u>	<u>(15,792,715)</u>
Net carrying value	<u>6,216,206,302</u>	<u>6,212,554,475</u>
<u>Off-balance sheet transactions</u>		
Grade 1		
Letters of credit	173,656,760	176,006,674
Endorsements and collaterals	399,704,026	610,223,411
Promissory notes	171,026,532	200,699,607
Unused credit lines	<u>553,902,868</u>	<u>557,564,622</u>
	<u>1,298,290,186</u>	<u>1,544,494,314</u>
<u>Securities purchased under resale agreements - at amortized cost</u>		
Grade 1	<u>3,957,809</u>	<u>3,547,807</u>
<u>Investments at fair value through other comprehensive income</u>		
Grade 1	<u>541,824,544</u>	<u>556,304,546</u>
<u>Investments at fair value through profit or loss</u>		
Grade 1	<u>68,580,432</u>	<u>68,596,435</u>
<u>Investments at amortized cost</u>		
Grade 1	<u>419,619,061</u>	<u>423,863,147</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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The aging of the loan portfolio delinquency is presented below:

	<b>September 2023</b>		
	<b><u>Global Bank Corporation</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
Current	5,936,497,159	59,646,173	5,996,143,332
From 31 to 90 days	95,904,049	-	95,904,049
More than 90 days (principal and interest)	162,947,684	-	162,947,684
More than 30 days overdue (maturity principal)	59,002,852	-	59,002,852
Total	<u>6,254,351,744</u>	<u>59,646,173</u>	<u>6,313,997,917</u>

  

	<b>June 2023</b>		
	<b><u>Global Bank Corporation</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
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	<u>6,243,559,856</u>	<u>60,704,438</u>	<u>6,304,264,294</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 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. #

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##### 4.2.2.1 Loan Portfolio#

##### 4.2.2.1.1 Credit quality analysis of loans by stage:

#### September 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Classification</u></b>				
Grade 1	5,092,316,886	192,516,973	-	5,284,833,859
Grade 2	-	493,058,721	-	493,058,721
Grade 3	-	113,203,709	-	113,203,709
Grade 4	-	127,455,941	-	127,455,941
Grade 5	-	-	295,445,687	295,445,687
Gross amount	5,092,316,886	926,235,344	295,445,687	6,313,997,917
Accrued interest receivable	80,955,456	49,349,116	22,270,037	152,574,609
Reserve for expected credit losses	(21,617,267)	(61,256,467)	(148,470,446)	(231,344,180)
Net carrying value	5,151,655,075	914,327,993	169,245,278	6,235,228,346

#### June 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Classification</u></b>				
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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 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:

	<b>September 2023</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at beginning of the year	21,705,615	76,040,605	132,483,095	230,229,315
Transferred to Stage 1	3,626,693	(3,045,109)	(581,584)	-
Transferred to Stage 2	(1,125,829)	7,540,483	(6,414,654)	-
Transferred to Stage 3	(77,431)	(15,552,691)	15,630,122	-
Net effect of changes in the reserve for expected credit losses	(3,449,772)	(1,216,548)	17,100,100	12,433,780
Origination of new financial assets	2,101,876	-	-	2,101,876
Settled loans	(1,163,887)	(2,510,273)	(1,957,360)	(5,631,520)
Subtotal	<u>(88,350)</u>	<u>(14,784,138)</u>	<u>23,776,624</u>	<u>8,904,136</u>
Written-off loans	-	-	(8,668,480)	(8,668,480)
Recoveries	-	-	879,209	879,209
Balance at the end of the period	<u>21,617,265</u>	<u>61,256,467</u>	<u>148,470,448</u>	<u>231,344,180</u>

	<b>June 2023</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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	<u>3,595,495</u>	<u>(6,525,830)</u>	<u>51,888,077</u>	<u>48,957,742</u>
Written-off loans	-	-	(53,524,753)	(53,524,753)
Recoveries	-	-	3,756,735	3,756,735
Balance at the end of the year	<u>21,705,615</u>	<u>76,040,605</u>	<u>132,483,095</u>	<u>230,229,315</u>

#### 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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 which can be reasonably estimated have been recognized in September 30, 2023 and June 30, 2023 consolidated financial statements.

#### 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:

September 2023	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	128,998,780	131,217,991	281,607,773	541,824,544
Investments at fair value through profit or loss	22,260,607	-	46,319,825	68,580,432
Investments at amortized cost	361,072,620	38,729,681	19,816,760	419,619,061
Securities purchased under resale agreements	-	-	3,957,809	3,957,809
Total	<u>512,332,007</u>	<u>169,947,672</u>	<u>351,702,167</u>	<u>1,033,981,846</u>

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	<u>525,550,162</u>	<u>172,325,283</u>	<u>354,436,490</u>	<u>1,052,311,935</u>

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

Investment grade  
Standard monitoring  
Special monitoring  
Default  
Without rating

#### External rating

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

The following is the analysis of investments by stage:

#### September 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investments at fair value through other comprehensive income	466,024,822	75,799,722	-	541,824,544
Investments at amortized cost	399,802,300	19,816,761	-	419,619,061
	<u>865,827,122</u>	<u>95,616,483</u>	<u>-</u>	<u>961,443,605</u>

#### June 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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
	<u>883,848,067</u>	<u>96,319,626</u>	<u>-</u>	<u>980,167,693</u>

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

#### September 2023

<b>Investments at fair value through other comprehensive income</b>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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	(99,720)	112,779	-	13,059
New instruments acquired	5,326	-	-	5,326
Investments cancelled	(127)	-	-	(127)
Balance at end of the period	<u>2,626,545</u>	<u>1,457,696</u>	<u>-</u>	<u>4,084,241</u>

#### June 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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	<u>2,721,066</u>	<u>1,344,917</u>	<u>-</u>	<u>4,065,983</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

#### September 2023

<b>Investments at amortized cost</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at beginning of the year	290,045	1,534,374	-	1,824,419
Transfer of 12 months during total life with credit impairment	(1,534)	-	-	(1,534)
Balance at end of the period	288,511	1,534,374	-	1,822,885

#### June 2023

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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:

	<b>Consumer</b>				<b>Corporate</b>		<b>Total loans</b>
	<b>Personal</b>	<b>Credit cards</b>	<b>Vehicles</b>	<b>Mortgages</b>	<b>Commercial</b>	<b>Overdraft</b>	
<b>September 2023</b>							
Loans balances	839,944,429	130,716,026	221,462,087	1,957,168,248	3,034,888,000	129,819,127	6,313,997,917
Collateral	361,055,412	3,649,140	299,725,546	2,730,695,323	5,216,625,154	228,410,319	8,840,160,894
% of exposure subject collateral requirements	27%	1%	96%	99%	72%	70%	74%
	<b>Consumer</b>				<b>Corporate</b>		<b>Total loans</b>
	<b>Personal</b>	<b>Credit cards</b>	<b>Vehicles</b>	<b>Mortgages</b>	<b>Commercial</b>	<b>Overdraft</b>	
<b>June 2023</b>							
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%

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### *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.

	<b>September 2023</b>	<b>June 2023</b>
Residential mortgage loans:		
Less than 50%	153,673,104	141,990,600
51% - 70%	394,699,146	399,029,670
71% - 90%	932,446,031	950,916,051
More than 90%	<u>476,349,967</u>	<u>458,879,252</u>
Total	<u>1,957,168,248</u>	<u>1,950,815,573</u>

#### *Time deposits placed in banks*

As of September 30, 2023, the Bank held time deposits in Banks for B/.112,193,072 (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.



## Global Bank Corporation and Subsidiaries

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#### 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 consolidated financial statements is as follows:

	<b>September 2023</b>		
	<b>Bank deposits</b>	<b>Loans</b>	<b>Investments</b>
Concentration by sector:			
Corporate	-	2,962,425,550	-
Consumer	-	3,160,575,538	-
Government	76,329,359	-	449,801,584
Other sectors	246,384,489	190,996,829	580,222,453
	<u>322,713,848</u>	<u>6,313,997,917</u>	<u>1,030,024,037</u>
Geographical concentration:			
Panama	145,178,019	5,981,839,247	503,470,598
Latin America and the Caribbean	10,060,552	231,301,522	231,020,424
Europe, Asia and Oceania	37,990,111	100,857,148	16,362,832
United States of America	129,485,166	-	279,170,183
	<u>322,713,848</u>	<u>6,313,997,917</u>	<u>1,030,024,037</u>
		<b>June 2023</b>	
	<b>Bank deposits</b>	<b>Loans</b>	<b>Investments</b>
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
	<u>303,864,284</u>	<u>6,304,264,294</u>	<u>1,048,764,128</u>
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
	<u>303,864,284</u>	<u>6,304,264,294</u>	<u>1,048,764,128</u>

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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 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 September 30, 2023 was 36.99% (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 consolidated financial statements:

	September 2023	June 2023
<b>At end of the period</b>	<b>36.99%</b>	<b>36.34%</b>
Average for the period	36.81%	37.94%
Maximum for the period	37.49%	41.68%
Minimum for the period	35.36%	35.51%

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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:

September 2023	Carrying value	Undiscounted cash flows	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,388,078,457	5,619,703,094	3,854,021,429	1,368,991,954	393,965,188	2,724,523
Securities sold under repurchase agreements	93,034,566	95,931,108	95,931,108	-	-	-
Obligations with financial institutions	1,528,393,820	1,655,434,163	1,016,759,778	437,137,294	157,146,638	44,390,453
Corporate bonds	352,566,208	457,849,819	18,872,659	37,590,624	37,642,188	363,744,348
Perpetual bonds	178,003,100	227,369,636	11,997,857	136,708,550	13,301,549	65,361,680
Lease liabilities	14,830,123	19,825,341	3,117,490	4,615,133	3,371,231	8,721,487
	<u>7,554,906,274</u>	<u>8,076,113,161</u>	<u>5,000,700,321</u>	<u>1,985,043,555</u>	<u>605,426,794</u>	<u>484,942,491</u>
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
	<u>7,523,102,906</u>	<u>8,059,674,273</u>	<u>5,026,913,647</u>	<u>1,709,897,446</u>	<u>823,025,579</u>	<u>499,837,601</u>

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 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.

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### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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.

September 2023	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
<b>Financial assets:</b>						
Cash and deposits	105,298,433	4,214,225	2,680,414	-	260,445,682	372,638,754
Securities purchased under resale agreements - at amortized cost	3,682,857	274,952	-	-	-	3,957,809
Investments at fair value through other comprehensive income	90,712,662	33,650,897	220,377,655	168,813,375	28,269,955	541,824,544
Investments at fair value through profit or loss	1,668,555	-	-	28,395,692	38,516,185	68,580,432
Investments at amortized cost	-	10,260,938	121,423,646	287,934,477	-	419,619,061
Loans	4,639,732,729	13,872,685	168,960,140	1,491,432,363	-	6,313,997,917
Total financial assets	4,841,095,236	62,273,697	513,441,855	1,976,575,907	327,231,822	7,720,618,517
<b>Financial liabilities:</b>						
Deposits received	2,407,334,274	873,295,844	1,600,881,087	10,401,294	496,165,958	5,388,078,457
Securities sold under repurchase agreements	45,105,563	47,929,003	-	-	-	93,034,566
Obligations with financial institutions	1,324,431,783	-	82,397,857	121,564,180	-	1,528,393,820
Corporate bonds	-	-	-	352,566,208	-	352,566,208
Perpetual bonds	-	-	-	178,003,100	-	178,003,100
Total financial liabilities	3,776,871,620	921,224,847	1,683,278,944	662,534,782	496,165,958	7,540,076,151
Commitments and contingencies	-	-	-	-	1,298,290,186	1,298,290,186
Total interest rate sensitivity	1,064,223,616	(858,951,150)	(1,169,837,089)	1,314,041,125	(168,934,136)	180,542,366
<b>June 2023</b>						
	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
<b>Financial assets:</b>						
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
<b>Financial liabilities:</b>						
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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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:

	<b>September 2023</b>	<b>Increase of 100bps</b>	<b>Decrease of 100bps</b>
Investment in securities		(47,174,423)	54,414,576
Loans		(21,835,523)	23,366,500
Time deposits		43,442,494	(44,815,025)
Obligations with financial institutions		13,956,224	(14,446,832)
Corporate bonds		16,581,332	(17,496,318)
Perpetual bonds		2,201,580	(2,239,379)
Net impact		<u>7,171,684</u>	<u>(1,216,478)</u>
	<b>June 2023</b>	<b>Increase of 100bps</b>	<b>Decrease of 100bps</b>
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		<u>6,678,969</u>	<u>(433,034)</u>

#### 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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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 policies 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 4.7 Capital management

As of September 30, 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.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

	September 2023	June 2023
<b>Primary capital (Tier 1)</b>		
Paid-in share capital	270,202,657	270,202,657
Excess paid in capital	2,370,394	2,252,695
Declared reserves	44,403,009	44,175,479
Retained earnings	322,722,724	328,345,832
Other items of comprehensive income	(42,954,985)	(37,365,976)
Dynamic reserve	87,863,198	87,863,198
Sub total	<u>684,606,997</u>	<u>695,473,885</u>
Less: Regulatory adjustments to the calculation of ordinary primary capital		
Goodwill	(92,014,817)	(92,014,817)
Other intangible assets	(17,445,614)	(17,831,449)
Deferred tax assets	(9,893,528)	(2,475,602)
<b>Total primary capital fund</b>	<u>565,253,038</u>	<u>583,152,017</u>
Perpetual bonds	178,003,100	177,965,873
<b>Total additional primary capital fund</b>	<u>178,003,100</u>	<u>177,965,873</u>
<b>Total capital fund</b>	<u>743,256,138</u>	<u>761,117,890</u>
Assets weighted by credit risk	5,367,690,509	5,529,013,583
Assets weighted by market risk	54,805,308	56,414,370
Assets weighted by operating risk	191,906,355	214,916,253
<b>Total risk weighted assets</b>	<u>5,614,402,172</u>	<u>5,800,344,206</u>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of risk weighted asset	<u>13.24%</u>	<u>13.12%</u>
Total Tier 1 expressed as a percentage of risk weighted assets	<u>13.24%</u>	<u>13.12%</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

Category	Assets weighted by market risk	
	September 2023	June 2023
Fixed income	2,261,180	3,474,833
Variable income	52,544,128	52,939,537
Assets weighted by market risk	<u>54,805,308</u>	<u>56,414,370</u>

#### 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 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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(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.

# Global Bank Corporation and Subsidiaries

## Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

Fair value of financial assets and financial liabilities measured at fair value on a recurring basis at the end of the year as of September 30, 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					
	September 2023	June 2023	September 2023	June 2023				
<b>Investments at fair value:</b>								
Shares issued by companies - domestic	8,253,651	8,180,327	4,981,644	4,926,749	Level 2	Observable market prices in non-active markets.	N/A	
Shares issued by companies - domestic	664,849	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	420,295	448,732	2,828,886	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	80,280	83,434	15,076,029	15,014,785	Level 2	Net asset value.	N/A	N/A
Shares issued by companies - foreign, not listed in stock exchange	38,509	37,619	-	-	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	11,856,211	12,023,482	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - domestic	31,370,530	12,495,971	1,668,556	1,664,339	Level 2	Observable market prices in non-active markets.	N/A	N/A
Private debt securities - domestic	185,630,543	207,910,260	-	-	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	196,217,148	196,259,326	4,355,692	4,379,496	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic	27,620,524	19,048,642	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic not listed in stock exchange	299,113	348,722	-	-	Level 3	Value of the instrument quota.	N/A	N/A
Government debt securities - foreign	23,801,701	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	18,812,370	18,812,370	15,629,625	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	36,758,820	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.
<b>Total investments at fair value</b>	<b>541,824,544</b>	<b>556,304,546</b>	<b>68,580,432</b>	<b>68,596,435</b>				
<b>Derivative financial instruments:</b>								
Interest rate swaps – fair value	5,091,673	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
<b>Total derivative financial instruments</b>	<b>5,091,673</b>	<b>7,290,393</b>	<b>-</b>	<b>-</b>				

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

	<b>September 2023</b>	
	<b>Investments at fair value through other comprehensive income</b>	
	<b><u>Effect on equity</u></b>	
	<b><u>Favorable</u></b>	<b><u>(Unfavorable)</u></b>
Fixed income instruments	8,317,631	(7,878,337)
	<b>June 2023</b>	
	<b>Investments at fair value through other comprehensive income</b>	
	<b><u>Effect on equity</u></b>	
	<b><u>Favorable</u></b>	<b><u>(Unfavorable)</u></b>
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:

	<b>September 2023</b>		<b>June 2023</b>	
	<b><u>Carrying value</u></b>	<b><u>Fair value</u></b>	<b><u>Carrying value</u></b>	<b><u>Fair value</u></b>
<b>Assets</b>				
Cash and deposits in banks	260,445,682	260,445,682	218,006,292	218,006,292
Time deposits	112,193,072	112,193,072	136,670,398	136,670,398
Securities purchased under resale agreements at amortized cost	3,957,809	3,957,809	3,547,807	3,547,807
Investments at amortized cost	419,619,061	347,135,702	423,863,147	364,195,119
Loans	6,063,631,693	6,130,098,789	6,058,242,264	6,126,313,419
Total financial assets	<u>6,859,847,317</u>	<u>6,853,831,054</u>	<u>6,840,329,908</u>	<u>6,848,733,035</u>
<b>Liabilities</b>				
Demand deposits	496,165,958	496,165,958	480,175,238	480,175,238
Savings deposits	1,130,660,848	1,130,660,848	1,138,528,545	1,138,528,545
Time deposits	3,761,251,651	3,795,485,034	3,669,792,459	3,699,532,731
Securities sold under repurchase agreements	93,034,566	93,034,566	70,009,751	70,009,751
Obligations with financial institutions	1,528,393,820	1,528,967,896	1,582,877,582	1,601,210,196
Corporate bonds	352,566,208	322,536,665	388,450,729	357,916,085
Perpetual bonds	178,003,100	175,082,444	177,965,873	177,128,238
Total financial liabilities	<u>7,540,076,151</u>	<u>7,541,933,411</u>	<u>7,507,800,177</u>	<u>7,524,500,784</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

	Fair value hierarchy			
	September 2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Cash and deposits in banks	260,445,682	-	260,445,682	-
Time deposits	112,193,072	-	112,193,072	-
Securities purchased under resale agreements at amortized cost	3,957,809	-	3,957,809	-
Investments at amortized cost	347,135,702	328,439,777	-	18,695,925
Loans	6,130,098,789	-	-	6,130,098,789
<b>Total financial assets</b>	<u>6,853,831,054</u>	<u>328,439,777</u>	<u>376,596,563</u>	<u>6,148,794,714</u>
<b>Liabilities</b>				
Demand deposits	496,165,958	-	496,165,958	-
Savings deposits	1,130,660,848	-	1,130,660,848	-
Time deposits	3,795,485,034	-	3,795,485,034	-
Securities sold under repurchase agreements	93,034,566	-	93,034,566	-
Obligations with financial institutions	1,528,967,896	-	1,528,967,896	-
Corporate bonds	322,536,665	322,536,665	-	-
Perpetual bonds	175,082,444	-	154,063,933	21,018,511
<b>Total financial liabilities</b>	<u>7,541,933,411</u>	<u>322,536,665</u>	<u>7,198,378,235</u>	<u>21,018,511</u>

	Fair value hierarchy			
	June 2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
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
<b>Total financial assets</b>	<u>6,848,733,035</u>	<u>345,499,194</u>	<u>358,224,497</u>	<u>6,145,009,344</u>
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>	<u>7,524,500,784</u>	<u>322,916,085</u>	<u>7,122,529,579</u>	<u>79,055,120</u>

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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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 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	
	September 2023	June 2023	September 2023	June 2023
Balance at beginning of the year	264,401,994	244,331,992	41,333,964	29,230,859
Additions	-	-	-	12,110,767
Reclassifications from Level 2 to Level 3	12,249,000	48,481,332	-	-
Reclassifications from Level 3 to Level 2	(30,458,181)	-	-	-
Net changes in securities	(2,961,304)	(2,315,207)	4,217	(7,662)
Redemptions, amortizations and write-offs	(1,027,305)	(26,096,123)	-	-
Balance at the end of the period	242,204,204	264,401,994	41,338,181	41,333,964

As of September 30, 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 September 30, 2023 is B/.19,427,009 (June 2023: B/.16,465,705).

As of September 30, 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 6. Balances and transactions with related parties

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

	September 2023	June 2023
<i>Transactions with related companies</i>		
<b>Consolidated statement of financial position</b>		
<b>Assets</b>		
Investments at fair value through other comprehensive income	17,152,091	17,317,747
Investments at fair value through profit or loss	9,485,355	9,440,792
Loans	30,042,965	31,638,133
Accrued interest receivable	1,936,003	1,903,425
Other assets	118,136,180	104,162,869
<b>Liabilities</b>		
<b>Client deposits:</b>		
Demands	38,131,977	24,388,982
Savings	3,533,212	3,069,104
Time	46,925,720	46,831,438
Accrued interest payable	826,615	1,158,274
<b>Commitments and contingencies</b>	19,964,320	7,014,723
<b>Consolidated statement of profit or loss</b>		
	September 2023	2022
<b>Income and expenses</b>		
Interest and dividend income	419,019	726,904
Interest expenses	1,006,061	417,480



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

	September 2023	June 2023
<i>Transactions with directors and key management personnel</i>		
<b>Consolidated statement of financial position</b>		
<b>Assets</b>		
Loans	16,598,802	15,210,623
Accrued interest receivable	73,694	55,528
<b>Liabilities</b>		
<b>Client deposits:</b>		
Demands	582,313	539,213
Savings	3,289,519	3,210,703
Time	23,207,189	22,866,776
Accumulated interest payable	388,252	330,089
<b>Commitments and contingencies</b>	160,441	454,609
<b>Consolidated statement of profit and loss</b>		
<b>Income and expenses</b>		
Interest income	169,735	163,270
Interest expenses	262,897	233,381
<b>Benefits of key Management personnel</b>		
Salaries	1,558,258	1,519,554
Allowances for Directors	168,650	195,900
	1,726,908	1,715,454

As of September 30, 2023, collaterals guaranteeing loans to related parties amounted to B/.74,434,199 (June 2023: B/.80,213,343), which correspond to property, furniture and securities.

As of September 30, 2023, no loans with related parties show evidence of impairment. As of September 30, 2023, loans with related parties have maturities between October 2023 and June 2052 and annual interest rates ranging between 3.00% and 8.75% (June 2023: maturities between July 2023 and June 2052 and annual interest rates ranging between 2.75% and 8%).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 7. Cash and cash equivalents

	September 2023	June 2023
Cash and cash equivalents	49,924,906	50,812,406
Demand deposits	210,520,776	167,193,886
Time deposits	112,193,072	136,670,398
	<u>372,638,754</u>	<u>354,676,690</u>
Interest receivable	358,804	289,166
Cash and bank deposits	<u>372,997,558</u>	<u>354,965,856</u>
Less:		
Interest receivable	(358,804)	(289,166)
Restricted time deposits	(3,025,795)	(3,025,795)
Time deposits with original maturities greater than 90 days	<u>(4,680,414)</u>	<u>(4,680,414)</u>
Cash and cash equivalents for purposes of the consolidated statement of cash flows	<u>364,932,545</u>	<u>346,970,481</u>

As of September 30, 2023, there are time deposits with original maturities greater than 90 days for B/.4,680,414 (June 2023: B/.4,680,414). In addition, there are restricted time deposits for B/.3,025,795 (June 2023: B/.3,025,795) that guarantee financial obligations.

#### 8. Securities purchased under resale agreements

As of September 30, 2023, securities purchased under resale agreements for B/.3,957,809 (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:

	September 2023	June 2023
Investments at fair value through other comprehensive income	541,824,544	556,304,546
Investments at fair value through profit or loss	68,580,432	68,596,435
Investments at amortized cost	419,619,061	423,863,147
Interest receivable	10,197,904	6,470,360
Reserve for impairment of investments at amortized cost	<u>(1,822,885)</u>	<u>(1,824,419)</u>
Investments in securities, net	<u>1,038,399,056</u>	<u>1,053,410,069</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 9.1 Securities at fair value through other comprehensive income

	September 2023	June 2023
<u>Securities listed in stock exchange:</u>		
Shares issued by companies - domestic	8,918,500	8,671,177
Shares issued by companies - foreign	420,295	448,732
Private debt securities - domestic	228,857,284	232,429,713
Private debt securities - foreign	196,217,148	196,259,326
Government debt securities - domestic	27,620,524	19,048,642
Government debt securities - foreign	<u>23,801,701</u>	<u>43,362,638</u>
	<u>485,835,452</u>	<u>500,220,228</u>
<u>Securities not listed in stock exchange:</u>		
Shares issued by companies - domestic	18,812,370	18,812,370
Shares issued by companies - foreign	118,789	121,053
Private debt securities - domestic	36,758,820	36,802,173
Government debt securities - domestic	299,113	348,722
	<u>55,989,092</u>	<u>56,084,318</u>
	<u>541,824,544</u>	<u>556,304,546</u>

The annual interest rates accruing on investments at fair value through other comprehensive income ranged from 2.50% and 9.67% (June 2023: 2.50% and 9.375%).

As of September 30, 2023, there are investments at fair value through other comprehensive income for B/.60,918,316 (June 2023: B/.153,404,683), which guarantee obligations with financial institutions. (See Note 16). In addition, as of September 30, 2023, there are investments at fair value through other comprehensive income for B/.102,067,458 (June 2023: B/.63,689,175), which guarantee repurchase agreements. (See Note 15).

As of September 30, 2023, the Bank sold and redeemed investments for B/.59,395,943 (June 2023: B/.301,697,831) and, as a result, recorded a profit of B/.140,770 (September 2022: B/.114,629), which is included in the consolidated statement of profit or loss.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 9.2 Securities at fair value through profit or loss

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

	September 2023	June 2023
<u>Securities listed in the stock exchange</u>		
Shares issued by companies - domestic	4,981,644	4,926,749
Shares issued by companies - foreign	2,828,886	2,941,441
Private debt securities - domestic	1,668,556	1,664,339
Private debt securities - foreign	4,355,692	4,379,496
	<u>13,834,778</u>	<u>13,912,025</u>
<u>Securities not listed in the stock exchange</u>		
Shares issued by companies - domestic	15,629,625	15,629,625
Shares issued by companies - foreign	15,076,029	15,014,785
Private debt securities - domestic	24,040,000	24,040,000
	<u>54,745,654</u>	<u>54,684,410</u>
	<u>68,580,432</u>	<u>68,596,435</u>

As of September 30, 2023, sales of investments at fair value through profit or loss were made with a gain of B/.13,653 (September 2022: loss de B/.2,255).

#### 9.3 Securities at amortized cost

	September 2023		June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Securities listed in the stock exchange:</u>				
Private debt securities - foreign	5,619,402	4,069,872	5,715,344	4,395,807
Government debt securities - domestic	116,067,402	105,498,567	116,364,772	108,086,937
Government debt securities - foreign	278,115,496	218,713,410	281,966,270	233,016,450
	<u>399,802,300</u>	<u>328,281,849</u>	<u>404,046,386</u>	<u>345,499,194</u>
<u>Securities not listed in the stock exchange:</u>				
Private debt securities - domestic	19,816,761	18,853,853	19,816,761	18,695,925
	<u>19,816,761</u>	<u>18,853,853</u>	<u>19,816,761</u>	<u>18,695,925</u>
	<u>419,619,061</u>	<u>347,135,702</u>	<u>423,863,147</u>	<u>364,195,119</u>

As of September 30, 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 September 30, 2023, there are securities at amortized cost for B/.48,435,918 (June 2023: B/.29,208,650), which guarantee obligations with financial institutions (See Note 16). In addition, as of September 30, 2023, there are investments at amortized cost for B/.8,194,775 (June 2023: B/.21,183,781) that guarantee repurchase agreements. (See Note 15).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 10. Loans, net

	September 2023			June 2023		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
<i>Domestic sector:</i>						
Consumer	1,149,392,801	(60,750,855)	1,088,641,946	1,150,979,532	(56,908,586)	1,094,070,946
Commercial	1,223,964,176	(78,346,993)	1,145,617,183	1,275,097,314	(87,703,025)	1,187,394,289
Agricultural	354,325,497	(21,472,627)	332,852,870	356,141,355	(17,509,248)	338,632,107
Pledges	132,720,364	(43,119)	132,677,245	131,488,253	(4,857)	131,483,396
Overdrafts	110,171,246	(4,488,029)	105,683,217	105,313,456	(4,446,340)	100,867,116
Mortgages	1,957,168,248	(21,186,416)	1,935,981,832	1,950,815,572	(19,614,038)	1,931,201,534
Industrial	268,116,642	(2,017,790)	266,098,852	270,582,965	(2,081,509)	268,501,456
Construction	408,845,587	(28,709,381)	380,136,206	405,354,778	(26,938,245)	378,416,533
Financial leasings	47,194,476	(1,767,661)	45,426,815	45,587,281	(1,758,123)	43,829,158
Factoring	329,940,210	(3,839,783)	326,100,427	242,060,263	(4,841,423)	237,218,840
Total domestic sector	<u>5,981,839,247</u>	<u>(222,622,654)</u>	<u>5,759,216,593</u>	<u>5,933,420,769</u>	<u>(221,805,394)</u>	<u>5,711,615,375</u>
<i>Foreign sector:</i>						
Commercial	215,397,439	(1,929,043)	213,468,396	251,410,815	(1,971,725)	249,439,090
Industrial	85,535,325	(6,112,802)	79,422,523	89,004,576	(5,973,649)	83,030,927
Construction	2,108,002	(630,486)	1,477,516	2,182,297	(431,537)	1,750,760
Pledge	9,470,022	-	9,470,022	9,470,022	-	9,470,022
Overdrafts	19,647,882	(49,195)	19,598,687	18,775,815	(47,010)	18,728,805
Total foreign sector	<u>332,158,670</u>	<u>(8,721,526)</u>	<u>323,437,144</u>	<u>370,843,525</u>	<u>(8,423,921)</u>	<u>362,419,604</u>
	<u>6,313,997,917</u>	<u>(231,344,180)</u>	<u>6,082,653,737</u>	<u>6,304,264,294</u>	<u>(230,229,315)</u>	<u>6,074,034,979</u>
Plus: Interest receivable			152,574,609			154,312,211
Less: Discounted unearned interest and commissions			(19,022,044)			(15,792,715)
Total			<u>6,216,206,302</u>			<u>6,212,554,475</u>

As of September 30, 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).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

	September 2023	June 2023
Fixed rate	944,137,643	856,047,401
Adjustable rate	5,202,016,576	5,281,131,798
Floating rate (Libor or Prime)	167,843,698	167,085,095
	<u>6,313,997,917</u>	<u>6,304,264,294</u>

#### Finance leases

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

	September 2023	June 2023
Up to 1 year	7,602,366	8,242,262
1 to 5 years	39,592,110	37,345,019
Total	47,194,476	45,587,281
Less: unearned interest	(7,859,884)	(7,101,759)
Total financial leasings, net	<u>39,334,592</u>	<u>38,485,522</u>

#### 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 September 30, 2023, restructured loans that would otherwise be overdue or impaired totaled B/.183,238,979 (June 2023: B/.174,973,688).

	September 2023	June 2023
<i>Consumer:</i>		
Personal loans	34,895,787	33,507,226
Mortgage	91,651,321	85,038,995
<i>Corporate:</i>		
Commercial	56,691,871	56,427,467
Total	<u>183,238,979</u>	<u>174,973,688</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 11. Property, plant, equipment and improvements

	September 2023							Total
	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	
<b>Cost:</b>								
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	-	-	15,422	244,235	-	-	2,715,365	2,975,022
Reclassifications	-	-	3,982	673,052	4,624	-	(681,658)	-
Sales and write-offs	(265,839)	-	(79,872)	(26,189)	(25,000)	-	-	(396,900)
At the end of the period	<u>11,866,573</u>	<u>145,069,273</u>	<u>34,518,851</u>	<u>#####</u>	<u>2,961,078</u>	<u>12,404,110</u>	<u>27,003,122</u>	<u>334,314,890</u>
<b>Accumulated depreciation and amortization:</b>								
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	-	989,883	525,049	1,732,271	93,946	152,717	-	3,493,866
Sales and write-offs	-	-	(79,793)	(26,190)	(25,000)	-	-	(130,983)
At the end of the period	<u>-</u>	<u>34,476,202</u>	<u>31,688,553</u>	<u>70,007,139</u>	<u>2,214,533</u>	<u>6,295,037</u>	<u>-</u>	<u>144,681,464</u>
<b>Net balances</b>	<u>11,866,573</u>	<u>110,593,071</u>	<u>2,830,298</u>	<u>30,484,744</u>	<u>746,545</u>	<u>6,109,073</u>	<u>27,003,122</u>	<u>189,633,426</u>
	June 2023							
	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	Total
<b>Cost:</b>								
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	<u>12,132,412</u>	<u>145,069,273</u>	<u>34,579,319</u>	<u>99,600,785</u>	<u>2,981,454</u>	<u>12,404,110</u>	<u>24,969,415</u>	<u>331,736,768</u>
<b>Accumulated depreciation and amortization:</b>								
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	<u>-</u>	<u>33,486,319</u>	<u>31,243,297</u>	<u>68,301,058</u>	<u>2,145,587</u>	<u>6,142,320</u>	<u>-</u>	<u>141,318,581</u>
<b>Net balances</b>	<u>12,132,412</u>	<u>111,582,954</u>	<u>3,336,022</u>	<u>31,299,727</u>	<u>835,867</u>	<u>6,261,790</u>	<u>24,969,415</u>	<u>190,418,187</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 12. Right-of-use assets and lease liabilities

##### a) Right-of-use assets

Right-of-use assets are presented below:

	September 2023	June 2023
<b>Building and land</b>		
<b>Cost:</b>		
Balance at the beginning of the year	25,694,588	25,694,588
Balance at the end of the period	<u>25,694,588</u>	<u>25,694,588</u>
<b>Accumulated depreciation and amortization:</b>		
Balance at the beginning of the year	12,393,553	10,109,766
Expenses of the period	542,014	2,283,787
Balance at the end of the period	<u>12,935,567</u>	<u>12,393,553</u>
<b>Net balance</b>	<u>12,759,021</u>	<u>13,301,035</u>

Amounts recognized in the consolidated statement of profit or loss:

	September 2023	September 2022
Depreciation expense in right-of-use assets	542,014	612,888
Interest expenses on lease liabilities	128,743	144,817
	<u>670,757</u>	<u>757,705</u>

##### b) Lease liabilities

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

	September 2023	June 2023
Up to 1 year	1,847,998	1,777,588
Between 1 and 5 years	5,133,695	5,447,260
5 years or more	7,848,430	8,077,881
Total	<u>14,830,123</u>	<u>15,302,729</u>

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



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 13. Other assets

	September 2023	June 2023
Accounts receivable - related companies	118,136,180	104,162,869
Goodwill (a)	92,014,817	92,014,817
Accounts receivable - National Treasury	69,756,171	60,715,664
Reposessed assets	61,390,841	52,584,396
Deferred income tax (b)	58,621,865	52,252,045
Investment properties (c)	52,860,897	52,860,897
Accounts receivable	50,417,947	53,932,947
Intangible assets (d)	17,445,614	17,831,449
Prepaid expenses	13,666,314	13,761,249
Severance fund	8,919,639	8,699,183
Insurance premiums receivable	8,593,567	9,055,136
Deposits in collateral	6,096,723	8,971,154
Reinsurers' participation	5,734,200	5,146,661
Hedging derivate (e)	5,091,673	7,290,393
Tax credit - agricultural subsidy	4,035,005	3,920,702
Insurance company claims	3,983,503	3,997,339
Judicial deposits	759,985	772,817
Customer obligations for acceptances	-	1,309,166
Other	33,873,344	35,502,586
	<u>611,398,285</u>	<u>584,781,470</u>

#### (a) *Goodwill*

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

<u>Acquisition date</u>	<u>Company acquired</u>	<u>% of shares acquired</u>	<u>September 2023</u>	<u>June 2023</u>
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Afianzadora Colón, S.A. PROGRESO - Administradora Nacional de Inversiones, Fondos de Pensiones y	100%	25,000	25,000
December 2014	Cesantías, S.A.	100%	8,407,500	8,407,500
December 2018	Banco Panameño de la Vivienda, S.A. y Subsidiarias		75,252,130	75,252,130
			<u>92,014,817</u>	<u>92,014,817</u>

#### (b) *Deferred income tax*

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

#### (c) *Investment properties*

As of September 30, 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### (d) Intangible assets

	September 2023	June 2023
<b>Cost:</b>		
Rights to manage HSBC's severance fund portfolio		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Trademarks and other intangibles	8,454,809	8,454,809
Intangible assets from the purchase of Banvivienda	15,500,000	15,500,000
	<u>25,344,772</u>	<u>25,344,772</u>
<b>Accumulated amortization:</b>		
Balance at the beginning of the year	7,513,323	5,969,982
Amortization	385,835	1,543,341
	<u>7,899,158</u>	<u>7,513,323</u>
Net balance at the end of the period	<u>17,445,614</u>	<u>17,831,449</u>

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 September 30, 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### (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 September 30, 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:

<u>Method of accounting</u>	<b>September 2023</b> Remaining maturity of notional amount		
	<u>Over 1 year</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	Fair value	-	200,000,000
Total	-	200,000,000	200,000,000

<u>Method of accounting</u>	<b>June 2023</b> Remaining maturity of nominal value		
	<u>Over 1 year</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	Fair value	-	200,000,000
Total	-	200,000,000	200,000,000

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

The notional amount and estimated fair value of interest rate derivative instruments at September 30, 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.

	<u>Type</u>	September 2023	
		<u>Notional value</u>	<u>Fair value</u>
Derivatives for fair value hedging (for financing)		200,000,000	5,091,673
Total		200,000,000	5,091,673

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

#### 14. Client deposits

	September 2023	Demand	Savings	Time	Total
Economic segment					
Corporate		421,115,344	372,507,819	2,195,305,252	2,988,928,415
Personal		75,050,614	758,153,029	1,469,803,215	2,303,006,858
		<u>496,165,958</u>	<u>1,130,660,848</u>	<u>3,665,108,467</u>	<u>5,291,935,273</u>
Segment					
Domestic		469,540,753	1,076,726,916	3,291,944,570	4,838,212,239
Foreign		26,625,205	53,933,932	373,163,897	453,723,034
		<u>496,165,958</u>	<u>1,130,660,848</u>	<u>3,665,108,467</u>	<u>5,291,935,273</u>

	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
		<u>480,175,238</u>	<u>1,138,528,545</u>	<u>3,586,872,504</u>	<u>5,205,576,287</u>
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
		<u>480,175,238</u>	<u>1,138,528,545</u>	<u>3,586,872,504</u>	<u>5,205,576,287</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 15. Securities sold under repurchase agreements

As of September 30, 2023, there are repurchase agreements for B/.93,034,566 (June 2023: B/.70,009,751), guaranteed by investments at fair value through other comprehensive income for B/.102,067,458 (June 2023: B/.63,689,175) and securities at amortized cost for B/.8,194,775 (June 2023: B/.21,183,781), at interest rates between 6.25% and 6.61% (June 2023: 4.42% and 6.34%), maturing in November 2023, 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:

	September 2023	June 2023
Securities sold under repurchase agreements	93,034,566	70,009,751
Accrued interest payable	931,481	745,861
Securities sold under repurchase agreements at amortized cost	<u>93,966,047</u>	<u>70,755,612</u>

#### 16. Obligations with financial institutions

	September 2023	June 2023
As of September 30, 2023, there are obligations with other banks for foreign trade financing, with various maturities until September 2025 and annual interest rates between 2.40% and 7.7295% (June 2023: between 2.40% and 7.50%).	429,669,829	406,921,939
As of September 30, 2023, there are obligations with financial institutions for short-term liquidity management, with a renewable maturity beginning in December 2023 and interest rates between 2.15% and 6.69%, reviewed semiannually (June 2023: between 2.15% and 6.75%).	99,661,230	138,254,393
As of September 30, 2023, there are obligations with international organizations for long-term liquidity management, with various maturities until September 2025 and interest rates between 8.502% (June 2023: between 7.351% and 7.651%).	39,350,520	53,207,262
As of September 30, 2023, there are obligations with foreign banks for working capital, with various maturities until August 2031 and annual interest rates between 1.50% and 9.37518% (June 2023: between 1.50% and 9.37518%).	811,739,315	829,158,492
As of September 30, 2023, there are obligations with a multilateral financial institutions, with various maturities and final maturities from October 2023 to March 2028, interest rates range between 3.50% and 7.518%, reviewed semiannually (June 2023: between 3.50% and 7.74%).	147,972,926	155,335,496
	<u>1,528,393,820</u>	<u>1,582,877,582</u>

As of September 30, 2023, there are investments at fair value through other comprehensive income for B/.60,918,316 (June 2023: B/.153,404,683) and securities at amortized cost for B/.48,435,918 (June 2023: B/.29,208,650) that guarantee these obligations with financial institutions. In addition, there are restricted time deposits as of September 30, 2023, for B/.3,025,795 (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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

Obligations with financial institutions at amortized cost are detailed below:

	September 2023	June 2023
Obligations with financial institutions	1,528,393,820	1,582,877,582
Accrued interest payable	21,515,733	20,865,348
Obligations with financial institutions at amortized cost	<u>1,549,909,553</u>	<u>1,603,742,930</u>

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

	September 2023	June 2023
Balance at the beginning of the year	1,582,877,582	1,488,606,294
Others movements	(2,198,720)	(2,200,942)
Obligations received	445,032,571	1,766,870,623
Payments made	(497,317,613)	(1,670,398,393)
Balance at the end of the period	<u>1,528,393,820</u>	<u>1,582,877,582</u>

### 17. Corporate bonds

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	September 2023	June 2023
C Series - August 2018 Issuance	5.50%	Aug-23	-	34,976,155
A Series - April 2019 Issuance	5.25%	Apr-29	352,566,208	353,474,574
			<u>352,566,208</u>	<u>388,450,729</u>

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.

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

Corporate bonds at amortized cost are detailed below:

	September 2023	June 2023
Corporate bonds	352,566,208	388,450,729
Accrued interest payable	8,263,203	3,955,433
Corporate bonds at amortized cost	<u>360,829,411</u>	<u>392,406,162</u>

### 18. Perpetual bonds

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

<u>Type</u>	<u>Interest rate</u>	September 2023	June 2023
A Series - May 2016 Issuance	6.75%	24,016,497	24,003,842
B Series - July 2016 Issuance	6.75%	90,422,492	90,400,883
C Series - May 2018 Issuance	6.75%	5,191,950	5,191,950
D Series - May 2019 Issuance	6.75%	16,590,161	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%	15,000,000	15,000,000
I Series - December 2021 Issuance	5.75%	2,171,000	2,171,000
		<u>178,003,100</u>	<u>177,965,873</u>

Perpetual bonds at amortized cost are detailed as follows:

	September 2023	June 2023
Perpetual bonds	178,003,100	177,965,873
Accrued interest payable	40,152	40,151
Perpetual bonds at amortized cost	<u>178,043,252</u>	<u>178,006,024</u>

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

	September 2023	June 2023
Balance at beginning of the year	566,416,602	616,731,157
Proceeds from issuances	-	600,000
Debt issuance cost / amortization of debt issuance cost	132,391	799,005
Redemptions	(35,922,703)	(51,306,097)
Premiums, discounts / discount premium amortization	(56,982)	(407,463)
Balance at the end of the period	<u>530,569,308</u>	<u>566,416,602</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 19. Other liabilities

	September 2023	June 2023
Other creditors	26,016,180	24,684,922
Employee benefits and other labor liabilities	23,346,355	21,757,063
Cashiers' and certified checks	20,379,749	26,212,058
Reserve for insurance operations (Note 20)	16,814,282	15,678,014
Other reserves	11,806,787	10,002,479
Factoring collateral deposits (a)	7,151,152	6,310,653
Judicial and other deposits	3,318,166	3,427,953
Insurance accounts payable	2,335,934	2,316,930
Special Interest Compensation Fund (FECI) accounts payable	1,885,928	1,892,616
Income tax payable	385,893	531,062
Acceptances outstanding	-	1,309,166
Others	9,404,282	5,341,490
	<u>122,844,708</u>	<u>119,464,406</u>

#### 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.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 20. Reserves from insurance operations

##### Unearned premiums

	September 2023	June 2023
Balance at the beginning of the year	10,635,411	10,476,953
Premiums issued	9,058,993	34,440,559
Premiums earned	(4,284,249)	(17,975,119)
Balance at the end of the period	<u>15,410,155</u>	<u>26,942,393</u>
Participation of reinsurers		
Premiums ceded	(3,525,738)	(15,555,860)
Unearned premiums	(588,087)	(751,122)
Unearned premiums, net	<u>11,296,330</u>	<u>10,635,411</u>

##### Pending claims to be settled, estimates

	September 2023	June 2023
Balance at the beginning of the year	5,042,603	5,243,813
Claims incurred, net	3,379,185	10,738,764
Claims paid	(2,903,836)	(10,939,974)
Balance at the end of the period	<u>5,517,952</u>	<u>5,042,603</u>
	<u>16,814,282</u>	<u>15,678,014</u>

#### 21. Common shares

As of September 30, 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 September 30, 2023, dividends were paid on common shares approved by the Board of Directors for a total of B/.16,917,342 (September 2022: B/.6,253,427).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 22. Interest and commission income and expense

	September 2023	September 2022
Interest earned on:		
Loans	108,144,632	97,334,605
Deposits	2,638,506	851,283
Investments	10,250,031	9,991,049
	<u>121,033,169</u>	<u>108,176,937</u>
Interest expense on:		
Deposits	(48,940,311)	(38,977,691)
Obligations with financial institutions and repurchase agreements	(25,378,620)	(14,772,808)
Marketable securities and bonds	(8,053,979)	(8,832,964)
	<u>(82,372,910)</u>	<u>(62,583,463)</u>
Net interest income	<u>38,660,259</u>	<u>45,593,474</u>
Commissions earned on:		
Loans	7,520,503	7,211,077
Letters of credit	1,041,212	1,944,877
Savings accounts and debit cards	967,369	1,027,075
Fiduciary and management services	2,767,744	2,408,234
Others	5,290,177	3,932,299
	<u>17,587,005</u>	<u>16,523,562</u>
Commission expenses	<u>(5,873,265)</u>	<u>(5,321,320)</u>
Net commissions income	<u>11,713,740</u>	<u>11,202,242</u>
Net interest and commissions income	<u>50,373,999</u>	<u>56,795,716</u>

#### 23. Other income, net

	September 2023	September 2022
Insurance premiums, net	3,206,843	3,230,752
Gain on sale of investments through other comprehensive income (OCI)	140,770	114,629
Fiduciary services and brokerage services, net	107,426	112,439
Gain (loss) on instruments at fair value through profit or loss, net	8,215	(398,816)
Gain (loss) on sale of investments through profit or loss	13,653	(2,255)
Other income (expenses)	46,316	1,759,396
	<u>3,523,223</u>	<u>4,816,145</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 24. Other expenses

	September 2023	September 2022
Reserve for mileage redemption	906,509	906,499
Surveillance	444,878	437,433
Communications and correspondance	421,982	411,844
Public utilities	387,779	411,657
Supplies and stationary	193,489	147,046
Insurance	75,199	57,810
Other operating expenses	2,204,187	2,035,367
Other general expenses	1,541,009	1,884,665
	<u>6,175,032</u>	<u>6,292,321</u>

#### 25. Excess paid-in capital

##### Employee stock option plan

As of September 30, 2022, key executive officers held stock options over 15,196 common shares of the Parent Company (G.B. Group Corporation), of which 15,196 shares may be exercised in 2022 with an average execution price of B/.41.00 as of September 30, 2022. The Bank recognized income for B/.75,030 in the consolidated statement of profit or loss under miscellaneous income and the corresponding entry in equity.

##### 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 2023-2024 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 2023-2024 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 2023-2024, 14,048 (2022-2023: 5,864) shares were granted under the restricted stock plan and an expense of B/.117,699 (2022-2023: B/.117,699) was recorded.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 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:

	September 2023	June 2023
Letters of credit	173,656,760	176,006,674
Endorsements and collaterals	399,704,026	610,223,411
Promissory notes	171,026,532	200,699,607
Unused credit lines	553,902,868	557,564,622
Total	<u>1,298,290,186</u>	<u>1,544,494,314</u>

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 September 30, 2023, the Bank held in administration trust contracts at the account and risk of customers amounting to B/.2,909,039,158 (June 2023: B/.2,934,842,204).

	September 2023	June 2023
Collateral Trust	2,646,927,163	2,661,669,988
Management Trust	146,635,557	152,301,601
Investment Trust	108,535,282	113,904,289
Assets - PLICA contract	4,900,516	4,863,233
Pension Trust	2,040,640	2,103,093
	<u>2,909,039,158</u>	<u>2,934,842,204</u>

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

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 28. Pension and severance fund management

	September 2023	June 2023
Severance Fund	316,793,430	319,094,430
Pension Fund (under Law No. 10)	226,941,494	227,237,564
Citibank, N. A.	1,853,371	2,047,054
Other assets under management	33,998,506	34,426,299
	<u>579,586,801</u>	<u>582,805,347</u>

#### 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:

	September 2023	September 2022
Current income tax	861,562	843,774
Deferred tax for temporary differences	<u>(6,369,821)</u>	<u>(3,141,291)</u>
Income tax benefit	<u>(5,508,259)</u>	<u>(2,297,517)</u>

As of September 30, 2023, the average effective current income tax rate is 10.79% (September 2022: 7.84%).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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:

	September 2023	June 2023
Balance at the beginning of the year	52,252,044	51,891,478
Other charges	5,225,291	-
Credit to profit or loss during the period	1,144,530	360,567
Balance at the end of the period	<u>58,621,865</u>	<u>52,252,045</u>

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:

	September 2023	September 2022
Profit before income tax	7,987,416	10,764,909
Less: non-taxable income	(32,037,256)	(26,957,970)
Plus: non-deductible expenses	26,892,220	19,567,768
Plus: tax loss in subsidiaries	603,773	391
Taxable base	<u>3,446,153</u>	<u>3,375,098</u>
Income tax calculated at 25%	861,538	843,775
Remittance income tax	23	-
Current income tax expense	<u>861,561</u>	<u>843,775</u>

The deferred income tax asset is detailed below:

	September 2023	June 2023
Deferred income tax asset:		
Reserve for expected losses	55,744,135	54,433,116
Acquired intangible asset - core deposit	(2,448,779)	(2,529,507)
Other reserve	5,326,509	348,436
Deferred income tax asset	<u>58,621,865</u>	<u>52,252,045</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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

September 2023		<u>Charged to Profit or Loss</u>	<u>Other charges</u>	
Deferred income tax asset:				
Reserve for expected losses	54,433,116	1,311,019	-	55,744,135
Acquired intangible - core deposit	(2,529,508)	80,729	-	(2,448,779)
Other reserve	348,436	(247,218)	5,225,291	5,326,509
Deferred income tax asset	<u>52,252,044</u>	<u>1,144,530</u>	<u>5,225,291</u>	<u>58,621,865</u>

June 2023		<u>Charged to Profit or Loss</u>	<u>Other charges</u>	
Deferred income tax asset:				
Reserve 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	<u>51,891,478</u>	<u>360,567</u>	<u>-</u>	<u>52,252,045</u>

#### 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 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 30. Segment information

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

	September 2023			
	<u>Banking and financial activities</u>	<u>Insurance</u>	<u>Pension and severance funds</u>	<u>Total consolidated</u>
Interest and commission income	135,351,144	770,853	2,498,177	138,620,174
Interest expenses and reserves	96,869,245	6,820	-	96,876,065
Other income, net	477,676	3,123,626	(78,079)	3,523,223
Other expenses	30,386,484	1,758,836	712,881	32,858,201
Depreciation and amortization expense	4,383,921	2,880	34,914	4,421,715
Profit before income tax	<u>4,189,170</u>	<u>2,125,943</u>	<u>1,672,303</u>	<u>7,987,416</u>
(Benefit) income tax	(6,269,031)	429,490	331,282	(5,508,259)
Net profit	<u>10,458,201</u>	<u>1,696,453</u>	<u>1,341,021</u>	<u>13,495,675</u>
Total assets	<u>8,327,262,871</u>	<u>75,922,816</u>	<u>42,165,770</u>	<u>8,445,351,457</u>
Total liabilities	<u>7,718,782,010</u>	<u>23,690,448</u>	<u>559,965</u>	<u>7,743,032,423</u>
	September 2022			
	<u>Banking and financial activities</u>	<u>Insurance</u>	<u>Pension and severance funds</u>	<u>Total consolidated</u>
Interest and commission income	121,845,932	619,028	2,235,539	124,700,499
Interest expenses and reserves	83,701,230	(98)	(2)	83,701,130
Other income, net	1,456,143	3,332,279	27,723	4,816,145
Other expenses	28,111,895	1,646,166	649,384	30,407,445
Depreciation and amortization expense	4,600,124	2,910	40,126	4,643,160
Profit before income tax	<u>6,888,826</u>	<u>2,302,329</u>	<u>1,573,754</u>	<u>10,764,909</u>
(Benefit) income tax	(3,072,096)	463,921	310,658	(2,297,517)
Net profit	<u>9,960,922</u>	<u>1,838,408</u>	<u>1,263,096</u>	<u>13,062,426</u>
	June 2023			
	<u>Banking and financial activities</u>	<u>Insurance</u>	<u>Pension and severance funds</u>	<u>Total consolidated</u>
Total assets	<u>8,298,521,727</u>	<u>73,934,911</u>	<u>40,522,261</u>	<u>8,412,978,899</u>
Total liabilities	<u>7,677,993,502</u>	<u>23,019,838</u>	<u>212,315</u>	<u>7,701,225,655</u>



## Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements  
for the period ended September 30, 2023  
(In balboas)

### 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 activity	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:

	September 2023	June 2023
Regulatory reserves:		
Dynamic reserve	87,863,198	87,863,198
Foreclosed assets reserve	17,050,037	15,637,168
Equity reserve - investments	662,000	642,191
	<u>105,575,235</u>	<u>104,142,557</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### Agreement No.4-2013

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

#### September 2023

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,358,239,220	346,869,878	73,383,720	60,044,228	123,888,504	2,962,425,550
Consumer loans	2,855,310,244	198,389,846	25,829,748	18,243,189	62,802,511	3,160,575,538
Other loans	190,687,069	-	-	309,760	-	190,996,829
Total	<u>5,404,236,533</u>	<u>545,259,724</u>	<u>99,213,468</u>	<u>78,597,177</u>	<u>186,691,015</u>	<u>6,313,997,917</u>
Specific reserve	-	26,621,502	15,851,929	19,636,873	112,054,851	174,165,155

#### June 2023

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
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	<u>5,493,848,443</u>	<u>434,776,896</u>	<u>103,848,070</u>	<u>85,340,833</u>	<u>186,450,052</u>	<u>6,304,264,294</u>
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:

#### September 2023

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	2,812,726,184	14,983,074	134,716,292	2,962,425,550
Consumer	2,992,730,079	80,920,975	86,924,484	3,160,575,538
Others	190,687,069	-	309,760	190,996,829
Total	<u>5,996,143,332</u>	<u>95,904,049</u>	<u>221,950,536</u>	<u>6,313,997,917</u>

#### June 2023

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
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	<u>6,002,693,541</u>	<u>88,776,840</u>	<u>212,793,913</u>	<u>6,304,264,294</u>

As of September 30, 2023, loans in nonaccrual status represent B/.147,803,208 (June 2023: B/.151,038,705).

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 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 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 September 30, 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:

September 2023						Total
	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	
Letters of credit	173,656,760	-	-	-	-	173,656,760
Endorsements and collaterals	399,704,026	-	-	-	-	399,704,026
Promissory notes	171,026,532	-	-	-	-	171,026,532
Unused lines of credit granted	553,902,868	-	-	-	-	553,902,868
Total	<u>1,298,290,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,298,290,186</u>

June 2023						Total
	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	
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	<u>1,544,494,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,544,494,314</u>

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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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 September 30, 2023, the regulatory provision on foreclosed assets totals B/.17,050,037 (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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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#### 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 September 30, 2023, the liquidity ratio percentage reported to the regulator under the parameters of Agreement No.4-2008 was 36.99% (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 September 30, 2023, it presents consolidated capital funds of approximately 13.24% (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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

#### 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 September 30, 2023, the reserve is B/.32,324,680 (June 2023: B/.32,324,680).

The following are the capital reserves:

	September 2023	June 2023
Capital reserve	32,324,680	32,324,680
Insurance reserves:		
Technical reserves	6,329,136	6,101,606
Legal reserve	5,749,193	5,749,193
	<u>44,403,009</u>	<u>44,175,479</u>

#### 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.

	<u>Reserve for statistical deviations</u>		<u>Reserve for catastrophic risk and/or contingencies</u>	
	September 2023	June 2023	September 2023	June 2023
Balance at the beginning of the year	3,050,803	2,597,647	3,050,803	2,597,647
Additions	<u>113,765</u>	<u>453,156</u>	<u>113,765</u>	<u>453,156</u>
Balance at the end of the period	<u>3,164,568</u>	<u>3,050,803</u>	<u>3,164,568</u>	<u>3,050,803</u>

#### 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.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

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The movement of the legal reserve is detailed below:

	September 2023	June 2023
Balance at the beginning of the year	<u>5,749,193</u>	<u>5,749,193</u>
Balance at the end of the period	<u>5,749,193</u>	<u>5,749,193</u>

### 33. Modified loans

#### Modified Special Mention category loans

On November 1, 2022, the Superintendency of Banks issued Agreement No.12-2022 establishing the parameters and guidelines for the definitive reestablishment of the Modified Special Mention portfolio to Agreement No.4-2013 and completely repealed Agreement No.2-2021 of June 11, 2021 and Agreement No.6-2021 of December 22, 2021 and all their amendments. Likewise, General Board Resolution No. SBP-GJD-0003-2021 of June 11, 2021 and General Board Resolution No. SBP-GJD-0004-2021 of June 21, 2021 were repealed.

The main provisions of Agreement No.12-2022 state that banks shall eliminate any denomination of "Modified Special Mention" credits from the accounting ledger accounts by the close of December 31, 2022 and thereafter. However, banks will use the codification assigned by the Superintendency for the identification and reporting of these credits.

Global Bank Corporation made the definitive reestablishment of the Modified Special Mention portfolio to Agreement No.4-2013 during the month of December 2022.

### 34. Migrated restructured loans

Agreement No.12-2022 establishes that banks will migrate the portfolio of modified credits classified in the category "Modified Special Mention" to the risk categories of Agreement No.4-2013, in accordance with the risk classification parameters established in Article No.3 of Agreement No.12-2022, for which purpose, in principle as a reference, the days of arrears maintained by each credit will be used according to the concepts of delinquent credit and past due credit defined in numerals 13 and 14 of Article No.2 of Agreement No.4-2013. Regardless of the days past due, if a client presents other weaknesses that could affect its payment capacity, as detailed in Article No.18 of Agreement No.4-2013, the reinstatement of the modified credits shall be made to the corresponding higher risk category.

## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

The classification of the migrated restructured loan portfolio and loss reserves based on Agreement No.4-2013 is as follows:

<b>September 2023</b>						
	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	4,849,012	2,558,872	2,067,489	376,821	2,705,472	12,557,666
Consumer loans	93,057,330	9,606,910	1,559,276	3,047,336	20,062,728	127,333,580
Other loans	-	-	-	309,760	-	309,760
<b>Total</b>	<b>97,906,342</b>	<b>12,165,782</b>	<b>3,626,765</b>	<b>3,733,917</b>	<b>22,768,200</b>	<b>140,201,006</b>
Specific reserve	-	1,103,703	841,288	1,054,197	16,275,985	19,275,173
<b>June 2023</b>						
	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	4,562,363	3,092,700	2,798,407	854,125	1,966,711	13,274,306
Consumer loans	104,326,687	7,578,532	3,056,672	2,951,235	20,660,404	138,573,530
Other loans	-	309,760	-	-	-	309,760
<b>Total</b>	<b>108,889,050</b>	<b>10,980,992</b>	<b>5,855,079</b>	<b>3,805,360</b>	<b>22,627,115</b>	<b>152,157,596</b>
Specific reserve	-	457,946	983,684	1,183,426	16,819,458	19,444,514

All loans in the "Modified Special Mention" portfolio reestablished to Agreement No.4-2013 through the provisions of Agreement No.12-2022, shall be considered as restructured loans. Consequently, in order for them to be reclassified to a lower risk category, the conditions of Article No.19 of Agreement No.4-2013 must be complied with and the six (6) month period referred to in said Article shall commence as of the date of migration (reestablishment) to said Agreement.



## Global Bank Corporation and Subsidiaries

### Notes to the consolidated financial statements for the period ended September 30, 2023 (In balboas)

For credit risk coverage, banks shall establish provisions on the portfolio of loans reinstated to Agreement No.4-2013, ensuring compliance with the International Financial Reporting Standards (IFRSs) and taking into consideration the significant increase in risk. Additionally, they must establish the specific provisions required by the aforementioned Agreement.

#### September 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Migrated structured loans</u></b>				
Normal	53,432,315	44,474,028	-	97,906,343
Special mention	-	12,000,548	165,234	12,165,782
Subnormal	-	-	3,626,764	3,626,764
Doubtful	-	-	3,733,917	3,733,917
Uncollectible	-	-	22,768,200	22,768,200
<b>Total migrated restructured portfolio</b>	<b>53,432,315</b>	<b>56,474,576</b>	<b>30,294,115</b>	<b>140,201,006</b>
<b>Provisions and reserves</b>				
IFRS 9 Provision	447,507	1,774,836	19,325,899	21,548,242
<b>Total provisions and reserves</b>	<b>447,507</b>	<b>1,774,836</b>	<b>19,325,899</b>	<b>21,548,242</b>

#### June 2023

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Migrated structured loans</u></b>				
Normal	57,801,367	51,087,684	-	108,889,051
Special mention	-	10,632,165	348,827	10,980,992
Subnormal	-	1,212,778	4,642,301	5,855,079
Doubtful	-	64,332	3,741,028	3,805,360
Uncollectible	-	943,591	21,683,523	22,627,114
<b>Total migrated restructured portfolio</b>	<b>57,801,367</b>	<b>63,940,550</b>	<b>30,415,679</b>	<b>152,157,596</b>
<b>Provisions and reserves</b>				
IFRS 9 Provision	522,792	2,455,693	19,146,535	22,125,020
<b>Total provisions and reserves</b>	<b>522,792</b>	<b>2,455,693</b>	<b>19,146,535</b>	<b>22,125,020</b>

### 35. Approval of the consolidated financial statements

The consolidated financial statements of Global Bank Corporation and Subsidiaries for the period ended September 30, 2023 were authorized by Management for issuance on October 27, 2023.

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