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Global Bank Corporation and Subsidiaries

Condensed consolidated interim financial statements as of December 31, 2021 and Interim Financial Information Review Report of February 25, 2022

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

Deloitte LATCO
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Deloitte Touche Tohmatsu Limited

Global Bank Corporation and Subsidiaries

Financial Information Review Report and Condensed Consolidated Interim Financial Statements as of December 31, 2021

Content **Pages**

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**FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION**

INTERIM FINANCIAL INFORMATION REVIEW REPORT

To the Shareholder and Board of Directors
Global Bank Corporation and Subsidiaries
Panamá, Rep. de Panamá

Review report of the condensed consolidated interim financial statements

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Global Bank Corporation and Subsidiaries** as of December 31, 2021 and the condensed consolidated statement of profit and loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period of six months then ended, and a summary of the main accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting*. Our responsibility is to indicate whether there are any circumstances that lead us to believe that the consolidated interim financial information is not fairly presented.

Scope of the review

We conducted our review in accordance with International Standard for Review Engagements 2410, "Review of Interim Financial Information by the Independent Auditor of the Entity". A review of the condensed consolidated interim financial consists of making inquiries primarily with those persons responsible for financial and accounting matters and applying analytical procedures and other types. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not provide assurance that we will be aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as of December 31, 2021, is not prepared, in all material respects, in accordance with IAS 34.

Paragraph of emphasis

We draw attention to Notes 35 and 36 of the accompanying condensed consolidated interim financial statements, which describe the uncertainty arising from the potential impact of COVID-19. Our report is not modified with respect to this matter.

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Other legal and regulatory requirements

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

- That the Management, Execution and Supervision of this Review work has been physically performed in Panamanian territory.
- The work team that has participated in the review referred to in this report is comprised by Luis Antonio Castro, Partner; Catherine Robles, Manager; and Diovelys Tejera, Senior in charge.

(Signed by Deloitte)

Deloitte, Inc.

Luis Antonio Castro R.
CPA No. 6670

February 25, 2022
Panama, Republic of Panama

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of financial position
As at December 31, 2021
(In balboas)

	Notes	December 2021	June 2021
Assets			
Cash and bank deposits	7,16	452,268,652	508,316,487
Securities purchased under resale agreements	8	285,107	306,301
Investments in securities, net	6,9,16	1,151,812,820	1,110,163,904
Loans, net	6,10	5,938,618,992	6,007,976,619
Property, furniture, equipment and improvements	11	193,228,165	195,030,353
Right-of-use assets	12	17,751,191	19,425,507
Other assets	6,13	511,878,587	482,324,722
Total assets		8,265,843,514	8,323,543,893
Liabilities and equity			
Liabilities			
Client deposits	6,14	5,266,462,672	5,189,459,231
Bank deposits		63,925,456	44,910,134
Accrued interest payable		41,307,543	40,781,723
Total deposits		5,371,695,671	5,275,151,088
Securities sold under resale agreements	15	31,294,928	-
Obligations with financial institutions	9,16	1,304,622,282	876,325,546
Marketable securities	17	-	6,850,000
Corporate bonds	18	442,357,324	1,055,663,563
Subordinated bonds	19	-	7,833,557
Perpetual bonds	20	175,962,272	160,763,868
Accrued interest payable		10,065,332	14,036,040
Total financings		1,964,302,138	2,121,472,574
Lease liabilities	12	19,387,148	20,847,797
Other liabilities	6,21,22	124,202,946	116,353,854
Total liabilities		7,479,587,903	7,533,825,313
Equity			
Common shares	23	270,202,657	270,202,657
Excess paid-in capital	27	1,883,924	1,755,574
Capital reserve	34	42,840,993	42,382,907
Regulatory reserve	34	100,295,876	99,613,232
Fair value reserve		(904,146)	3,356,143
Retained earnings		371,936,307	372,408,067
Total shareholder's equity		786,255,611	789,718,580
Total liabilities and equity		8,265,843,514	8,323,543,893

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of profit or loss
for the six months ended December 31, 2021
(In balboas)

		December	
	Notes	**2021**	**2020**
Interest income	6	212,019,371	224,999,181
Interest expense	6	(122,653,126)	(133,368,494)
Net interest income	24	89,366,245	91,630,687
Commission income		28,870,115	23,538,763
Commission expenses		(9,132,490)	(6,416,252)
Net commission income	24	19,737,625	17,122,511
Net interest and commission income, before provision	24	109,103,870	108,753,198
Provision for loans		33,165,252	53,852,870
Reversal of provision for country risk		(1,143,301)	(92,216)
Provision for investments		4,386,575	195,527
		36,408,526	53,956,181
Net interest and commission income, after provision		72,695,344	54,797,017
Other income	25	7,392,563	10,922,396
Other expenses			
Salaries and other compensations	6	30,131,307	29,164,751
Professional fees		4,492,825	3,824,740
Depreciation and amortization	11,12,13	10,543,345	10,958,569
Marketing and advertising		869,080	676,375
Maintenance and repairs		5,480,932	5,099,001
Leases		1,501,892	1,349,191
Other taxes		3,275,322	2,994,076
Others	26	11,488,015	11,116,742
		67,782,718	65,183,445
Gain before income tax		12,305,189	535,968
Income tax:			
Current		1,793,321	2,045,238
Deferred		(2,002,344)	(9,446,274)
Benefit from income tax	31	(209,023)	(7,401,036)
Profit for the period		12,514,212	7,937,004

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

Global Bank Corporation and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the six months ended December 31, 2021
(In balboas)

	December 2021	December 2020
Profit for the period	12,514,212	7,937,004
Other comprehensive income:		
Items that can be reclassified later to profit or loss		
Net amount transfered to profit or loss	(816,577)	(2,005,501)
Reserve for investments	3,121,240	175,632
Net changes in valuation of investments at fair value through other comprehensive income	(6,564,952)	14,440,245
Other comprehensive income for the period	(4,260,289)	12,610,376
Total comprehensive income for the period	8,253,923	20,547,380

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of changes in equity
for the six months ended December 31, 2021
(In balboas)

	Notes	Shareholder's total equity	Common shares	Excess paid-in capital	Capital reserves	Regulatory reserve	Reserves at fair value	Retained earnings
Balance as of June 30, 2020		781,976,671	270,202,657	1,999,307	41,500,054	97,792,897	1,439,777	369,041,979
Profit for the period		7,937,004	-	-	-	-	-	7,937,004
Provision for investments		175,632	-	-	-	-	175,632	-
Net changes in the valuation of investments at fair value through other comprehensive income		12,434,744	-	-	-	-	12,434,744	-
Total comprehensive income for the period		20,547,380	-	-	-	-	12,610,376	7,937,004
Excess paid-in capital - share option plan for employees	27	244,260	-	244,260	-	-	-	-
Dividends paid - common shares	23	(10,025,911)	-	-	-	-	-	(10,025,911)
Complementary tax		(486,750)	-	-	-	-	-	(486,750)
Regulatory reserve	34	-	-	-	-	8,160,729	-	(8,160,729)
Capital reserve	34	-	-	-	476,233	-	-	(476,233)
Balance as of December 31, 2020		792,255,650	270,202,657	2,243,567	41,976,287	105,953,626	14,050,153	357,829,360
Balance as of June 30, 2021		789,718,580	270,202,657	1,755,574	42,382,907	99,613,232	3,356,143	372,408,067
Profit for the period		12,514,212	-	-	-	-	-	12,514,212
Provision for investments		3,121,240	-	-	-	-	3,121,240	-
Net changes in the valuation of investments at fair value through other comprehensive income		(7,381,529)	-	-	-	-	(7,381,529)	-
Comprehensive income for the year		8,253,923	-	-	-	-	(4,260,289)	12,514,212
Excess paid-in capital - share option plan for employees	27	128,350	-	128,350	-	-	-	-
Dividends paid - common shares	23	(11,308,207)	-	-	-	-	-	(11,308,207)
Complementary tax		(537,035)	-	-	-	-	-	(537,035)
Regulatory reserve	34	-	-	-	-	682,644	-	(682,644)
Capital reserve	34	-	-	-	458,086	-	-	(458,086)
Balance as of December 31, 2021		786,255,611	270,202,657	1,883,924	42,840,993	100,295,876	(904,146)	371,936,307

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

Global Bank Corporation and Subsidiaries

Condensed consolidated statement of cash flows
for the six months ended December 31, 2021
(In balboas)

	Notes	December 2021	December 2020
Cash flows from operating activities:			
Profit for the year		12,514,212	7,937,004
Adjustments for:			
Depreciation and amortization	11,12,13	10,543,345	10,958,569
Gain on sale of property, furniture and equipment		(173,126)	(2,615)
Fixed-asset disposals	11	209,136	19,193
Net gain on sale of securities at fair value through other comprehensive income (FVTOCI)	9,25	(816,577)	(2,005,501)
Net loss (gain) on instruments at fair value through profit or loss	25	252,095	(267,872)
Provision for loan losses, net		33,165,252	53,852,870
Provision for investments, net		4,386,575	195,527
Income tax	31	(209,023)	(7,401,036)
Net interest income	24	(212,019,371)	(224,999,181)
Interest expenses	24	122,653,126	133,368,494
Share option plan for employees	27	128,350	244,260
		(29,366,006)	(28,100,288)
Changes in:			
Deposits over 90 days		(11,419,858)	(14,874,394)
Securities purchased under resale agreements		21,194	5,009,978
Loans		35,416,366	173,482,948
Other assets		(25,491,007)	(1,121,272)
Client deposits		77,003,441	304,579
Bank deposits		19,015,322	(26,308,875)
Other liabilities		7,644,774	(2,676,305)
Cash generated from operations		72,824,226	105,716,371
Income tax paid		(840,914)	(1,382,483)
Interest received		213,205,787	194,673,592
Interest paid		(126,098,014)	(134,186,576)
Net cash generated from operating activities		159,091,085	164,820,904
Cash flows from investment activities:			
Acquisition of securities at fair value through other comprehensive income		(300,278,370)	(902,679,615)
Sale of securities at fair value through other comprehensive income		285,870,301	875,259,936
Purchase of investments at fair value through profit or loss		(499,969)	(24,040,000)
Redemption of investments at fair value through profit or loss		185,800	-
Purchase of investments at amortized cost		(36,519,099)	-
Sales, redemptions and investment amortizations at amortized cost		1,161,722	734,790
Purchase of property, furniture and equipment	11	(6,448,778)	(4,156,187)
Proceeds from the sales of property, furniture and equipment		173,126	2,615
Net cash flows used in investment activities		(56,355,267)	(54,878,461)
Cash flows from financing activities:			
Proceeds from securities sold under repurchase agreements	15	31,294,928	-
Obligations received from financial institutions	16	986,685,798	409,555,713
Obligations paid to financial institutions	16	(560,514,727)	(468,468,042)
Proceeds from issuance of marketable securities	17	-	7,850,000
Payments from redemption of marketable securities	17	(6,850,000)	(20,000,000)
Proceeds from the issuance of bonds	20	15,134,000	23,330,000
Redemption of bonds	20	(622,530,000)	(64,989,050)
Dividends paid - common shares	23	(11,308,207)	(10,025,911)
Lease payment		(1,516,178)	(1,631,748)
Complementary tax		(537,035)	(486,750)
Net cash flows used in financing activities		(170,141,421)	(124,865,788)
Net decrease in cash and cash equivalents		(67,405,603)	(14,923,345)
Cash and cash equivalents at beginning of the period		473,989,795	559,251,757
Cash and cash equivalents at end of the period	7	**406,584,192**	**544,328,412**

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

1. General information

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

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

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

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

Through Resolution SBP-0077-2019 of the Superintendency of Banks of Panama, the merger by absorption is authorized of the banking entities Global Bank Corporation, Banco Panameño de la Vivienda, S.A. and the company GB, AV INC., all belonging to the same economic group, of which, Global Bank Corporation is the surviving company. The effective date of the merger was June 1, 2020.

Through Resolution SBP-0019-2021 of March 10, 2021, the Superintendency of Bank 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 main activity of the Bank and its Subsidiaries is described in Note 33.

2. Basis of presentation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of June 30, 2021, and for the year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. Accounting policies

The accounting policies and methods adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements as of June 30, 2021, and for the year then ended.

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

3.1 Comparative information

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

3.2 Reclassification

Certain items in the condensed consolidated statement of comprehensive income for the six months ended December 31, 2020 have been reclassified to conform to the presentation for the period ended December 31, 2021.

4. Financial risk management

4.1 Objective of financial risk management

Financial risk factors

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

The interim condensed consolidated financial statements do not include all the financial risk management information and disclosures that are required in the annual financial statement. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of June 30, 2021.

There have been no changes in the risk management department or in any risk management policy as of June 30, 2021.

4.2 Credit and counterparty risk

Credit quality analysis

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

	December 2021	June 2021
Bank deposits		
Grade 1	404,985,638	445,316,314
Loans		
Grade 1	5,103,141,246	5,301,364,942
Grade 2	446,077,247	415,230,946
Grade 3	88,544,281	65,614,645
Grade 4	73,348,177	50,744,145
Grade 5	285,169,586	225,872,892
Gross amount	5,996,280,537	6,058,827,570
Accrued interest receivable	170,091,506	170,867,515
Allowance for individual and collective impairment	(217,391,482)	(208,585,582)
Discounted unearned interest	(10,361,569)	(13,132,884)
Net carrying value	5,938,618,992	6,007,976,619
Off-balance sheet transactions		
Grade 1		
Letters of credit	137,741,579	121,293,290
Endorsements and guarantees	480,653,503	482,703,113
Promissory notes	193,775,132	169,185,471
Unused credit lines	460,832,313	463,726,656
	1,273,002,527	1,236,908,530
Securities purchased under resale agreements - at amortized cost		
Grade 1	285,107	306,301
Investments at fair value through other comprenhensive income		
Grade 1	874,559,114	866,715,997
Investments at fair value through profit and loss		
Grade 1	38,726,834	38,664,760
Invesments at amortized cost		
Grade 1	232,969,489	197,612,112

The aging of the loan portfolio delinquency is presented below:

	December 2021		
	Global Bank Corporation	Subsidiaries	Total
Current	5,557,943,286	132,931,638	5,690,874,924
From 31 to 90 days	100,014,351	-	100,014,351
More than 90 days (principal and interests)	135,390,655	-	135,390,655
More than 30 days overdue (maturity principal)	70,000,607	-	70,000,607
Total	5,863,348,899	132,931,638	5,996,280,537

	June 2021		
	Global Bank Corporation	Subsidiaries	Total
Current	5,653,835,087	163,851,287	5,817,686,374
From 31 to 90 days	48,226,507	-	48,226,507
More than 90 days (principal and interests)	111,195,308	-	111,195,308
More than 30 days overdue (maturity principal)	81,719,381	-	81,719,381
Total	5,894,976,283	163,851,287	6,058,827,570

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

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

4.2.2.1 Loan portfolio

4.2.2.1.1 Credit quality analysis of loans by stage:

December 2021

	Stage 1	Stage 2	Stage 3	Total
Classification				
Grade 1	4,497,333,825	605,807,421	-	5,103,141,246
Grade 2	-	446,077,247	-	446,077,247
Grade 3	-	88,544,281	-	88,544,281
Grade 4	-	73,348,177	-	73,348,177
Grade 5	-	-	285,169,586	285,169,586
Gross amount	4,497,333,825	1,213,777,126	285,169,586	5,996,280,537
Accrued interest receivable	78,713,643	78,926,992	12,450,871	170,091,506
Allowance for expected credit losses	(21,323,583)	(82,089,277)	(113,978,622)	(217,391,482)
Net carrying value	4,554,723,885	1,210,614,841	183,641,835	5,948,980,561

June 2021

	Stage 1	Stage 2	Stage	Total
Classification				
Grade 1	4,766,387,010	534,977,932	-	5,301,364,942
Grade 2	-	415,230,946	-	415,230,946
Grade 3	-	65,614,645	-	65,614,645
Grade 4	-	50,744,145	-	50,744,145
Grade 5	-	-	225,872,892	225,872,892
Gross amount	4,766,387,010	1,066,567,668	225,872,892	6,058,827,570
Accrued interest receivable	106,988,780	56,671,966	7,206,769	170,867,515
Allowance for expected credit losses	(23,852,732)	(83,414,022)	(101,318,828)	(208,585,582)
Net carrying value	4,849,523,058	1,039,825,612	131,760,833	6,021,109,503

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

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

December 2021

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	23,852,733	83,414,021	101,318,828	208,585,582
Transferred to Stage 1	34,619,632	(33,498,664)	(1,120,968)	-
Transferred to Stage 2	(7,552,616)	41,920,906	(34,368,290)	-
Transferred to Stage 3	(506,050)	(28,711,301)	29,217,351	-
Net effect of changes in reserve for expected credit losses	(31,286,452)	21,025,645	54,051,993	43,791,186
New financial assets originated	3,977,972	-	-	3,977,972
Cancelled loans	(1,781,636)	(2,061,332)	(10,760,938)	(14,603,906)
Written-off loans	-	-	(25,857,234)	(25,857,234)
Recoveries	-	-	1,497,882	1,497,882
Balance at the end of the period	21,323,583	82,089,275	113,978,624	217,391,482

June 2021

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	22,875,106	77,269,264	54,881,462	155,025,832
Transferred to Stage 1	42,656,872	(39,468,348)	(3,188,524)	-
Transferred to Stage 2	(15,830,274)	54,471,663	(38,641,389)	-
Transferred to Stage 3	(780,048)	(50,445,762)	51,225,810	-
Net effect of changes in reserve for expected credit losses	(29,337,003)	54,015,657	73,058,157	97,736,811
New financial assets orginated	8,875,073	-	-	8,875,073
Cancelled loans	(4,606,993)	(12,428,453)	(6,078,627)	(23,114,073)
Written-off loans	-	-	(32,334,371)	(32,334,371)
Recoveries	-	-	2,396,310	2,396,310
Balance at the end of the period	23,852,733	83,414,021	101,318,828	208,585,582

Incorporation of forward-looking information

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

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

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

The effects known to Management and that can be reasonably estimated have been recognized in the interim condensed consolidated financial statements as of December 31, 2021 and June 30, 2021. The main assumptions described above may change as economic and market conditions change. (See Note 35).

4.2.2.2 Investment portfolio

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

December 2021	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	340,784,877	215,715,009	318,059,228	874,559,114
Investments at fair value through profit or loss	4,634,872	-	34,091,962	38,726,834
Investments at amortized cost	173,306,988	39,845,740	19,816,761	232,969,489
Securities purchased under resale agreements	-	-	285,107	285,107
Total	518,726,737	255,560,749	372,253,058	1,146,540,544

June 2021	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	357,232,344	214,872,968	294,610,685	866,715,997
Investments at fair value through profit or loss	4,786,232	-	33,878,528	38,664,760
Investments at amortized cost	137,293,492	40,151,859	20,166,761	197,612,112
Securities purchased under resale agreements	-	-	306,301	306,301
Total	499,312,068	255,024,827	348,962,275	1,103,299,170

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

Rating grade	***External rating***
Investment rating	AAA, AA+, AA–, A+, A–, BBB+, BBB, BBB–
Standard monitoring	BB+, BB, BB–, B+, B, B–
Special monitoring	CCC a C
Default	D
Not rated	–

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

December 2021

Investments at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at the beginning of the period	2,226,968	-	-	2,226,968
Transferred from 12-month to total lifetime without credit loss	(145,340)	145,340	-	-
Transferred from 12-month to total lifetime with credit loss	(2,044)	-	2,044	-
Net effect of changes in reserve for expected credit loss	1,111,624	1,824,475	111,085	3,047,184
New instruments acquired	397,184	-	-	397,184
Cancelled investments	(323,128)	-	-	(323,128)
Written-off investments	-	-	(113,129)	(113,129)
Balance at the end of the period	3,265,264	1,969,815	-	5,235,079

June 2021

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at the beginning of the period	1,793,142	-	-	1,793,142
Net effect of changes in reserve for expected credit losses	24,202	-	-	24,202
New instruments acquired	1,443,593	-	-	1,443,593
Cancelled investments	(1,033,969)	-	-	(1,033,969)
Balance at the end of the period	2,226,968	-	-	2,226,968

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

December 2021

Investments at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at the beginning of the period	405,466	-	-	405,466
Transferred from 12-month to total lifetime without credit loss	(281,943)	281,943	-	-
Net effect of changes in reserve for expected credit losses	(809)	1,261,863	-	1,261,054
New instruments acquired	4,281	-	-	4,281
Balance at the end of the period	126,995	1,543,806	-	1,670,801

June 2021

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at the beginning of the year	339,149	-	-	339,149
Net effect of changes in reserve for expected credit losses	35,959	-	-	35,959
New instruments acquired	31,938	-	-	31,938
Cancelled investments	(1,580)	-	-	(1,580)
Balance at the end of the year	405,466	-	-	405,466

4.2.2.3 Collaterals to reduce credit risk and its financial impact

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

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

	Consumer				Corporative		
December 2021	**Personal**	**Credit cards**	**Vehicles**	**Mortgage**	**Commercial**	**Overdraft**	**Total loans**
Loans balance	759,783,462	134,958,978	241,223,919	1,826,469,388	2,881,278,484	152,566,306	5,996,280,537
Guarantees	356,644,134	3,303,961	333,285,351	2,544,829,861	5,491,049,010	246,760,496	8,975,872,813
Exposure % subject to guarantee requirements	47%	2%	138%	139%	191%	162%	150%

	Consumer				Corporative		
June 2021	**Personal**	**Credit cards**	**Vehicles**	**Mortgage**	**Commercial**	**Overdraft**	**Total loans**
Loans balance	730,432,258	135,535,181	238,689,108	1,788,216,687	2,965,458,525	200,495,811	6,058,827,570
Guarantees	355,615,006	3,438,236	337,543,936	2,497,843,712	5,836,423,723	276,836,456	9,307,701,069
Exposure % subject to guarantee requirements	49%	3%	141%	140%	197%	138%	154%

Residential mortgage loans

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

	December 2021	**June 2021**
Residential mortgage loans:		
Less than 50%	126,055,819	118,166,965
51% - 70%	373,279,461	369,754,734
71% - 90%	936,451,946	910,432,782
More than 90%	390,682,162	389,862,206
Total	1,826,469,388	1,788,216,687

Time deposits placed in banks

As of December 31, 2021, the Bank held time deposits in banks for B/.160,502,150 (June 2021: B/.292,938,297). Time deposits in banks are kept in local and foreign financial institutions. These institutions have local and/or international ratings, mostly with an international investment grade of at least BBB- by Fitch Ratings or Standard and Poor's, or Baa3 by Moody's.

4.2.2.4 Credit risk concentration

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

	December 2021		
	Deposits in banks	Loans	Investments
Concentration by sector:			
Corporate	-	2,842,424,059	-
Consumer	-	2,973,827,884	-
Government	81,771,759	-	430,994,687
Other sectors	323,213,879	180,028,594	715,545,857
	404,985,638	5,996,280,537	1,146,540,544
Geographical concentration:			
Panama	162,663,084	5,719,132,626	516,121,376
Latin America and Caribbean	30,074,005	231,245,121	344,078,173
Europe, Asia and Oceania	72,701,388	45,902,790	15,360,672
United States of America	139,547,161	-	270,980,323
	404,985,638	5,996,280,537	1,146,540,544

	June 2021		
	Deposits in banks	Loans	Investments
Concentration by sector:			
Corporate	-	3,018,929,459	-
Consume	-	2,905,098,255	-
Government	95,121,849	-	349,993,922
Other sectors	350,194,465	134,799,856	753,305,248
	445,316,314	6,058,827,570	1,103,299,170
Geographical concentration:			
Panama	193,436,355	5,758,250,721	492,974,233
Latin American and Caribbean	35,076,304	278,068,889	360,111,953
Europe, Asia and Oceania	91,447,488	22,507,960	35,734,612
United States of America	125,356,167	-	214,478,372
	445,316,314	6,058,827,570	1,103,299,170

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

The geographic concentrations of loans are based on the debtor’s location, while investments are based on the issuer’s domicile. Geographic concentration for investments is based on the domicile of the issuer of the investment.

4.3 Liquidity or financing risk

Liquidity risk is defined as the risk that the Bank will encounter difficulties in obtaining the funds to meet its commitments or obligations on time.

The respective committees assigned by the Board of Directors periodically monitor the availability of liquid funds as the Bank is exposed to daily requirements, current accounts, maturing deposits and loan disbursements. The Bank's overall liquidity risk is managed by the Asset and Liability Committee (ALCO).

The Banking Regulation in Panama requires general license banks to maintain at all times a minimum balance of liquid assets, as defined in Agreement No. 4-2008 of the Superintendency of Banks of Panama, of not less than 30% of its deposits, however, as a result of the strict liquidity policies for the coverage of its liability operations, the Bank's liquidity based on this standard as of December 31, 2021 was 43.48% (June 2021: 49.33%).

The liquidity risk caused by the mismatch of maturities between assets and liabilities is measured using the liquidity gap or financial mismatch. In this analysis, simulations and stress scenarios are performed based on the difficulties that could lead to a lack of liquidity, such as: unexpected withdrawals of funds provided by creditors or clients, impairment in the quality of the loan portfolio, volatility of funds raised, etc.

The legal liquidity ratios corresponding to the margin of liquid assets over deposits received from the Bank's customers as of the date of the condensed consolidated financial statements are as follows:

	December 2021	**June 2021**
At the end of the period	**43.48%**	**49.33%**
Average for the period	44.71%	52.05%
Maximum for the period	48.37%	56.99%
Minimum for the period	40.01%	47.74%

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

December 2021	Carrying value	Undiscounted cash flows	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Deposits	5,330,388,128	5,373,557,975	3,734,442,043	1,183,942,076	439,492,241	15,681,615
Repurchase agreements	31,294,928	31,499,274	31,499,274	-	-	-
Obligations with financial institutions	1,304,622,282	1,413,273,858	487,682,068	515,791,387	232,592,407	177,207,996
Corporate bonds	442,357,324	595,190,401	47,893,423	76,874,893	40,718,580	429,703,505
Perpetual bonds	175,962,272	244,908,497	11,840,892	23,681,783	134,508,772	74,877,050
Leases liabilities	19,387,148	27,678,286	3,370,542	5,622,017	4,805,242	13,880,485
	7,304,012,082	7,686,108,291	4,316,728,242	1,805,912,156	852,117,242	711,350,651

June 2021	Carrying value	Undiscounted cash flows	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Deposits	5,234,369,365	5,277,120,180	3,559,716,155	1,237,364,074	459,225,513	20,814,438
Obligations with financial institutions	876,325,546	913,059,210	436,332,367	366,109,792	89,682,347	20,934,704
Marketable securities	6,850,000	6,878,083	6,878,083	-	-	-
Corporate bonds	1,055,663,563	1,228,862,549	645,417,893	102,757,554	40,717,532	439,969,570
Subordinated bonds	7,833,557	34,298,104	537,557	1,075,114	1,073,641	31,611,792
Perpetual bonds	160,763,868	226,864,502	10,964,867	21,929,734	45,779,179	148,190,722
Leases liabilities	20,847,797	29,904,898	3,932,932	5,909,365	5,058,736	15,003,865
	7,362,653,696	7,716,987,526	4,663,779,854	1,735,145,633	641,536,948	676,525,091

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

4.4 Market risk

It is the risk that the value of a financial asset may be reduced due to changes in interest rates, currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether due to latent losses or potential gains. The objective of market risk management is to manage and monitor risk exposures so that they remain within acceptable parameters and optimize risk return.

Risk management policies provide for compliance with limits per financial instrument and the requirement that, except by approval of the Board of Directors, substantially all assets and liabilities be denominated in U.S. dollars or balboas.

As part of the market risk, the Bank is exposed to the capital risk that may arise from its available-for-sale financial instruments.

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 the changes in the prices of each instrument are analyzed in order to take measures regarding the composition of the portfolio.

Within the investment strategy duly endorsed by the Board of Directors, exposure limits are established for individual risks, which are established based on approvals by risk rating of the issuers of these instruments.

Additionally, within market risk, the Bank is mainly exposed to interest rate risk.

- *Cash flow interest rate risk and fair value interest rate risk* - Cash flow interest rate risk and fair value interest rate risk are the risks that future cash flows and the value of a financial instrument will fluctuate due to changes in market interest rates.

The Asset and Liability Committee (ALCO) periodically reviews the exposure to interest rate risk.

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

December 2021	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	158,671,736	-	1,830,414	-	291,584,191	452,086,341
Securities purchased under resale agreements - at amortized cost	-	285,107	-	-	-	285,107
Investments at fair value through other comprehensive income	119,473,305	62,234,790	188,683,225	477,823,147	26,344,647	874,559,114
Investments at fair value through profit or loss	-	-	-	28,674,872	10,051,962	38,726,834
Investments at amortized cost	-	-	52,293,023	180,676,466	-	232,969,489
Loans	4,484,801,581	12,943,360	144,616,374	1,353,919,222	-	5,996,280,537
Total financial assets	4,762,946,622	75,463,257	387,423,036	2,041,093,707	327,980,800	7,594,907,422
Financial liabilities:						
Deposits from clients	2,380,480,901	816,264,699	1,604,918,578	15,642,359	513,081,591	5,330,388,128
Repurchase agreements	31,294,928	-	-	-	-	31,294,928
Obligations with financial institutions	1,176,335,898	-	128,286,384	-	-	1,304,622,282
Corporate bonds	-	24,736,425	34,771,781	382,849,118	-	442,357,324
Perpetual bonds	-	-	-	175,962,272	-	175,962,272
Total financial liabilities	3,588,111,727	841,001,124	1,767,976,743	574,453,749	513,081,591	7,284,624,934
Commitments and contingencies	-	-	-	-	1,273,002,527	1,273,002,527
Total interest rate sensitivity	1,174,834,895	(765,537,867)	(1,380,553,707)	1,466,639,958	(185,100,791)	310,282,488

June 2021	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	290,546,934	1,641,363	750,000	-	215,133,789	508,072,086
Securities purchased under resale agreements - at amortized cost	15,096	291,205	-	-	-	306,301
Investments at fair value through other comprehensive income	218,500,580	4,109,520	221,579,870	399,753,830	22,772,197	866,715,997
Investments at fair value through profit or loss	-	-	-	28,826,233	9,838,527	38,664,760
Investments at amortized cost	-	-	52,650,943	144,961,169	-	197,612,112
Loans	4,600,094,520	11,176,475	97,390,439	1,350,166,136	-	6,058,827,570
Total financial assets	5,109,157,130	17,218,563	372,371,252	1,923,707,368	247,744,513	7,670,198,826
Financial liabilities						
Deposits from clients	2,189,093,433	871,232,316	1,680,839,090	20,735,672	472,468,854	5,234,369,365
Obligations with financial institutions	876,325,546	-	-	-	-	876,325,546
Marketable securities	6,850,000	-	-	-	-	6,850,000
Corporate bonds	-	613,456,746	59,382,666	382,824,151	-	1,055,663,563
Subordinated bonds	-	-	-	7,833,557	-	7,833,557
Perpetual bonds	-	-	-	160,763,868	-	160,763,868
Total financial liabilities	3,072,268,979	1,484,689,062	1,740,221,756	572,157,248	472,468,854	7,341,805,899
Commitments and contingencies	-	-	-	-	1,236,908,530	1,236,908,530
Total interest rate sensitivity	2,036,888,151	(1,467,470,499)	(1,367,850,504)	1,351,550,120	(224,724,341)	328,392,927

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.

The monthly analysis by Management consists of determining 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 to the Asset and Liability Committee (ALCO) to determine whether the financial instruments in the portfolio are within the risk parameters acceptable to Management.

The Bank's analysis to determine the impact on assets and liabilities of increases and decreases in interest rates, assuming asymmetric movements in the yield curve and a constant financial position, is presented below:

December 2021	Increase of 100pbs	Decrease of 100pbs
Investments in securities	(75,945,566)	90,242,393
Loans	(19,518,055)	20,917,096
Time deposits	45,833,055	(47,072,873)
Obligations with financial institutions	21,582,745	(22,592,464)
Corporate bonds	23,185,537	(24,806,157)
Subordinated and perpetual bonds	2,966,067	(3,048,130)
Net impact	(1,896,217)	13,639,865

June 2021	Increase of 100pbs	Decrease of 100pbs
Investments in securities	(55,876,934)	63,812,576
Loans	(18,742,223)	20,092,955
Time deposits	48,539,712	(49,866,440)
Obligations with financial institutions	7,338,881	(7,591,802)
Marketable securities	12,363	(12,398)
Corporate bonds	26,614,628	(28,446,650)
Subordinated and perpetual bonds	2,537,356	(2,884,439)
Net impact	10,423,783	(4,896,198)

4.5 Operational risk

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

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

The Bank has established a comprehensive risk management and administration policy approved by the Risk Committee, the General Management and the Audit Committee of the Bank's Board of Directors. The Risk Committee measures liquidity risk, market risk, credit risk and operational risk.

The operational risk management structure has been designed to provide a segregation of responsibilities between owners, executors, control areas and areas responsible for ensuring compliance with policies and procedures. The Bank's business and service units take an active role in the identification, measurement, control and monitoring of operational risks and are responsible for understanding and managing these risks within their daily activities.

The implementation of the risk management structure implied that the Bank has adopted a risk-based business process evaluation methodology, which consists of identifying the key areas and processes in relation to the strategic objectives, identifying risks inherent to the business and diagramming the process cycle to identify risks and mitigating controls. This is supported by technological tools that allow the Bank to document, quantify and monitor the risks identified in the different processes through risk matrices. The internal audit department, through its programs, ensures compliance with the procedures and controls identified and, together with the risk management department, monitors the severity of the risks. The main objective of this methodology is to add maximum value to each of the organization's activities, reducing the possibility of failures and losses.

In order to establish this methodology, the Bank has allocated resources to strengthen internal control and organizational structure, allowing independence between the business, risk control and registration areas. This includes a proper functional operational segregation in the recording, reconciliation and transactional authorization, which is documented through defined policies, processes and procedures that include control and security standards.

In relation to human resources, the existing policies for hiring, evaluation and retention of personnel have been reinforced, thus achieving a highly qualified and experienced professional staff, which has to comply with various induction processes in the different positions, training plans and a certification of understanding and acceptance of the policies of conduct and business standards established in the Bank's Code of Ethics.

The Bank has made a significant investment in the adaptation of the technological platform in order to be more efficient in the different business processes and reduce risk profiles. To this end, security policies have been reinforced and a technological risk management policy has been established. On the other hand, the Bank is working on a contingency plan to replicate online the Bank's main information applications in the event of an interruption.

4.6 Insurance risk

The risk inherent in the insurance contract involves the possibility of occurrence of a sudden, unforeseeable, fortuitous event, independent of the will of the insured, and which results in a claim by the insured resulting in the reduction of an asset or the establishment of a liability.

The Bank's primary risk under its insurance contracts is that actual claims benefit and loss payments or occurrence will differ from expectations. This risk is influenced by the frequency of claims, benefits and actual claims paid, the development of long duration or heavy tail claims, as well as claims for catastrophic events where a large part of the internal and reinsurance portfolio is affected.

The portfolio of insurance contracts is managed mainly under a strict underwriting policy based on diversification and analysis of risk concentration, application of rates, conservative practices in long and short term investments and retention policies through reinsurance contracts. These reinsurance agreements include stop loss, excess of loss and catastrophe contracts in each of the lines of business in which it operates. The contracts in force allow for the acquisition of additional coverage, if required, upon the occurrence of a significant event. However, the main risk is that current claims and benefit payments to policyholders may exceed the present value of accrued liabilities due to the frequency and/or severity of events. To mitigate this risk, the Bank adopts policies of reasonable estimates and through evaluations assisted by statistical techniques and actuarial calculations.

4.7 Capital management

As of December 31, 2020, 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 that established the standards to determine the weighted assets by credit risk and counterparty risk and the new agreements, Agreements 11-2018 of September 11, 2018, modified by Agreement 3-2019 of April 30, 2019, by means of which new provisions on Operating Risk are established. Also, Agreement 2-2018 of January 23, 2018, by means of which the Superintendency of Banks has determined to take into consideration other risks to determine the capital adequacy index, among which are market risk, operating risk and country risk, to value the capital funds requirement.

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

The Banking Law in Panama requires that general license banks maintain a minimum paid-in capital of B/.10,000,000 and an equity of at least 8% of their weighted assets, including financial instruments outside the condensed consolidated statement of financial position. For these purposes, assets must be considered net of their respective provisions or reserves and with the weightings indicated in the Agreement of the Superintendency of Banks of Panama.

As established in the regulatory framework, capital requirements are measured as follows:

- *Primary capital* - Which is comprised of common stockholders' equity and secondary primary capital. Common stockholders' equity comprises paid-in capital, disclosed reserves, other comprehensive income and retained earnings. Paid-in capital is common stock and non-cumulative perpetual preferred stock issued and fully paid. Reported reserves are those identified as such by the Bank from accumulated earnings on its books to strengthen its financial position. Additional primary capital comprises financial instruments that are perpetual, which means, that have no maturity date.

  Retained earnings are retained earnings for the period and undistributed earnings for prior periods.

- *Secondary capital* – Comprises hybrid equity and debt instruments, subordinated term debt, general loss reserves, undisclosed reserves and asset revaluation reserves. General loss reserves are created voluntarily by the Bank's management to cover losses that have not yet been identified; undisclosed reserves are those created as part of after-tax income and are available to absorb unforeseen future losses and are not encumbered by any liability. The Bank's asset revaluation reserves are established as a result of any revaluation of the Bank's assets.

- *Dynamic provision* - As defined in Agreement No. 4-2013.

In order to calculate the amount of capital funds of a general license bank, the following deductions must be taken into account, which will be made on a quarterly basis:

- Unconsolidated capital allocated to foreign branches.
- Unconsolidated paid-in capital of the Bank's subsidiaries.
- Paid-in capital of non-bank subsidiaries. The deduction will include the balances recorded in assets for the higher value paid - with respect to the book value - in permanent investments in companies in the country and abroad.
- Asset items corresponding to expenses or other items, which according to generally accepted accounting principles and International Accounting Standards correspond to overvaluations or various forms of unrecognized losses, as well as losses incurred at any time during the year.

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

	December 2021	June 2021
Primary capital (Tier 1)		
Paid-in share capital	270,202,657	270,202,657
Excess paid-in capital	1,883,924	1,755,574
Declared reserves	42,840,993	42,382,907
Retained earnings	371,936,307	372,408,067
Other items of the comprehensive income	(904,146)	3,356,143
Dynamic reserve	87,863,198	87,863,198
Sub total	773,822,933	777,968,546
Less: Regulatory adjustments to ordinary primary capital calculations		
Trade funds	(92,014,817)	(92,014,817)
Other intangible assets	(20,146,460)	(20,918,130)
Total primary capital fund	661,661,656	665,035,599
Perpetual bonds	175,962,272	160,763,868
Total additional primary capital fund	175,962,272	160,763,868
Subordinated bonds	-	7,833,557
Total secondary capital fund	-	7,833,557
Total capital fund	837,623,928	833,633,024
Risk weighted asset		
Total risk weighted assets	5,263,820,354	5,221,160,948
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted asset	15.91%	15.97%
Total Tier 1 expressed as a percentage of risk weighted assets	15.91%	15.82%

5. Accounting estimates, critical judgments and contingencies

There have been no significant changes in the processes, methodologies or significant assumptions of significant estimates, which are mentioned below:

(a) Valuation of business model: The classification and measurement of financial assets depends on the results of the SPPI and the testing of the business model.

(b) Significant increase in credit risk.

(c) Establishing the number and relative weights of forward-looking scenarios and determining the relevant forward-looking information for each scenario.

(d) Establishing groups of assets with similar credit risk characteristics.

(e) Models and assumptions used.

(f) Reserve for expected credit losses.

(g) Impairment losses on loans at amortized cost - The Bank reviews its individually significant loans on each date of the consolidated statement of financial position to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss.

(h) Evaluation of the recoverable value of the generating units to which the goodwill is allocated.

The key assumptions in determining the recoverable amount are disclosed in Note 13.

(i) Impairment of the value of investments measured at fair value through other comprehensive income and investments measured at amortized cost.

(j) Fair value and valuation processes of financial instruments.

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

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

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

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

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

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

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

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 December 2021	Fair value June 2021	Fair value hierarchy	Valuation technique(s) and key data inputs	Significant unobservable data input(s)	Relationship between unobservable data inputs and fair value
Investments at fair value:						
Shares issued by companies - domestic	11,938,522	8,337,671	Level 2	Observable market prices in non-active markets	N/A	N/A
Shares issued by companies - domestic	606,700	417,700	Level 3	Share prices in non-liquid market.	Calibration prices and calibration dates.	If the unobservable inputs increase, the lower the fair value of the instrument.
Shares issued by companies - foreign	411,335	327,213	Level 1	Observable market prices in active markets	N/A	N/A
Shares issued by companies - foreign not listed in stock exchange	23,398	15,565	Level 3	Share prices in non-liquid market.	Calibration prices and calibration dates.	If the unobservable inputs increase, the lower the fair value of the instrument.
Privated debt securities - domestic	19,954,145	20,393,689	Level 1	Observable market prices in active markets	N/A	N/A
Privated debt securities - domestic	77,566,474	46,566,220	Level 2	Observable market prices in non-active markets	N/A	N/A
Privated debt securities - domestic	175,711,685	195,712,500	Level 3	Bond prices in non-liquid market.	Calibration prices and calibration dates.	If the unobservable inputs increase, the lower the fair value of the instrument.
Privated debt securities - foreign	312,927,159	324,642,450	Level 1	Observable market prices in active markets	N/A	N/A
Privated debt securities - foreign	9,998,223	49,981,230	Level 2	Observable market prices in non-active markets	N/A	N/A
Government debt securities - domestic	11,780,634	1,860,982	Level 1	Observable market prices in active markets	N/A	N/A
Government debt securities - domestic not listed in stock exchange	543,591	670,510	Level 3	Bond prices in non-liquid market.	Calibration prices and calibration dates.	If the unobservable inputs increase, the lower the fair value of the instrument.
Government debt securities - foreign	205,517,734	170,017,079	Level 1	Observable market prices in active markets	N/A	N/A
Shares issued by companies - domestic not listed in stock exchange	23,371,148	23,431,948	Level 3	Price per share, adjusted by the fair value of the issuer's properties.	Growth in issuer's assets, liabilities, equity and profits.	If growth increases, the price increases and vice versa.
Private debt securities - domestic not listed in stock exchange	24,040,000	24,040,000	Level 3	Net present value.	CSM data, cash flows	If the unobservable inputs deteriorate, the lower the fair value of the instrument.
Private debt securities - domestic not listed in stock exchange	38,895,200	38,966,000	Level 3	Discounted cash flows.	Discount rate	If the discount rate is higher than the cash flows, the lower the fair value of the instrument.
Total investments at fair value	913,285,948	905,380,757				
Financial instruments - derivatives:						
Interest rate swaps – fair value	2,332,536	206,871	Level 2	Present value. The valuation of an interest rate swap is achieved by summing the present value of all expected cash flows of the swap, and then applying a credit adjustment.	N/A	N/A
Total derivative financial instruments	2,332,536	206,871				

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

	December 2021 Investments at fair value through other comprehensive income Effect in equity	
	Favorable	**(Unfavorable)**
Fixed income instruments	10,527,724	(9,875,327)

	June 2021 Investments at fair value through other comprehensive income Effect in equity	
	Favorable	**(Unfavorable)**
Fixed income instruments	12,210,057	(11,396,505)

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

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

	December 2021		June 2021	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Cash and bank deposits	291,584,191	291,584,191	215,133,789	215,133,789
Time deposits	160,502,150	160,502,150	292,938,297	292,938,297
Securities purchased under resale agreements - at amortized cost	285,107	285,107	306,301	306,301
Investments at amortized costs	232,969,489	236,191,814	197,612,112	203,026,951
Loans	5,768,527,486	5,889,321,663	5,837,109,104	5,957,800,352
Total financial assets	6,453,868,423	6,577,884,925	6,543,099,603	6,669,205,690
Liabilities				
Demand deposits	513,081,591	513,081,591	472,468,854	472,468,854
Saving deposits	1,276,937,454	1,276,937,454	1,182,619,841	1,182,619,841
Time deposits	3,540,369,083	3,610,047,737	3,579,280,670	3,661,792,053
Securities sold under repurchase agreements	31,294,928	31,294,928	-	-
Obligations with financial institutions	1,304,622,282	1,314,207,808	876,325,546	874,936,937
Marketable securities	-	-	6,850,000	6,871,005
Corporate bonds	442,357,324	457,365,156	1,055,663,563	1,083,021,908
Subordinated bodns	-	-	7,833,557	7,861,428
Perpetual bonds	175,962,272	176,739,578	160,763,868	164,300,296
Total financial liabilities	7,284,624,934	7,379,674,252	7,341,805,899	7,453,872,322

	Fair value hierarchy December 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and bank deposits	291,584,191	-	291,584,191	-
Time deposits	160,502,150	-	160,502,150	-
Securities purchased under resale agreements - at amortized cost	285,107	-	285,107	-
Investments at amortized costs	236,191,814	218,064,186	-	18,127,628
Loans	5,889,321,663	-	-	5,889,321,663
Total financial assets	6,577,884,925	218,064,186	452,371,448	5,907,449,291
Liabilities				
Demand deposits	513,081,591	-	513,081,591	-
Saving deposits	1,276,937,454	-	1,276,937,454	-
Time deposits	3,610,047,737	-	3,610,047,737	-
Securities sold under repurchase agreements	31,294,928	-	31,294,928	-
Obligations with financial institutions	1,314,207,808	-	1,314,207,808	-
Corporated bonds	457,365,156	397,544,156	24,821,000	35,000,000
Perpetual bonds	176,739,578	-	122,760,628	53,978,950
Total financial liabilities	7,379,674,252	397,544,156	6,893,151,146	88,978,950

	Fair value hierarchy June 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and bank deposits	215,133,789	-	215,133,789	-
Time deposits	292,938,297	-	292,938,297	-
Securities purchased under resale agreements - at amortized cost	306,301	-	306,301	-
Investments at amortized costs	203,026,951	185,473,802	-	17,553,149
Loans	5,957,800,352	-	-	5,957,800,352
Total financial assets	6,669,205,690	185,473,802	508,378,387	5,975,353,501
Liabilities				
Demand deposits	472,468,854	-	472,468,854	-
Saving deposits	1,182,619,841	-	1,182,619,841	-
Time deposits	3,661,792,053	-	3,661,792,053	-
Obligations with financial institutions	874,936,937	-	874,936,937	-
Marketable securities	6,871,005	-	6,871,005	-
Corporate bonds	1,083,021,908	993,200,908	54,821,000	35,000,000
Subordinated bonds	7,861,428	-	3,914,578	3,946,850
Perpetual bonds	164,300,296	-	125,022,346	39,277,950
Total financial liabilities	7,453,872,322	993,200,908	6,382,446,614	78,224,800

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

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

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

	December 2021	**June 2021**
Balance at the beginning of the period	283,254,223	294,668,176
Additions	440,841	162,428,730
Reclassifications from Level 2 to 3	32,748,954	3,860
Reclassifications from Level 3 to 2	(37,459,500)	(21,860,810)
Net change in fair value	(1,081,967)	546,636
Redemptions and amortizations	(14,710,829)	(152,532,369)
Balance at the end of the period	263,191,722	283,254,223

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

The total unrealized gain or loss for investments at fair value through other comprehensive income classified as Level 3 as of December 31, 2021 is for (B/.1,742,701) (June 2021: B/.660,734).

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

6. Balances and transactions with related parties

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

	December 2021	June 2021
Operations with related parties		
Condensed consolidated statement of financial position		
Assets		
Investments at fair value through other comprehensive income	23,588,029	22,433,773
Investments at fair value through profir or loss	9,394,777	4,699,477
Loans	82,606,058	76,590,452
Accrued interest receivable	2,147,926	1,938,143
Other assets	54,828,277	54,437,258
Liabilities		
Deposits from clients:		
Demand	41,078,589	14,384,044
Savings	3,533,170	1,900,753
Time	71,599,300	76,433,222
Accrued interest payable	178,814	187,224
Commitments and contingencies	29,412,482	32,040,518

Condensed consolidated statement of profit or loss

	December 2021	December 2020
Income and expenses		
Interest and dividend income	1,591,812	1,410,171
Interest expense	1,379,507	1,412,366

	December 2021	June 2021
Transactions with Directors and key Management personnel		
Condensed consolidated statement of financial position		
Assets		
Loans	13,795,404	13,011,670
Accrued interest receivable	82,092	80,704
Liabilities		
Deposits from clients:		
Demand	1,572,448	2,822,582
Savings	12,881,662	13,671,238
Time	51,131,720	48,286,950
Accrued interest payable	431,754	114,899
Commitments and contingencies	1,143,507	1,137,411

	December 2021	Diciembre 2020
Condensed consolidated statement of profit and loss		
Income and expenses		
Interest income	292,617	284,408
Interest expenses	668,197	1,147,952
Benefits of key Management personnel		
Salaries	3,016,637	2,714,885
Share option plan for employees	128,350	244,260
Allowances for Directors	435,150	451,750
	3,580,137	3,410,895

As of December 31, 2021, collaterals guaranteeing loans to related parties amounted to B/.114,625,949 (June 2021: B/.119,119,680), which correspond to property, assets and securities.

As of December 31, 2021, no loans with related parties show evidence of impairment. As of December 31, 2021, loans with related parties with maturities between January 2022 and October 2051 and annual interest rates ranging between 2.75% and 7.25% (June 2021: with maturities between July 2021 and July 2051 and annual interest rates ranging between 2.75% and 8.00%).

7. Cash and cash equivalents

	December 2021	June 2021
Cash and cash equivalents	47,100,703	62,755,772
Demand deposits	244,483,488	152,378,017
Time deposits	160,502,150	292,938,297
	452,086,341	508,072,086
Accrued interest receivable	182,311	244,401
Cash and bank deposits	452,268,652	508,316,487
Less:		
Accrued interest receivable	(182,311)	(244,401)
Restricted time deposits	(26,482,735)	(1,482,735)
Time deposits with original maturities greater than 90 days	(19,019,414)	(32,599,556)
Cash and cash equivalents for the condensed consolidated cash flows statement	406,584,192	473,989,795

As of December 31, 2021, there were fixed time deposits with original maturities greater than 90 days for B/.19,019,414 (June 2021: B/.32,599,556). In addition, there are fixed time deposits restricted for B/.26,482,735 (June 2021: B/.1,482,735) that guarantee financial obligations.

8. Securities purchased under resale agreements

As of December 31, 2021, securities purchased under resale agreements for B/.285,107 (June 2021: B/.306,301) with maturities in May and September 2022, (June 2021: with maturities in September 2021, May 2022 and June 2022), are secured by shares and bonds of companies listed on the Panama Stock Exchange.

9. Investments in securities

The breakdown of investments in securities is as follows:

	December 2021	June 2021
Investments at fair value through other comprehensive income	874,559,114	866,715,997
Investments at fair value through profit or loss	38,726,834	38,664,760
Investments at amortized cost	232,969,489	197,612,112
Accrued interest receivable	7,228,184	7,576,501
Provision for impairment of investments at amortized cost	(1,670,801)	(405,466)
Investments in securities, net	1,151,812,820	1,110,163,904

9.1 Investments at fair value through other comprehensive income

	December 2021	June 2021
Securities listed in stock exchange:		
Shares issued by companies - domestic	7,172,036	3,781,420
Shares issued by companies - foreign	411,335	327,213
Private debt securities - domestic	273,232,304	262,672,409
Private debt securities - foreign	318,290,511	369,837,448
Government debt securities - domestic	11,780,634	1,860,982
Government debt securities - foreign	205,517,734	170,017,080
	816,404,554	808,496,552
Securities not listed in stock exchange:		
Shares issued by companies - domestic	18,692,371	18,567,370
Shares issued by companies - foreign	23,398	15,565
Private debt securities - domestic	38,895,200	38,966,000
Government debt securities - domestic	543,591	670,510
	58,154,560	58,219,445
	874,559,114	866,715,997

Investments at fair value through other comprehensive income accrued interest at a rate ranging from 1.00% and 9.38% (June 2021: 1.00% and 9.38%)

As of June 30, 2021, there were investments at fair value through other comprehensive income for B/.22,900,630, which guarantee obligations with financial institutions (See Note 16).

As of December 31, 2021, the Bank sold and redeemed investments for B/.285,870,301 (June 2021: B/.1,645,314,605) and, as a result, recorded a gain of B/.816,577 (December 2020: B/.2,005,501), which is included in the condensed consolidated statement of profit or loss.

9.2 Investments at fair value through profit or loss

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

	December 2021	June 2021
Securities listed in the stock exchange		
Corporate shares - domestic	5,373,185	4,973,950
Private debt securities - foreign	4,634,872	4,786,232
	10,008,057	9,760,182
Securities not listed in the stock exchange		
Corporate shares - domestic	4,678,777	4,864,578
Private debt securities - domestic	24,040,000	24,040,000
	28,718,777	28,904,578
	38,726,834	38,664,760

9.3 Investments at amortized cost

	December 2021		June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Securities listed in the stock exchange:				
Government debt securities - domestic	111,611,410	116,177,866	112,103,951	117,551,521
Government debt securities - foreign	101,541,318	101,886,320	65,341,400	67,922,281
	213,152,728	218,064,186	177,445,351	185,473,802
Securities not listed in the stock exchange:				
Private debt securities - domestic	19,816,761	18,127,628	20,166,761	17,553,149
	19,816,761	18,127,628	20,166,761	17,553,149
	232,969,489	236,191,814	197,612,112	203,026,951

As of December 31, 2021, the annual interest rate earned by investments at amortized cost range between 2.252% and 8.875% (June 2021: 2.252% and 8.875%).

As of December 31, 2021, there are investments at amortized cost for B/.20,420,645 (June 2021: B/.50,755,968), which guarantee obligations with financial institutions. (See Note 16).

10. Loans

	December 2021			June 2021		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Domestic:						
Consumer	1,094,275,554	(64,958,685)	1,029,316,869	1,061,296,524	(60,449,084)	1,000,847,440
Commercial	1,248,180,559	(50,666,140)	1,197,514,419	1,244,507,236	(46,292,942)	1,198,214,294
Agricultural	340,876,100	(10,164,291)	330,711,809	357,325,560	(10,553,992)	346,771,568
Pledge	97,577,803	(721)	97,577,082	100,551,360	(289)	100,551,071
Overdrafts	106,247,521	(5,483,824)	100,763,697	127,631,785	(4,373,199)	123,258,586
Mortage	1,826,469,387	(43,780,877)	1,782,688,510	1,788,216,687	(29,356,833)	1,758,859,854
Industrial	254,813,018	(3,335,382)	251,477,636	241,634,566	(3,006,262)	238,628,304
Construction	464,115,729	(21,156,467)	442,959,262	579,906,557	(36,551,847)	543,354,710
Financial leasings	35,117,924	(1,573,000)	33,544,924	48,419,714	(1,841,138)	46,578,576
Factoring	251,459,031	(10,641,605)	240,817,426	208,760,732	(12,805,072)	195,955,660
Total domestic	5,719,132,626	(211,760,992)	5,507,371,634	5,758,250,721	(205,230,658)	5,553,020,063
Foreign:						
Commercial	174,418,455	(1,618,462)	172,799,993	162,001,889	(1,726,207)	160,275,682
Agricultural	700,000	(893)	699,107	750,000	(185)	749,815
Industrials	28,397,350	(3,828,807)	24,568,543	27,518,162	(1,191,078)	26,327,084
Construction	16,343,298	(118,616)	16,224,682	26,472,750	(337,229)	26,135,521
Pledge	10,970,022	-	10,970,022	10,970,022	-	10,970,022
Overdrafts	46,318,786	(63,712)	46,255,074	72,864,026	(100,225)	72,763,801
Total foreign	277,147,911	(5,630,490)	271,517,421	300,576,849	(3,354,924)	297,221,925
	5,996,280,537	(217,391,482)	5,778,889,055	6,058,827,570	(208,585,582)	5,850,241,988
Plus: Accrued interest receivable			170,091,506			170,867,515
Less: Discounted unearned interest and commissions			(10,361,569)			(13,132,884)
Total			5,938,618,992			6,007,976,619

As of December 31, 2021, the loan portfolio accrued interest at a rate ranging from 0.75% to 25.99% (June 2021: 0.75% to 30%).

As of December 31, 2021, there are loans that guarantee corporate bonds for a total of de B/.128,865,152 (June 2021: B/.131,118,018). (See Note 18).

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

	December 2021	June 2021
Fixed rate	798,683,910	728,363,635
Adjustable rate	5,022,308,900	5,124,755,388
Floating rate (Libor o Prime)	175,287,727	205,708,547
	5,996,280,537	6,058,827,570

Financial leasing

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

	December 2021	June 2021
Less than a 1 year	4,658,557	5,959,328
1 to 5 years	30,459,367	42,460,386
Total	35,117,924	48,419,714
Less: unearned interest	(4,226,839)	(7,724,098)
Total financial leasings	30,891,085	40,695,616

Restructured loans

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

As of December 31, 2021, restructured loans that would otherwise be overdue or impaired amount to B/.152,329,091 (June 2021: B/.117,985,958).

	December 2021	June 2021
Consumer:		
Personal loans	17,474,626	15,351,396
Mortgage	71,619,873	60,971,930
Corporate:		
Commercial	63,234,592	41,662,632
Total	152,329,091	117,985,958

In addition, as of December 31, 2021, a total of B/.548,480,756 (June 30, 2021: B/.956,852,818) of loans categorized as modified under the Agreement 2-2021 were restructured in their terms, modifying their payment plan, interest rates, among others.

11. Property, plant, equipment and improvements

December 2021

	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	Total
Cost:								
At the beginning of the period	13,003,604	139,704,947	33,785,297	88,568,905	3,339,374	14,004,967	20,873,115	313,280,209
Acquisitions or purchases	-	-	30,399	67,452	225,000	-	6,125,927	6,448,778
Reclassifications	-	378,173	289,078	785,029	-	-	(1,452,280)	-
Sales and write-offs	-	(552,171)	(192,428)	(278,933)	(419,851)	(319,132)	-	(1,762,515)
At the end of the period	13,003,604	139,530,949	33,912,346	89,142,453	3,144,523	13,685,835	25,546,762	317,966,472
Accumulated depreciation and amortization:								
At the beginning of the period	-	26,619,005	27,430,347	55,300,000	2,525,813	6,374,691	-	118,249,856
Expense for the period	-	1,961,976	1,429,020	3,905,281	227,425	518,128	-	8,041,830
Sales and write-offs	-	(375,495)	(205,388)	(234,187)	(419,851)	(318,458)	-	(1,553,379)
At the end of the period	-	28,205,486	28,653,979	58,971,094	2,333,387	6,574,361	-	124,738,307
Net balances	13,003,604	111,325,463	5,258,367	30,171,359	811,136	7,111,474	25,546,762	193,228,165

June 2021

	Land	Property	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Projects in progress	Total
Cost:								
At the beginning of the year	13,003,604	139,706,297	33,880,234	87,575,566	3,920,624	14,274,456	10,935,905	303,296,686
Acquisitions or purchases	-	-	108,344	1,761,049	142,117	-	9,937,210	11,948,720
Sales and write-offs	-	(1,350)	(203,281)	(767,710)	(723,367)	(269,489)	-	(1,965,197)
At the end of the year	13,003,604	139,704,947	33,785,297	88,568,905	3,339,374	14,004,967	20,873,115	313,280,209
Accumulated depreciation and amortization:								
At the beginning of the year	-	22,718,215	24,410,670	48,369,407	2,806,970	5,655,314	-	103,960,576
Expense for the year	-	3,900,790	3,212,488	7,696,821	424,309	988,142	-	16,222,550
Sales and write-offs	-	-	(192,811)	(766,228)	(705,466)	(268,765)	-	(1,933,270)
At the end of the year	-	26,619,005	27,430,347	55,300,000	2,525,813	6,374,691	-	118,249,856
Net balances	13,003,604	113,085,942	6,354,950	33,268,905	813,561	7,630,276	20,873,115	195,030,353

12. Right-of-use assets and lease liabilities

a) Right-of-use assets

Right-of-use assets are presented below:

Building and Properties	December 2021	June 2021
Cost:		
Balance at the beginning of the year	26,404,100	25,948,456
Adjustments to right-of-use assets	32,307	-
Increases in right-of-use assets	-	455,644
Balance at the end for the period	26,436,407	26,404,100
Accumulated depreciation and amortization:		
Balance at the beginning of the year	6,978,593	3,439,071
Expense of the period	1,729,845	3,539,522
Decreases (discards)	(23,222)	-
Balance at the end for the period	8,685,216	6,978,593
Net balance	17,751,191	19,425,507

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

	December 2021	December 2020
Depreciation expense on right-of-use assets	1,729,845	1,864,324
Interest expense on lease liabilities	342,061	202,288
	2,071,906	2,066,612

b) Lease liabilities

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

	December 2021	June 2021
Up to 1 year	2,136,575	2,619,815
Between 1 and 5 years	6,687,792	6,994,623
5 years or more	10,562,781	11,233,359
Total	19,387,148	20,847,797

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

13. Other assets

	December 2021	June 2021
Goodwill (a)	92,014,817	92,014,817
Accounts receivable National Treasury	57,343,779	50,456,626
Accounts receivable related parties	54,828,277	54,437,258
Investment properties (c)	52,860,897	42,850,897
Accounts receivable	48,706,382	48,793,226
Deferred income tax (b)	48,644,596	46,642,252
Repossessed assets	45,288,519	25,399,073
Intangible assets (d)	20,146,460	20,918,130
Prepaid expenses	18,433,372	17,802,884
Guarantee deposits	11,407,648	26,186,098
Insurance premium receivable	7,843,835	7,366,879
Severance fund	7,831,024	7,600,595
Claims against insurance companies	5,495,060	5,151,551
Tax credit - agrarian subsidy	3,667,547	3,864,468
Judicial deposits	2,976,331	3,078,024
Hedging derivative (e)	2,332,536	206,871
Customers liabilities under acceptances	449,615	584,010
Others	31,607,892	28,971,063
	511,878,587	482,324,722

(a) Goodwill

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

Acquisition date	Company acquired	% of acquired participation	December 2021	June 2021
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Afianzadora Colón, S.A.	100%	25,000	25,000
December 2014	PROGRESO - Administradora Nacional de Inversiones, Fondos de Pensiones y Cesantías, S.A.	100%	8,407,500	8,407,500
December 2018	Banco Panameño de la Vivienda, S.A. y Subsidiarias	99.972%	75,252,130	75,252,130
			92,014,817	92,014,817

(b) Deferred income tax

Details of deferred income tax are shown in Note 31.

(c) Investment properties

Investment properties consist of real estate for future development with a value of B/.86,861,200 (June 30, 2021: B/.66,861,200) according to appraisal performed by Avalúos, Inspecciones y Construcción, an independent appraiser of the Bank with experience and capacity to perform these appraisals. The fair value is based on the market methodology where the sales price per square meter of the land is the most relevant input. Fair value has been classified in level 3 of the IFRS 13 valuation hierarchy.

(d) Intangible assets

	December 2021	June 2021
Cost:		
Rights to manage the severance fund portfolio HSBC		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Tradermarks and other intangibles	8,454,809	8,454,809
Intangible assets from purchase of Banvivienda	15,500,000	15,500,000
	25,344,772	25,344,772
Accumulated amortization:		
Balance at beginning of the period	4,426,642	2,883,302
Amortization	771,670	1,543,340
	5,198,312	4,426,642
Net balance at end of the period	20,146,460	20,918,130

In order to test goodwill or other intangible assets for impairment, a valuation of the various assets (contracts, portfolios) or businesses acquired by the Bank that have generated such goodwill or intangible assets is performed periodically. The Bank primarily uses the discounted future cash flow model of the related assets or businesses or alternative business valuation methods including multiples of earnings or equity, as appropriate.

As of December 31, 2021 and June 30, 2021, no impairment losses on goodwill or intangible assets were recognized. The valuation made using the discount method of the future net cash flows generated by the assets or businesses acquired, indicates that the present value of these exceeds the carrying amount of goodwill or intangible assets.

In order to perform the valuation of the assets and businesses acquired, the expected net cash flows of the assets or businesses were projected for five-year periods, and a perpetual growth or cash flow multiple was defined at the end of the cash flow projection period to estimate the terminal cash flow. Growth rates in assets or businesses fluctuate based on the nature of each one, while perpetual growth rates are between 0% and 3%.

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

- To calculate the present value of future cash flows and determine the value of the assets and businesses being evaluated, the discount rate used was the estimated average cost of capital for the periods of time contemplated, when the business unit being evaluated is the Bank; when discounting active cash flows or units with a profile other than the Bank, the cost of capital applicable to that activity is used if different. The cost of capital is a function of the long-term average interest rates of AAA instruments in U.S. dollars, the country risk premium, and the applicable return premium for equity investments. The Bank's cost of capital is approximately 12%.

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

Amortization expense is presented in the condensed consolidated statement of profit or loss under depreciation and amortization.

(e) Hedge derivative

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

Cash Flow hedging

To manage its position in the condensed consolidated statement of financial position, the Bank has entered into interest rate swap contracts on borrowings with a nominal value B/.200,000,000 as of December 31, 2021 and June 30, 2021, which allows to convert from variable to fixed interest rates during each payment period.

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

	December 2021 Remaining maturity of the nominal value		
Method of accounting	**More than 1 year**	**Less than 1 year**	**Total**
Cash flows	200,000,000	-	200,000,000
Total	200,000,000	-	200,000,000

	June 2021 Remaining maturity of the nominal value		
Method of accounting	**More than 1 year**	**Less than 1 year**	**Total**
Cash flows	200,000,000	-	200,000,000
Total	200,000,000	-	200,000,000

The nominal amount and the estimated fair value of interest rate derivative instruments as of December 31, 2021 and June 30, 2021 are presented in the following table. The fair value of derivative financial instruments is estimated using valuation models with observable market data.

	December 2021		June 2021	
Type	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Derivatives for cash flow hedging (for financing)	200,000,000	2,332,536	200,000,000	206,871
Total	200,000,000	2,332,536	200,000,000	206,871

14. Deposits from clients

December 2021	Demand	Savings	Time	Total
Economic sector				
Corporate	428,955,706	451,002,766	2,181,083,665	3,061,042,137
Personal	84,125,885	825,934,688	1,295,359,962	2,205,420,535
	513,081,591	1,276,937,454	3,476,443,627	5,266,462,672
Sector				
Domestic	493,432,790	1,211,646,250	2,954,070,418	4,659,149,458
Foreign	19,648,801	65,291,204	522,373,209	607,313,214
	513,081,591	1,276,937,454	3,476,443,627	5,266,462,672

June 2021	Demand	Savings	Time	Total
Economic sector				
Corporate	391,504,370	395,770,116	2,229,123,393	3,016,397,879
Personal	80,964,484	786,849,725	1,305,247,143	2,173,061,352
	472,468,854	1,182,619,841	3,534,370,536	5,189,459,231
Sector				
Domestic	445,790,284	1,120,629,300	2,959,149,655	4,525,569,239
Foreign	26,678,570	61,990,541	575,220,881	663,889,992
	472,468,854	1,182,619,841	3,534,370,536	5,189,459,231

15. Securities sold under repurchase agreements

As of December 31, 2021, there are repurchase agreements for B/.31,294,928, secured by investments at fair value through other comprehensive income for B/.39,080,629, at an interest rate of 1.343%, maturing in June 2022.

16. Obligations with financial institutions

	December 2021	June 2021
As of December 31, 2021, there are obligations with other banks for the financing of foreign trade, with multiple maturities until November 2023 and annual interest rates between 0.6231% and 2.45% (June 2021: between 0.5560% and 2.6065%).	252,471,379	168,847,189
As of June 30, 2021, there were obligations with financial institutions for short-term liquidity management, with interest rates between 2.15% and 2.37%, reviewed semiannually.	-	55,006,833
At December 31, 2021 there are obligations with international organizations for long-term liquidity management, with renewable maturities between June 2022 and September 2025 and interest rates between 2.449% and 3.595% (June 2021: between 1.948% and 3.453%).	94,285,850	139,420,310
As of December 31, 2021 there are obligations with foreign banks for working capital, with various maturities until August 2031 and annual interest rates between 1.50% and 3.75% (June 2021: between 1.98588% and 3.25%).	812,671,521	373,320,764
At December 31, 2021 there is an obligation with a multilateral financial institution, with various maturities and final maturities from June 2022 to January 2027, interest rates are between 0.9166% and 3.50%, reviewed semiannually (June 2021: between 1.5059% and 3.50%).	145,193,532	139,730,450
	1,304,622,282	876,325,546

As of December 31, 2021, there are investments at amortized cost for B/. B/.20,420,645 (June 2021: B/.50,755,968) which guarantee these obligations with financial institutions. Additionally, there are restricted time deposits as of December 31, 2021 for B/.26,482,736 (June 2021: B/.1,482,735), which guarantee these obligations with financial institutions. As of June 30, 2021, there were investments at fair value through other comprehensive income for B/.22,900,630 which guaranteed this obligations with financial institutions.

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

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

	December 2021	June 2021
Balance at the beginning of the year	876,325,546	1,074,122,772
Other movements	2,125,665	206,871
Obligations received	986,685,798	732,853,771
Payments made	(560,514,727)	(930,857,868)
Balance at the end of the period	1,304,622,282	876,325,546

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

Interest is paid on a monthly basis. The Bank cannot redeem the VCNs in advance, and they are secured by the Bank's overall credit.

Series	Issuance date	Interest rate	Maturity	December 2021	June 2021
D-G	Jul-20	3.00%	Jul-21	-	1,850,000
D-H	Aug-20	3.00%	Aug-21	-	2,000,000
D-I	Sep-20	2.75%	Sep-21	-	3,000,000
				-	6,850,000

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

	December 2021	June 2021
Balance at the beginning of the year	6,850,000	23,300,000
Proceeds from issuances	-	7,850,000
Redemptions	(6,850,000)	(24,300,000)
Balance at the end of the period	-	6,850,000

18. Corporate bonds

Type	Interest rate	Maturity	December 2021	June 2021
A Series - October 2016 issuance	4.50%	Oct-21	-	583,493,143
A Series - August 2018 issuance	5.00%	Aug-21	-	29,963,603
B Series - August 2018 issuance	5.25%	Aug-22	24,736,425	24,675,090
C Series - August 2018 issuance	5.50%	Aug-23	34,771,781	34,707,576
A Series - April 2019 issuance	5.25%	Apr-29	382,849,118	382,824,151
			442,357,324	1,055,663,563

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

October 2016 Issuance - The bonds of this issue constituted direct, unconditional and unsecured obligations, which were cancelled at maturity in October 2021. This issuance was registered in Panama in December 2017 for an amount of B/.550,000,000.

August 2018 Issuance - The bond issuance is guaranteed through a Guarantee Trust with the Fiduciary Agent in whose favor Mortgage Loans with a total value that must cover at least 120% of the Unpaid Capital Balance of Issued and Outstanding Bonds will be transferred. Interest is payable quarterly and the principal of the bonds at maturity. A Series was cancelled in August 2021.

April 2019 Issuance - The bonds of this issuance constitute direct, unconditional and unsecured obligations. The coupon is paid semi-annually at a fixed rate and changes to a variable 3-month Libor rate plus 3.30% spread in the last year of the issuance.

As of December 31, 2021, there are corporate bonds that maintain loan guarantees in trust for a total of B/.128,865,152 (June 2021: B/.131,118,018). (See Note 10).

19. Subordinated bonds

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

Type	Interest rate	Maturity	December 2021	June 2021
A Series - August 2010 Issuance	6.75%	Aug-70	-	554,000
B Series - November 2010 Issuance	6.75%	Aug-70	-	3,039,954
C Series - December 2010 Issuance	6.75%	Aug-70	-	3,354,603
D Series - May 2011 Issuance	6.75%	Aug-70	-	270,000
E Series - October 2014 Issuance	6.75%	Aug-70	-	615,000
			-	7,833,557

20. Perpetual bonds

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

Tipo	Interest rate	December 2021	June 2021
A Series - May 2016 Issuance	6.75%	23,932,265	23,909,981
B Series - July 2016 Issuance	6.75%	90,518,450	90,480,258
C Series - May 2018 Issuance	6.75%	5,191,950	5,191,950
D Series - May 2019 Issuance	6.75%	16,574,607	16,570,679
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	-
I Series - December 2021 Issuance	5.75%	134,000	-
		175,962,272	160,763,868

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

	December 2021	June 2021
Balance at the beginning of the period	1,224,260,988	1,278,616,418
Proceeds from issuances	15,134,000	23,850,000
Cost of debt issuance/ debt issuance cost amortization	1,149,721	3,271,628
Redemptions	(622,530,000)	(82,646,050)
Premiums, discounts / amortization of discount premium	304,887	1,168,992
Balance at the end of the period	618,319,596	1,224,260,988

21. Other liabilities

	December 2021	June 2021
Other creditors	34,197,668	34,083,259
Employee benefits and other employee liabilities	16,198,670	18,459,202
Cashier´s checks and certificates	19,172,736	18,114,394
Reserves from insurance operations (Note 22)	14,914,986	14,362,255
Factoring guarantee deposits (a)	8,355,881	8,169,290
Other reserves	7,061,118	8,866,674
Judicial and others deposits	3,462,956	3,616,716
Accounts payable - insurance	2,144,630	2,140,917
Special Interest Compensations Special Fund (FECI) payable	2,342,150	1,516,215
Pending acceptances	449,615	584,010
Income tax payable	84,559	62,369
Others	15,817,977	6,378,553
	124,202,946	116,353,854

a) Client’s and other withheld guarantees

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

22. Insurance operating reserves

Unearned premiums

	December 2021	June 2021
Balance at the beginning of period	7,226,720	7,794,965
Issued premiums	16,641,546	32,156,701
Earned premiums	(8,875,826)	(18,225,260)
Balance at the end of the period	14,992,440	21,726,406
Participation of reinsurers		
Premiums assigned	(4,925,664)	(11,995,488)
Unearned premiums	(786,881)	(980,003)
Unearned premiums, net	9,279,895	8,750,915

Claims pending settlement, estimates	December 2021	June 2021
Balance at the beginning of the period	5,611,340	6,347,257
Claims incurred	5,090,598	14,778,490
Claims paid	(5,066,847)	(15,514,407)
Balance at the end of the period	5,635,091	5,611,340
	14,914,986	14,362,255

23. Common shares

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

As of December 31, 2021, a total of B/.11,308,207 (December 2020: B/.10,025,911) was paid as dividends on common shares.

24. Interest and commission income and expenses

	December 2021	December 2020
Interest earned on:		
Loans	192,838,496	207,019,962
Deposits	569,787	836,224
Investments	18,611,088	17,142,995
	212,019,371	224,999,181
Interest expense:		
Deposits	(81,286,084)	(87,100,479)
Obligations with financial institutions and repurchase agreements	(15,533,342)	(12,081,694)
Marketable securities and bonds	(25,833,700)	(34,186,321)
	(122,653,126)	(133,368,494)
Net interest income	89,366,245	91,630,687
Commissions earned on:		
Loans	12,714,591	9,866,994
Letters of credit	847,235	1,230,314
Savings accounts and debit cards	2,102,787	2,034,393
Fiduciary and management services	6,352,107	5,285,207
Others	6,853,395	5,121,855
	28,870,115	23,538,763
Commission expenses	(9,132,490)	(6,416,252)
Net commissions income	19,737,625	17,122,511
Net interest and commissions income	109,103,870	108,753,198

25. Other income, net

	December 2021	December 2020
Insurance premiums, net	6,230,065	6,265,005
Net gain on securities sale	816,577	2,005,501
Trust and brokerage services, net	256,550	176,539
Net (loss) gain on instruments at fair value through profit or loss	(252,095)	267,872
Other income	341,466	2,207,479
	7,392,563	10,922,396

26. Other expenses

	December 2021	December 2020
Reserve for the redemption of miles	1,250,000	900,000
Communications and correspondance	906,271	922,795
Surveillance	888,854	817,436
Public services	723,983	709,443
Supplies and stationery	250,796	217,151
Insurance	81,539	107,883
Other operating expenses	3,929,460	4,860,880
Other general expenses	3,457,112	2,581,154
	11,488,015	11,116,742

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

As of December 31, 2021, key executive officers held stock options over 16,390 common shares of the Parent Company (G.B. Group Corporation) (June 2021: 35,234), of which 16,390 shares may be exercised in 2022; with an average strike price of B/.41.00 as of December 31, 2021 (June 2021: B/.41.00). The Bank recognized income for B/.128,350 (December 2020: B/.244,260) in the condensed consolidated statement of profit or loss under the line of other income and the corresponding entry in the shareholders' equity.

28. 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 as follows:

	December 2021	June 2021
Letters of credit	137,741,579	121,293,290
Endorsements and guarantees	480,653,503	482,703,113
Promissory notes	193,775,132	169,185,471
Unused credit lines	460,832,313	463,726,656
Total	1,273,002,527	1,236,908,530

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 condensed 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.

29. Management of trust contracts and investment portfolio

As of December 31, 2021, the Bank held trust contracts at the client's risk that amounted to B/.2,856,730,104 (June: 2021: B/.2,799,433,707).

	December 2021	June 2021
Guarantee Trust	2,575,801,343	2,520,329,920
Investment Trust	137,299,057	134,786,615
Management Trust	139,876,195	140,471,024
Pension Trust	2,551,441	2,666,938
Testamentary Trust	606,760	595,902
Assets - Escrow contract	595,308	583,308
	2,856,730,104	2,799,433,707

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

30. Management of pension and severance funds

	December 2021	June 2021
Severance Fund	308,786,674	305,339,517
Pension Fund (under Law No. 10)	239,934,611	229,430,496
Citibank, N. A.	3,152,748	3,185,659
Pribanco and Conase Plus	23,556	23,538
Bipan Plus	-	67,895
Other assets under management	32,666,031	31,474,010
	584,563,620	569,521,115

31. Income taxes

Income tax returns for the last three years of banks incorporated in the Republic of Panama are subject to examination by the tax authorities, including for the year ended June 30, 2021, according to current fiscal regulations.

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

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

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

The current income tax benefit is broken down as follows:

	December 2021	December 2020
Current income tax	1,793,321	2,045,238
Deferred tax for temporary differences	(2,002,344)	(9,446,274)
Benefit income tax expense	(209,023)	(7,401,036)

The average effective rate of the current income tax is 14.57% as of December 31, 2021.

The tax effect item that comprises the deferred tax asset included in the consolidated statement of financial position is the reserve for possible loan losses and the goodwill tax effect, which is broken down below:

	December 2021	June 2021
Balance at the beginning of the year	46,642,252	33,894,103
Credit to profit or loss during the period	2,002,344	12,748,149
Balance at the end of the year	48,644,596	46,642,252

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

A reconciliation of income tax is shown below:

	December 2021	December 2020
Profit before income tax	12,305,189	535,968
Less: non-taxable income	(13,397,012)	(6,734,268)
Plus: non-deductible expenses	4,101,090	6,984,347
Plus: Tax loss on subsidiaries	4,164,018	7,384,379
Taxable base	7,173,285	8,170,426
Income tax calculated at 25%	1,793,321	2,042,607
Remittance income tax	-	2,631
Current income tax expense	1,793,321	2,045,238

The deferred income tax asset is broken down as follows:

	December 2021	June 2021
Deferred income tax asset:		
Provision for expected losses	51,485,566	49,691,816
Deferred taxes from acquired intangible asset - core deposit	(3,013,884)	(3,175,344)
Other provision	172,914	125,780
Deferred income tax asset	48,644,596	46,642,252

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

December 2021		Charged to profit or loss	
Deferred income tax asset			
Provision for expected losses	49,691,816	1,793,750	51,485,566
Acquired intangible - core deposit	(3,175,344)	161,460	(3,013,884)
Other provision	125,780	47,134	172,914
Deferred income tax asset	46,642,252	2,002,344	48,644,596

June 2021		Charged to profit or loss	
Deferred income tax asset			
Provision for expected losses	37,266,587	12,425,229	49,691,816
Acquired intangible - core deposit	(3,498,264)	322,920	(3,175,344)
Other provision	125,780	-	125,780
Deferred income tax asset	33,894,103	12,748,149	46,642,252

Transfer pricing:

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

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

32. Segment information

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

	December 2021			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	234,628,665	1,067,659	5,193,162	240,889,486
Interest expenses and provisions	167,998,705	195,187	250	168,194,142
Other income, net	943,182	6,472,928	(23,547)	7,392,563
Other expenses	52,401,413	3,161,607	1,676,353	57,239,373
Depreciation and amortization expense	10,449,439	5,820	88,086	10,543,345
Profit before income tax	4,722,290	4,177,973	3,404,926	12,305,189
Income tax	(1,728,494)	861,300	658,171	(209,023)
Net profit	6,450,784	3,316,673	2,746,755	12,514,212
Total assets	8,171,340,737	61,025,661	33,477,116	8,265,843,514
Total liabilities	7,456,079,980	22,768,194	739,729	7,479,587,903

	December 2020			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	243,003,268	1,029,618	4,505,058	248,537,944
Interest expenses and provisions	193,617,650	127,196	(3,919)	193,740,927
Other income, net	4,251,100	6,432,928	238,368	10,922,396
Other expenses	51,216,793	1,698,328	1,309,755	54,224,876
Depreciation and amortization expense	10,856,582	6,857	95,130	10,958,569
Profit before income tax	(8,436,657)	5,630,165	3,342,460	535,968
Income tax	(9,295,971)	1,179,743	715,192	(7,401,036)
Net profit	859,314	4,450,422	2,627,268	7,937,004
	June 2021			
Total assets	8,232,793,328	59,866,842	30,883,723	8,323,543,893
Total liabilities	7,507,967,572	25,127,233	730,508	7,533,825,313

33. Bank's subsidiaries

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

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

34. Regulatory aspects and capital reserves

The following is a breakdown of the regulatory reserves:

	December 2021	June 2021
Banking reserves		
Dynamic reserve	87,863,198	87,863,198
Reserve for foreclosed assets	12,432,678	11,750,034
	100,295,876	99,613,232

Agreement No. 4-2013

The classification of the loan portfolio and reserve for possible loan losses based on Agreement 4-2013 is as follows:

December 2021

	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	2,261,110,414	327,441,269	134,379,776	27,323,250	92,169,350	2,842,424,059
Consumer loans	2,832,826,449	94,506,648	9,267,186	7,640,280	29,587,321	2,973,827,884
Other loans	179,918,336	90,000	20,258	-	-	180,028,594
Total	5,273,855,199	422,037,917	143,667,220	34,963,530	121,756,671	5,996,280,537
Specific reserve	-	23,629,466	12,540,953	10,112,533	73,539,110	119,822,062

June 2021

	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	2,452,012,739	300,335,715	144,958,489	16,208,189	105,414,327	3,018,929,459
Consumer loans	2,751,681,279	101,892,099	8,141,640	4,673,562	38,709,675	2,905,098,255
Other loans	134,797,405	-	2,451	-	-	134,799,856
Total	5,338,491,423	402,227,814	153,102,580	20,881,751	144,124,002	6,058,827,570
Specific reserve	-	17,791,705	17,261,487	5,869,542	77,529,058	118,451,792

The classification of the loan portfolio by maturity profile based on Agreement 4-2013 is as follows:

December 2021

	Current	Delinquent	Overdue	Total
Corporate	2,699,077,388	7,952,061	135,394,610	2,842,424,059
Consumer	2,812,188,922	91,972,289	69,666,673	2,973,827,884
Others	179,608,614	90,000	329,980	180,028,594
Total	5,690,874,924	100,014,350	205,391,263	5,996,280,537

June 2021

	Current	Delinquent	Overdue	Total
Corporate	2,881,350,791	5,410,010	132,168,658	3,018,929,459
Consumer	2,801,538,178	42,816,497	60,743,580	2,905,098,255
Others	134,797,405	-	2,451	134,799,856
Total	5,817,686,374	48,226,507	192,914,689	6,058,827,570

As of December 31, 2021, loans that do not accrue interest represented an amount of B/.142,299,567 (June 2021: B/.145,274,402).

Accounting treatment for differences between prudential standards and IFRSs

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

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

Dynamic reserve

According to Agreement 4-2013, the restriction of the dynamic reserve establish that the amount cannot be less that the amount established for the previous quarter. As of December 31, 2021, the dynamic provision was for B/.87,863,198 (June 2021: B/.87,863,198).

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

Off-balance sheet operations

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

December 2021	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Letters of credit	137,741,579	-	-	-	-	137,741,579
Endorsements and guarantees	480,653,503	-	-	-	-	480,653,503
Promissory notes	193,775,132	-	-	-	-	193,775,132
Unused credit lines	460,832,313	-	-	-	-	460,832,313
Total	1,273,002,527	-	-	-	-	1,273,002,527

June 2021	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Letters of credit	121,293,290	-	-	-	-	121,293,290
Endorsements and guarantees	482,703,113	-	-	-	-	482,703,113
Promissory notes	169,185,471	-	-	-	-	169,185,471
Unused credit lines	463,726,656	-	-	-	-	463,726,656
Total	1,236,908,530	-	-	-	-	1,236,908,530

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

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

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

Foreclosed assets

As of December 31, 2021, the regulatory reserve on foreclosed assets amounts to B/.12,432,578 (June 2021: B/.11,750,034) based on the reserve of Agreement 3-2009 of the Superintendency of Banks of Panama.

Premiums and notes receivable

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

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

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

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

a) Any policy cancellation notice shall be sent to the contractor at the last physical, postal or electronic address that appears in the policy file kept by the insurance company. Copy of the cancellation notice must be issued to the insurance broker.

b) Any change in the contractor's address must be notified to the insurance Company; otherwise, the last address on the insurance company's file will remain as the valid address.

c) The cancellation notice of the policy for non-compliance with premium payments must be sent to the contractor in writing, fifteen business days in advance. If the notice is not sent, the contract will remain in force and the reserve in Article No.998 of the Commercial Code will apply.

Laws and regulations:

a) Banking Law

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

Compliance with the regulatory body

Liquidity ratio

As of December 31, 2021, the liquidity ratio percentage reported to the regulatory body, under the parameters of Agreement 4-2008, was 43.48% (June 2021: 49.33%) (See Note 4.3).

Capital adequacy

The Law demands that Banks with a general license must have a minimum paid-in capital or assigned capital of ten million balboas (B/.10,000,000) and equity funds of no less than 8% of their weighted assets, including off-balance sheet operations. As of December 31, 2021, the Bank holds condensed consolidated equity funds of approximately 15.91% (June 2021: 15.97%) of its risk-weighted assets, in accordance with Agreement 1-2015 and Agreement 3-2016 and the new agreements, Agreement 11-2018 and Agreement 2-2018. (See Note 4.7).

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

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

b) Insurance and reinsurance Law

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

c) Securities Law

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

d) Trust Law

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

e) Financial Leasing Law

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

Capital reserve

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 to that fund an amount equal to not less than 20 percent of such profits provided that the amount of the reserve fund is less than 100 percent of the paid-in or, as the case may be, assigned capital of the financial institution. As of December 31, 2021, the reserve is B/.32,324,680 (June 2021: B/.32,324,680).

The capital reserve is as follows:

	December 2021	June 2021
Capital reserves	32,324,680	32,324,680
Insurance reserves		
Technical reserve	4,767,120	4,309,034
Regulatory reserve	5,749,193	5,749,193
	42,840,993	42,382,907

Technical reserves

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

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

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

	Reserve for statistical deviations		Reserve for catastrophic risk and contingencies	
	December 2021	June 2021	December 2021	June 2021
Balance at the beginning of the period	2,154,517	1,713,091	2,154,517	1,713,091
Additions	229,043	441,426	229,043	441,426
Balance at the end of the period	2,383,560	2,154,517	2,383,560	2,154,517

Regulatory Reserve

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

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

The movement of the legal reserve is detailed below:

	December 2021	June 2021
Balance at the beginning of the period	5,749,193	5,749,193
Balance at the end of the period	5,749,193	5,749,193

35. COVID-19 effect

The 2019 coronavirus pandemic (COVID-19) has affected the global economy during 2020 and 2021. Virtually all industries faced challenges associated with liquidity problems and specific sectors such as air and cargo transportation, entertainment, retail, restaurants, hospitality and tourism experienced significant operational declines due to quarantine measures adopted in different countries, including Panama. However, by December 2021 these adverse effects have begun to diminish due to the economic reactivation that has allowed the recommencement of the development of productive activity, achieving an improvement in employment levels, household income, containment of inflation, among others. This situation was evaluated periodically during the year period June 31, 2021 by Management in order to take all appropriate measures. The effects on the Bank's performance and financial position are included in the accompanying notes to the Condensed Consolidated Financial Statements, where the most significant impact is in the provisions for expected losses as disclosed in Note 4.2.1.1 and Note 36 of modified loans. In addition, the Bank considered the current economic environment, including the effects of the COVID-19 pandemic on the business in preparing the Consolidated Statement of Financial Position, taking into account the best available reliable information and estimates made at the date of preparation and issuance of the consolidated financial statements, related to a pandemic of this magnitude.

The Bank's Management will continue to monitor and modify operating and financial strategies to mitigate potential risks that could affect its business in the short, medium and long term.

36. Modified loans

Modified special mention category loans

On December 22, 2021, the Superintendency of Banks issued Agreement No. 6-2021 establishing the parameters and guidelines for the determination of provisions applicable to loans in the Modified Special Mention category and other related provisions. This Agreement repealed Article 8 of Agreement No.2-2021 which required a generic provision of three percent (3%) of the modified loan portfolio and its accrued interest. In its replacement, it establishes that banks must ensure compliance with International Financial Reporting Standards (IFRSs), as well as the prudential standards established in Article 5 of Agreement No. 6-2021. This includes applying consideration of the significant increase in risk derived from the passage of time, and that banks may not reverse the provisions previously constituted (by results or by equity) at the November 2021 cutoff for the total modified portfolio as of that date, in accordance with the provisions of Article 8 of Agreement No.2-2021.

In accordance with the requirements of Article No. 8 of Agreement No. 6-2021 of December 22, 2021, the following is a detail of the modified special mention category loan portfolio and its respective provisions and regulatory reserves as of December 31, 2021, classified according to the codifications indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021 and according to the risk stage of IFRS 9:

December 2021	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified normal	82,162,407	162,175,283	-	244,337,690
Modified special mention	-	8,918,886	-	8,918,886
Modified subnormal	200,460,411	401,965,237	25,357,229	627,782,877
Modified doubtful	-	20,773,895	3,953,038	24,726,933
Modified uncollectible	-	17,429,541	46,573,947	64,003,488
(-) Modified loans secured by pledged deposits in the same bank for up to in the same bank up to the amount guaranteed.	604,356	192,400	250,244	1,047,000
(+) Accrued interest receivable	13,073,476	52,181,563	4,627,212	69,882,251
(-) Unearned discounted interest and commissions	35,658	129,268	27,620	192,546
Total portfolio subject to provisions under Agreement 6-2021	295,056,280	663,122,737	80,233,562	1,038,412,579
Provisons and reserves				
IFRS 9 provisions	1,729,566	40,641,067	41,640,306	84,010,939

June 2021

	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified loans	713,688,996	477,531,841	48,955,910	1,240,176,747
Consumer	454,838,440	352,366,630	45,065,340	852,270,410
Corporate	258,850,556	125,165,211	3,890,570	387,906,337
(-) Modified loans secured by pledged deposits in the same bank for up to in the same bank up to the amount guaranteed.	953,548	393,518	18,035	1,365,101
(+) Accrued interest receivable	44,222,171	29,884,147	2,473,035	76,579,353
(-) Unearned discounted interest and commissions	96,720	286,491	36,495	419,706
Total portfolio subject to provisions under Agreement 6-2021	756,860,899	506,735,979	51,374,415	1,314,971,293
Provisons and reserves				
IFRS 9 provisions	4,484,028	38,770,541	26,890,062	70,144,631
Total provisions and reserves	4,484,028	38,770,541	26,890,062	70,144,631

As of December 31, 2021, modified special mention loans amounted to B/.969,769,874; representing 16.17% of the total loan portfolio as of that date. The composition of the modified special mention loans consists of 72.38% consumer loans and 27.62% corporate loans.

The IFRS allowance for modified special mention loans amounts to B/.84,010.939 or 8.09% of the total portfolio subject to provisions.

During the month of December 2021, approximately 56.57% (B/.548,566,742) of the modified portfolio has made all contractual payments for that month. In addition, partial payments have been received on the modified portfolio. The following shows the percentage of the modified portfolio with partial or full payments, with respect to its payment plan, for the month of December.

December 2021

	Personal	Credit cards	Vehicles	Mortgage	Commercial	Total
% of balance with payments of the modified loans	66.05%	44.76%	71.21%	77.17%	58.33%	69.11%

As explained in Note 36 on the effects of COVID-19, as of March 31, 2020 the Bank granted an automatic grace period to borrowers affected in their commercial or personal activities by COVID-19, until June 30, 2020. As of that date, and as a result of an agreement signed between the Government of Panama and the Panamanian Banking Association, as well as the issuance of Law No. 156 of moratorium, the Bank extended the financial relief to those who were affected by COVID-19 and who so requested until December 31, 2020. These financial relief measures consist mainly of the granting of principal and interest grace periods to customers whose income has been affected by the pandemic.

COVID-19 has resulted in a disruption in economic activities that have adversely affected, and are likely to continue to adversely affect, the Bank's business, financial condition, liquidity and results of operations. The Bank's cash flows have been significantly diminished as a result of the aforementioned moratoriums, as shown in the following table detailing the percentage of the value of the modified special mention loans, including interest, that as of December 31, 2021 are unpaid as of the last installment payment recorded at the time of the loan modification:

December 2021	Up to 90 days	Between 91 and 120 days	Between 121 and 180 days	Between 181 and 360 days
Personal loans	18%	2%	3%	77%
Corporate loans	31%	8%	2%	59%

June 2021	Up to 90 days	Between 91 and 120 days	Between 121 and 180 days	Between 181 and 360 days
Personal loans	13%	2%	5%	80%
Corporate loans	10%	2%	16%	71%

The duration of the crisis (a year and a half) has also had a negative impact on the economic evolution of the country and the banking activity. A high level of uncertainty remains due to factors that cannot be foreseen, including the duration and development of the pandemic and how it may affect the proper functioning of economic activities in the coming months. However, the Bank's response plans have been effective and it continues to manage to overcome the effects of the pandemic on the Bank's performance. The Bank has been able to identify much of the impact of the pandemic on its customers and counterparties, and this information represents a key factor in managing the resulting crisis.

As part of the bank's risk management, both individual and collective analyses of the condition of the loans have been developed, including the segmentation of the portfolio with the objective of identifying the labor situation or opening of economic activity of each client and defining those who will be able to comply with their banking obligations, those who will have difficulties in doing so and those who will definitely not be able to comply and thus determine if there has been a significant increase in risk and classify such loans according to the corresponding stage of impairment. From this management process, policies, processes and procedures of continuous evaluation have been derived based on the established strategies. Additionally, different agreements have been reached with clients according to the individual analysis of their capacity to generate the cash flows necessary to meet their obligations.

With respect to the accompaniment programs according to the individual situation of each client, in order to help them resume payment of their loans, the Bank offered financial relief measures that included: extension of payment dates, grace periods to capital, adjustment in installments according to the clients' payment capacities.

Determining a significant risk increase in modified loans

The extension of loan payments or modified loans established by Agreement No. 2-2020 does not automatically translate into those loans having suffered a significant increase in credit risk given that a significant portion of these reliefs address temporary liquidity events generated by the closure or economic downturn caused by the Pandemic.

As part of the expected loss methodology, the Bank has mechanisms to identify the significant increase in risk applicable in general terms to the loan portfolio, based on quantitative and qualitative methodologies that incorporate, among other components, behavioral scoring models for consumer debtors and internal qualification (rating) models for corporate debtors.

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

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

1. For the consumer portfolio, the affectation of customers is determined through conditions related to the age of the last payment received and causes such as: termination of contracts, suspended contracts and decrease in income.

2. With respect to the corporate portfolio and other loans, clients are evaluated on a case-by-case basis to determine the impact of COVID-19 on the line of business, economic activity in which it operates and vulnerability conditions that may be identified in the context of future economic conditions.

Modified loan guarantees

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 the various loans amended are presented below:

	Consumer				Corporate	
December 2021	**Personal**	**Credit cards**	**Vehicles**	**Mortgage**	**Commercial**	**Total loans**
Modified loans balance	85,006,571	45,318,659	60,709,185	511,036,106	267,699,353	969,769,874
Guarantee	115,777,250	156,505	72,594,501	698,490,784	536,072,636	1,423,091,676
% of exposure that is subject to collateral requirements	136%	0%	120%	137%	200%	147%

	Consumer				Corporate	
June 2021	**Personal**	**Credit cards**	**Vehicles**	**Mortgage**	**Commercial**	**Total loans**
Modified loans balance	102,764,622	56,428,649	75,489,853	617,928,886	387,564,738	1,240,176,748
Guarantee	138,516,303	358,935	97,429,383	845,159,305	860,514,324	1,941,978,250
% of exposure that is subject to collateral requirements	135%	1%	129%	137%	222%	157%

As mentioned at the beginning of this note, on September 11, 2020, the Superintendency of Banks of Panama (the "Superintendency") issued Agreement No. 9-2020 modifying Agreement No. 2-2020 of March 16, 2020, whereby, among other things, it defines that loans classified as normal and special mention, as well as restructured loans that are not in arrears, may be modified in accordance with the guidelines established in the aforementioned Agreement. On the other hand, these modified loans in the normal and special mention category will be classified in the "modified special mention" category for the purpose of determining the respective provisions. The modified restructured loans that were in the substandard, doubtful or unrecoverable category will maintain the credit classification they had at the time of their modification with their respective provision.

Pursuant to the agreement mentioned in the preceding paragraph, on the modified special mention loan portfolio the Bank was required to set up a provision equivalent to the greater of the IFRS provision for the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including uncollected accrued interest and capitalized expenses; modified loans secured by pledged deposits in the same bank up to the guaranteed amount may be excluded from this calculation.

By means of Agreement No. 6-2021, the Superintendency repealed the article that required the generic provision indicated in the previous paragraph; however, taking into consideration the new circumstances derived from COVID-19 and the significant increase in risk derived from the passage of time, the Bank may not reverse the provisions previously constituted (by results or by equity) at the end of November 2021 for the total modified portfolio at that date, in accordance with the provisions of Article 8 of Agreement No. 2-2021.

Notwithstanding the foregoing, in the event that a modified loan is reestablished to the application of Agreement No. 4-2013 in the normal category, the Bank may use the portion of the provision previously constituted to establish the required IFRS provision. This provision will be in force until the Superintendency so determines, based on the future behavior of the modified portfolio.

Since the IFRS provisions as of December 31, 2021 exceed the IFRS and regulatory provisions not reversed at the end of November 2021, these rules do not affect the application of IFRSs as a whole.

37. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements of Global Bank Corporation and Subsidiaries for the period ended December 31, 2021 were authorized by General Management and approved by the Board of Directors for their issuance on February 25, 2022.

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