

**FREE ENGLISH LANGUAGE TRANSLATION FROM  
SPANISH VERSION**

**Global Bank Corporation  
and Subsidiaries**

Condensed consolidated interim financial statements as of  
March 31, 2022

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

# **Global Bank Corporation and Subsidiaries**

## **Condensed Consolidated Interim Financial Statements as of March 31, 2022**

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## Global Bank Corporation and Subsidiaries

### Condensed consolidated statement of financial position

As of March 31, 2022

(In balboas)

	Notes	March 2022	June 2021
<b>Assets</b>			
Cash and bank deposits	7,16	438,578,493	508,316,487
Securities purchased under resale agreements	8	285,107	306,301
Investments in securities, net	6,9,16	1,075,999,538	1,110,163,904
Loans, net	6,10	6,054,301,060	6,007,976,619
Property, furniture, equipment and improvements	11	196,740,941	195,030,353
Right-of-use assets	12	17,038,067	19,425,507
Other assets	6,13	<u>516,888,346</u>	<u>482,324,722</u>
<b>Total assets</b>		<u>8,299,831,552</u>	<u>8,323,543,893</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Client deposits	6,14	5,168,838,462	5,189,459,231
Bank deposits		66,038,997	44,910,134
Accrued interest payable		<u>31,226,212</u>	<u>40,781,723</u>
Total deposits		<u>5,266,103,671</u>	<u>5,275,151,088</u>
Securities sold under resale agreements	15	98,540,341	-
Obligations with financial institutions	9,16	1,387,283,746	876,325,546
Marketable securities	17	-	6,850,000
Corporate bonds	18	442,434,512	1,055,663,563
Subordinated bonds	19	-	7,833,557
Perpetual bonds	20	177,135,287	160,763,868
Accrued interest payable		<u>13,912,973</u>	<u>14,036,040</u>
Total financings		<u>2,119,306,859</u>	<u>2,121,472,574</u>
Lease liabilities	12	18,770,802	20,847,797
Other liabilities	6,21,22	<u>117,630,361</u>	<u>116,353,854</u>
<b>Total liabilities</b>		<u>7,521,811,693</u>	<u>7,533,825,313</u>
<b>Equity</b>			
Common shares	23	270,202,657	270,202,657
Excess paid-in capital	27	1,913,326	1,755,574
Capital reserve	34	43,059,109	42,382,907
Regulatory reserve	34	101,151,605	99,613,232
Fair value reserve		(16,894,036)	3,356,143
Retained earnings		<u>378,587,198</u>	<u>372,408,067</u>
<b>Total shareholder's equity</b>		<u>778,019,859</u>	<u>789,718,580</u>
<b>Total liabilities and equity</b>		<u>8,299,831,552</u>	<u>8,323,543,893</u>

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 nine months ended March 31, 2022

(In balboas)

	Notes	March	
		2022	2021
Interest income	6	314,603,419	331,183,016
Interest expense	6	<u>(179,458,883)</u>	<u>(198,315,510)</u>
Net interest income	24	<u>135,144,536</u>	<u>132,867,506</u>
Commission income		43,485,099	35,893,117
Commission expenses		<u>(14,137,009)</u>	<u>(9,780,020)</u>
Net commission income	24	<u>29,348,090</u>	<u>26,113,097</u>
Net interest and commission income, before provision	24	<u>164,492,626</u>	<u>158,980,603</u>
Provision for loans		46,261,403	75,055,522
(Reversal of provision) provision for country risk		(895,527)	13,008
Provision for investments		<u>3,760,903</u>	<u>290,129</u>
		<u>49,126,779</u>	<u>75,358,659</u>
Net interest and commission income, after provision		115,365,847	83,621,944
Other income	25	10,359,353	18,944,200
<b>Other expenses</b>			
Salaries and other compensations	6	44,922,765	43,181,494
Professional fees		6,664,408	5,809,870
Depreciation and amortization	11,12,13	15,488,775	16,134,033
Marketing and advertising		1,259,762	1,398,710
Maintenance and repairs		8,050,803	7,464,410
Leases		2,442,318	1,812,945
Other taxes		5,107,317	4,233,585
Others	26	<u>16,656,036</u>	<u>15,630,685</u>
		<u>100,592,184</u>	<u>95,665,732</u>
Gain before income tax		<u>25,133,016</u>	<u>6,900,412</u>
Income tax:			
Current		2,555,624	2,670,016
Deferred		<u>(4,351,206)</u>	<u>(11,646,375)</u>
Benefit from income tax	31	<u>(1,795,582)</u>	<u>(8,976,359)</u>
Profit for the period		<u>26,928,598</u>	<u>15,876,771</u>

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 nine months ended March 31, 2022

(In balboas)

	March	
	2022	2021
Profit for the period	<u>26,928,598</u>	<u>15,876,771</u>
<b>Other comprehensive income:</b>		
<b>Items that can be reclassified later to profit or loss</b>		
Net amount transferred to profit or loss	(994,632)	(7,041,530)
Reserve for investments	2,469,065	267,399
Net changes in valuation of investments at fair value through other comprehensive income	<u>(21,724,612)</u>	<u>7,351,283</u>
<b>Other comprehensive income for the period</b>	<u>(20,250,179)</u>	<u>577,152</u>
<b>Total comprehensive income for the period</b>	<u>6,678,419</u>	<u>16,453,923</u>

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 nine months ended March 31, 2022  
(In balboas)**

	Notes	Shareholder's total equity	Common shares	Excess paid- in capital	Capital reserves	Regulatory reserve	Reserves at fair value	Retained earnings
<b>Balance as of June 30, 2020</b>		<u>781,976,671</u>	<u>270,202,657</u>	<u>1,999,307</u>	<u>41,500,054</u>	<u>97,792,897</u>	<u>1,439,777</u>	<u>369,041,979</u>
Profit for the period		15,876,771	-	-	-	-	-	15,876,771
Provision for investments		267,399	-	-	-	-	267,399	-
Net changes in the valuation of investments at fair value through other comprehensive income		<u>309,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,753</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>16,453,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,152</u>	<u>15,876,771</u>
Excess paid-in capital - share option plan for employees	27	366,390	-	366,390	-	-	-	-
Dividends paid - common shares	23	(15,048,242)	-	-	-	-	-	(15,048,242)
Complementary tax		(490,801)	-	-	-	-	-	(490,801)
Regulatory reserve	34	-	-	-	-	4,538,028	-	(4,538,028)
Capital reserve	34	-	-	-	683,979	-	-	(683,979)
<b>Balance as of March 31, 2021</b>		<u>783,257,941</u>	<u>270,202,657</u>	<u>2,365,697</u>	<u>42,184,033</u>	<u>102,330,925</u>	<u>2,016,929</u>	<u>364,157,700</u>
<b>Balance as of June 30, 2021</b>		<u>789,718,580</u>	<u>270,202,657</u>	<u>1,755,574</u>	<u>42,382,907</u>	<u>99,613,232</u>	<u>3,356,143</u>	<u>372,408,067</u>
Profit for the period		26,928,598	-	-	-	-	-	26,928,598
Provision for investments		2,469,065	-	-	-	-	2,469,065	-
Net changes in the valuation of investments at fair value through other comprehensive income		<u>(22,719,244)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,719,244)</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>6,678,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,250,179)</u>	<u>26,928,598</u>
Excess paid-in capital - share option plan for employees	27	157,752	-	157,752	-	-	-	-
Dividends paid - common shares	23	(17,312,061)	-	-	-	-	-	(17,312,061)
Complementary tax		(540,609)	-	-	-	-	-	(540,609)
Regulatory reserve	34	-	-	-	-	1,538,373	-	(1,538,373)
Capital reserve	34	-	-	-	676,202	-	-	(676,202)
Subsidiary acquisition		<u>(682,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682,222)</u>
<b>Balance as of March 31, 2022</b>		<u>778,019,859</u>	<u>270,202,657</u>	<u>1,913,326</u>	<u>43,059,109</u>	<u>101,151,605</u>	<u>(16,894,036)</u>	<u>378,587,198</u>

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 nine months ended March 31, 2022

(In balboas)

	Notes	March	
		2022	2021
<b>Flujos de efectivo por actividades de operación</b>			
Profit for the year		26,928,598	15,876,771
Adjustments for:			
Depreciation and amortization	11,12,13	15,488,775	16,134,033
Gain on sale of property, furniture and equipment		(177,832)	(3,312)
Fixed-asset disposals	11	215,435	19,635
Net gain on sale of securities at fair value through other comprehensive income (FVTOCI)	9,25	(994,632)	(7,041,530)
Net loss (gain) on instruments at fair value through profit or loss	25	478,085	(204,246)
Provision for loan losses, net		46,261,403	75,055,522
Provision for investments, net		3,760,903	290,129
Income tax	31	(1,795,582)	(8,976,359)
Net interest income	24	(314,603,419)	(331,183,016)
Interest expenses	24	179,458,883	198,315,510
Share option plan for employees	27	157,752	366,390
		(44,821,631)	(41,350,473)
Changes in:			
Deposits over 90 days		11,436,442	5,724,737
Securities purchased under resale agreements		21,194	5,009,978
Loans		(97,766,749)	241,400,059
Other assets		(23,386,409)	(31,822,721)
Client deposits		(20,620,769)	137,216,028
Bank deposits		21,128,863	(21,792,468)
Other liabilities		210,278	(1,048,609)
Cash (used in) generated by operations		(153,798,781)	293,336,531
Income tax paid		(840,914)	(3,873,277)
Interest received		319,972,137	284,616,424
Interest paid		(189,137,461)	(185,924,544)
Net cash (used in) generated from operating activities		(23,805,019)	388,155,134
<b>Cash flows from investment activities:</b>			
Acquisition of securities at fair value through other comprehensive income		(325,607,485)	(1,322,912,659)
Sale of securities at fair value through other comprehensive income		366,037,852	1,427,844,324
Purchase of investments at fair value through profit or loss		(499,970)	(27,877,750)
Purchase of investments at amortized cost		(36,519,099)	(21,584,193)
Sales, redemptions and investment amortizations at amortized cost		7,139,862	1,132,123
Purchase of property, furniture and equipment	11	(13,814,325)	(7,565,921)
Proceeds from the sales of property, furniture and equipment		177,832	3,312
Net cash flows (used in) generated by investment activities		(3,085,333)	49,039,236
<b>Cash flows from financing activities:</b>			
Proceeds from securities sold under repurchase agreements	15	98,540,341	-
Obligations received from financial institutions	16	1,204,822,784	635,853,542
Obligations paid to financial institutions	16	(701,613,990)	(760,337,616)
Proceeds from issuance of marketable securities	17	-	7,850,000
Payments from redemption of marketable securities	17	(6,850,000)	(22,000,000)
Proceeds from the issuance of bonds	20	16,274,000	23,850,000
Redemption of bonds	20	(622,530,000)	(64,989,050)
Dividends paid - common shares	23	(17,312,061)	(15,048,242)
Lease payment		(2,132,523)	(2,295,730)
Complementary tax		(540,609)	(490,801)
Net cash flows used in financing activities		(31,342,058)	(197,607,897)
Net (decrease) increase in cash and cash equivalents		(58,232,410)	239,586,473
Cash and cash equivalents at the beginning of the period		473,989,795	559,251,757
<b>Cash and cash equivalents at end of the period</b>	7	<b>415,757,385</b>	<b>798,838,230</b>

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

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022** (In balboas)

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#### **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 International Financial Reporting Standards issued by the IASB. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of June 30, 2021

#### **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 March 31, 2022, 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 nine-month period ended March 31, 2022.



## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

(In balboas)

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#### **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.

## Global Bank Corporation and Subsidiaries

Notes to the interim condensed consolidated financial statements  
for the nine months ended March 31, 2022  
(In balboas)

### 4.2 Credit and counterparty risk

#### Credit quality analysis

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

	March 2022	June 2021
<u>Bank deposits</u>		
Grade 1	385,974,618	445,316,314
<u>Loans</u>		
Grade 1	5,202,860,900	5,301,364,942
Grade 2	456,041,373	415,230,946
Grade 3	83,968,464	65,614,645
Grade 4	85,091,976	50,744,145
Grade 5	297,170,969	225,872,892
Gross amount	6,125,133,682	6,058,827,570
Accrued interest receivable	165,686,610	170,867,515
Allowance for individual and collective impairment	(226,252,344)	(208,585,582)
Discounted unearned interest	(10,266,888)	(13,132,884)
Net carrying value	6,054,301,060	6,007,976,619
<u>Off-balance sheet transactions</u>		
Grade 1		
Letters of credit	141,839,590	121,293,290
Endorsements and collateral	504,929,312	482,703,113
Promissory notes	200,889,708	169,185,471
Unused credit lines	420,844,727	463,726,656
	1,268,503,337	1,236,908,530
<u>Securities purchased under resale agreements - at amortized cost</u>		
Grade 1	285,107	306,301
<u>Investments at fair value through other comprehensive income</u>		
Grade 1	596,126,354	866,715,997
<u>Investments at fair value through profit or loss</u>		
Grade 1	38,686,645	38,664,760
<u>Investments at amortized cost</u>		
Grade 1	435,426,013	197,612,112

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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The aging of the loan portfolio delinquency is presented below:

	March 2022		
	<u>Global Bank Corporation</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	5,686,783,237	129,764,148	5,816,547,385
31 to 90 days	103,043,450	-	103,043,450
More than 90 days (principal or interest)	136,094,995	-	136,094,995
More than 30 days overdue (maturity principal)	69,447,852	-	69,447,852
Total	<u>5,995,369,534</u>	<u>129,764,148</u>	<u>6,125,133,682</u>

  

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

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 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:

	<b>March 2022</b>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Classification</u></b>				
Grade 1	4,612,665,628	590,195,272	-	5,202,860,900
Grade 2	-	456,041,373	-	456,041,373
Grade 3	-	83,968,464	-	83,968,464
Grade 4	-	85,091,976	-	85,091,976
Grade 5	-	-	297,170,969	297,170,969
Gross amount	<u>4,612,665,628</u>	<u>1,215,297,085</u>	<u>297,170,969</u>	<u>6,125,133,682</u>
Interest receivable	72,758,595	79,472,059	13,455,956	165,686,610
Reserve for expected credit losses	<u>(13,906,995)</u>	<u>(84,211,578)</u>	<u>(128,133,771)</u>	<u>(226,252,344)</u>
Net carrying value	<u>4,671,517,228</u>	<u>1,210,557,566</u>	<u>182,493,154</u>	<u>6,064,567,948</u>
	<b>June 2021</b>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b><u>Classification</u></b>				
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	<u>4,766,387,010</u>	<u>1,066,567,668</u>	<u>225,872,892</u>	<u>6,058,827,570</u>
Interest receivable	106,988,780	56,671,966	7,206,769	170,867,515
Reserve for expected credit losses	<u>(23,852,732)</u>	<u>(83,414,022)</u>	<u>(101,318,828)</u>	<u>(208,585,582)</u>
Net carrying value	<u>4,849,523,058</u>	<u>1,039,825,612</u>	<u>131,760,833</u>	<u>6,021,109,503</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

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

	<b>March 2022</b>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at the beginning of the year	23,852,733	83,414,021	101,318,828	208,585,582
Transferred to Stage 1	43,435,135	(41,642,855)	(1,792,280)	-
Transferred to Stage 2	(8,820,616)	65,946,780	(57,126,164)	-
Transferred to Stage 3	(7,743,040)	(35,523,942)	43,266,982	-
Net effect of changes in the reserve for expected credit losses	(40,615,676)	14,592,923	83,603,801	57,581,048
Origination of new financial assets	6,558,801	-	-	6,558,801
Settled loans	(2,760,342)	(2,575,349)	(12,542,755)	(17,878,446)
Written-off loans	-	-	(30,764,327)	(30,764,327)
Recoveries	-	-	2,169,686	2,169,686
Balance at the end of the period	<u>13,906,995</u>	<u>84,211,578</u>	<u>128,133,771</u>	<u>226,252,344</u>

  

	<b>June 2021</b>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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
Origination of new financial assets	8,875,073	-	-	8,875,073
Settled 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 year	<u>23,852,733</u>	<u>83,414,021</u>	<u>101,318,828</u>	<u>208,585,582</u>

#### Incorporation of forward-looking information

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

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### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

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 March 31, 2022 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:

March 2022	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	109,422,892	179,515,747	307,187,715	596,126,354
Investments at fair value through profit or loss	4,503,708	-	34,182,937	38,686,645
Investments at amortized cost	375,918,847	39,690,405	19,816,761	435,426,013
Securities purchased under resale agreements	-	-	285,107	285,107
Total	<u>489,845,447</u>	<u>219,206,152</u>	<u>361,472,520</u>	<u>1,070,524,119</u>
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	<u>499,312,068</u>	<u>255,024,827</u>	<u>348,962,275</u>	<u>1,103,299,170</u>

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

#### **Rating grade**

Investment rating  
Standard monitoring  
Special monitoring  
Default  
Not rated

#### **External rating**

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

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

#### March 2022

<b>Investments at fair value through other comprehensive income</b>	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
Balance at beginning of the year	2,226,968	-	-	2,226,968
Transfer of 12 months during total life without credit impairment	(145,340)	145,340	-	-
Transfer of 12 months during total life with credit impairment	(2,044)	-	2,044	-
Net effect of changes in the reserve for expected credit losses	1,051,064	1,540,840	111,085	2,702,989
New instruments acquired	403,405	-	-	403,405
Cancelled investments	(637,329)	-	-	(637,329)
Written-off investments	-	-	(113,129)	(113,129)
Balance at the end of the year	<u>2,896,724</u>	<u>1,686,180</u>	<u>-</u>	<u>4,582,904</u>

#### June 2021

	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
Balance at the beginning of the year	1,793,142	-	-	1,793,142
Net effect of changes in the 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 year	<u>2,226,968</u>	<u>-</u>	<u>-</u>	<u>2,226,968</u>

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

#### March 2022

<b>Investments at amortized cost</b>	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
Balance at beginning of the year	405,466	-	-	405,466
Transfer of 12 months during total life without credit impairment	(281,943)	281,943	-	-
Transfer of 12 months during total life with credit impairment	25,694	1,261,863	-	1,287,557
New instruments acquired	4,281	-	-	4,281
Balance at the end of the year	<u>153,498</u>	<u>1,543,806</u>	<u>-</u>	<u>1,697,304</u>

#### June 2021

	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
Balance at beginning of the year	339,149	-	-	339,149
Net effect of changes in the 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	<u>405,466</u>	<u>-</u>	<u>-</u>	<u>405,466</u>

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### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 4.2.2.3 Collateral to reduce credit risk and its financial impact

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

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

March 2022	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgages	Commercial	Overdraft	
Loans balances	776,126,090	132,375,043	242,614,502	1,841,350,006	2,965,245,594	167,422,447	6,125,133,682
Collateral	357,150,290	3,531,245	331,667,659	2,560,770,840	5,457,917,151	251,687,614	8,962,724,799
% of exposure subject to guarantee requirements	46%	3%	137%	139%	184%	150%	146%

  

June 2021	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgages	Commercial	Overdraft	
Loans balances	730,432,258	135,535,181	238,689,108	1,788,216,687	2,965,458,525	200,495,811	6,058,827,570
Collateral	355,615,006	3,438,236	337,543,936	2,497,843,712	5,836,423,723	276,836,456	9,307,701,069
% of exposure subject to collateral 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 collateral ("Loan-To-Value" – LTV). The LTV is calculated as a percentage of the gross amount of the loan in relation to the value of the collateral. The gross amount of the loan excludes any impairment loss. The value of the collateral, for mortgages is based on the original value of the collateral at the date of disbursement.

	March 2022	June 2021
Residential mortgage loans:		
Less than 50%	127,858,660	118,166,965
51% - 70%	376,593,785	369,754,734
71% - 90%	937,456,644	910,432,782
Over 90%	399,440,917	389,862,206
Total	1,841,350,006	1,788,216,687



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#### *Time deposits placed in banks*

As of March 31, 2022, the Bank held time deposits in banks for B/.87,645,850 (June 30, 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:

	<b>March 2022</b>		
	<b>Deposits in banks</b>	<b>Loans</b>	<b>Investments</b>
Concentration by sector:			
Corporate	-	2,967,677,872	-
Consumer	-	3,005,576,109	-
Government	105,660,455	-	425,116,311
Other sectors	280,314,163	151,879,701	645,407,808
	<u>385,974,618</u>	<u>6,125,133,682</u>	<u>1,070,524,119</u>
Geographical concentration:			
Panama	170,294,415	5,832,028,075	504,429,875
Latin America and the Caribbean	10,072,256	247,917,102	287,070,587
Europe, Asia and Oceania	38,963,475	45,188,505	14,414,208
United States of America	166,644,472	-	264,609,449
	<u>385,974,618</u>	<u>6,125,133,682</u>	<u>1,070,524,119</u>
		<b>June 2021</b>	
	<b>Deposits in banks</b>	<b>Loans</b>	<b>Investments</b>
Concentration by sector:			
Corporate	-	3,018,929,459	-
Consumer	-	2,905,098,255	-
Government	95,121,849	-	349,993,922
Other sectors	350,194,465	134,799,856	753,305,248
	<u>445,316,314</u>	<u>6,058,827,570</u>	<u>1,103,299,170</u>
Geographical concentration:			
Panama	193,436,355	5,758,250,721	492,974,233
Latin America 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
	<u>445,316,314</u>	<u>6,058,827,570</u>	<u>1,103,299,170</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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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 March 31, 2022 was 38.74% (June 30, 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:

	<b>March 2022</b>	<b>June 2021</b>
<b>At end of the period</b>	<b>38.74%</b>	<b>49.33%</b>
Average for the period	43.88%	52.05%
Maximum for the period	48.37%	56.99%
Minimum for the period	38.74%	47.74%

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

March 2022	Carrying value	Discounted cash flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,234,877,459	5,267,526,113	3,718,506,688	1,140,010,130	394,790,935	14,218,360
Repurchase agreements	98,540,341	98,861,010	98,861,010	-	-	-
Obligations with financial institutions	1,387,283,746	1,492,799,836	581,698,566	552,587,645	199,953,880	158,559,745
Corporate bonds	442,434,512	589,428,190	47,595,596	76,430,738	40,719,171	424,682,685
Perpetual bonds	177,135,287	243,797,985	11,908,654	23,817,308	132,723,779	75,348,244
Lease liabilities	18,770,802	26,657,330	3,180,241	5,504,424	4,679,635	13,293,029
	<u>7,359,042,147</u>	<u>7,719,070,464</u>	<u>4,461,750,755</u>	<u>1,798,350,245</u>	<u>772,867,400</u>	<u>686,102,063</u>
June 2021	Carrying value	Discounted cash flows	Less than 1 year	1 to 3 years	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
Lease liabilities	20,847,797	29,904,898	3,932,932	5,909,365	5,058,736	15,003,865
	<u>7,362,653,696</u>	<u>7,716,987,526</u>	<u>4,663,779,854</u>	<u>1,735,145,633</u>	<u>641,536,948</u>	<u>676,525,091</u>

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

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

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#### 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.

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

March 2022	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
<b>Financial assets:</b>						
Cash and deposits	85,215,435	-	2,430,415	-	350,757,384	438,403,234
Securities purchased under resale agreements - at amortized cost	285,107	-	-	-	-	285,107
Investments at fair value through other comprehensive income	130,502,313	31,722,077	197,607,177	209,508,081	26,786,706	596,126,354
Investments at fair value through profit or loss	-	-	-	28,543,708	10,142,937	38,686,645
Investments at amortized cost	-	-	52,112,139	383,313,874	-	435,426,013
Loans	4,593,480,546	11,646,301	140,908,143	1,379,098,692	-	6,125,133,682
Total financial assets	4,809,483,401	43,368,378	393,057,874	2,000,464,355	387,687,027	7,634,061,035
<b>Financial liabilities:</b>						
Deposits received	2,292,800,443	889,881,664	1,523,783,191	14,178,635	514,233,526	5,234,877,459
Resale agreements	98,540,341	-	-	-	-	98,540,341
Obligations with financial institutions	1,144,038,908	2,000,000	112,872,023	128,372,815	-	1,387,283,746
Corporate bonds	24,767,761	-	34,804,600	382,862,151	-	442,434,512
Perpetual bonds	-	-	-	177,135,287	-	177,135,287
Total financial liabilities	3,560,147,453	891,881,664	1,671,459,814	702,548,888	514,233,526	7,340,271,345
Total financial liabilities	-	-	-	-	1,268,503,337	1,268,503,337
Commitments and contingencies	-	-	-	-	-	-
Total interest rate sensitivity	1,249,335,948	(848,513,286)	(1,278,401,940)	1,297,915,467	(126,546,499)	293,789,690
<b>June 2021</b>						
	Less than 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
<b>Financial assets:</b>						
Cash and deposits	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
<b>Financial liabilities:</b>						
Deposits received	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
Total financial liabilities	-	-	-	-	1,236,908,530	1,236,908,530
Commitments and contingencies	-	-	-	-	-	-
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

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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:

	<b>Increase of 100bps</b>	<b>Decrease of 100bps</b>
<b>March 2022</b>		
Investment in securities	(65,738,886)	77,448,112
Loans	(20,141,346)	21,601,720
Time deposits	43,652,552	(44,770,486)
Obligations with financial institutions	20,059,730	(20,951,968)
Corporate bonds	22,439,592	(23,962,459)
Perpetual bonds	2,892,087	(2,968,070)
Net impact	<u>3,163,729</u>	<u>6,396,849</u>
	<b>Increase of 100bps</b>	<b>Decrease of 100bps</b>
<b>June 2021</b>		
Investment 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	<u>10,423,783</u>	<u>(4,896,198)</u>

#### 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.

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

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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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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#### 4.7 Capital management

As of March 31, 2022, the Bank analyzes its regulatory capital applying the standards of the Superintendency of Banks of Panama based on the new agreements, Agreement No. 1-2015 of February 3, 2015 and Agreement No. 3-2016 of March 22, 2016, which modified Agreement No. 5-2008 of October 1, 2008 that established the standards to determine the weighted assets by credit risk and counterparty risk and the new agreements, Agreement No. 11-2018 of September 11, 2018, modified by Agreement No. 3-2019 of April 30, 2019, by means of which new provisions on Operating Risk are established. Also, Agreement No. 2-2018 of January 23, 2018, by means of which the Superintendency of Banks has determined to take into consideration other risks to determine the capital adequacy index, among which are market risk, operating risk and country risk, to value the capital funds requirement.

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

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.



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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:

	March 2022	June 2021
<b>Primary capital (Tier 1)</b>		
Paid in share capital	270,202,657	270,202,657
Excess paid in capital	1,913,326	1,755,574
Declared reserves	43,059,109	42,382,907
Retained earnings	378,587,198	372,408,067
Other items of the comprehensive income	(16,894,036)	3,356,143
Dynamic reserve	87,863,198	87,863,198
Sub total	<u>764,731,452</u>	<u>777,968,546</u>
Less: Regulatory adjustments to the calculation of ordinary primary capital		
Goodwill	(92,014,817)	(92,014,817)
Other intangible assets	(19,760,625)	(20,918,130)
<b>Total primary capital funds</b>	<u>652,956,010</u>	<u>665,035,599</u>
Perpetual bonds	177,135,287	160,763,868
<b>Total additional primary capital funds</b>	<u>177,135,287</u>	<u>160,763,868</u>
<b>Total capital funds</b>	<u>830,091,297</u>	<u>833,633,024</u>
Risk weighted asset		
<b>Total risk weighted assets</b>	<u>5,336,004,160</u>	<u>5,221,160,948</u>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of risk weighted asset	<u>15.56%</u>	<u>15.97%</u>
Total Tier 1 expressed as a percentage of risk weighted assets	<u>15.56%</u>	<u>15.82%</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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#### 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.

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

(In balboas)

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

# Global Bank Corporation and Subsidiaries

## Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

### Fair value of financial assets and financial liabilities measured on a recurring basis at the end of the period as of March 31, 2022 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		Fair value hierarchy	Valuation technique(s) and key data inputs	Significant unobservable input data	Relationship between unobservable input data and fair value
	March 2022	June 2021				
<b>Investments at fair value:</b>						
Shares issued by companies -domestic	12,267,382	8,337,671	Level 2	Observable market prices in non-active markets.	N/A	N/A
Shares issued by companies -domestic	413,840	417,700	Level 3	Share prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Shares issued by companies - foreign	616,910	327,213	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by foreign companies, not listed in stock exchange	29,056	15,565	Level 3	Share prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - domestic	19,388,025	20,393,689	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - domestic	36,855,461	46,566,220	Level 2	Observable market prices in non-active markets.	N/A	N/A
Private debt securities - domestic	206,022,725	195,712,500	Level 3	Bond prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - foreign	257,680,127	324,642,450	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - foreign	-	49,981,230	Level 2	Observable market prices in non-active markets.	N/A	N/A
Government debt securities - domestic	11,685,720	1,860,982	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic not listed in stock exchange	546,260	670,510	Level 3	Bond prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Government debt securities - foreign	3,523,345	170,017,079	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by domestic companies, not listed in stock exchange	23,556,948	23,431,948	Level 3	Price per share, adjusted for the fair value of the issuer's properties, acquisition cost.	Growth in issuer's assets, liabilities, equity and profits.	If growth increases, the price increases and viceversa.
Private debt securities -domestic not listed in the stock exchange	24,040,000	24,040,000	Level 3	Present net value	CMS data, Cash flows	If the unobservable data deteriorates, the fair value of the instrument will be lower.
Private debt securities -domestic not listed in the stock exchange	38,187,200	38,966,000	Level 3	Discounted flows	Discount rate	If the discount rate is higher than the flows, the fair value of the instrument will be lower.
Total investments at fair value	<u>634,812,999</u>	<u>905,380,757</u>				
<b>Derivative financial instruments:</b>						
Interest rate swaps – fair value	<u>7,956,277</u>	<u>206,871</u>	Level 2	Present value. The valuation of an interest rate swap is achieved by adding the present value of all expected swap flows, and then applying a credit adjustment.	N/A	N/A
Total derivative financial instruments	<u>7,956,277</u>	<u>206,871</u>				

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

	<b>March 2022</b>	
	<b>Investments at fair value through other comprehensive income</b>	
	<b><u>Effect on equity</u></b>	
	<b><u>Favorable</u></b>	<b><u>(Unfavorable)</u></b>
Fixed income instruments	11,891,764	(11,163,024)

  

	<b>June 2021</b>	
	<b>Investments at fair value through other comprehensive income</b>	
	<b><u>Effect on equity</u></b>	
	<b><u>Favorable</u></b>	<b><u>(Unfavorable)</u></b>
Fixed income instruments	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:

	<b>March 2022</b>		<b>June 2021</b>	
	<b><u>Carrying value</u></b>	<b><u>Fair value</u></b>	<b><u>Carrying value</u></b>	<b><u>Fair value</u></b>
<b>Assets</b>				
Cash and deposits in banks	350,757,384	350,757,384	215,133,789	215,133,789
Time deposits	87,645,850	87,645,850	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 cost	435,426,013	409,206,957	197,612,112	203,026,951
Loans	5,888,614,450	6,008,755,506	5,837,109,104	5,957,800,352
Total financial assets	<u>6,762,728,804</u>	<u>6,856,650,804</u>	<u>6,543,099,603</u>	<u>6,669,205,690</u>
<b>Liabilities</b>				
Demand deposits	514,233,526	514,233,526	472,468,854	472,468,854
Savings deposits	1,281,910,915	1,281,910,915	1,182,619,841	1,182,619,841
Time deposits	3,438,733,018	3,502,625,106	3,579,280,670	3,661,792,053
Securities sold under repurchase agreements	98,540,341	98,540,341	-	-
Obligations with financial institutions	1,387,283,746	1,415,288,665	876,325,546	874,936,937
Marketable securities	-	-	6,850,000	6,871,005
Corporate bonds	442,434,512	424,989,256	1,055,663,563	1,083,021,908
Subordinated bonds	-	-	7,833,557	7,861,428
Perpetual bonds	177,135,287	176,917,248	160,763,868	164,300,296
Total financial liabilities	<u>7,340,271,345</u>	<u>7,414,505,057</u>	<u>7,341,805,899</u>	<u>7,453,872,322</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

	Fair value hierarchy			
	March 2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Cash and deposits in banks	350,757,384	-	350,757,384	-
Time deposits	87,645,850	-	87,645,850	-
Securities purchased under resale agreements at amortized cost	285,107	-	285,107	-
Investments at amortized cost	409,206,957	391,266,843	-	17,940,114
Loans	6,008,755,506	-	-	6,008,755,506
Total financial assets	<u>6,856,650,804</u>	<u>391,266,843</u>	<u>438,688,341</u>	<u>6,026,695,620</u>
<b>Liabilities</b>				
Demand deposits	514,233,526	-	514,233,526	-
Savings deposits	1,281,910,915	-	1,281,910,915	-
Time deposits	3,502,625,106	-	3,502,625,106	-
Securities sold under repurchase agreements	98,540,341	-	98,540,341	-
Obligations with financial institutions	1,415,288,665	-	1,415,288,665	-
Corporate bonds	424,989,256	365,168,256	24,821,000	35,000,000
Perpetual bonds	176,917,248	-	140,912,620	36,004,628
Total financial liabilities	<u>7,414,505,057</u>	<u>365,168,256</u>	<u>6,978,332,173</u>	<u>71,004,628</u>

	Fair value hierarchy			
	June 2021			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Cash and deposits in banks	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 cost	203,026,951	185,473,802	-	17,553,149
Loans	5,957,800,352	-	-	5,957,800,352
Total financial assets	<u>6,669,205,690</u>	<u>185,473,802</u>	<u>508,378,387</u>	<u>5,975,353,501</u>
<b>Liabilities</b>				
Demand deposits	472,468,854	-	472,468,854	-
Savings 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	<u>7,453,872,322</u>	<u>993,200,908</u>	<u>6,382,446,614</u>	<u>78,224,800</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

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

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

	March 2022	June 2021
Balance at beginning of the year	283,254,223	294,668,176
Additions	30,599,936	162,428,730
Reclassifications from Level 2 to Level 3	21,844,233	3,860
Reclassifications from Level 3 to Level 2	(14,920,860)	(21,860,810)
Net changes in securities	(7,981,016)	546,636
Redemptions, amortizations and cancellations	(20,000,487)	(152,532,369)
Balance at the end of the period	<u>292,796,029</u>	<u>283,254,223</u>

As of March 31, 2022, Level 3 investments at fair value through other comprehensive income did not affect the Bank's profits.

The total unrealized gain or loss for investments at fair value through other comprehensive income classified as Level 3 as of March 31, 2022 is for (B/.8,641,750) (June 30, 2021: B/.660,734).

As of March 31, 2022, reclassifications between Level 2 and Level 3 investments in domestic corporate bonds occurred as a result of observed activity in the securities market in which they are listed.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

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

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

	March 2022	June 2021
<i>Transactions with related companies</i>		
<b>Consolidated statement of financial position</b>		
<b>Assets</b>		
Investments at fair value through other comprehensive income	23,145,313	22,433,773
Investments at fair value through profit or loss	9,476,127	4,699,477
Loans	69,720,249	76,590,452
Accrued interest receivable	1,902,582	1,938,143
Other assets	64,476,862	54,437,258
<b>Liabilities</b>		
<b>Client deposits:</b>		
Demands	36,712,706	14,384,044
Savings	3,259,642	1,900,753
Time	65,006,270	76,433,222
Accrued interest payable	213,282	187,224
<b>Commitments and contingencies</b>	4,013,332	32,040,518
<b>Consolidated statement of profit or loss</b>		
	<b>March 2022</b>	<b>March 2021</b>
<b>Income and expenses</b>		
Interest and dividend income	2,698,582	2,600,938
Interest expenses	1,962,172	2,064,617



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### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

	March 2022	June 2021
<i>Transactions with Directors and key Management personnel</i>		
<b>Consolidated statement of financial position</b>		
<b>Assets</b>		
Loans	14,058,905	13,011,670
Accrued interest receivable	75,657	80,704
<b>Liabilities</b>		
<b>Client deposits:</b>		
Demands	1,020,425	2,822,582
Savings	13,022,842	13,671,238
Time	49,996,693	48,286,950
Accumulated interest payable	573,064	114,899
<b>Commitments and contingencies</b>	989,116	1,137,411
<b>Consolidated statement of profit and loss</b>		
<b>Income and expenses</b>		
Interest income	448,565	433,442
Interest expenses	990,773	1,678,501
<b>Benefits of key Management personnel</b>		
Salaries	4,344,659	4,098,006
Profit sharing	1,229,043	651,826
Share option plan for employees	157,752	366,390
Allowances for Directors	653,100	657,250
	6,384,554	5,773,472

As of March 31, 2022, collateral guaranteeing loans to related parties amounted to B/.124,448,642 (June 30, 2021: B/.119,119,680), which correspond to property, assets and securities.

As of March 31, 2022, no loans with related parties show evidence of impairment. As of March 31, 2022, loans with related parties with maturities between January 2022 and October 2051 and annual interest rates ranging between 2.75% and 7.25% (June 30, 2021: with maturities between July 2021 and July 2051 and annual interest rates ranging between 2.75% and 8.00%).

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 7. Cash and cash equivalents

	March 2022	June 2021
Cash and cash equivalents	52,428,616	62,755,772
Demand deposits	298,328,768	152,378,017
Time deposits	87,645,850	292,938,297
	<u>438,403,234</u>	<u>508,072,086</u>
Interest receivable	175,259	244,401
Cash and bank deposits	<u>438,578,493</u>	<u>508,316,487</u>
Less:		
Interest receivable	(175,259)	(244,401)
Restricted time deposits	(4,877,797)	(1,482,735)
Time deposits with original maturities greater than 90 days	<u>(17,768,052)</u>	<u>(32,599,556)</u>
Cash and cash equivalents for purposes of the consolidated statement of cash flows	<u>415,757,385</u>	<u>473,989,795</u>

As of March 31, 2022, there were fixed time deposits with original maturities greater than 90 days for B/.17,768,052 (June 30, 2021: B/.32,599,556). In addition, there are fixed time deposits restricted for B/.4,877,797 (June 30, 2021: B/.1,482,735) that collateral financial obligations.

#### 8. Securities purchased under resale agreements

As of March 31, 2022, securities purchased under resale agreements for B/.285,107 (June 30, 2021: B/.306,301) with maturities in May and June 2022, (June 30, 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:

	March 2022	June 2021
Investments at fair value through other comprehensive income	596,126,354	866,715,997
Investments at fair value through profit or loss	38,686,645	38,664,760
Investments at amortized cost	435,426,013	197,612,112
Interest receivable	7,457,830	7,576,501
Provision for impairment of investments at amortized cost	<u>(1,697,304)</u>	<u>(405,466)</u>
Investments in securities, net	<u>1,075,999,538</u>	<u>1,110,163,904</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

	March 2022	June 2021
<u>Securities listed in stock exchange:</u>		
Shares issued by companies - domestic	7,402,861	3,781,420
Shares issued by companies - foreign	616,911	327,213
Private debt securities - domestic	262,266,212	262,672,409
Private debt securities - foreign	253,176,420	369,837,448
Government debt securities - domestic	11,685,720	1,860,982
Government debt securities - foreign	3,523,345	170,017,080
	<u>538,671,469</u>	<u>808,496,552</u>
<u>Securities not listed in stock exchange:</u>		
Shares issued by companies - domestic	18,692,370	18,567,370
Shares issued by companies - foreign	29,056	15,565
Private debt securities - domestic	38,187,200	38,966,000
Government debt securities - domestic	546,259	670,510
	<u>57,454,885</u>	<u>58,219,445</u>
	<u>596,126,354</u>	<u>866,715,997</u>

Investments at fair value through other comprehensive income accrued interest at a rate ranging from 3.00% and 9.375% (June 30, 2021: 1.00% and 9.38%)

As of March 31, 2022, there were investments at fair value through other comprehensive income for B/.65,840,782 (June 30, 2021: B/.22,900,630), which guarantee obligations with financial institutions (See Note 16).

As of March 31, 2022, the Bank sold and redeemed investments for B/.366,037,852 (June 30, 2021: B/.1,645,314,605) and, as a result, recorded a gain of B/.994,632 (March 31, 2021: B/.7,041,530), which is included in the condensed consolidated statement of profit or loss.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

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

	March 2022	June 2021
<u>Securities listed in the stock exchange</u>		
Shares issued by companies - domestic	5,278,360	4,973,950
Private debt securities - foreign	4,503,708	4,786,232
	<u>9,782,068</u>	<u>9,760,182</u>
<u>Securities not listed in the stock exchange</u>		
Shares issued by companies - domestic	4,864,577	4,864,578
Private debt securities - domestic	24,040,000	24,040,000
	<u>28,904,577</u>	<u>28,904,578</u>
	<u>38,686,645</u>	<u>38,664,760</u>

#### 9.3 Investments at amortized cost

	March 2022		June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Securities listed in the stock exchange:</u>				
Private debt securities - foreign	6,248,265	5,486,567	-	-
Government debt securities - domestic	111,364,447	110,411,067	112,103,951	117,551,521
Government debt securities - foreign	297,996,540	275,369,209	65,341,400	67,922,281
	<u>415,609,252</u>	<u>391,266,843</u>	<u>177,445,351</u>	<u>185,473,802</u>
<u>Securities not listed in the stock exchange:</u>				
Private debt securities - domestic	19,816,761	17,940,114	20,166,761	17,553,149
	<u>19,816,761</u>	<u>17,940,114</u>	<u>20,166,761</u>	<u>17,553,149</u>
	<u>435,426,013</u>	<u>409,206,957</u>	<u>197,612,112</u>	<u>203,026,951</u>

As of March 31, 2022, the annual interest rate earned by investments at amortized cost range between 1.00% and 8.875% (June 30, 2021: 2.252% and 8.875%).

As of March 31, 2022, there are investments at amortized cost for B/.20,389,000 (June 30, 2021: B/.50,755,968), which guarantee obligations with financial institutions. (See Note 16).

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 10. Loans

	March 2022			June 2021		
	<u>Gross amount</u>	<u>Impairment allowance</u>	<u>Net amount</u>	<u>Gross amount</u>	<u>Impairment allowance</u>	<u>Net amount</u>
<i>Domestic sector:</i>						
Consumer	1,109,861,806	(64,124,614)	1,045,737,192	1,061,296,524	(60,449,084)	1,000,847,440
Commercial	1,330,254,890	(52,252,171)	1,278,002,719	1,244,507,236	(46,292,942)	1,198,214,294
Agricultural	344,900,296	(12,761,159)	332,139,137	357,325,560	(10,553,992)	346,771,568
Pledges	98,207,166	(3,709)	98,203,457	100,551,360	(289)	100,551,071
Overdrafts	112,002,587	(8,222,030)	103,780,557	127,631,785	(4,373,199)	123,258,586
Mortgages	1,841,350,006	(45,771,213)	1,795,578,793	1,788,216,687	(29,356,833)	1,758,859,854
Industrial	265,547,047	(3,537,812)	262,009,235	241,634,566	(3,006,262)	238,628,304
Construction	450,306,445	(19,940,869)	430,365,576	579,906,557	(36,551,847)	543,354,710
Financial leasings	36,621,826	(1,621,367)	35,000,459	48,419,714	(1,841,138)	46,578,576
Factoring	242,976,006	(10,955,655)	232,020,351	208,760,732	(12,805,072)	195,955,660
Total domestic sector	<u>5,832,028,075</u>	<u>(219,190,599)</u>	<u>5,612,837,476</u>	<u>5,758,250,721</u>	<u>(205,230,658)</u>	<u>5,553,020,063</u>
<i>Foreign sector:</i>						
Commercial	192,767,856	(1,783,428)	190,984,428	162,001,889	(1,726,207)	160,275,682
Agricultural	674,873	(860)	674,013	750,000	(185)	749,815
Industrial	28,555,372	(5,195,392)	23,359,980	27,518,162	(1,191,078)	26,327,084
Construction	4,765,301	(5,835)	4,759,466	26,472,750	(337,229)	26,135,521
Pledge	10,922,345	-	10,922,345	10,970,022	-	10,970,022
Overdrafts	55,419,860	(76,230)	55,343,630	72,864,026	(100,225)	72,763,801
Total foreign sector	<u>293,105,607</u>	<u>(7,061,745)</u>	<u>286,043,862</u>	<u>300,576,849</u>	<u>(3,354,924)</u>	<u>297,221,925</u>
	<u>6,125,133,682</u>	<u>(226,252,344)</u>	<u>5,898,881,338</u>	<u>6,058,827,570</u>	<u>(208,585,582)</u>	<u>5,850,241,988</u>
Plus - Interest receivable			165,686,610			170,867,515
Less - Discounted unearned interest and commissions			(10,266,888)			(13,132,884)
Total			<u>6,054,301,060</u>			<u>6,007,976,619</u>

As of March 31, 2022, the loan portfolio accrued interest at a rate ranging from 0.75% to 25.99% (June 30, 2021: 0.75% to 30%).

As of March 31, 2022, there are loans that collateralized corporate bonds for a total of de B/.130,708,200 (June 30, 2021: B/.131,118,018). (See Note 18).

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

	March 2022	June 2021
Fixed rate	803,980,097	728,363,635
Adjustable rate	5,155,087,563	5,124,755,388
Floating rate (Libor or Prime)	166,066,022	205,708,547
	<u>6,125,133,682</u>	<u>6,058,827,570</u>

#### Financial leasing

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

	March 2022	June 2021
Less than a 1 year	5,617,806	5,959,328
1 to 5 years	31,004,020	42,460,386
Total	<u>36,621,826</u>	<u>48,419,714</u>
Less: unearned interest	(4,420,654)	(7,724,098)
Total financial leasings, net	<u>32,201,172</u>	<u>40,695,616</u>

#### Restructured loans

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

As of March 31, 2022, restructured loans that would otherwise be overdue or impaired amount to B/.169,557,498 (June 30, 2021: B/.117,985,958).

	March 2022	June 2021
<i>Consumer:</i>		
Personal loans	22,118,613	15,351,396
Mortgage	82,320,018	60,971,930
<i>Corporate:</i>		
Commercial	65,118,867	41,662,632
Total	<u>169,557,498</u>	<u>117,985,958</u>

In addition, as of March 31, 2022, a total of B/.441,294,926 (June 30, 2021: B/.956,852,818) of loans categorized as modified under the Agreement No. 2-2021 were restructured in their terms, modifying their payment plan, interest rates, among others.



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

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

Right-of-use assets are presented below:

	<b>March 2022</b>	<b>June 2021</b>
<b>Building and land</b>		
<b>Cost:</b>		
Balance at the beginning of the year	26,404,100	25,948,456
Adjustment from adoption of IFRS 16	55,528	-
Increases in right-of-use assets	-	455,644
Balance at the end of the period	<u>26,459,628</u>	<u>26,404,100</u>
<b>Accumulated depreciation and amortization:</b>		
Balance at the beginning of the year	6,978,593	3,439,071
Expense of the year	2,442,968	3,539,522
Balance at the end of the year	<u>9,421,561</u>	<u>6,978,593</u>
<b>Net balance</b>	<u>17,038,067</u>	<u>19,425,507</u>

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

	<b>March 2022</b>	<b>March 2021</b>
Depreciation expense on right-of-use assets	2,442,968	2,696,596
Interest expense on lease liabilities	500,707	445,013
	<u>2,943,675</u>	<u>3,141,609</u>

##### b) Lease liabilities

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

	<b>March 2022</b>	<b>June 2021</b>
Up to 1 year	2,579,704	2,619,815
Between 1 and 5 years	8,569,123	6,994,623
5 years or more	7,621,975	11,233,359
Total	<u>18,770,802</u>	<u>20,847,797</u>

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



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 13. Other assets

	March 2022	June 2021
Goodwill (a)	92,014,817	92,014,817
Accounts receivable - related companies	64,476,862	54,437,258
Investment properties (c)	52,860,897	42,850,897
Deferred income tax (b)	50,993,458	46,642,252
Accounts receivable - National Treasury	48,198,810	50,456,626
Accounts receivable	48,059,738	48,793,226
Repossessed assets	45,985,677	25,399,073
Intangible assets (d)	19,760,625	20,918,130
Prepaid expenses	18,995,947	17,802,884
Collateral deposits	10,448,889	26,186,098
Insurance premiums receivable	9,099,584	7,366,879
Severance Fund	8,068,395	7,600,595
Hedge derivative (e)	7,956,277	206,871
Insurance company claims	4,656,384	5,151,551
Tax credit - agricultural subsidy	4,002,425	3,864,468
Judicial deposits	2,931,695	3,078,024
Customer obligations for acceptances	659,426	584,010
Other	27,718,440	28,971,063
	<u>516,888,346</u>	<u>482,324,722</u>

#### (a) Goodwill

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

<u>Acquisition date</u>	<u>Company acquired</u>	<u>% of acquired participation</u>	<u>March 2022</u>	<u>June 2021</u>
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Añanzadora Colón, S.A. PROGRESO - Administradora Nacional de Inversiones, Fondos de	100%	25,000	25,000
December 2014	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
			<u>92,014,817</u>	<u>92,014,817</u>

#### (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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### (d) *Intangible assets*

	March 2022	June 2021
<b>Cost:</b>		
Rights to manage HSBCs severance fund portfolio		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Trademarks and other intangibles	8,454,809	8,454,809
Intangible assets from the purchase of Banvivienda	15,500,000	15,500,000
	<u>25,344,772</u>	<u>25,344,772</u>
<b>Accumulated amortization:</b>		
Balance at beginning of the year	4,426,642	2,883,302
Amortization	1,157,505	1,543,340
	<u>5,584,147</u>	<u>4,426,642</u>
Net balance at end of the period	<u>19,760,625</u>	<u>20,918,130</u>

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 March 31, 2022 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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

#### (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 March 31, 2022 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:

<u>Method of accounting</u>	<b>March 2022</b>		
	<b>Remaining maturity of the nominal value</b>		
	<b>More than 1 year</b>	<b>Less than 1 year</b>	<b>Total</b>
Cash flows	200,000,000	-	200,000,000
Total	<u>200,000,000</u>	<u>-</u>	<u>200,000,000</u>

<u>Method of accounting</u>	<b>June 2021</b>		
	<b>Remaining maturity of the nominal value</b>		
	<b>More than 1 year</b>	<b>Less than 1 year</b>	<b>Total</b>
Cash flows	200,000,000	-	200,000,000
Total	<u>200,000,000</u>	<u>-</u>	<u>200,000,000</u>

The nominal amount and the estimated fair value of interest rate derivative instruments as of March 31, 2022 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.

<u>Type</u>	<b>March 2022</b>		<b>June 2021</b>	
	<b>Notional value</b>	<b>Fair value</b>	<b>Notional value</b>	<b>Fair value</b>
Derivatives for cash flow hedges (for financing)	200,000,000	7,956,277	200,000,000	206,871
Total	<u>200,000,000</u>	<u>7,956,277</u>	<u>200,000,000</u>	<u>206,871</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 14. Deposits from clients

	March 2022	Demand	Savings	Time	Total
Economic segment					
Corporate		423,462,885	445,021,651	2,073,622,984	2,942,107,520
Personal		90,770,641	836,889,264	1,299,071,037	2,226,730,942
		<u>514,233,526</u>	<u>1,281,910,915</u>	<u>3,372,694,021</u>	<u>5,168,838,462</u>
Segment					
Domestic		489,647,390	1,212,772,367	2,928,357,203	4,630,776,960
Foreign		24,586,136	69,138,548	444,336,818	538,061,502
		<u>514,233,526</u>	<u>1,281,910,915</u>	<u>3,372,694,021</u>	<u>5,168,838,462</u>
	June 2021	Demand	Savings	Time	Total
Economic segment					
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
		<u>472,468,854</u>	<u>1,182,619,841</u>	<u>3,534,370,536</u>	<u>5,189,459,231</u>
Segment					
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
		<u>472,468,854</u>	<u>1,182,619,841</u>	<u>3,534,370,536</u>	<u>5,189,459,231</u>

#### 15. Securities sold under repurchase agreements

As of March 31, 2022, there are repurchase agreements for B/.98,540,341, secured by investments at fair value through other comprehensive income for B/.56,800,400 and securities at amortized cost for B/.52,536,049 at an interest rate between 0.45% and 1.67%, maturing in June 2022 and August 2022.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 16. Obligations with financial institutions

	March 2022	June 2021
As of March 31, 2022, 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 3.0406% (June 2021: between 0.5560% and 2.6065%)	282,028,131	168,847,189
As of March 31, 2022, there were obligations with financial institutions for the management of short-term liquidity, with interest rate of 1.0430%, reviewed semiannually (June 2021: between 2.15% and 2.37%).	58,400,000	55,006,833
As of March 31, 2022, there are obligations with international organizations for handling long-term liquidity, with renewal maturities between June 2022 and September 2025 and interest rates between 3.328% and 3.731% (June 2021: between 1.948% and 3.453%)	90,568,608	139,420,310
As of March 31, 2022, there are obligations with foreign banks for working capital, with multiple maturities until August 2031 and annual interest rates between 1.75% and 3.9779% (June 2021: between 1.98588% and 3.25%).	852,535,093	373,320,764
As of March 31, 2022, there are obligations with a multilateral financial institution, with various terms and final maturities starting June 2022 until January 2027, interest rates range between 0.9166% and 3.50%, reviewed semiannually (June 2021: between 1.5059% and 3.500%).	103,751,914	139,730,450
	<u>1,387,283,746</u>	<u>876,325,546</u>

As of March 31, 2022, there are investments at fair value through other comprehensive income for B/.65,840,782 (June 30, 2021: B/.22,900,630) that collateralized these obligations with financial institutions and securities at amortized cost for B/.20,389,000 (June 30, 2021: B/.50,755,968) that collateralized these obligations with financial institutions. In addition, there are restricted time deposits as of March 31, 2022 for B/. B/.4,877,797 (June 30, 2021: B/.1,482,735), which guarantee these obligations with financial institutions.

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

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

	March 2022	June 2021
Balance at beginning of the year	876,325,546	1,074,122,772
Others movements	7,749,406	206,871
Obligations received	1,204,822,784	732,853,771
Payments made	(701,613,990)	(930,857,868)
Balance at the end of the period	<u>1,387,283,746</u>	<u>876,325,546</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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

<u>Series</u>	<u>Issuance date</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>March 2022</u>	<u>June 2021</u>
D-G	jul-20	3.00%	jul-21	-	1,850,000
D-H	ago-20	3.00%	ago-21	-	2,000,000
D-I	sep-20	2.75%	sep-21	-	3,000,000
				<u>-</u>	<u>6,850,000</u>

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

	<u>March 2021</u>	<u>June 2021</u>
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	<u>-</u>	<u>6,850,000</u>

#### 18. Corporate bonds

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>March 2022</u>	<u>June 2021</u>
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	24,767,761	24,675,090
C Series - August 2018 Issuance	5.50%	Aug-23	34,804,600	34,707,576
A Series - April 2019 Issuance	5.25%	Apr-29	382,862,151	382,824,151
			<u>442,434,512</u>	<u>1,055,663,563</u>

The collateral 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 collateralized 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 March 31, 2022, there are corporate bonds that maintain loan collateral in trust for a total of B/.130,708,200 (June 30, 2021: B/.131,118,018). (See Note 10).

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 19. Subordinated bonds

On August 30, 2021, all issued and outstanding series of the subordinated bond program were cancelled.

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>March 2022</u>	<u>June 2021</u>
A Series - August 2010 Issuance	6.75%	ago-70	-	554,000
B Series - November 2010 Issuance	6.75%	ago-70	-	3,039,954
C Series - December 2010 Issuance	6.75%	ago-70	-	3,354,603
D Series - May 2011 Issuance	6.75%	ago-70	-	270,000
E Series - October 2014 Issuance	6.75%	ago-70	-	615,000
			<u>-</u>	<u>7,833,557</u>

#### 20. Perpetual bonds

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

<u>Type</u>	<u>Interest rate</u>	<u>March 2022</u>	<u>June 2021</u>
A Series - May 2016 Issuance	6.75%	23,943,693	23,909,981
B Series - July 2016 Issuance	6.75%	90,538,024	90,480,258
C Series - May 2018 Issuance	6.75%	5,191,950	5,191,950
D Series - May 2019 Issuance	6.75%	16,576,620	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%	1,274,000	-
		<u>177,135,287</u>	<u>160,763,868</u>

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

	<u>March 2022</u>	<u>June 2021</u>
Balance at beginning of the year	1,224,260,988	1,278,616,418
Proceeds from issuances	16,274,000	23,850,000
Debt issuance cost / amortization of debt issuance cost	1,341,827	3,271,628
Redemptions	(622,530,000)	(82,646,050)
Premiums, discounts / discount premium amortization	222,984	1,168,992
Balance at the end of the period	<u>619,569,799</u>	<u>1,224,260,988</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

#### 21. Other liabilities

	March 2022	June 2021
Other creditors	29,521,388	34,083,259
Cashiers' and certified checks	25,265,191	18,114,394
Employee benefits and other labor liabilities	17,968,297	18,459,202
Reserve of insurance operations (Note 22)	16,417,298	14,362,255
Factoring collateral deposits (a)	7,700,176	8,169,290
Other reserves	7,404,954	8,866,674
Legal and others deposits	3,407,613	3,616,716
Accounts payable - Insurance	2,161,345	2,140,917
Special Interest Offsetting Fund (FECI) payable	1,768,836	1,516,215
Pending acceptances	659,426	584,010
Income tax payable	92,107	62,369
Others	5,263,730	6,378,553
	<u>117,630,361</u>	<u>116,353,854</u>

#### a) Client's and other withheld collateral

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



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 22. Insurance operating reserves

##### Unearned premiums

	<b>March 2022</b>	<b>June 2021</b>
Balance at beginning of year	7,226,720	7,794,965
Premiums issued	25,612,027	32,156,701
Premiums earned	<u>(12,962,967)</u>	<u>(18,225,260)</u>
Balance at the end of the period	19,875,780	21,726,406
Participation of reinsurers		
Premiums ceded	(9,051,807)	(11,995,488)
Unearned premiums	<u>(518,682)</u>	<u>(980,003)</u>
Unearned premiums, net	<u>10,305,291</u>	<u>8,750,915</u>

	<b>March 2022</b>	<b>June 2021</b>
<b>Pending claims to be settled, estimates</b>		
Balance at beginning of the year	5,611,340	6,347,257
Claims incurred, net	8,449,026	14,778,490
Claims paid	<u>(7,948,359)</u>	<u>(15,514,407)</u>
Balance at the end of the period	<u>6,112,007</u>	<u>5,611,340</u>
	<u>16,417,298</u>	<u>14,362,255</u>

#### 23. Common shares

As of March 31, 2022, the authorized capital of Global Bank Corporation consists of 2,000,000 common shares with no nominal value, of which 236,600 (June 30, 2021: 236,600) shares are issued and outstanding for a value of B/.270,202,657 (June 30, 2021: B/.270,202,657).

As of March 31, 2022, a total of B/.17,312,061 (March 31, 2021: B/.15,048,242) was paid as dividends on common shares.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

#### 24. Interest and commission income and expenses

	March 2022	March 2021
Interest earned on:		
Loans	285,549,058	304,268,208
Deposits	826,516	1,246,996
Investments	28,227,845	25,667,812
	<u>314,603,419</u>	<u>331,183,016</u>
Interest expense on:		
Deposits	(119,522,134)	(129,015,460)
Obligations with financial institutions and repurchase agreements	(25,215,621)	(18,153,083)
Marketable securities and bonds	(34,721,128)	(51,146,967)
	<u>(179,458,883)</u>	<u>(198,315,510)</u>
Net interest income	<u>135,144,536</u>	<u>132,867,506</u>
Commissions earned on:		
Loans	19,104,085	15,009,650
Letters of credit	1,590,491	2,226,216
Savings accounts and debit cards	3,084,577	2,990,780
Fiduciary and management services	9,119,747	8,018,886
Others	10,586,199	7,647,585
	<u>43,485,099</u>	<u>35,893,117</u>
Commission expenses	<u>(14,137,009)</u>	<u>(9,780,020)</u>
Net commissions income	<u>29,348,090</u>	<u>26,113,097</u>
Net interest and commissions income	<u>164,492,626</u>	<u>158,980,603</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

#### 25. Other income, net

	March 2022	March 2021
Insurance premiums, net	9,021,166	8,937,216
Net gain on sale of securities	994,632	7,041,530
Fiduciary and brokerage services, net	341,107	242,832
Net (loss) gain on instruments at fair value through profit or loss	(478,085)	204,246
Other income (expenses)	480,533	2,518,376
	<u>10,359,353</u>	<u>18,944,200</u>

#### 26. Other expenses

	March 2022	March 2021
Reserve for redemption of miles	1,875,000	1,350,000
Communications and correspondance	1,372,145	1,392,576
Surveillance	1,340,980	1,236,863
Public utilities	1,095,263	1,025,919
Supplies and stationary	396,349	314,865
Insurance	160,836	181,067
Other operating expenses	5,289,697	6,631,897
Other general expenses	5,125,766	3,497,498
	<u>16,656,036</u>	<u>15,630,685</u>

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

As of March 31, 2022, key executive officers held stock options over 15,590 common shares of the Parent Company (G.B. Group Corporation) (June 30, 2021: 35,234), of which 15,590 shares may be exercised in 2022; with an average strike price of B/.41.00 as of March 31, 2022 (June 30, 2021: B/.41.00). The Bank recognized income for B/.157,752 (March 31, 2021: B/.366,390) in the consolidated statement of profit or loss under the line item salaries and other personnel expenses and the corresponding entry in equity.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 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 collateral and promissory notes, which are summarized as follows:

	March 2022	June 2021
Letters of credit	141,839,590	121,293,290
Endorsements and collateral	504,929,312	482,703,113
Promissory notes	200,889,708	169,185,471
Unused credit lines	420,844,727	463,726,656
Total	<u>1,268,503,337</u>	<u>1,236,908,530</u>

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

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

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

#### 29. Management of trust contracts and investment portfolio

As of March 31, 2022, the Bank held trust contracts at the client's risk that amounted to B/.3,067,886,736 (June 30, 2021: B/.2,799,433,707).

	March 2022	June 2021
Collateral Trust	2,799,253,099	2,520,329,920
Investment Trust	130,411,770	134,786,615
Management Trust	134,457,404	140,471,024
Pension Trust	2,555,817	2,666,938
Testamentary Trust	612,122	595,902
Assets - PLICA contract	596,524	583,308
	<u>3,067,886,736</u>	<u>2,799,433,707</u>

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

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 30. Management of pension and severance funds

	March 2022	June 2021
Severance Fund	308,896,659	305,339,517
Pension Fund (under Law No. 10)	229,539,550	229,430,496
Citibank, N. A.	2,942,555	3,185,659
Pribanco and Conase Plus	1,485	23,538
Bipan Plus	-	67,895
Other assets under management	34,275,090	31,474,010
	<u>575,655,339</u>	<u>569,521,115</u>

#### 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:

	March 2022	March 2021
Current income tax	2,555,624	2,670,016
Deferred tax for temporary differences	<u>(4,351,206)</u>	<u>(11,646,375)</u>
Benefit tax	<u>(1,795,582)</u>	<u>(8,976,359)</u>

The average effective rate of the current income tax is 10.17% as of March 31, 2022.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

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

	<b>March 2022</b>	<b>June 2021</b>
Balance at beginning of the year	46,642,252	33,894,103
Credit to profit or loss during the period	4,351,206	12,748,149
Balance at the end of the period	<u>50,993,458</u>	<u>46,642,252</u>

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

A reconciliation of income tax is shown below:

	<b>March 2022</b>	<b>March 2021</b>
Profit before income tax	25,133,016	6,900,412
Less: non-taxable income	(81,510,246)	(13,094,588)
Plus: non-deductible expenses	66,598,695	10,793,265
Plus: tax loss on subsidiaries	1,033	6,069,679
Taxable base	<u>10,222,498</u>	<u>10,668,768</u>
Income tax calculated at 25%	2,555,625	2,667,192
Remittance income tax	-	2,824
Income tax expense	<u>2,555,625</u>	<u>2,670,016</u>

The deferred income tax asset is broken down as follows:

	<b>March 2022</b>	<b>June 2021</b>
Deferred income tax asset:		
Provision for expected losses	53,732,645	49,691,816
Acquired intangible asset - core deposit	(2,933,154)	(3,175,344)
Other provision	193,967	125,780
Deferred income tax asset	<u>50,993,458</u>	<u>46,642,252</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

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

March 2022	Charged to Profit or Loss		
Deferred income tax asset:			
Provision for expected losses	49,691,816	4,040,829	53,732,645
Acquired intangible - core deposit	(3,175,344)	242,190	(2,933,154)
Other provision	125,780	68,187	193,967
Deferred income tax asset	<u>46,642,252</u>	<u>4,351,206</u>	<u>50,993,458</u>

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	<u>33,894,103</u>	<u>12,748,149</u>	<u>46,642,252</u>

#### Transfer pricing:

On August 29, 2012, Law No.52 entered into force, reforming regulations on transfer pricing, a price regime oriented to regulate transactions for tax purposes between related parties, so that the considerations between them are similar to those made between third parties. According to those rules, taxpayers carrying out transactions with related parties that have an impact on income, costs or deductions for determining taxable income for 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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 32. Segment information

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

	March 2022			
	<b>Banking and financial activities</b>	<b>Insurance</b>	<b>Pension and severance funds</b>	<b>Total consolidated</b>
Interest and commission income	349,106,312	1,617,179	7,365,027	358,088,518
Interest expenses and provisions	242,538,162	184,590	(81)	242,722,671
Other income, net	1,142,067	9,242,284	(24,998)	10,359,353
Other expenses	78,023,851	4,768,722	2,310,836	85,103,409
Depreciation and amortization expense	15,348,398	8,730	131,647	15,488,775
Profit before income tax	<u>14,337,968</u>	<u>5,897,421</u>	<u>4,897,627</u>	<u>25,133,016</u>
Income tax	(3,943,857)	1,189,260	959,015	(1,795,582)
Net profit	<u>18,281,825</u>	<u>4,708,161</u>	<u>3,938,612</u>	<u>26,928,598</u>
Total assets	<u>8,202,656,800</u>	<u>62,557,515</u>	<u>34,617,237</u>	<u>8,299,831,552</u>
Total liabilities	<u>7,498,071,065</u>	<u>23,048,222</u>	<u>692,406</u>	<u>7,521,811,693</u>
	March 2021			
	<b>Banking and financial activities</b>	<b>Insurance</b>	<b>Pension and severance funds</b>	<b>Total consolidated</b>
Interest and commission income	358,935,293	1,563,787	6,577,053	367,076,133
Interest expenses and provisions	283,269,803	188,268	(3,882)	283,454,189
Other income, net	9,185,607	9,232,123	526,470	18,944,200
Other expenses	73,507,789	4,083,902	1,940,008	79,531,699
Depreciation and amortization expense	15,982,871	9,293	141,869	16,134,033
Profit before income tax	<u>(4,639,563)</u>	<u>6,514,447</u>	<u>5,025,528</u>	<u>6,900,412</u>
Income tax	(11,335,559)	1,273,752	1,085,448	(8,976,359)
Net profit	<u>6,695,996</u>	<u>5,240,695</u>	<u>3,940,080</u>	<u>15,876,771</u>
	June 2021			
	<b>Banking and financial activities</b>	<b>Insurance</b>	<b>Pension and severance funds</b>	<b>Total consolidated</b>
Total assets	<u>8,232,793,328</u>	<u>59,866,842</u>	<u>30,883,723</u>	<u>8,323,543,893</u>
Total liabilities	<u>7,507,967,572</u>	<u>25,127,233</u>	<u>730,508</u>	<u>7,533,825,313</u>



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### 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	Beginning 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:

	<b>March 2022</b>	<b>June 2021</b>
Banking reserves		
Dynamic reserve	87,863,198	87,863,198
Foreclosed assets reserve	13,288,407	11,750,034
	<u>101,151,605</u>	<u>99,613,232</u>

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### Agreement No. 4-2013

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

#### March 2022

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,393,223,762	312,236,089	131,063,588	23,584,375	107,570,058	2,967,677,872
Consumer loans	2,865,477,180	83,004,150	18,941,590	10,111,092	28,042,097	3,005,576,109
Other loans	151,789,701	90,000	-	-	-	151,879,701
Total	<u>5,410,490,643</u>	<u>395,330,239</u>	<u>150,005,178</u>	<u>33,695,467</u>	<u>135,612,155</u>	<u>6,125,133,682</u>
Specific reserve	<u>87,310</u>	<u>20,736,163</u>	<u>18,236,734</u>	<u>9,075,195</u>	<u>80,336,129</u>	<u>128,471,531</u>

#### June 2021

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
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	<u>5,338,491,423</u>	<u>402,227,814</u>	<u>153,102,580</u>	<u>20,881,751</u>	<u>144,124,002</u>	<u>6,058,827,570</u>
Specific reserve	<u>-</u>	<u>17,791,705</u>	<u>17,261,487</u>	<u>5,869,542</u>	<u>77,529,058</u>	<u>118,451,792</u>

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

#### March 2022

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	2,826,561,252	10,978,003	130,138,617	2,967,677,872
Consumer	2,838,506,154	91,975,447	75,094,508	3,005,576,109
Others	151,479,979	90,000	309,722	151,879,701
Total	<u>5,816,547,385</u>	<u>103,043,450</u>	<u>205,542,847</u>	<u>6,125,133,682</u>

#### June 2021

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
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	<u>5,817,686,374</u>	<u>48,226,507</u>	<u>192,914,689</u>	<u>6,058,827,570</u>

As of March 31, 2022, loans that do not accrue interest represented an amount of B/. 143,627,852 (June 30, 2021: B/. 145,274,402).

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### **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 No. 4-2013, the restriction of the dynamic reserve establish that the amount cannot be less that the amount established for the previous quarter. As of March 31, 2022, the dynamic provision was for B/.87,863,198 (June 30, 2021: B/.87,863,198).

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

#### **Off-balance sheet operations**

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

March 2022						Total
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	
Letters of credit	141,839,590	-	-	-	-	141,839,590
Endorsements and collateral	504,929,312	-	-	-	-	504,929,312
Promissory notes	200,889,708	-	-	-	-	200,889,708
Unused credit lines	420,844,727	-	-	-	-	420,844,727
Total	<u>1,268,503,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268,503,337</u>

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

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

(In balboas)

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

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

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

#### ***Foreclosed assets***

As of March 31, 2022, the regulatory reserve on foreclosed assets amounts to B/.13,288,407 (June 30, 2021: B/.11,750,034) based on the reserve of Agreement No. 3-2009 of the Superintendency of Banks of Panama.

#### ***Premiums and notes receivable***

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

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

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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#### Laws and regulations:

##### a) **Banking Law**

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

##### *Compliance with the regulatory body*

##### *Liquidity ratio*

As of March 31, 2022, the liquidity ratio percentage reported to the regulatory body, under the parameters of Agreement No.4-2008, was 38.74% (June 30, 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 March 31, 2022, the Bank holds condensed consolidated equity funds of approximately 15.56% (June 30, 2021: 15.97%) of its risk-weighted assets, in accordance with Agreement No. 1-2015 and Agreement No. 3-2016 and the new agreements, Agreement No. 11-2018 and Agreement No. 2-2018. (See Note 4.7).

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 collateral on movable and immovable property has been manifested through General Resolution SBP-GJD-0004-2020 of the Board of Directors. In addition, for the purposes of Article No. 2 of Agreement No. 3-2016, all risk assets classified in categories 7 and 8, whose weighting is 125% and 150% respectively, will be temporarily weighted as part of category 6, whose weighting is 100% through the 'Board of Directors' General Resolution SBP-GJD-0005-2020.

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

##### 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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022

(In balboas)

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#### c) *Securities Law*

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

#### d) *Trust Law*

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

#### e) *Financial Leasing Law*

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

### 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 March 31, 2022, the reserve is B/.32,324,680 (June 30, 2021: B/.32,324,680).

The capital reserve is as follows:

	<b>March 2022</b>	<b>June 2021</b>
Capital reserves	32,324,680	32,324,680
Insurance reserves		
Technical reserve	4,985,236	4,309,034
Legal reserve	5,749,193	5,749,193
	<u>43,059,109</u>	<u>42,382,907</u>

### 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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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.

	<u>Reserve for statistical deviations</u>		<u>Reserve for catastrophic risk and/or contingencies</u>	
	<u>March 2022</u>	<u>June 2021</u>	<u>March 2022</u>	<u>June 2021</u>
Balance at the beginning of the year	2,154,517	1,713,091	2,154,517	1,713,091
Additions	<u>338,101</u>	<u>441,426</u>	<u>338,101</u>	<u>441,426</u>
Balance at the end of the period	<u>2,492,618</u>	<u>2,154,517</u>	<u>2,492,618</u>	<u>2,154,517</u>

#### **Regulatory Reserve**

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

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

The movement of the legal reserve is detailed below:

	<u>March 2022</u>	<u>June 2021</u>
Balance at beginning of the period	<u>5,749,193</u>	<u>5,749,193</u>
Balance at the end of the period	<u>5,749,193</u>	<u>5,749,193</u>

#### **35. COVID-19 effect**

The 2019 coronavirus pandemic (COVID-19) has affected the global economy during 2020, 2021 and including 2022. 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, during the year 2022 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 2021 and 2022 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 4.2.2.1 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.

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

(In balboas)

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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 No. 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 No. 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 No. 8 of Agreement No.2-2021.



## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

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 March 31, 2022, 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:

#### March 2022

	Stage 1	Stage 2	Stage 3	Total
<b><u>Modified special mention category loans</u></b>				
Modified normal	-	132,450,207	135,536	132,585,743
Modified special mention	-	54,167	-	54,167
Modified subnormal	157,680,083	306,099,863	24,654,379	488,434,325
Modified doubtful	-	10,166,334	3,705,217	13,871,551
Modified uncollectible	-	28,304,159	50,993,690	79,297,849
(-) Modified loans secured by pledged deposits in the same bank for up to in the same bank up to the amount guaranteed.	27,236	444,012	4,503	475,751
(+) Accrued interest receivable	8,949,371	39,765,740	4,529,797	53,244,908
(-) Unearned discounted interest and commissions	16,886	97,126	25,870	139,882
<b>Total portfolio subject to provisions under Agreement No. 6-2021</b>	<b>166,585,332</b>	<b>516,299,332</b>	<b>83,988,246</b>	<b>766,872,910</b>
<b>Provisions and reserves</b>				
IFRS 9 provisions	1,153,601	35,892,806	42,875,068	79,921,475
<b>Total provisions and reserves</b>	<b>1,153,601</b>	<b>35,892,806</b>	<b>42,875,068</b>	<b>79,921,475</b>

#### June 2021

	Stage 1	Stage 2	Stage 3	Total
<b><u>Modified special mention category loans</u></b>				
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
<b>Total portfolio subject to provisions under Agreement No. 6-2021</b>	<b>756,860,899</b>	<b>506,735,979</b>	<b>51,374,415</b>	<b>1,314,971,293</b>
<b>Provisions and reserves</b>				
IFRS 9 provisions	4,484,028	38,770,541	26,890,062	70,144,631
<b>Total provisions and reserves</b>	<b>4,484,028</b>	<b>38,770,541</b>	<b>26,890,062</b>	<b>70,144,631</b>

As of March 31, 2022, modified special mention loans amounted to B/.714,243,635; representing 11.66% of the total loan portfolio as of that date. The composition of the modified special mention loans consists of 70.87% consumer loans and 29.13% corporate loans.

The IFRS allowance for modified special mention loans amounts to B/.79,921,475 or 10.42% of the total portfolio subject to provisions.

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### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

During the month of March 2022, approximately 55.65% (B/.397,450,216) 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 March.

	March 2022					
	Personal	Credit cards	Vehicles	Mortgage	Commercial	Total
% of balance with payments of modified loans	67.44%	38.57%	74.06%	79.74%	60.35%	70.41%

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 March 31, 2022 are unpaid as of the last installment payment recorded at the time of the loan modification:

	March 2022			
	Up to 90 days	Between 91 and 120 days	Between 121 and 180 days	Between 181 and 360 days
Consumer loans	28%	3%	2%	67%
Corporate loans	24%	3%	21%	52%

  

	June 2021			
	Up to 90 days	Between 91 and 120 days	Between 121 and 180 days	Between 181 and 360 days
Consumer 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.

## **Global Bank Corporation and Subsidiaries**

### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)**

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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.

## Global Bank Corporation and Subsidiaries

### Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022 (In balboas)

#### Modified loan collateral

The Bank maintains collateral to reduce credit risk and to ensure the collection of its financial assets exposed to credit risk. The main types of collateral taken with respect to the various loans amended are presented below:

March 2022	Consumer				Corporate	
	Personal	Credit cards	Cars	Mortgages	Commercial	Total Loans
Balance of modified loans	62,686,858	39,096,718	44,163,057	360,417,976	207,879,026	714,243,635
Collateral	78,661,384	120,690	51,969,368	484,473,425	401,160,586	1,016,385,453
Exposure % subject to collateral requirements	125%	0%	118%	134%	193%	142%

  

June 2021	Consumer				Corporate	
	Personal	Credit cards	Cars	Mortgages	Commercial	Total Loans
Balance of modified loans	102,764,622	56,428,649	75,489,853	617,928,886	387,564,738	1,240,176,748
Collateral	138,516,303	358,935	97,429,383	845,159,305	860,514,324	1,941,978,250
Exposure % 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 collateral 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 No. 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.

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### **Notes to the interim condensed consolidated financial statements for the nine months ended March 31, 2022**

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Since the IFRS provisions as of March 31, 2022 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 March 31, 2022 were authorized by General Management for their issuance on April 30, 2022.

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