

Global Bank Corporation and Subsidiaries

Consolidated financial statements for the
three months ended September 30, 2024

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

Global Bank Corporation and Subsidiaries

Consolidated Financial Statements as of September 30, 2024

Content	Page
Consolidated statement of financial position	1
Consolidated statement of profit or loss	2
Consolidated statement of profit or loss and other comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 - 90

Global Bank Corporation and Subsidiaries

Consolidated statement of financial position as of September 30, 2024 (In balboas)

	Notes	September 2024	June 2024
Assets			
Cash and bank deposits	7,16	345,433,687	378,198,724
Securities purchased under resale agreements	8	4,956,931	4,956,931
Investments in securities, net	6,9,16	1,098,572,777	1,049,326,162
Loans, net	6,10	6,337,777,877	6,315,709,567
Property, furniture, equipment and improvements	11	187,670,653	191,401,031
Right-of-use assets	12	10,850,637	11,291,589
Other assets	6,13,30	601,144,727	569,398,628
Total assets		8,586,407,289	8,520,282,632
Liabilities and equity			
Liabilities			
Customer deposits	6,14	5,386,969,388	5,264,634,266
Deposits from banks		67,935,453	80,815,921
Accrued interest payable		39,229,379	36,197,140
Total deposits		5,494,134,220	5,381,647,327
Securities sold under repurchase agreements	15	138,368,683	47,610,933
Obligations with financial institutions	9,16	1,467,260,236	1,642,982,215
Marketable securities (VCNs)	17	2,000,000	2,000,000
Corporate bonds	18	374,466,993	374,440,557
Perpetual bonds	19	177,950,138	178,016,538
Accrued interest payable		34,332,702	25,872,345
Total borrowings		2,194,378,752	2,270,922,588
Lease liabilities	12	12,601,705	12,991,713
Other liabilities	6,20,21	137,657,043	123,345,219
Total liabilities		7,838,771,720	7,788,906,847
Equity			
Common shares	22	270,202,657	270,202,657
Excess paid-in capital	26	2,385,263	2,247,763
Capital reserves	33	45,382,631	45,124,877
Regulatory reserves	33	109,637,232	108,133,638
Fair value reserve		(17,947,822)	(29,751,677)
Net change in hedge instruments	13,20	(3,728,373)	(69,008)
Retained earnings		341,703,981	335,487,535
Total shareholder's equity		747,635,569	731,375,785
Total liabilities and equity		8,586,407,289	8,520,282,632

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

Global Bank Corporation and Subsidiaries

Consolidated statement of profit or loss for the three months ended September 30, 2024 (In balboas)

	Notes	September	
		2024	2023
Interest earned	6	133,075,042	121,033,169
Interest expense	6	<u>(93,737,715)</u>	<u>(82,372,910)</u>
Net interest income	23	<u>39,337,327</u>	<u>38,660,259</u>
Commission earned		17,847,677	17,587,005
Commission expenses		<u>(6,575,668)</u>	<u>(5,873,265)</u>
Net commission income	23	<u>11,272,009</u>	<u>11,713,740</u>
Net interest and commission income, before allowances	23	<u>50,609,336</u>	<u>50,373,999</u>
Allowance for uncollectible loans	4.2.2.1.2	8,894,848	8,904,136
Reversal of allowance for country risk		(245,225)	(290,970)
Allowance for investments	4.2.2.2	<u>94,093</u>	<u>16,724</u>
		<u>8,743,716</u>	<u>8,629,890</u>
Net interest and commission income, after allowances		41,865,620	41,744,109
Other income	24	6,610,720	3,523,223
Other expenses			
Salaries and other compensations	6	15,080,594	15,676,213
Professional fees		2,539,782	2,844,944
Depreciation and amortization	11,12,13	4,472,069	4,421,715
Marketing and advertising		365,876	539,302
Maintenance and repairs		3,092,229	4,020,431
Leases		1,725,136	1,905,139
Other taxes		1,953,612	1,697,140
Other expenses	25	<u>8,469,558</u>	<u>6,175,032</u>
		<u>37,698,856</u>	<u>37,279,916</u>
Profit before income tax		<u>10,777,484</u>	<u>7,987,416</u>
Income tax			
Current		1,004,722	861,562
Deferred		<u>(4,149,244)</u>	<u>(6,369,821)</u>
Income tax benefit	30	<u>(3,144,522)</u>	<u>(5,508,259)</u>
Profit for the period		<u>13,922,006</u>	<u>13,495,675</u>

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

Global Bank Corporation and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income for the three months ended September 30, 2024

(In balboas)

	September	
	2024	2023
Profit for the period	13,922,006	13,495,675
Other comprehensive income:		
Items that can be reclassified subsequently to profit or loss:		
Net amount transferred to profit or loss	(246,631)	(140,770)
Allowance for investments	95,282	18,258
Net change in valuation of investments at fair value through other comprehensive income	11,955,204	(5,466,497)
Net change in derivative hedge instruments	(3,659,365)	-
Other comprehensive income for the period	8,144,490	(5,589,009)
Total other comprehensive income for the period	22,066,496	7,906,666

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

Global Bank Corporation and Subsidiaries

**Consolidated statement of changes in equity
for the three months ended September 30, 2024
(In balboas)**

	Notes	Total shareholder's equity	Common shares	Excess paid- in capital	Capital reserves	Regulatory reserves	Fair value reserve	Net change in derivative hedge instruments	Retained earnings
Balance as of June 30, 2023		<u>711,753,244</u>	<u>270,202,657</u>	<u>2,252,695</u>	<u>44,175,479</u>	<u>104,142,557</u>	<u>(37,365,976)</u>	-	<u>328,345,832</u>
Profit for the period		13,495,675	-	-	-	-	-	-	13,495,675
Allowance for investments		18,258	-	-	-	-	18,258	-	-
Net changes in the valuation of investments at fair value through other comprehensive income		<u>(5,607,267)</u>	-	-	-	-	<u>(5,607,267)</u>	-	-
Total comprehensive income for the period		<u>7,906,666</u>	-	-	-	-	<u>(5,589,009)</u>	-	<u>13,495,675</u>
Excess paid-in capital - employee stock option plan	26	117,699	-	117,699	-	-	-	-	-
Dividends paid - common shares	22	(16,917,342)	-	-	-	-	-	-	(16,917,342)
Complementary tax		(541,233)	-	-	-	-	-	-	(541,233)
Regulatory reserves	33	-	-	-	-	1,432,678	-	-	(1,432,678)
Capital reserves	33	-	-	-	227,530	-	-	-	(227,530)
Balance as of September 30, 2023		<u>702,319,034</u>	<u>270,202,657</u>	<u>2,370,394</u>	<u>44,403,009</u>	<u>105,575,235</u>	<u>(42,954,985)</u>	-	<u>322,722,724</u>
Balance as of June 30, 2024		<u>731,375,785</u>	<u>270,202,657</u>	<u>2,247,763</u>	<u>45,124,877</u>	<u>108,133,638</u>	<u>(29,751,677)</u>	(69,008)	<u>335,487,535</u>
Profit for the period		13,922,006	-	-	-	-	-	-	13,922,006
Allowance for investments		95,282	-	-	-	-	95,282	-	-
Net changes in the valuation of investments at fair value through other comprehensive income		11,708,573	-	-	-	-	11,708,573	-	-
Net change in derivative hedge instruments		<u>(3,659,365)</u>	-	-	-	-	-	<u>(3,659,365)</u>	-
Total comprehensive income for the period		<u>22,066,496</u>	-	-	-	-	<u>11,803,855</u>	<u>(3,659,365)</u>	<u>13,922,006</u>
Excess paid-in capital - employee stock option plan	26	137,500	-	137,500	-	-	-	-	-
Dividends paid - common shares	22	(5,581,050)	-	-	-	-	-	-	(5,581,050)
Complementary tax		(363,162)	-	-	-	-	-	-	(363,162)
Regulatory reserves	33	-	-	-	-	1,503,594	-	-	(1,503,594)
Capital reserves	33	-	-	-	257,754	-	-	-	(257,754)
Balance as of September 30, 2024		<u>747,635,569</u>	<u>270,202,657</u>	<u>2,385,263</u>	<u>45,382,631</u>	<u>109,637,232</u>	<u>(17,947,822)</u>	<u>(3,728,373)</u>	<u>341,703,981</u>

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

Global Bank Corporation and Subsidiaries

**Consolidated statement of cash flows
for the three months ended September 30, 2024
(In balboas)**

		September	
	Notes	2024	2023
Cash flows from operating activities			
Profit for the period		13,922,006	13,495,675
Adjustments for:			
Depreciation and amortization	11,12,13	4,472,069	4,421,715
Gain on sale of property, furniture and equipment		(2,109)	(1,310)
Disposals of property, furniture and equipment		3,533,087	265,917
Gain on sale of securities at fair value through other comprehensive income, net	9,24	(246,631)	(140,770)
Gain on instruments at fair value through profit or loss, net	24	(353,104)	(8,215)
Allowance for loan losses, net		8,894,848	8,904,136
Allowance for investments, net		94,093	16,724
Income tax	30	(3,144,522)	(5,508,259)
Interest earned	23	(133,075,042)	(121,033,169)
Interest expense	23	93,737,715	82,372,910
Plan for restricted shares	26	137,500	117,699
		<u>(12,030,090)</u>	<u>(17,096,947)</u>
Changes in:			
Deposits over 90 days and restricted	7	(17,607,108)	-
Securities purchased under resale agreements		-	(410,002)
Loans		(29,793,746)	(14,293,565)
Other assets		(28,328,714)	(24,140,716)
Customer deposits		122,335,122	86,358,986
Bank deposits		(12,880,468)	13,223,229
Other liabilities		10,367,473	3,390,475
		<u>32,062,469</u>	<u>47,031,460</u>
Cash used in operations			
Income tax paid		(399,186)	-
Interest received		133,609,541	118,973,589
Interest paid		(82,245,119)	(75,749,812)
		<u>83,027,705</u>	<u>90,255,237</u>
Cash flows from investing activities			
Purchase of securities through other comprehensive income		(133,972,564)	(50,382,438)
Sales of securities through other comprehensive income		90,317,756	59,395,943
Purchase of investments through profit or loss		(225,062)	(474,264)
Sales and redemptions of investments through profit or loss		217,182	498,482
Redemptions and amortization of investments at amortized cost		4,792,798	4,244,086
Purchase of property, furniture and equipment	11	(3,447,991)	(2,975,022)
Proceeds from sales of property, furniture and equipment		2,109	1,310
		<u>(42,315,772)</u>	<u>10,308,097</u>
Net cash flows (used in) provided by investing activities			
Cash flows from financing activities			
Payments made under repurchase agreement transactions	15	106,745,395	(38,068,393)
Proceeds from securities sold under repurchase agreements	15	(15,987,645)	61,093,208
Obligations received from financial institutions	16	334,804,316	445,032,571
Obligations paid to financial institutions	16	(510,526,295)	(497,317,613)
Redemption of bonds	19	(14,490)	(35,409,862)
Dividends paid on common shares	22	(5,581,050)	(16,917,342)
Lease payment		(390,008)	(472,606)
Complementary tax		(363,162)	(541,233)
		<u>(91,312,939)</u>	<u>(82,601,270)</u>
Net cash flow used in financing activities			
Net (decrease) increase in cash and cash equivalents		(50,601,006)	17,962,064
Cash and cash equivalents at beginning of the year		354,812,300	346,970,481
Cash and cash equivalents at end of the period	7	<u>304,211,294</u>	<u>364,932,545</u>

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

1. General information

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

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

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

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

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

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

The principal activity of the Subsidiaries is described in Note 32.

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

2.1 *New and amended International Financial Reporting Standards ("IFRSs" or "IASs") that are mandatory for the current year*

For the period ended September 30, 2024, the Bank has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory for accounting periods beginning on or after July 1, 2023. Their adoption has not had a material impact on the disclosures or amounts reported in these consolidated financial statements.

Amendments to IAS 1 - Presentation of financial statements and Practice Paper 2 Making Materiality Judgments - Disclosures of Accounting Policies - The Bank has adopted the IAS 1 amendments for the first time this year. The amendment changes the requirements in IAS 1 with respect to accounting policy disclosures. The amendment replaces all references to the term "significant accounting policies" with "material accounting policy information."

Accounting policy information is material if, when considered together with other information included in the consolidated financial statements, it can reasonably be expected to influence the decisions that primary users of general purpose consolidated financial statements make, based on those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that information related to accounting policies for transactions, other immaterial events or conditions, need not be disclosed.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information related to material transactions other events or conditions is by itself material.

The IASB has developed guides and examples to explain and demonstrate the application of the four-step process outlined in Practice Paper 2.

Amendments to IAS 12 Income Taxes - Deferred taxes related to assets and liabilities arising from a single transaction - The Bank has adopted the amendments to IAS 12 for the first time this year. The amendments introduce an additional exception to the initial recognition exemption. According to the amendments, an entity does not apply the initial recognition exemption for transactions that result in equal cumulative and deductible time differences, for tax purposes. Depending on applicable tax law, cumulative and deductible temporary differences may arise at the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect the accounting or tax results.

The amendments to IAS 12 provide that an entity is required to recognize deferred tax assets and relative liabilities, considering that the recognition of any active deferred tax is subject to the recoverability criteria of IAS 12.

Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar 2- The Bank has adopted the amendments to IAS 12 for the first time this year. The IASB amended the scope of IAS 12 to clarify that the standard applies to taxes arising from tax laws enacted or substantially enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (“OECD”), including tax laws that implement additional minimum qualifying domestic taxes as described in those rules.

The amendments introduce a temporary exception to the deferred tax requirements in IAS 12, so that an entity does not recognize or disclose information on deferred tax assets and liabilities related to taxes arising from the application of Pillar 2.

Continuing with the amendments, the Bank is required to disclose that it has applied the exception and to separately disclose its current tax expense or income related to the application of Pillar 2.

Amendments to IAS 8 - Changes in Accounting Policies, Estimates, and Errors – Definition of Accounting Estimate. The Bank has adopted the amendments to IAS 8 for the first time this year. The amendments replace the definition of a “change in accounting estimate” with the definition of “accounting estimate.” Under the new definition, accounting estimates are monetary amounts in consolidated financial statements that are not subject to certainty in their measurement. The definition of a change in accounting estimate was eliminated.

2.2 IFRS standards issued that are not yet effective

At the date of authorization of these consolidated financial statements, the Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRS 10 and IAS 28 (amendments)	<i>Sale or contribution of assets between an investor and its associate or joint venture.</i>
Amendments to IAS 1	<i>Classification of liabilities as current or non-current.</i>
Amendments to IAS 1	<i>Non-current liabilities with covenants.</i>
Amendments to IAS 7	<i>Suppliers finance arrangements</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The Bank's Management does not expect the adoption of the aforementioned standards to have a material impact on the Bank's consolidated financial statements in future periods, except as indicated below:

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

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

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted. The Bank's Management does not anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Presentation of consolidated financial statements - Classification of liabilities as current or non-current

The amendments to IAS 1 issued in January 2020, affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

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

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments early, it is also required to apply the 2022 amendments early.

The Bank's Management does not anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods.

Amendments to IAS 1 - Presentation of financial statements - Non-current liabilities with covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period, affect the entity's right to defer payment of the liability for at least twelve months after the reporting date (and therefore should be considered in assessing the classification of a liability as current and non-current). Such covenants affect whether the rights exist at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The IASB also specifies that the right to defer payment of a liability for at least twelve months after the reporting date is not affected if the entity is only required to comply with a covenant after the reporting period. However, if an entity's right to defer payment of a liability is subject to the satisfaction of covenants within twelve months after the reporting date, the entity discloses information that causes users of consolidated financial statements to understand the risk that the liabilities will be paid within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying value of the related liabilities and the facts and circumstances, if any, indicating that the entity may have difficulty in complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for a prior period, it is also required to apply the 2020 amendments early.

The Bank's Management does not anticipate that the application of these amendments may have an impact on the consolidated financial statements of the Bank for future periods.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial statements: Disclosures - Supplier Finance Arrangements.

The amendments add a disclosure in IAS 7 stating that an entity is required to disclose information about supplier finance arrangements that enables the user of the consolidated financial statements to evaluate the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements for disclosing information about an entity's exposure to concentration and liquidity risks.

The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide information.

To meet the disclosure objective, an entity is required to disclose in aggregate for its funding provider arrangements:

- The terms and conditions of the arrangements.
- The carrying value and other items in the entity's statements of financial position in which the liabilities relating to the arrangements are presented.
- The carrying value and other items for which the suppliers have received payment from the finance providers.
- Payment day ranges for both financial liabilities that are part of the supplier finance arrangement and comparable payables that are not part of the supplier finance arrangements.
- Liquidity risk information.

The amendments contain specific transition considerations for the first annual reporting period in which an entity applies the amendments. It is applicable for reporting periods beginning on or after January 1, 2024.

Amendments to IFRS 16 Leases - Lease liability on a sale and leaseback

The Amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that meet the IFRS 15 requirements to be accounted for as a sale. The amendments require the seller-lessee to determine lease payments or revised lease payments so that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee after the lease commencement date.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or total termination of a lease. Without these new requirements, a seller-lessee could have recognized a gain on the right-of-use it retains, only by remeasuring the lease liability (for example, after a modification to a lease or change in the term of a lease) by applying the general requirements in IFRS 16. This could have occurred particularly in the case of leasebacks that include lease payments and are not dependent on an index or rate.

As part of the amendments, the IASB modified an illustrative example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable payments that do not depend on an index or rate. The illustrative examples also clarify that the liability arising from a sale and leaseback transaction that qualifies as a sale under IFRS 15 is a lease liability.

Early application is permitted. If a seller-lessee applies the amendments early, this fact must be disclosed.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 for sale and leaseback transactions entered into after the initial date of application, which is defined as the beginning of the annual reporting period in which the entity initially applied IFRS 16.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 - Climate-related disclosures:

In June 2023, the “International Sustainability Standards Board (ISSB)” issued IFRS S1 and S2, the main objective of which is for companies to disclose how sustainability (and climate) risks and opportunities are expected to affect their operations, cash flows, access to borrowing, cost of capital, among other aspects, in the short, medium and long term.

These standards will become effective as of January 1, 2024, although each jurisdiction will define the mandatory date for their adoption. To date, these standards have been voluntarily adopted in Panama, likewise, the Bank is in the process of reviewing and evaluating the impacts that the adoption of these standards will bring.

The Bank's Management does not anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods if such transactions arise.

IFRS 17 Insurance contracts

The Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides consistent, principles-based accounting for insurance contracts. This information provides a basis for users to assess the effect of insurance contracts on the financial statements.

The International Accounting Standards Board established January 1, 2023 as the effective date. The Superintendency of Insurance and Reinsurance of Panama, through Circular No.SSRP-DSES-025-2022, dated July 20, 2022, agreed to move the effective date to January 1, 2024. By Circular SBP-DR-0070-2023 dated September 23, 2022, the Superintendency of Banks of Panama leaves to the discretion of each Banking Group, the adoption decision for the purposes of its consolidated financial statements for periods beginning on January 1, 2023. On January 12, 2024, the Superintendency of Insurance and Reinsurance of Panama issued Agreement 01-2024, which establishes the provisions for the adoption and application of IFRSs applicable to insurance and reinsurance operations and other related operations and the solvency capital requirement, solvency margin and minimum liquidity requirement. Under this Agreement, July 1, 2024 is maintained as the adoption date, but it is specified that the first public and audited financial statements prepared adopting IFRS 17 will be the financial statements as of June 30, 2026. Thus, the financial statements as of June 30, 2024 and 2025 must still be prepared under IFRS 4.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The Bank has decided to take advantage of the extension granted by its regulators in Panama. Due to the nature of the Bank's financial operations, the adoption of this standard does not imply significant changes to the financial information as of September 30, 2024.

3. Basis of presentation

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

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

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

3.3 Basis of consolidation

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

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

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

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

- The size of the Bank's participation of voting rights relative to the size and dispersion of holding of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

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

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

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

Changes in the Banks' ownership interests in existing subsidiaries

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

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

3.4 Foreign currency transactions

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

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

Functional and presentation currency

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

3.5 Segment reporting

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.6 *Financial assets*

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

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

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

3.6.1 Classification

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

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

3.6.2 Evaluation of the business model

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

- The Bank's policies and objectives for the portfolio and the operation of these policies in practice. In particular, if the management strategy is focused on obtaining income from contractual interests, maintaining a particular interest rate profile, adapting the duration of the financial assets to the duration of the liabilities that finance those assets or making cash flows to through the sale of assets;
- How the portfolio performance is evaluated and informed to the Bank's Management;
- The risk that affects the performance of the business model and how these risks are managed;
- The frequency, volume and schedule of sales in previous years, the reason for such sales and their expectations about future sales activity. However, information on sales activity is not considered in isolation, but as part of a general assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

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

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

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

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

3.6.4 Financial assets at fair value through other comprehensive income FVTOCI

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.6.5 Financial assets at amortized cost

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

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

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

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

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

3.6.7 Reclassification

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

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

3.6.8 Asset write-off

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

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive the cash flows of the asset and has either substantially transferred all the risks and benefits of the asset, or has transferred or substantially retained the risks and benefits of the asset, but control has been transferred of the asset.
- The Bank reserves the right to receive the cash flows of the asset, but has assumed an obligation to pay the cash flows received in full and without significant delay to a third party under a "pass-through agreement."
- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, and neither has substantially transferred or retained all the risks and benefits of the asset, nor transferred control of the asset, the asset is recognized to the extent that the Bank's participation in the asset continues. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the contractual rights and obligations that the Bank has withheld.

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

3.6.9 *Impairment of financial statements*

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

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

Critical judgments are described in Note 5.

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

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

No impairment loss is recognized in equity investments.

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

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

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

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

- For the signed loan commitments, ECLs are the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment takes the loan and the cash flows that the Bank expects to receive if the loan is taken; and,

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

- For financial guaranteed contracts, ECLs are the difference between the expected payments to reimburse the secured debt instrument holder less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

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

3.6.9.1 Impaired financial assets

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

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

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

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

3.6.9.2 Definition of default

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

- The debtor is overdue for more than 90 days in any of his obligations to the Bank, either in the principal of the loan or interest; or when the principal balance with a single payment at maturity is pending payment for more than 30 days;
- Impairment in the client's financial situation, or the existence of other factors to estimate the possibility that the principal balance and interest on the client loans will not be fully recovered. Clients classified in high-risk category when the behavior score and credit rating model meet this criterion.
- However, there is a rebuttable presumption that the credit risk of these overdue loans has increased significantly since the initial recognition, if the Bank has reasonable and sustainable information that is available without disproportionate cost or effort, demonstrating that the credit risk has not increased significantly since its initial recognition even though the contractual payments are more than 30 or 90 days past due.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

3.6.9.3 Significant increase in credit risk

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

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

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

3.6.9.4 Modified or renegotiated loans

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

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

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

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

3.6.9.5 Write-offs

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

3.6.9.6 Presentation of the allowance for ECLs in the consolidated statement of financial position

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

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

3.6.9.7 Loans at amortized cost

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

- 12 months of expected credit losses (Stage 1), which applies to all loans (initial recognition), provided there is no significant deterioration in credit quality, and
- Expected credit losses during the lifetime (Stages 2 and 3), which is applied when there has been a significant increase in credit risk individually or collectively. In these Stages 2 and 3, interest income is recognized. In Stage 2 (as in Stage 1), there is a total dissociation between the recognition of interest and impairment and interest income is calculated on the gross carrying value. In Stage 3, when a loan is subsequently converted into impaired credit (where a credit event has occurred), interest income is calculated on the amortized cost (the gross carrying value after deducting the impairment reserve). In subsequent years, if the credit quality of the financial assets improves and the improvement can be objectively related to the occurrence of an event (such as an improvement in the borrower's credit rating), then the Bank must once again perform the calculation of Interest income.

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

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

- Individually assessed loans - Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case by case basis. This procedure applies to all loans that are individually significant or not. If it is determined that there is no objective evidence of impairment for an individual loan, this loan is included in a group of loans with similar characteristics and are collectively evaluated to determine whether impairment exists.

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.7 *Financial liabilities and issued equity instruments*

Client deposits

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

Classification as debt or equity

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

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

Equity instruments

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

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

Liabilities from financial guaranteed contracts

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

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

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

Obligations

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

Securities sold under repurchase agreements

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Dividends

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

3.8 Compensation of financial instruments

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

3.9 Interest income and expenses

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

3.10 Commission income

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

3.11 Securities purchased under resale agreements

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.12 *Financial leases receivable*

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

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

3.13 *Operating leases*

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

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

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

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

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

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

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

3.14 Property, plant, equipment and improvements

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

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

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

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

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

3.15 Investment properties

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.16 Foreclosed assets for sale

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

3.17 Goodwill and intangible assets

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

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

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

3.18 Impairment of non-financial assets other than goodwill

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

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

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

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

As of September 30, 2024, Management has not identified impairment loss of its non-financial assets.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

3.19 Employee benefits

Labor benefits

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

Retirement plan

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

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

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

3.20 Share-based payments and restricted stock plan

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

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

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

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

3.21 Income tax

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

Deferred tax

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

Complementary tax

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

3.22 Insurance operations

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

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

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

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

3.23 Trust operations

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

3.24 Hedge derivatives

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

- Fair value hedges of recognized assets or liabilities or firm commitments.
- Cash flow hedges.

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

Fair value hedge

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

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

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

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

Cash flow hedges

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

The fair values of derivatives used for hedging purposes are described in Notes 13 and 20.

3.25 Cash equivalents

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

4. Financial risk management

4.1 Objectives of financial risk management

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

4.2 Credit and counterparty risk

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

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

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

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

Issuance of Credit Policies:

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

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

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

Establishment of Authorization Limits:

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

Exposure Limits:

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

Concentration Limits:

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Counterparty Maximum Limits:

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

Review of Compliance Policies:

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

Review of guarantees:

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

Impairment and provisioning policies:

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Credit quality analysis

4.2.1 Table of credit quality of financial assets and impairment allowance

	September 2024	June 2024
<u>Bank deposits</u>		
Grade 1	<u>293,805,893</u>	<u>323,441,828</u>
<u>Loans</u>		
Grade 1	5,547,570,475	5,518,361,505
Grade 2	405,882,000	422,793,909
Grade 3	98,018,666	96,094,164
Grade 4	106,101,226	105,492,221
Grade 5	<u>257,515,870</u>	<u>256,892,761</u>
Gross amount	6,415,088,237	6,399,634,560
Accrued interest receivable	162,346,092	161,176,680
Reserve for individual and collective impairment	(219,827,957)	(225,426,527)
Discounted unearned interest	<u>(19,828,495)</u>	<u>(19,675,146)</u>
Net carrying value	<u>6,337,777,877</u>	<u>6,315,709,567</u>
<u>Off-balance sheet transactions</u>		
Grade 1		
Letters of credit	194,188,575	171,330,553
Endorsements and collaterals	382,899,400	397,310,914
Promissory notes	60,943,218	89,628,082
Unused credit lines	<u>485,748,061</u>	<u>451,817,275</u>
	<u>1,123,779,254</u>	<u>1,110,086,824</u>
<u>Securities purchased under resale agreements - at amortized cost</u>		
Grade 1	<u>4,956,931</u>	<u>4,956,931</u>
<u>Investments at fair value through other comprehensive income</u>		
Grade 1	<u>622,057,194</u>	<u>566,447,182</u>
<u>Investments at fair value through profit or loss</u>		
Grade 1	<u>71,992,666</u>	<u>71,631,682</u>
<u>Investments at amortized cost</u>		
Grade 1	<u>397,548,737</u>	<u>402,341,535</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The aging of the loan portfolio delinquency is presented below:

	September 2024		
	<u>Global Bank Corporation</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	6,018,241,040	98,628,661	6,116,869,701
From 31 to 90 days	106,368,442	-	106,368,442
More than 90 days (principal and interest)	144,099,673	-	144,099,673
More than 30 days overdue (maturity principal)	47,750,421	-	47,750,421
	<u>6,316,459,576</u>	<u>98,628,661</u>	<u>6,415,088,237</u>
Total			
	June 2024		
	<u>Global Bank Corporation</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	6,020,131,031	92,050,165	6,112,181,196
From 31 to 90 days	93,504,349	-	93,504,349
More than 90 days (principal and interest)	146,905,700	-	146,905,700
More than 30 days overdue (maturity principal)	47,043,315	-	47,043,315
	<u>6,307,584,395</u>	<u>92,050,165</u>	<u>6,399,634,560</u>
Total			

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

4.2.2.1 Loan Portfolio

4.2.2.1.1 Credit quality analysis of loans by stage:

September 2024

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>Classification</u>				
Grade 1	5,362,798,197	184,772,278	-	5,547,570,475
Grade 2	-	405,882,000	-	405,882,000
Grade 3	-	98,018,666	-	98,018,666
Grade 4	-	106,101,226	-	106,101,226
Grade 5	-	-	257,515,870	257,515,870
Gross amount	5,362,798,197	794,774,170	257,515,870	6,415,088,237
Accrued interest receivable	83,441,348	59,827,329	19,077,415	162,346,092
Reserve for expected credit losses	(21,728,244)	(63,658,162)	(134,441,551)	(219,827,957)
Net carrying value	<u>5,424,511,301</u>	<u>790,943,337</u>	<u>142,151,734</u>	<u>6,357,606,372</u>

June 2024

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>Classification</u>				
Grade 1	5,307,408,088	210,953,417	-	5,518,361,505
Grade 2	-	422,793,909	-	422,793,909
Grade 3	-	96,094,164	-	96,094,164
Grade 4	-	105,492,221	-	105,492,221
Grade 5	-	-	256,892,761	256,892,761
Gross amount	5,307,408,088	835,333,711	256,892,761	6,399,634,560
Accrued interest receivable	79,654,549	62,814,326	18,707,805	161,176,680
Reserve for expected credit losses	(20,286,686)	(65,496,659)	(139,643,182)	(225,426,527)
Net carrying value	<u>5,366,775,951</u>	<u>832,651,378</u>	<u>135,957,384</u>	<u>6,335,384,713</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

	September 2024			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at beginning of the year	20,286,685	65,496,659	139,643,183	225,426,527
Transferred to Stage 1	3,339,845	(3,339,845)	-	-
Transferred to Stage 2	(1,005,007)	9,348,748	(8,343,741)	-
Transferred to Stage 3	(83,893)	(3,279,926)	3,363,819	-
Net effect of changes in the reserve for expected credit losses	(2,268,180)	(2,282,653)	15,251,359	10,700,526
Origination of new financial assets	2,508,045	-	-	2,508,045
Settled loans	(1,049,252)	(2,284,821)	(979,650)	(4,313,723)
Subtotal	1,441,558	(1,838,497)	9,291,787	8,894,848
Written-off loans	-	-	(15,154,909)	(15,154,909)
Recoveries	-	-	661,491	661,491
Balance at the end of the period	<u>21,728,243</u>	<u>63,658,162</u>	<u>134,441,552</u>	<u>219,827,957</u>

	June 2024			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at beginning of the year	21,705,615	76,040,605	132,483,095	230,229,315
Transferred to Stage 1	23,820,205	(21,617,698)	(2,202,507)	-
Transferred to Stage 2	(6,394,108)	45,188,980	(38,794,872)	-
Transferred to Stage 3	(425,475)	(23,283,471)	23,708,946	-
Net effect of changes in reserve for expected credit losses	(24,084,592)	(6,608,115)	73,427,918	42,735,211
Origination of new financial assets	11,376,145	-	-	11,376,145
Settled loans	(5,711,105)	(4,223,642)	(9,480,755)	(19,415,502)
Subtotal	(1,418,930)	(10,543,946)	46,658,730	34,695,854
Written-off loans	-	-	(42,699,089)	(42,699,089)
Recoveries	-	-	3,200,447	3,200,447
Balance at the end of the year	<u>20,286,685</u>	<u>65,496,659</u>	<u>139,643,183</u>	<u>225,426,527</u>

Incorporation of information with prospective vision

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The effects known to Management and which can be reasonably estimated have been recognized in the September 30, 2024 and June 30, 2024 consolidated financial statements.

4.2.2.2 Investment portfolio

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

September 2024	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	77,792,467	230,290,640	313,974,087	622,057,194
Investments at fair value through profit or loss	23,462,201	-	48,530,465	71,992,666
Investments at amortized cost	229,678,715	148,053,261	19,816,761	397,548,737
Securities purchased under resale agreements	-	-	4,956,931	4,956,931
Total	<u>330,933,383</u>	<u>378,343,901</u>	<u>387,278,244</u>	<u>1,096,555,528</u>

June 2024	With investment rating	Standard monitoring	Without international rating	Total
Investments at fair value through other comprehensive income	81,677,632	212,629,893	272,139,657	566,447,182
Investments at fair value through profit or loss	23,251,069	-	48,380,613	71,631,682
Investments at amortized cost	234,118,086	148,406,688	19,816,761	402,341,535
Securities purchased under resale agreements	-	-	4,956,931	4,956,931
Total	<u>339,046,787</u>	<u>361,036,581</u>	<u>345,293,962</u>	<u>1,045,377,330</u>

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

Grade of rating

Investment grade
Standard monitoring
Special monitoring
Default
Without rating

External rating

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The following is the analysis of investments by stage:

September 2024

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investments at fair value through other comprehensive income	554,157,113	67,900,081	-	622,057,194
Investments at amortized cost	377,731,976	19,816,761	-	397,548,737
	<u>931,889,089</u>	<u>87,716,842</u>	<u>-</u>	<u>1,019,605,931</u>

June 2024

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investments at fair value through other comprehensive income	497,525,173	68,922,009	-	566,447,182
Investments at amortized cost	382,524,774	19,816,761	-	402,341,535
	<u>880,049,947</u>	<u>88,738,770</u>	<u>-</u>	<u>968,788,717</u>

The allowance for expected credit losses related to investments at fair value through other comprehensive income is detailed below:

September 2024

Investments at fair value through other comprehensive income	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at beginning of the year	2,428,630	1,759,107	-	4,187,737
Transfer of 12 months to total life without credit impairment	(473,023)	473,023	-	-
Net effect of changes in reserves for expected credit losses	(73,251)	(33,361)	-	(106,612)
New instruments acquired	710,107	-	-	710,107
Investments cancelled	(35,189)	(473,024)	-	(508,213)
Balance at the end of the period	<u>2,557,274</u>	<u>1,725,745</u>	<u>-</u>	<u>4,283,019</u>

June 2024

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at beginning of the year	2,721,066	1,344,917	-	4,065,983
Transfer of 12 months to total life without credit impairment	(11,863)	11,863	-	-
Net effect of changes in reserves for expected credit losses	(382,408)	508,533	-	126,125
New instruments acquired	202,812	-	-	202,812
Investments cancelled	(100,977)	(106,206)	-	(207,183)
Balance at the end of the year	<u>2,428,630</u>	<u>1,759,107</u>	<u>-</u>	<u>4,187,737</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

September 2024

Investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	117,375	1,524,631	-	1,642,006
Transfer of 12 months during total life with credit impairment	(1,189)	-	-	(1,189)
Balance at the end of the period	116,186	1,524,631	-	1,640,817

June 2024

	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	290,045	1,534,374	-	1,824,419
Net effect of changes in reserves for expected credit losses	(174,408)	(9,743)	-	(184,151)
New instruments acquired	5,177	-	-	5,177
Cancelled investments	(3,439)	-	-	(3,439)
Balance at the end of the year	117,375	1,524,631	-	1,642,006

4.2.2.3 Guarantees to reduce credit risk and its financial impact

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

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

September 2024	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgages	Commercial	Overdraft	
Loans balances	864,657,154	135,955,526	217,814,259	1,898,905,414	3,156,656,522	141,099,362	6,415,088,237
Collateral	362,617,979	4,184,945	284,107,251	2,734,285,020	5,496,884,701	246,057,587	9,128,137,483
% of exposure subject collateral requirements	26%	1%	96%	99%	73%	70%	74%
June 2024	Consumer				Corporate		Total loans
	Personal	Credit cards	Vehicles	Mortgages	Commercial	Overdraft	
Loans balances	861,479,942	132,114,806	217,787,584	1,918,375,745	3,131,869,598	138,006,885	6,399,634,560
Collateral	361,562,951	3,669,559	285,969,666	2,749,907,558	5,578,385,036	247,538,023	9,227,032,793
% of exposure subject collateral requirements	26%	1%	96%	99%	74%	65%	74%

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Residential mortgage loans

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

	September 2024	June 2024
Residential mortgage loans:		
Less than 50%	206,457,852	199,461,694
51% - 70%	376,525,097	374,830,538
71% - 90%	774,775,390	827,052,209
More than 90%	<u>541,147,075</u>	<u>517,031,304</u>
Total	<u>1,898,905,414</u>	<u>1,918,375,745</u>

Time deposits placed in banks

As of September 30, 2024, the Bank held time deposits in Banks for B/.161,151,525 (June 2024: B/.150,084,128). Time deposits in banks are held in local and foreign financial institutions. These institutions have local and/or international ratings, most of them with international investment grade ratings of at least BBB- according to Fitch Ratings or Standard and Poors, or Baa3 by Moody's.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

4.2.2.4 Concentration of credit risk

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

	September 2024		
	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate	-	3,070,613,113	597,943,330
Consumer	-	3,128,926,267	-
Government	39,824,565	-	493,655,267
Other sectors	253,981,328	215,548,857	-
	<u>293,805,893</u>	<u>6,415,088,237</u>	<u>1,091,598,597</u>
Geographical concentration:			
Panama	93,293,383	5,910,381,177	589,352,354
Latin America and the Caribbean	10,009,305	404,951,624	240,019,546
Europe, Asia and Oceania	73,805,156	99,755,436	17,299,792
United States of America	116,698,049	-	244,926,905
	<u>293,805,893</u>	<u>6,415,088,237</u>	<u>1,091,598,597</u>
	June 2024		
	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate	-	3,062,104,963	588,047,492
Consumer	-	3,141,636,346	-
Government	61,163,714	-	452,372,907
Other sectors	262,278,114	195,893,251	-
	<u>323,441,828</u>	<u>6,399,634,560</u>	<u>1,040,420,399</u>
Geographical concentration:			
Panama	113,814,984	5,935,374,786	540,586,755
Latin America and the Caribbean	25,009,305	369,322,358	234,143,803
Europe, Asia and Oceania	70,252,460	94,937,416	16,926,224
United States of America	114,365,079	-	248,763,617
	<u>323,441,828</u>	<u>6,399,634,560</u>	<u>1,040,420,399</u>

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

4.3 Liquidity or financing risk

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

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

Panamanian Banking Regulations require banks with a general license to keep at all times a minimum balance of liquid assets as defined in Agreement 4-2008 of the Superintendency of Banks of Panama of no less than 30% of their deposits. However, due to the severe liquidity policies for covering their operating liabilities, the liquidity of the Bank based on this standard as of September 30, 2024 was 35.74% (June 2024: 36.59%).

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

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

	September 2024	June 2024
At end of the period	35.74%	36.59%
Average for the period	36.41%	37.78%
Maximum for the period	37.62%	40.49%
Minimum for the period	35.74%	34.88%

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

September 2024	Carrying value	Undiscounted cash flows	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,454,904,841	5,679,063,520	4,139,760,640	1,295,659,575	243,548,253	95,052
Securities sold under repurchase agreements	138,368,683	141,684,141	141,684,141	-	-	-
Obligations with financial institutions	1,467,260,236	1,581,902,130	975,513,854	458,000,439	120,295,845	28,091,992
Marketable securities	2,000,000	2,059,403	2,059,403	-	-	-
Corporate bonds	374,466,993	449,610,125	16,562,408	97,274,691	335,773,026	-
Perpetual bonds	177,950,138	215,243,387	11,959,060	128,817,180	29,162,467	45,304,680
Lease liabilities	12,601,705	16,503,060	2,252,964	5,528,609	2,468,198	6,253,289
	<u>7,627,552,596</u>	<u>8,086,065,766</u>	<u>5,289,792,470</u>	<u>1,985,280,494</u>	<u>731,247,789</u>	<u>79,745,013</u>

June 2024	Carrying value	Undiscounted cash flows	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Deposits	5,345,450,187	5,568,302,123	3,968,301,573	1,267,889,105	331,225,619	885,826
Securities sold under repurchase agreements	47,610,933	49,670,999	49,670,999	-	-	-
Obligations with financial institutions	1,642,982,215	1,787,280,609	1,093,740,308	512,762,649	149,189,460	31,588,192
Marketable securities	2,000,000	2,089,431	2,089,431	-	-	-
Corporate bonds	374,440,557	453,765,675	16,562,713	97,260,130	339,942,832	-
Perpetual bonds	178,016,538	218,342,954	11,964,397	130,885,406	29,534,058	45,959,093
Lease liabilities	12,991,713	17,121,434	2,320,165	5,755,812	2,490,024	6,555,433
	<u>7,603,492,143</u>	<u>8,096,573,225</u>	<u>5,144,649,586</u>	<u>2,014,553,102</u>	<u>852,381,993</u>	<u>84,988,544</u>

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

4.4 Market risk

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

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

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

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

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

September 2024	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	160,151,525	-	1,000,000	-	183,513,781	344,665,306
Securities purchased under resale agreements - at amortized cost	3,681,854	1,275,077	-	-	-	4,956,931
Investments at fair value through other comprehensive income	50,166,499	11,138,825	380,040,203	152,641,889	28,069,778	622,057,194
Investments at fair value through profit or loss	4,640,900	-	-	24,040,000	43,311,766	71,992,666
Investments at amortized cost	30,073,892	-	96,051,667	271,423,178	-	397,548,737
Loans	4,777,178,106	21,283,207	168,712,371	1,447,914,553	-	6,415,088,237
Total financial assets	<u>5,025,892,776</u>	<u>33,697,109</u>	<u>645,804,241</u>	<u>1,896,019,620</u>	<u>254,895,325</u>	<u>7,856,309,071</u>
Financial liabilities:						
Deposits received	2,431,396,710	1,146,339,537	1,396,333,785	15,371,286	465,463,523	5,454,904,841
Securities sold under repurchase agreements	138,368,683	-	-	-	-	138,368,683
Obligations with financial institutions	1,318,000,344	-	149,259,892	-	-	1,467,260,236
Marketable securities	2,000,000	-	-	-	-	2,000,000
Corporate bonds	-	-	374,466,993	-	-	374,466,993
Perpetual bonds	-	-	-	177,950,138	-	177,950,138
Total financial liabilities	<u>3,889,765,737</u>	<u>1,146,339,537</u>	<u>1,920,060,670</u>	<u>193,321,424</u>	<u>465,463,523</u>	<u>7,614,950,891</u>
Commitments and contingencies	-	-	-	-	1,123,779,254	1,123,779,254
Total interest rate sensitivity	<u>1,136,127,039</u>	<u>(1,112,642,428)</u>	<u>(1,274,256,429)</u>	<u>1,702,698,196</u>	<u>(210,568,198)</u>	<u>241,358,180</u>
June 2024						
	Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without interest rate	Total
Financial assets:						
Cash and deposits	147,403,714	1,680,414	1,000,000	-	227,575,076	377,659,204
Securities purchased under resale agreements - at amortized cost	400,000	4,556,931	-	-	-	4,956,931
Investments at fair value through other comprehensive income	50,862,422	6,008,352	355,573,202	125,993,324	28,009,882	566,447,182
Investments at fair value through profit or loss	4,582,997	-	-	24,040,000	43,008,685	71,631,682
Investments at amortized cost	-	30,078,315	96,346,273	275,916,947	-	402,341,535
Loans	4,736,857,208	19,006,102	171,712,974	1,472,058,276	-	6,399,634,560
Total financial assets	<u>4,940,106,341</u>	<u>61,330,114</u>	<u>624,632,449</u>	<u>1,898,008,547</u>	<u>298,593,643</u>	<u>7,822,671,094</u>
Financial liabilities:						
Deposits received	2,367,319,563	1,031,498,944	1,474,697,927	4,698,593	467,235,160	5,345,450,187
Securities sold under repurchase agreements	15,987,645	31,623,288	-	-	-	47,610,933
Obligations with financial institutions	418,653,601	432,797,205	703,100,446	88,430,963	-	1,642,982,215
Marketable securities	-	2,000,000	-	-	-	2,000,000
Corporate bonds	-	-	64,208,852	310,231,705	-	374,440,557
Perpetual bonds	-	-	-	178,016,538	-	178,016,538
Total financial liabilities	<u>2,801,960,809</u>	<u>1,497,919,437</u>	<u>2,242,007,225</u>	<u>581,377,799</u>	<u>467,235,160</u>	<u>7,590,500,430</u>
Commitments and contingencies	-	-	-	-	1,110,086,824	1,110,086,824
Total interest rate sensitivity	<u>2,138,145,532</u>	<u>(1,436,589,323)</u>	<u>(1,617,374,776)</u>	<u>1,316,630,748</u>	<u>(168,641,517)</u>	<u>232,170,664</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

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

	September 2024	Increase of 100bps	Decrease of 100bps
Investment in securities		(47,750,190)	54,653,068
Loans		(22,659,625)	24,224,012
Time deposits		39,415,383	(40,533,282)
Obligations with financial institutions		13,944,427	(14,388,493)
Marketable securities		9,910	(9,968)
Corporate bonds		13,612,945	(14,204,333)
Perpetual bonds		1,889,714	(1,913,611)
Net impact		<u>(1,537,436)</u>	<u>7,827,393</u>
		Increase of 100bps	Decrease of 100bps
	June 2024		
Investment in securities		(47,033,998)	53,911,232
Loans		(22,530,800)	24,100,402
Time deposits		39,619,078	(40,764,729)
Obligations with financial institutions		15,242,259	(15,732,954)
Marketable securities		14,807	(14,930)
Corporate bonds		14,322,492	(14,977,428)
Perpetual bonds		1,982,933	(2,009,908)
Net impact		<u>1,616,771</u>	<u>4,511,685</u>

4.5 Operating Risk

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

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

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

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

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

4.6 Insurance risk

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

4.7 Capital management

As of September 30, 2024, the Bank analyzes its regulatory capital applying the standards of the Superintendency of Banks of Panama based on the new agreements, Agreement 1-2015 of February 3, 2015 and Agreement 3-2016 of March 22, 2016, which modified Agreement 5-2008 of October 1, 2008, by means of which rules are established to determine assets weighted by credit risk and counterparty risk and the new agreements, Agreements 11-2018 of September 11, 2018, amended by Agreement 3-2019 of April 30, 2019, by means of which new provisions are established on Operational Risk and Agreement 2-2018 of January 23, 2018, by means of which, the Superintendency of Banks of Panama has determined to take into consideration other risks to determine the capital adequacy index, among which are the market risk, the operational risk and the country risk, in order to value the requirement of capital funds.

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

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

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

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

- *Secondary capital* – It includes hybrid capital and debt instruments, subordinated debt, general allowances for losses, undeclared reserves and asset revaluation reserves. The general reserves for losses are those reserve that are created voluntarily by the Bank's Management, with the purpose of *covering* losses that have not yet been identified; specific undeclared reserves are those appropriated from profit after tax and are available to cover future unanticipated losses and do not have any liens or encumbrances. Revaluation reserves of assets are comprised as the result of any revaluation performed on the Bank's assets.
- *Dynamic reserve* – As defined in Agreement 4-2013.

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

	September 2024	June 2024
Primary capital (Tier 1)		
Paid-in share capital	270,202,657	270,202,657
Excess paid in capital	2,385,263	2,247,763
Declared reserves	45,382,631	45,124,877
Retained earnings	341,703,981	335,487,535
Other items of comprehensive income	(21,676,195)	(29,820,685)
Dynamic reserve	87,863,198	87,863,198
Sub total	<u>725,861,535</u>	<u>711,105,345</u>
Less: Regulatory adjustments to the calculation of ordinary primary capital		
Goodwill	(92,014,817)	(92,014,817)
Other intangible assets	(15,902,273)	(16,288,108)
Cash flow hedge reserves	3,728,373	69,008
Deferred tax assets	(6,151,661)	(3,882,556)
Total primary capital fund	<u>615,521,157</u>	<u>598,988,872</u>
Perpetual bonds	177,950,138	178,016,538
Total additional primary capital fund	<u>177,950,138</u>	<u>178,016,538</u>
Total capital fund	<u>793,471,295</u>	<u>777,005,410</u>
Assets weighted by credit risk	5,448,569,209	5,409,739,171
Assets weighted by market risk	59,692,117	56,362,403
Assets weighted by operating risk	200,959,218	193,817,742
Total risk weighted assets	<u>5,709,220,544</u>	<u>5,659,919,316</u>
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted asset	<u>13.90%</u>	<u>13.73%</u>
Total Tier 1 expressed as a percentage of risk weighted assets	<u>13.90%</u>	<u>13.73%</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

Category	Assets weighted by market risk	
	September 2024	June 2024
Fixed income	3,147,410	4,514,062
Variable income	56,544,707	51,848,341
Assets weighted by market risk	<u>59,692,117</u>	<u>56,362,403</u>

5. Accounting estimates, critical judgments and contingencies

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

Judgments

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

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

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

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

(d) Allowance for expected credit losses – When determining the reserve for expected credit, Management's judgment is required to evaluate the amount and timing of future cash flows in order to determine whether the credit risk has increased significantly from initial recognition, taking into account loan characteristics and default patterns in the past for similar financial instruments.

The changes in the risk of default that occur in the next 12 months may be a reasonable approximation of the changes in the risk measured according to the life of the instrument. The Bank uses the changes in the risk of default that occur in the next 12 months to determine if the credit risk has increased significantly since initial recognition, unless the circumstances indicate that an assessment of the life of the instrument is necessary.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

(e) Impairment losses on loans at amortized cost - The Bank reviews its individually significant loans on each date of the consolidated statement of financial position to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, Management's judgment in estimating the amount and future cash flows is required to determine the impairment loss. These estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes in the provision. Loans that have been individually assessed (and are not impaired) are evaluated together with other non-significant loans in groups of assets with similar risk characteristics. This is done to determine whether it is convenient to establish reserves due to loss events incurred for which there is objective evidence, but whose effects are not yet evident. The collective assessment takes into account the loan portfolio data (such as delinquency levels, credit utilization, loan-guarantee relationships, etc.), and judgments on the effect of risk concentration and economic data (including unemployment levels, consumer price indexes, country risk and the performance of different individual groups).

(f) In measuring goodwill impairment, the Bank uses the value in use, whose main inputs are the Bank's financial projections. The budgets include income forecasts, interest costs, provisions and general expenses based on current and anticipated market conditions that have been considered and approved by the Board of Directors. While the Bank has made the projections with the best evidence at the balance sheet date and applying its judgment to future forecasts, the projections are inherently uncertain due to the uncertainty in the economy. The key assumptions to determine recoverable value are disclosed in Note 13.

(g) Fair value and valuation processes of financial instruments – The Bank measures fair value using hierarchy levels that reflect the meaning of data inputs used in the measures. In order to determine fair value, the Bank has established a documented process and policies that assigns responsibilities and the segregation of duties among the different areas responsible involved in this process, which has been approved by the Assets and Liabilities Committee (ALCO), the Risk Committee, and the Board of Directors.

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

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

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

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

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Fair value of financial assets and financial liabilities measured at fair value on a recurring basis at the end of the year as of September 30, 2024 and June 30, 2024

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

Financial assets/ liabilities	Fair value				Fair value hierarchy	Valuation technique(s) and key data inputs	Significant unobservable input data	Relationship between unobservable input data and fair value
	FVTOCI		FVTPL					
	September 2024	June 2024	September 2024	June 2024				
Investments at fair value:								
Shares issued by companies - domestic	8,507,353	7,892,734	5,278,750	5,128,898	Level 2	Observable market prices in non-active markets.	N/A	N/A
Shares issued by companies - domestic	73,150	638,830	-	-	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	307,511	317,646	3,278,455	3,167,872	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by companies - foreign, not listed in stock exchange	-	-	15,542,846	15,500,201	Level 2	Net asset value.	N/A	N/A
Shares issued by companies - foreign , not listed in stock exchange	130,299	130,207	2,000,000	2,000,000	Level 3	Share prices in non-liquid markets.	Calibration prices and calibration date.	If unobservable data increases, the fair value of the instruments will decrease.
Private debt securities - domestic	12,462,104	11,853,301	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - domestic	5,083,694	33,803,560	-	-	Level 2	Observable market prices in non-active markets.	N/A	N/A
Private debt securities - domestic	206,453,655	175,181,190	-	-	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	217,465,000	205,760,040	4,640,900	4,582,996	Level 1	Observable market prices in active markets.	N/A	N/A
Private debt securities - foreign	-	5,000,000	-	-	Level 2	Observable market prices in non-active markets.	N/A	N/A
Government debt securities - domestic	76,667,433	70,178,245	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Government debt securities - domestic not listed in stock exchange	39,394,908	213,980	-	-	Level 3	Value of the instrument quota.	N/A	N/A
Government debt securities - foreign	996,101	982,463	-	-	Level 1	Observable market prices in active markets.	N/A	N/A
Shares issued by domestic companies, not listed in stock exchange	19,051,465	19,030,465	17,211,715	17,211,715	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	35,464,521	35,464,521	-	-	Level 3	Discounted cash flows	Discount rate	If the discount rate is higher than the flows, the fair value of the instrument will be lower.
Total investments at fair value	622,057,194	566,447,182	71,992,666	71,631,682				
Derivative financial instruments:								
Interest rate swaps – cash flow	(3,728,373)	(69,008)	-	-	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	(3,728,373)	(69,008)	-	-				

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (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.

	September 2024	
	Investments at fair value through other comprehensive income	
	<u>Effect on equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed income instruments	8,194,544	(7,835,434)

	June 2024	
	Investments at fair value through other comprehensive income	
	<u>Effect on equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed income instruments	7,172,822	(6,818,725)

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

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

	September 2024		June 2024	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Assets				
Cash and deposits in banks	183,513,781	183,513,781	227,575,076	227,575,076
Time deposits	161,151,525	161,151,525	150,084,128	150,084,128
Securities purchased under resale agreements at amortized cost	4,956,931	4,956,931	4,956,931	4,956,931
Investments at amortized cost	397,548,737	347,520,296	402,341,535	338,517,333
Loans	6,175,431,785	6,228,261,478	6,154,532,887	6,219,689,740
Total financial assets	<u>6,922,602,759</u>	<u>6,925,404,011</u>	<u>6,939,490,557</u>	<u>6,940,823,208</u>
Liabilities				
Demand deposits	465,463,523	465,463,523	467,235,160	467,235,160
Savings deposits	1,093,424,506	1,093,424,506	1,081,312,202	1,081,312,202
Time deposits	3,896,016,812	3,937,703,440	3,796,902,825	3,835,237,233
Securities sold under repurchase agreements	138,368,683	138,368,683	47,610,933	47,610,933
Obligations with financial institutions	1,467,260,236	1,483,052,956	1,642,982,215	1,650,186,140
Marketable securities	2,000,000	2,019,182	2,000,000	2,028,623
Corporate bonds	374,466,993	367,485,995	374,440,557	351,371,714
Perpetual bonds	177,950,138	173,306,261	178,016,538	172,789,760
Total financial liabilities	<u>7,614,950,891</u>	<u>7,660,824,546</u>	<u>7,590,500,430</u>	<u>7,607,771,765</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

	Fair value hierarchy			
	September 2024			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Cash and deposits in banks	183,513,781	-	183,513,781	-
Time deposits	161,151,525	-	161,151,525	-
Securities purchased under resale agreements at amortized cost	4,956,931	-	4,956,931	-
Investments at amortized cost	347,520,296	328,437,254	-	19,083,042
Loans	6,228,261,478	-	-	6,228,261,478
Total financial assets	<u>6,925,404,011</u>	<u>328,437,254</u>	<u>349,622,237</u>	<u>6,247,344,520</u>
Liabilities				
Demand deposits	465,463,523	-	465,463,523	-
Savings deposits	1,093,424,506	-	1,093,424,506	-
Time deposits	3,937,703,440	-	3,937,703,440	-
Securities sold under repurchase agreements	138,368,683	-	138,368,683	-
Obligations with financial institutions	1,483,052,956	-	1,483,052,956	-
Marketable securities	2,019,182	-	-	2,019,182
Corporate bonds	367,485,995	302,996,995	59,938,000	4,551,000
Perpetual bonds	173,306,261	-	115,338,637	57,967,624
Total financial liabilities	<u>7,660,824,546</u>	<u>302,996,995</u>	<u>7,293,289,745</u>	<u>64,537,806</u>

	Fair value hierarchy			
	June 2024			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Cash and deposits in banks	227,575,076	-	227,575,076	-
Time deposits	150,084,128	-	150,084,128	-
Securities purchased under resale agreements at amortized cost	4,956,931	-	4,956,931	-
Investments at amortized cost	338,517,333	319,434,291	-	19,083,042
Loans	6,219,689,740	-	-	6,219,689,740
Total financial assets	<u>6,940,823,208</u>	<u>319,434,291</u>	<u>382,616,135</u>	<u>6,238,772,782</u>
Liabilities				
Demand deposits	467,235,160	-	467,235,160	-
Savings deposits	1,081,312,202	-	1,081,312,202	-
Time deposits	3,835,237,233	-	3,835,237,233	-
Securities sold under repurchase agreements	47,610,933	-	47,610,933	-
Obligations with financial institutions	1,650,186,140	-	1,650,186,140	-
Corporate bonds	351,371,714	286,882,714	59,938,000	4,551,000
Perpetual bonds	172,789,760	-	134,092,643	38,697,117
Total financial liabilities	<u>7,607,771,765</u>	<u>286,882,714</u>	<u>7,277,640,934</u>	<u>43,248,117</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

The fair value of interbank and client deposits is estimated using the discounted cash flow technique, by applying rates offered for deposits with similar terms and maturities.

The fair value for demand deposits is the amount payable at the date of the consolidated financial statements.

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

	Investments at fair value through other comprehensive income		Investments at fair value through profit or loss	
	September 2024	June 2024	September 2024	June 2024
Balance at beginning of the year	230,659,193	264,401,994	43,251,715	41,333,964
Additions	39,211,830	8,000,000	-	2,000,000
Reclassifications from Level 2 to Level 3	31,522,755	622,384	-	-
Reclassifications from Level 3 to Level 2	(784,512)	(23,110,709)	-	-
Net changes in securities	2,219,744	861,765	-	1,589,751
Redemptions, amortizations and write-offs	(2,261,012)	(20,116,241)	-	(1,672,000)
Balance at the end of the period	300,567,998	230,659,193	43,251,715	43,251,715

As of September 30, 2024, investments at fair value through other comprehensive income in Level 3 did not affect the Bank's results.

The total unrealized loss for investments at fair value through other comprehensive income classified as Level 3 as of September 30, 2024 is B/.13,384,196 (June 2024: B/.15,603,940).

As of September 30, 2024, the reclassifications between Level 2 and Level 3 of investments in local corporate bonds occurred as a result of the activity observed in the stock market in which they are listed.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

6. Balances and transactions with related parties

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

	September 2024	June 2024
<i>Transactions with related companies</i>		
Consolidated statement of financial position		
Assets		
Investments at fair value through other comprehensive income	17,625,890	16,913,279
Investments at fair value through profit or loss	11,277,543	11,165,756
Loans	45,155,093	38,512,529
Accrued interest receivable	153,125	111,761
Other assets	124,252,091	123,946,549
Liabilities		
Client deposits:		
Demands	27,227,294	25,779,744
Savings	8,106,780	4,287,504
Time	43,900,095	48,462,220
Accrued interest payable	2,408,542	1,972,972
Commitments and contingencies	1,384,546	3,446,745
Consolidated statement of profit or loss		
	September 2024	2023
Income and expenses		
Interest and dividend income	697,644	419,019
Interest expenses	343,084	1,006,061

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

	September 2024	June 2024
<i>Transactions with directors and key management personnel</i>		
Consolidated statement of financial position		
Assets		
Loans	19,135,503	19,048,715
Accrued interest receivable	54,953	57,809
Liabilities		
Client deposits:		
Demands	1,495,425	870,804
Savings	2,838,098	1,891,576
Time	25,064,886	25,144,571
Accumulated interest payable	340,373	422,295
Commitments and contingencies	582,648	340,885
Consolidated statement of profit and loss		
Income and expenses		
Interest income	216,086	169,735
Interest expenses	496,667	262,897
Benefits of key Management personnel		
Salaries	1,584,069	1,558,258
Restricted stock plan	137,500	117,699
Allowances for Directors	197,300	168,650
	1,918,869	1,844,607

As of September 30, 2024, collateral securing loans to related parties amounted to B/.101,228,095 (June 2024: B/.96,234,479), which correspond to real estate, furniture and securities.

As of September 30, 2024, there are no loans with related parties with indications of impairment. As of September 30, 2024, loans with related parties mature between October 2024 and June 2054 and have annual interest rates ranging between 3.50% and 8.75% (June 2024: maturing between July 2024 and June 2054 and annual interest rates ranging between 3.50% and 8.75%).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

7. Cash and cash equivalents

	September 2024	June 2024
Cash and cash equivalents	50,859,413	54,217,376
Demand deposits	132,654,368	173,357,700
Time deposits	161,151,525	150,084,128
	<u>344,665,306</u>	<u>377,659,204</u>
Interest receivable	768,381	539,520
Cash and bank deposits	<u>345,433,687</u>	<u>378,198,724</u>
Less:		
Interest receivable	(768,381)	(539,520)
Restricted time deposits	(5,440,403)	(7,076,490)
Time deposits with original maturities greater than 90 days	(35,013,609)	(15,770,414)
Cash and cash equivalents for purposes of the consolidated statement of cash flows	<u>304,211,294</u>	<u>354,812,300</u>

As of September 30, 2024, there are time deposits with original maturities greater than 90 days for B/.35,013,609 (June 2024: B/.15,770,414). In addition, there are restricted time deposits for B/.5,440,403 (June 2024: B/.7,076,490) that guarantee financial obligations.

8. Securities purchased under resale agreements

As of September 30, 2024, securities purchased under resale agreements for B/.4,956,931 (June 2024: B/.4,956,931) maturing in January 2025, February 2025, March 2025, May 2025 and June 2025 (June 2024: maturing in August 2024, January 2025, March 2025, May 2025 and June 2025), are collateralized by shares and bonds of companies listed in the Panama Stock Exchange.

9. Investments in securities, net

The breakdown of investments in securities is detailed below:

	September 2024	June 2024
Investments at fair value through other comprehensive income	622,057,194	566,447,182
Investments at fair value through profit or loss	71,992,666	71,631,682
Investments at amortized cost	397,548,737	402,341,535
Interest receivable	8,614,997	10,547,769
Reserve for impairment of investments at amortized cost	(1,640,817)	(1,642,006)
Investments in securities, net	<u>1,098,572,777</u>	<u>1,049,326,162</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

9.1 Securities at fair value through other comprehensive income

	September 2024	June 2024
<u>Securities listed in stock exchange:</u>		
Shares issued by companies - domestic	8,580,503	8,531,564
Shares issued by companies - foreign	307,511	317,646
Private debt securities - domestic	223,999,453	220,838,051
Private debt securities - foreign	217,465,000	210,760,040
Government debt securities - domestic	76,667,433	70,178,245
Government debt securities - foreign	996,101	982,463
	<u>528,016,001</u>	<u>511,608,009</u>
<u>Securities not listed in stock exchange:</u>		
Shares issued by companies - domestic	19,051,465	19,030,465
Shares issued by companies - foreign	130,299	130,207
Private debt securities - domestic	35,464,521	35,464,521
Government debt securities - domestic	39,394,908	213,980
	<u>94,041,193</u>	<u>54,839,173</u>
	<u>622,057,194</u>	<u>566,447,182</u>

The annual interest rates accrued by the investments at fair value through other comprehensive income ranged between 2.50% y 9.375% (June 2024: 2.50% and 9.599%).

As of September 30, 2024, there are investments at fair value through other comprehensive income for B/.41,864,416 (June 2024: B/.134,853,879), which guarantee obligations with financial institutions (See Note 16). In addition, as of September 30, 2024, there are investments at fair value through other comprehensive income for B/.132,594,657 (June 2024: B/.61,331,722) that guarantee repurchase agreements. (See Note 15).

As of September 30, 2024, the Bank sold and redeemed investments for B/.90,317,756 (June 2024: B/.217,377,000) and as a result recorded a gain of B/.246,631 (September 2023: B/.140,770), which is included in the consolidated statement of profit or loss.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

9.2 Securities at fair value through profit or loss

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

	September 2024	June 2024
<u>Securities listed in the stock exchange</u>		
Shares issued by companies - domestic	5,278,750	5,128,898
Shares issued by companies - foreign	3,278,455	3,167,872
Private debt securities - foreign	4,640,900	4,582,996
	<u>13,198,105</u>	<u>12,879,766</u>
<u>Securities not listed in the stock exchange</u>		
Shares issued by companies - domestic	17,211,715	17,211,715
Shares issued by companies - foreign	17,542,846	17,500,201
Private debt securities - domestic	24,040,000	24,040,000
	<u>58,794,561</u>	<u>58,751,916</u>
	<u>71,992,666</u>	<u>71,631,682</u>

As of September 30, 2024, there were sales of investments at fair value through profit or loss with a gain of B/.42,332 (September 2023: gain of B/.13,653).

9.2 Securities at amortized cost

	September 2024		June 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Securities listed in the stock exchange:</u>				
Private debt securities - foreign	5,279,002	4,146,029	5,366,005	4,034,504
Government debt securities - domestic	119,846,844	112,334,389	120,132,554	109,601,987
Government debt securities - foreign	252,606,130	211,447,752	257,026,215	206,001,418
	<u>377,731,976</u>	<u>327,928,170</u>	<u>382,524,774</u>	<u>319,637,909</u>
<u>Securities not listed in the stock exchange:</u>				
Private debt securities - domestic	19,816,761	19,592,126	19,816,761	18,879,424
	<u>19,816,761</u>	<u>19,592,126</u>	<u>19,816,761</u>	<u>18,879,424</u>
	<u>397,548,737</u>	<u>347,520,296</u>	<u>402,341,535</u>	<u>338,517,333</u>

As of September 30, 2024, the annual interest rate accrued by securities at amortized cost ranges between 1.00% and 9.375% (June 2024: 1.00% and 9.375%).

As of September 30, 2024, there are securities at amortized cost for B/.28,885,693 (June 2024: B/.105,384,604), which guarantee obligations with financial institutions (See Note 16). In addition, as of September 30, 2024, there were investments at amortized cost for B/.46,256,837 that guaranteed repurchase agreements (See Note 15).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

10. Loans, net

	September 2024			June 2024		
	<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	1,171,336,400	(56,285,276)	1,115,051,124	1,164,047,707	(55,480,404)	1,108,567,303
Commercial	1,165,208,399	(75,098,529)	1,090,109,870	1,187,948,076	(77,589,805)	1,110,358,271
Agricultural	337,714,921	(19,482,043)	318,232,878	339,486,359	(19,602,220)	319,884,139
Pledges	148,433,045	(2,660)	148,430,385	148,156,201	(2,648)	148,153,553
Overdrafts	112,548,648	(3,618,677)	108,929,971	118,731,610	(2,437,297)	116,294,313
Mortgages	1,898,905,414	(20,246,086)	1,878,659,328	1,918,375,745	(19,625,376)	1,898,750,369
Industrial	291,661,718	(2,362,294)	289,299,424	305,881,168	(2,272,864)	303,608,304
Construction	405,556,557	(29,191,754)	376,364,803	401,298,736	(34,615,973)	366,682,763
Financial leasings	45,222,425	(616,864)	44,605,561	47,163,874	(1,618,326)	45,545,548
Factoring	333,793,650	(3,532,312)	330,261,338	304,285,310	(3,479,337)	300,805,973
Total domestic sector	<u>5,910,381,177</u>	<u>(210,436,495)</u>	<u>5,699,944,682</u>	<u>5,935,374,786</u>	<u>(216,724,250)</u>	<u>5,718,650,536</u>
<i>Foreign sector:</i>						
Commercial	313,585,792	(2,824,320)	310,761,472	282,077,170	(2,330,719)	279,746,451
Agricultural	5,000,000	(46,252)	4,953,748	-	-	-
Industrial	146,303,590	(6,049,142)	140,254,448	151,560,596	(5,900,925)	145,659,671
Construction	1,796,942	(467,099)	1,329,843	1,876,711	(467,494)	1,409,217
Pledge	9,470,022	-	9,470,022	9,470,022	-	9,470,022
Overdrafts	28,550,714	(4,649)	28,546,065	19,275,275	(3,139)	19,272,136
Total foreign sector	<u>504,707,060</u>	<u>(9,391,462)</u>	<u>495,315,598</u>	<u>464,259,774</u>	<u>(8,702,277)</u>	<u>455,557,497</u>
	<u>6,415,088,237</u>	<u>(219,827,957)</u>	<u>6,195,260,280</u>	<u>6,399,634,560</u>	<u>(225,426,527)</u>	<u>6,174,208,033</u>
Plus: Interest receivable			162,346,092			161,176,680
Less: Discounted unearned interest and commissions			(19,828,495)			(19,675,146)
Total			<u>6,337,777,877</u>			<u>6,315,709,567</u>

As of September 30, 2024, the loan portfolio accrues interest at a rate range of 1.00% to 25.99% (June 2024: 1.00% to 25.99%).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

	September 2024	June 2024
Fixed rate	967,298,732	934,173,318
Adjustable rate	5,177,309,553	5,213,852,097
Floating rate (Libor or Prime)	270,479,952	251,609,145
	<u>6,415,088,237</u>	<u>6,399,634,560</u>

Finance leases

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

	September 2024	June 2024
Up to 1 year	6,691,350	7,922,466
1 to 5 years	38,531,075	39,241,408
Total	<u>45,222,425</u>	<u>47,163,874</u>
Less: unearned interest	<u>(7,456,389)</u>	<u>(8,031,655)</u>
Total financial leaseings, net	<u>37,766,036</u>	<u>39,132,219</u>

Restructured loans

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

As of September 30, 2024, renegotiated loans that would otherwise be past due or impaired totaled B/.188,522,259 (June 2024: B/.178,155,007).

	September 2024	June 2024
<i>Consumer:</i>		
Personal loans	30,686,854	28,127,112
Mortgage	99,363,464	92,691,949
<i>Corporate:</i>		
Commercial	58,471,941	57,335,946
Total	<u>188,522,259</u>	<u>178,155,007</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

11. Property, furniture, equipment and improvements

	September 2024							
	<u>Land</u>	<u>Property</u>	<u>Furniture and office equipment</u>	<u>Computer equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Projects in progress</u>	<u>Total</u>
Cost:								
At the beginning of the year	11,441,643	146,931,982	34,835,737	110,458,591	2,777,876	12,447,530	25,433,552	344,326,911
Additions or purchases	-	-	7,602	8,967	-	-	3,431,422	3,447,991
Reclassifications	-	57,832	247,080	370,668	-	-	(675,580)	-
Sales and write-offs	-	(4,624,304)	(490,541)	(749,974)	(35,000)	(14,064)	-	(5,913,883)
At the end of the period	<u>11,441,643</u>	<u>142,365,510</u>	<u>34,599,878</u>	<u>110,088,252</u>	<u>2,742,876</u>	<u>12,433,466</u>	<u>28,189,394</u>	<u>341,861,019</u>
Accumulated depreciation and amortization:								
At the beginning of the year	-	36,958,605	32,554,317	74,697,024	2,084,072	6,631,862	-	152,925,880
Expense for the period	-	1,000,196	472,893	1,933,558	87,692	150,943	-	3,645,282
Sales and write-offs	-	(1,091,429)	(490,327)	(749,975)	(35,000)	(14,065)	-	(2,380,796)
At the end of the period	<u>-</u>	<u>36,867,372</u>	<u>32,536,883</u>	<u>75,880,607</u>	<u>2,136,764</u>	<u>6,768,740</u>	<u>-</u>	<u>154,190,366</u>
Net balances	<u>11,441,643</u>	<u>105,498,138</u>	<u>2,062,995</u>	<u>34,207,645</u>	<u>606,112</u>	<u>5,664,726</u>	<u>28,189,394</u>	<u>187,670,653</u>
	June 2024							
	<u>Land</u>	<u>Property</u>	<u>Furniture and office equipment</u>	<u>Computer equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Projects in progress</u>	<u>Total</u>
Cost:								
At the beginning of the year	12,132,412	145,069,273	34,579,319	99,600,785	2,981,454	12,404,110	24,969,415	331,736,768
Additions or purchases	-	-	104,444	964,162	298,700	-	14,912,434	16,279,740
Reclassifications	-	2,837,779	869,255	10,578,228	4,624	158,411	(14,448,297)	-
Sales and write-offs	(690,769)	(975,070)	(717,281)	(684,584)	(506,902)	(114,991)	-	(3,689,597)
At the end of the year	<u>11,441,643</u>	<u>146,931,982</u>	<u>34,835,737</u>	<u>110,458,591</u>	<u>2,777,876</u>	<u>12,447,530</u>	<u>25,433,552</u>	<u>344,326,911</u>
Accumulated depreciation and amortization:								
At the beginning of the year	-	33,486,319	31,243,297	68,301,058	2,145,587	6,142,320	-	141,318,581
Expense for the year	-	3,919,193	2,009,671	7,077,246	445,387	603,688	-	14,055,185
Sales and write-offs	-	(446,907)	(698,651)	(681,280)	(506,902)	(114,146)	-	(2,447,886)
At the end of the year	<u>-</u>	<u>36,958,605</u>	<u>32,554,317</u>	<u>74,697,024</u>	<u>2,084,072</u>	<u>6,631,862</u>	<u>-</u>	<u>152,925,880</u>
Net balances	<u>11,441,643</u>	<u>109,973,377</u>	<u>2,281,420</u>	<u>35,761,567</u>	<u>693,804</u>	<u>5,815,668</u>	<u>25,433,552</u>	<u>191,401,031</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

12. Right-of-use assets and lease liabilities

a) Right-of-use assets

Right-of-use assets are presented below:

	September 2024	June 2024
Building and land		
Cost:		
Balance at the beginning of the year	25,694,588	25,694,588
Balance at the end of the period	<u>25,694,588</u>	<u>25,694,588</u>
Accumulated depreciation and amortization:		
Balance at the beginning of the year	14,402,999	12,393,553
Expenses of the period	440,952	2,009,446
Balance at the end of the period	<u>14,843,951</u>	<u>14,402,999</u>
Net balance	<u>10,850,637</u>	<u>11,291,589</u>

Amounts recognized in the consolidated statement of profit or loss:

	September 2024	September 2023
Depreciation expense in right-of-use assets	440,952	542,014
Interest expenses on lease liabilities	114,183	128,743
	<u>555,135</u>	<u>670,757</u>

b) Lease liabilities

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

	September 2024	June 2024
Up to 1 year	1,432,775	1,475,110
Between 1 and 5 years	5,130,683	5,466,019
5 years or more	6,038,247	6,050,584
Total	<u>12,601,705</u>	<u>12,991,713</u>

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

13. Other assets

	September 2024	June 2024
Accounts receivable - related companies	124,252,091	123,946,549
Goodwill (a)	92,014,817	92,014,817
Repossessed assets	73,809,993	73,246,570
Deferred income tax (b)	59,532,623	55,383,379
Accounts receivable	48,514,663	44,603,176
Investment properties (c)	42,850,897	42,850,897
Accounts receivable - National Treasury	34,429,863	30,179,522
Prepaid expenses	22,135,627	13,744,053
Intangible assets (d)	15,902,273	16,288,108
Deposits in collateral	12,390,940	11,619,481
Severance fund	9,443,278	9,538,060
Insurance premiums receivable	7,937,908	8,172,332
Tax credit - agricultural subsidy	4,645,192	4,582,090
Reinsurers' participation	4,074,580	4,647,056
Insurance company claims	3,683,703	3,702,734
Customer obligations for acceptances	1,311,433	2,056,643
Judicial deposits	749,954	759,985
Hedging derivate (e)	-	50,586
Other	43,464,892	32,012,590
	<u>601,144,727</u>	<u>569,398,628</u>

(a) Goodwill

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

<u>Acquisition date</u>	<u>Company acquired</u>	<u>% of shares acquired</u>	<u>September 2024</u>	<u>June 2024</u>
June 1999	Banco Confederado de América Latina, S.A. (COLABANCO)	100%	8,330,187	8,330,187
December 2004	Afianzadora Colón, S.A. PROGRESO - Administradora Nacional de Inversiones, Fondos de Pensiones	100%	25,000	25,000
December 2014	y Cesantías, S.A.	100%	8,407,500	8,407,500
December 2018	Banco Panameño de la Vivienda, S.A. y Subsidiarias		<u>75,252,130</u>	<u>75,252,130</u>
			<u>92,014,817</u>	<u>92,014,817</u>

(b) Deferred income tax

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

(c) Investment properties

As of September 30, 2024, the investment properties consist of real estate for future development with a value of B/.86,861,200 (June 2024: B/.86,861,200) according to the appraisal performed by Avalúos Inspecciones y Construcción, an independent appraiser of the Bank with experience and capacity to perform these appraisals.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The fair value is based on the market methodology where the sales price per square meter of the land is the most relevant input. Fair value has been classified in level 3 of the IFRS 13 valuation hierarchy.

(d) Intangible assets

	September 2024	June 2024
Cost:		
Rights to manage HSBC's severance fund portfolio		
Investment Corporation (Panamá, S. A.)	1,389,963	1,389,963
Trademarks and other intangibles	8,454,809	8,454,809
Intangible assets from the purchase of Banvivienda	15,500,000	15,500,000
	<u>25,344,772</u>	<u>25,344,772</u>
Accumulated amortization:		
Balance at the beginning of the year	9,056,664	7,513,323
Amortization	385,835	1,543,341
	<u>9,442,499</u>	<u>9,056,664</u>
Net balance at the end of the period	<u>15,902,273</u>	<u>16,288,108</u>

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

As of September 30, 2024 and June 30, 2024, there were no impairment losses recognized in goodwill or intangible assets. The valuation made using the discount method of net future cash flows generated by the acquired assets or business, indicates that the present value of these exceeds the carrying value of goodwill or intangible assets.

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

- To determine the growth rates of the assets or businesses, we used as reference the real historical growth, performance, and metrics of the relevant assets or businesses, their future perspectives, the anticipated macroeconomic growth of the country which is between 4% and 5% during the five years of projection. Segments or businesses were evaluated, as well as the Bank's business plans and expected growth rates in general, and also for specific businesses under evaluation.
- To calculate the present value of future cash flows and determine the value of assets and businesses under assessment, the discount rate was used as the estimated average capital cost of the Bank for the periods referred to when the business unit assessed is the Bank. When the flows of asset funds or units are discounted with a profile different from the Bank, the capital cost applicable to that activity is used in case it differs. The Bank's cost of capital is based on the average interest rates at long-term of AAA instruments in dollars, of the country risk premium and of the return premium for applicable capital investments. The cost of the Bank's capital is approximately 11%.
- The key assumptions previously described may change as economic and market conditions change. The Bank estimates that the changes reasonably possible under these assumptions do not affect the recoverable amount of the business units or falls below the carrying value.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

(e) Hedging derivatives

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

Cash flow hedges

As of June 30, 2024, the Bank has entered into "interest rate swap" contracts to hedge borrowings with variable rates and a nominal value of B/.50,000,000, amortizable. These instruments were designated as cash flow hedges in order to protect the variable disbursements related to the liability.

The "swap" instrument results from applying the net amount between receiving variable interest and payment of a fixed rate during each payment period, which began in March 2024 and ends in March 2029. Interest rate "swap" payments and financing interest payments are made semiannually.

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

<u>Method of accounting</u>	September 2024 Remaining maturity of notional amount		
	<u>Over 1 year</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	Cash flow	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>

<u>Method of accounting</u>	June 2024 Remaining maturity of nominal value		
	<u>Over 1 year</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	Fair value	50,000,000	-
Total	<u>50,000,000</u>	<u>-</u>	<u>50,000,000</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

The nominal value and estimated fair value of interest rate derivative instruments as of June 30, 2024 is presented in the table below. The fair value of derivative financial instruments is estimated using valuation models from a pricing provider and observable market data.

<u>Type</u>	September 2024	
	<u>Notional value</u>	<u>Fair value</u>
Derivatives for cash flow hedges (for financing)	-	-
Total	-	-

<u>Type</u>	June 2024	
	<u>Notional value</u>	<u>Fair value</u>
Derivatives for cash flow hedges (for financing)	50,000,000	50,586
Total	50,000,000	50,586

As of June 30, 2024, the Bank recognized B/.50,586 in the consolidated statement of profit or loss and other comprehensive income, resulting from changes in the fair value of derivative financial instruments used in cash flow hedges.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

14. Client deposits

September 2024	<u>Demand</u>	<u>Savings</u>	<u>Time</u>	<u>Total</u>
Economic segment				
Corporate	392,639,120	370,400,495	2,190,172,671	2,953,212,286
Personal	72,824,403	723,024,011	1,637,908,688	2,433,757,102
	<u>465,463,523</u>	<u>1,093,424,506</u>	<u>3,828,081,359</u>	<u>5,386,969,388</u>
Segment				
Domestic	434,704,236	1,038,932,761	3,414,441,476	4,888,078,473
Foreign	30,759,287	54,491,745	413,639,883	498,890,915
	<u>465,463,523</u>	<u>1,093,424,506</u>	<u>3,828,081,359</u>	<u>5,386,969,388</u>
June 2024	<u>Demand</u>	<u>Savings</u>	<u>Time</u>	<u>Total</u>
Economic segment				
Corporate	391,783,176	354,306,405	2,131,262,449	2,877,352,030
Personal	75,451,984	727,005,797	1,584,824,455	2,387,282,236
	<u>467,235,160</u>	<u>1,081,312,202</u>	<u>3,716,086,904</u>	<u>5,264,634,266</u>
Segment				
Domestic	444,036,213	1,031,079,907	3,354,183,463	4,829,299,583
Foreign	23,198,947	50,232,295	361,903,441	435,334,683
	<u>467,235,160</u>	<u>1,081,312,202</u>	<u>3,716,086,904</u>	<u>5,264,634,266</u>

15. Securities sold under repurchase agreements

As of September 30, 2024, there are repurchase agreements for B/.138,368,683 (June 2024: B/.47,610,933), guaranteed by investments at fair value through other comprehensive income for B/.132,594,657 (June 2024: B/.61,331,722) and securities at amortized cost for B/.46,256,837, at interest rates between 5.28% and 6.55% (June 2024: 6.05% and 6.39%), maturing in October 2024 and August 2025 (June 2024: maturing in August 2024 and June 2025).

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

	September 2024	June 2024
Securities sold under repurchase agreements	138,368,683	47,610,933
Accrued interest payable	1,060,900	922,321
Securities sold under repurchase agreements at amortized cost	<u>139,429,583</u>	<u>48,533,254</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

16. Obligations with financial institutions

	September 2024	June 2024
As of September 30, 2024, there are obligations with other banks for foreign trade financing, with various maturities until February 2026 and annual interest rates between 4.5035% and 7.8323% (June 2024: between 4.8478% and 7.8323%).	518,371,131	526,087,484
As of September 30, 2024, there are obligations with financial institutions for short-term liquidity management, with a renewable maturity beginning in March 2025 and interest rates between 2.15% and 6.5792%, reviewed semiannually (June 2024: between 2.15% and 6.8284%).	57,186,384	215,126,917
As of September 30, 2024, there are obligations with international organizations for long-term liquidity management, with various maturities until March 2029 and interest rates of 6.729%, reviewed quarterly (June 2024: from 7.27%).	91,691,057	101,559,898
As of September 30, 2024, there are obligations with foreign banks for working capital, with various maturities until August 2031 and annual interest rates between 1.50% and 8.12514% (June 2024: between 1.50% and 8.65518%).	498,504,497	517,580,782
As of September 30, 2024, there are obligations with a multilateral financial institutions, with various maturities and final maturities from October 2024 to September 2028, interest rates range between 3.50% and 7.251%, reviewed semiannually (June 2024: between 3.50% and 7.344%).	301,507,167	282,627,134
	<u>1,467,260,236</u>	<u>1,642,982,215</u>

As of September 30, 2024, there are investments at fair value through other comprehensive income for B/.41,864,416 (June 2024: B/.134,853,879) and securities at amortized cost for B/.28,885,693 (June 2024: B/.105,384,604) that guarantee these obligations with financial institutions. In addition, there are restricted time deposits as of September 30, 2024, for B/.5,440,403 (June 2024: B/.7,076,490), which guarantee these obligations with financial institutions.

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

Obligations with financial institutions at amortized cost are detailed below:

	September 2024	June 2024
Obligations with financial institutions	1,467,260,236	1,642,982,215
Accrued interest payable	25,745,236	21,722,303
Obligations with financial institutions at amortized cost	<u>1,493,005,472</u>	<u>1,664,704,518</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

	September 2024	June 2024
Balance at the beginning of the year	1,642,982,215	1,582,877,582
Others movements	-	(7,290,393)
Obligations received	334,804,316	2,262,358,381
Payments made	(510,526,295)	(2,194,963,355)
Balance at the end of the period	<u>1,467,260,236</u>	<u>1,642,982,215</u>

17. Marketable securities (VCNs)

<u>Series</u>	<u>Issuance date</u>	<u>Interest rate</u>	<u>Maturity</u>	September 2024	June 2024
D-R	Apr-24	5.88%	Mar-25	<u>2,000,000</u>	<u>2,000,000</u>
				2,000,000	2,000,000

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

	September 2024	June 2024
Balance at beginning of the year	2,000,000	-
Proceeds from issuance	-	2,000,000
Balance at the end of the period	<u>2,000,000</u>	<u>2,000,000</u>

Marketable securities at amortized cost are detailed below:

	September 2024	June 2024
Marketable securities	2,000,000	2,000,000
Accrued interest payable	8,486	8,486
Marketable securities at amortized cost	<u>2,008,486</u>	<u>2,008,486</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

18. Corporate bonds

<u>Type</u>	<u>Interest rate</u>	<u>Maturity</u>	September 2024	June 2024
A Series - April 2019 Issuance	5.25%	Apr-29	310,231,377	310,231,705
A Series - October 2023 Issuance	7.00%	Nov-26	49,746,616	49,719,852
B Series - October 2023 Issuance	7.00%	Nov-26	9,938,000	9,938,000
C Series - October 2023 Issuance	7.00%	Dec-26	4,551,000	4,551,000
			<u>374,466,993</u>	<u>374,440,557</u>

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

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

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

The corporate bonds at amortized cost are detailed below:

	September 2024	June 2024
Corporate bonds	374,466,993	374,440,557
Accrued interest payable	<u>7,477,954</u>	<u>3,179,671</u>
Corporate bonds at amortized cost	<u>381,944,947</u>	<u>377,620,228</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

19. Perpetual bonds

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

<u>Type</u>	<u>Interest rate</u>	September 2024	June 2024
A Series - May 2016 Issuance	6.75%	24,004,922	24,055,778
B Series - July 2016 Issuance	6.75%	90,471,581	90,489,499
C Series - May 2018 Issuance	6.75%	5,191,950	5,191,950
D Series - May 2019 Issuance	6.75%	16,598,685	16,596,311
E Series - June 2020 Issuance	6.75%	4,611,000	4,611,000
F Series - September 2020 Issuance	6.50%	5,299,000	5,299,000
G Series - December 2020 Issuance	6.50%	14,701,000	14,701,000
H Series - September 2021 Issuance	5.75%	14,901,000	14,901,000
I Series - December 2021 Issuance	5.75%	2,171,000	2,171,000
		<u>177,950,138</u>	<u>178,016,538</u>

Perpetual bonds at amortized cost are detailed as follows:

	September 2024	June 2024
Perpetual bonds	177,950,138	178,016,538
Accrued interest payable	40,126	39,564
Perpetual bonds at amortized cost	<u>177,990,264</u>	<u>178,056,102</u>

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

	September 2024	June 2024
Balance at beginning of the year	552,457,095	566,416,602
Proceeds from issuances	-	64,489,000
Debt issuance cost / amortization of debt issuance cost	103,276	719,329
Redemptions	(14,490)	(78,347,220)
Premiums, discounts / discount premium amortization	(128,750)	(820,616)
Balance at the end of the period	<u>552,417,131</u>	<u>552,457,095</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

20. Other liabilities

	September 2024	June 2024
Other creditors	23,750,827	23,808,515
Employee benefits and other labor liabilities	23,441,135	21,954,721
Cashiers´ and certified checks	15,727,701	22,267,497
Reserve for insurance operations (Note 21)	13,458,832	13,838,661
Other reserves	11,870,699	10,317,112
Factoring collateral deposits (a)	7,983,962	7,219,171
Judicial and other deposits	4,110,045	3,114,472
Hedge derivative (b)	3,728,373	119,594
Insurance accounts payable	2,801,970	2,767,461
Special Interest Compensation Fund (FECI) accounts payable	2,298,813	1,828,600
Acceptances outstanding	1,311,433	2,056,643
Income tax payable	691,928	289,019
Others	26,481,325	13,763,753
	<u>137,657,043</u>	<u>123,345,219</u>

a) Guarantees withheld by customers and others

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

b) Hedging derivative

Cash flow hedge

As of September 30, 2024, the Bank has entered into interest rate swap contracts to hedge borrowings with variable rates and a nominal value of B/.203,000,000 (June 2024: B/.153,000,000), amortizable. These instruments were designated as cash flow hedges in order to protect the variable disbursements related to the liability.

As of September 30, 2024, the "swap" instrument results from applying the net amount between receiving variable interest and the payment of a fixed rate during each payment period, which began in March 2024 and ends in March 2029 (June 2024: began in March 2024 and ends in March 2027). Interest rate "swap" payments and financing interest payments are made on a quarterly basis.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Below is a summary of the derivative contract by maturity and method of accounting:

<u>Method of accounting</u>	September 2024 Remaining maturity of notional amount		
	<u>Over 1 year</u>	<u>Less than 1 year</u>	<u>Total</u>
	Cash flow	203,000,000	-
Total	<u>203,000,000</u>	<u>-</u>	<u>203,000,000</u>

<u>Method of accounting</u>	June 2024 Remaining maturity of notional amount		
	<u>Over 1 year</u>	<u>Less than 1 year</u>	<u>Total</u>
	Cash flow	153,000,000	-
Total	<u>153,000,000</u>	<u>-</u>	<u>153,000,000</u>

The nominal value and estimated fair value of interest rate derivative instruments as of September 30, 2024 and June 30, 2024 is presented in the table below. The fair value of derivative financial instruments is estimated using valuation models from a pricing provider and observable market data.

	<u>Type</u>	September 2024	
		<u>Notional value</u>	<u>Fair value</u>
Derivatives for cash flow hedges (for financing)		203,000,000	(3,728,373)
Total		<u>203,000,000</u>	<u>(3,728,373)</u>

	<u>Type</u>	June 2024	
		<u>Notional value</u>	<u>Fair value</u>
Derivatives for cash flow hedges (for financing)		153,000,000	119,594
Total		<u>153,000,000</u>	<u>119,594</u>

As of September 30, 2024, the Bank recognized B/.(3,659,365) (June 2024: B/.(119,594)) in the consolidated statement of profit or loss and other comprehensive income, resulting from changes in the fair value of derivative financial instruments used in cash flow hedges.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

For cash flow hedges, the effective portion of gains or losses resulting from changes in the fair value of a derivative hedging instrument is included in net change in hedging instruments. The ineffective portion (indicated by the excess of the cumulative change in the fair value of the derivative over the amount necessary to offset the cumulative change in the expected future cash flows of the hedged transactions) is included in other income (expense). During the year, the hedge was highly effective in covering the risk of variability in interest rates that could affect the Bank's cash flows.

For fair value hedging derivative instruments, gains or losses from changes in the fair value of the derivative instrument including the non-performance risk as the hedged item attributable to the hedged risk are included in other income (expense).

21. Reserves from insurance operations

Unearned premiums

	September 2024	June 2024
Balance at the beginning of the year	11,079,222	10,635,411
Premiums issued	8,021,325	35,126,329
Premiums earned	(5,305,729)	(19,031,719)
Balance at the end of the period	<u>13,794,818</u>	<u>26,730,021</u>
Participation of reinsurers		
Premiums ceded	(2,565,727)	(14,912,589)
Unearned premiums	(564,334)	(738,210)
Unearned premiums, net	<u>10,664,757</u>	<u>11,079,222</u>

Pending claims to be settled, estimates

	September 2024	June 2024
Balance at the beginning of the year	2,759,439	5,042,603
Claims incurred, net	3,027,039	10,102,594
Claims paid	(2,992,403)	(12,385,758)
Balance at the end of the period	<u>2,794,075</u>	<u>2,759,439</u>
	<u>13,458,832</u>	<u>13,838,661</u>

22. Common shares

As of September 30, 2024, the authorized capital of Global Bank Corporation consists of 2,000,000 common shares without par value, of which 236,600 (June 2024: 236,600) shares are issued and outstanding for a value of B/.270,202,657 (June 2024: B/.270,202,657).

As of September 30, 2024, dividends were paid on common shares approved by the Board of Directors for a total of B/.5,581,050 (September 2023: B/.16,917,342).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

23. Interest and commission income and expense

	September 2024	September 2023
Interest earned on:		
Loans	119,129,270	108,144,632
Deposits	3,178,566	2,638,506
Investments	10,767,206	10,250,031
	<u>133,075,042</u>	<u>121,033,169</u>
Interest expense on:		
Deposits	(56,147,579)	(48,940,311)
Obligations with financial institutions and repurchase agreements	(29,229,876)	(25,378,620)
Marketable securities and bonds	(8,360,260)	(8,053,979)
	<u>(93,737,715)</u>	<u>(82,372,910)</u>
Net interest income	<u>39,337,327</u>	<u>38,660,259</u>
Commissions earned on:		
Loans	8,942,917	7,520,503
Letters of credit	473,724	1,041,212
Savings accounts and debit cards	861,529	967,369
Fiduciary and management services	2,827,235	2,767,744
Others	4,742,272	5,290,177
	<u>17,847,677</u>	<u>17,587,005</u>
Commission expenses	(6,575,668)	(5,873,265)
Net commissions income	<u>11,272,009</u>	<u>11,713,740</u>
Net interest and commissions income	<u>50,609,336</u>	<u>50,373,999</u>

24. Other income, net

	September 2024	September 2023
Insurance premiums, net	3,977,147	3,206,843
Gain on instruments at fair value through profit or loss, net	353,104	8,215
Fiduciary services and brokerage services, net	328,748	107,426
Gain on sale of investments through other comprehensive income (OCI)	246,631	140,770
Gain on sale of investments through profit or loss	42,332	13,653
Other income (expenses)	1,662,758	46,316
	<u>6,610,720</u>	<u>3,523,223</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

25. Other expenses

	September 2024	September 2023
Reserve for mileage redemption	906,509	906,509
Surveillance	459,460	444,878
Public utilities	424,766	387,779
Communications and correspondance	331,221	421,982
Supplies and stationary	153,520	193,489
Insurance	72,133	75,199
Other general expenses	2,035,372	1,541,009
Other operating expenses	4,086,577	2,204,187
	<u>8,469,558</u>	<u>6,175,032</u>

26. Excess paid-in capital

Restricted stock plan

In August 2023, the Board of Directors of G.B. Group Corporation approved to reserve a total of up to 15,561 shares of its authorized common shares to be awarded under the Restricted Stock Plan for participants.

In August 2022, the Board of Directors of G.B. Group Corporation approved reserving a total of up to 12,351 common shares of its authorized capital to be awarded under the Restricted Stock Plan for participants.

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

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

Once the restricted shares are vested, the participant may dispose of them as follows: 50% as of the first year and 50% as of the second year.

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

For the period of three months ended September 30, 2024, 14,048 (September 2023: 14,048) shares were granted under the restricted stock plan and an expense of B/.137,500 (September 2023: B/.117,699) was recorded.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

27. Commitments and contingencies

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

	September 2024	June 2024
Letters of credit	194,188,575	171,330,553
Endorsements and collaterals	382,899,400	397,310,914
Promissory notes	60,943,218	89,628,082
Unused credit lines	485,748,061	451,817,275
Total	<u>1,123,779,254</u>	<u>1,110,086,824</u>

Letters of credit, endorsements, guarantees issued, promissory notes 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, financial guarantees and promissory notes are the same as those used for granting of loans that are recorded on the consolidated statement of financial position.

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

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

28. Management of trust contracts and investment portfolio

As of September 30, 2024, the Bank held in administration trust contracts at the account and risk of customers amounting to B/.2,876,281,337 (June 2024: B/.2,896,704,349).

	September 2024	June 2024
Collateral Trust	2,595,799,884	2,610,096,325
Management Trust	184,414,375	184,352,474
Investment Trust	90,005,598	96,181,717
Assets - PLICA contract	4,369,632	4,330,843
Pension Trust	1,691,848	1,742,990
	<u>2,876,281,337</u>	<u>2,896,704,349</u>

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

29. Pension and severance fund management

	September 2024	June 2024
Severance Fund	339,205,248	333,402,570
Pension Fund (under Law No. 10)	232,999,287	231,401,161
Citibank, N. A.	1,194,499	1,346,957
Other assets under management	42,006,689	40,314,607
	<u>615,405,723</u>	<u>606,465,295</u>

30. Income tax

Income Tax returns of banks incorporated in the Republic of Panama are subject to review by the tax authorities for the last three years, including the year ended June 30, 2024, in accordance with current tax regulations.

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

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

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

The current income tax expense is detailed below:

	September 2024	September 2023
Current income tax	1,004,722	861,562
Deferred tax for temporary differences	<u>(4,149,244)</u>	<u>(6,369,821)</u>
Income tax benefit	<u>(3,144,522)</u>	<u>(5,508,259)</u>

As of September 30, 2024, the average effective current income tax rate is 9.32% (September 2023: 10.79%).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

	September 2024	June 2024
Balance at the beginning of the year	55,383,379	52,252,045
Other charges	2,806,450	5,225,291
Credit to profit or loss during the period	1,342,794	(2,093,957)
Balance at the end of the period	<u>59,532,623</u>	<u>55,383,379</u>

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

A reconciliation of income taxes is presented as follows:

	September 2024	September 2023
Profit before income tax	10,777,484	7,987,416
Less: non-taxable income	(7,790,383)	(32,037,256)
Plus: non-deductible expenses	1,030,302	26,892,220
Plus: tax loss in subsidiaries	403	603,773
Taxable base	<u>4,017,806</u>	<u>3,446,153</u>
Income tax calculated at 25%	1,004,452	861,538
Remittance income tax	270	23
Current income tax expense	<u>1,004,722</u>	<u>861,561</u>

The deferred income tax asset is detailed below:

	September 2024	June 2024
Deferred income tax asset:		
Reserve for expected losses	54,697,650	53,149,259
Acquired intangible asset - core deposit	(2,125,870)	(2,206,599)
Other reserve	6,960,843	4,440,719
Deferred income tax asset	<u>59,532,623</u>	<u>55,383,379</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

September 2024	Charged to Profit or Loss	Other charges		
Deferred income tax asset:				
Reserve for expected losses	53,149,259	1,548,391	-	54,697,650
Acquired intangible - core deposit	(2,206,599)	80,729	-	(2,125,870)
Other reserve	4,440,719	(286,326)	2,806,450	6,960,843
Deferred income tax asset	<u>55,383,379</u>	<u>1,342,794</u>	<u>2,806,450</u>	<u>59,532,623</u>

June 2024	Charged to Profit or Loss	Other charges		
Deferred income tax asset:				
Reserve for expected losses	54,433,116	(1,283,857)	-	53,149,259
Acquired intangible - core deposit	(2,529,507)	322,908	-	(2,206,599)
Other reserve	348,436	(1,133,008)	5,225,291	4,440,719
Deferred income tax asset	<u>52,252,045</u>	<u>(2,093,957)</u>	<u>5,225,291</u>	<u>55,383,379</u>

Transfer Pricing:

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

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

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

31. Segment information

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

	September 2024			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	147,516,277	896,091	2,510,351	150,922,719
Interest expenses and reserves	109,059,367	(2,268)	-	109,057,099
Other income, net	2,791,278	3,993,201	(173,759)	6,610,720
Other expenses	30,771,254	1,767,626	687,907	33,226,787
Depreciation and amortization expense	4,444,830	2,875	24,364	4,472,069
Profit before income tax	<u>6,032,104</u>	<u>3,121,059</u>	<u>1,624,321</u>	<u>10,777,484</u>
(Benefit) income tax expense	(4,040,737)	620,081	276,134	(3,144,522)
Net profit	<u>10,072,841</u>	<u>2,500,978</u>	<u>1,348,187</u>	<u>13,922,006</u>
Total assets	<u>8,455,416,860</u>	<u>83,051,191</u>	<u>47,939,238</u>	<u>8,586,407,289</u>
Total liabilities	<u>7,819,744,068</u>	<u>18,368,806</u>	<u>658,846</u>	<u>7,838,771,720</u>
	September 2023			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Interest and commission income	135,351,144	770,853	2,498,177	138,620,174
Interest expenses and reserves	96,869,245	6,820	-	96,876,065
Other income, net	477,676	3,123,626	(78,079)	3,523,223
Other expenses	30,386,484	1,758,836	712,881	32,858,201
Depreciation and amortization expense	4,383,921	2,880	34,914	4,421,715
Profit before income tax	<u>4,189,170</u>	<u>2,125,943</u>	<u>1,672,303</u>	<u>7,987,416</u>
(Benefit) income tax expense	(6,269,031)	429,490	331,282	(5,508,259)
Net profit	<u>10,458,201</u>	<u>1,696,453</u>	<u>1,341,021</u>	<u>13,495,675</u>
	June 2024			
	Banking and financial activities	Insurance	Pension and severance funds	Total consolidated
Total assets	<u>8,393,790,459</u>	<u>80,184,373</u>	<u>46,307,800</u>	<u>8,520,282,632</u>
Total liabilities	<u>7,769,366,618</u>	<u>19,132,595</u>	<u>407,634</u>	<u>7,788,906,847</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements
for the three months ended September 30, 2024
(In balboas)

32. Subsidiaries of the Bank

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

Companies	Main economic activity	Date of incorporation	Beginning of operations	Country of incorporation	Percentage of ownership
Global Financial Funds Corporation	Fiduciary trust services	Sep-95	1995	Panama	100%
Global Capital Corporation	Corporate finance and financial advisory	May-93	1994	Panama	100%
Global Capital Investment Corporation	Purchase of discounted invoices factoring	Jun-93	1993	British Virgin Island	100%
Global Valores, S. A.	Stockbrokers	Aug-02	2002	Panama	100%
Global Bank Overseas and Subsidiaries	Foreign banking	Aug-03	2003	Montserrat	100%
Aseguradora Global, S. A.	Subscription and issuance of insurance policies	Apr-03	2004	Panama	100%
Durale Holdings, S. A.	Holding and management of real estate	Jan-06	2006	Panama	100%
Progreso AFPC, S.A.	Pension Fund Management	Oct-98	2014	Panama	100%
Anverli Investment Corporation	Holding and management of real estate	Jan-17	2017	Panama	100%

33. Regulatory aspects and capital reserve

The following is a detail of the regulatory reserves:

	September 2024	June 2024
Regulatory reserves:		
Dynamic reserve	87,863,198	87,863,198
Foreclosed assets reserve	20,935,375	19,313,175
Equity reserve - investments	838,659	957,265
	<u>109,637,232</u>	<u>108,133,638</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Agreement No.4-2013

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

September 2024

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,534,510,211	338,652,295	46,094,291	55,977,337	95,378,979	3,070,613,113
Consumer loans	2,772,040,674	243,471,570	27,053,557	18,568,762	67,791,704	3,128,926,267
Other loans	215,547,849	1,008	-	-	-	215,548,857
Total	<u>5,522,098,734</u>	<u>582,124,873</u>	<u>73,147,848</u>	<u>74,546,099</u>	<u>163,170,683</u>	<u>6,415,088,237</u>
Specific reserve	-	26,266,983	14,067,412	19,551,711	118,208,400	178,094,506

June 2024

	<u>Normal</u>	<u>Special mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Uncollectible</u>	<u>Total</u>
Corporate loans	2,519,594,727	317,013,857	67,765,488	54,836,797	102,894,094	3,062,104,963
Consumer loans	2,802,230,934	233,617,738	24,890,127	18,795,828	62,101,719	3,141,636,346
Other loans	195,892,812	329	110	-	-	195,893,251
Total	<u>5,517,718,473</u>	<u>550,631,924</u>	<u>92,655,725</u>	<u>73,632,625</u>	<u>164,995,813</u>	<u>6,399,634,560</u>
Specific reserve	-	24,915,669	15,907,817	20,746,372	120,309,116	181,878,974

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

September 2024

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	2,955,706,413	16,292,164	98,614,536	3,070,613,113
Consumer	2,945,615,439	90,075,270	93,235,558	3,128,926,267
Others	215,547,849	1,008	-	215,548,857
Total	<u>6,116,869,701</u>	<u>106,368,442</u>	<u>191,850,094</u>	<u>6,415,088,237</u>

June 2024

	<u>Current</u>	<u>Delinquent</u>	<u>Overdue</u>	<u>Total</u>
Corporate	2,949,222,112	5,029,673	107,853,178	3,062,104,963
Consumer	2,967,066,273	88,474,347	86,095,726	3,141,636,346
Others	195,892,812	329	110	195,893,251
Total	<u>6,112,181,197</u>	<u>93,504,349</u>	<u>193,949,014</u>	<u>6,399,634,560</u>

As of September 30, 2024, loans in nonaccrual status represent B/.133,075,485 (June 2024: B/.137,261,861).

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Accounting treatment of the differences between prudential standards and IFRSs

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

- The respective figures of the calculations of the IFRSs application and prudential standards issued by the Superintendency of Banks of Panama (SBP) will be made and compared.
- When the calculation made in accordance with IFRS results in a provision greater than the one resulting from the use of prudential standards, the IFRS figures shall be accounted for.
- When the use of prudential standards results in a higher provision, the IFRS figures will also be recorded in profit or loss and the difference will be taken from retained earnings, which will be transferred to a regulatory reserve in equity. In the event that the Bank does not have sufficient retained earnings, this difference will be presented as an accumulated deficit account.
- The regulatory reserve mentioned in the previous point cannot be reversed against retained earnings, as long as the differences between IFRSs and the prudential standards that originated it, exist.

Dynamic reserve

According to Agreement No.4-2013, the restrictions of the dynamic provision establish that the amount cannot be less than the amount established in the previous quarter. As of September 30, 2024, the dynamic provision was for B/.87,863,198 (June 2024: B/.87,863,198).

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

Off-balance sheet transactions

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

September 2024						Total
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	
Letters of credit	194,188,575	-	-	-	-	194,188,575
Endorsements and collaterals	382,899,400	-	-	-	-	382,899,400
Promissory notes	60,943,218	-	-	-	-	60,943,218
Unused lines of credit granted	485,748,061	-	-	-	-	485,748,061
Total	1,123,779,254	-	-	-	-	1,123,779,254

June 2024						Total
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	
Letters of credit	171,330,553	-	-	-	-	171,330,553
Endorsements and collaterals	397,310,914	-	-	-	-	397,310,914
Promissory notes	89,628,082	-	-	-	-	89,628,082
Unused lines of credit granted	451,817,275	-	-	-	-	451,817,275
Total	1,110,086,824	-	-	-	-	1,110,086,824

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

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

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

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

Foreclosed assets

As of September 30, 2024, the regulatory provision on foreclosed assets totals B/.20,935,375 (June 2024: B/.19,313,175) based on the provisions of Agreement No.3-2009 of the Superintendency of Banks of Panama.

Premiums and notes receivable

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

- a) Suspension of coverage: when the contracting party has made the payment of the first fraction of the premium and is delayed for more than the end of the grace period stipulated in the payment of any of the fractions of subsequent premiums, it will be understood that it has incurred in default of payment, according to the payment schedule established in the corresponding policy, which has the immediate legal effect of suspending the coverage of the policy for up to sixty days.
- b) The suspension of coverage shall be maintained until the default ceases and may be reinstated upon payment of the premium not paid during said period or until the policy is cancelled, in accordance with the provisions of Article No.161.

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

- a) Any notice of cancellation of the policy shall be notified by mailing to the contracting party at the last physical, postal or electronic address recorded in the policy file maintained by the insurer. A copy of the notice of cancellation shall be issued to the insurance broker.
- b) Any change of address of the contracting party must be notified to the insurer, otherwise the last address on file with the insurer shall be considered valid.
- c) The notice of cancellation of the policy for non-payment of the premium must be sent to the contracting party in writing, fifteen working days in advance. If the notice is not sent, the contract shall remain in force and the provisions of Article No. 998 of the Code of Commerce shall apply.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Laws and regulations:

a) **Banking law**

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

Regulatory compliance

Liquidity Ratio

As of September 30, 2024, the liquidity ratio percentage reported to the regulator under the parameters of Agreement No.4-2008 was 35.74% (June 2024: 36.59%) (See Note 4.3).

Capital Adequacy

The Law requires general license banks to maintain a minimum paid-in share capital or assigned capital of ten million balboas (B/.10,000,000) and capital funds of not less than 8% of their weighted assets, including off-balance sheet operations. As of September 30, 2024, it presents consolidated capital funds of approximately 13.90% (June 2024: 13.73%) over its risk-weighted assets, according to Agreement No.1-2015, Agreement No.3-2016 and the new agreements, Agreement No.11-2018 and Agreement No.2-2018. (See Note 4.7).

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

b) **Insurance and reinsurance laws**

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

c) **Securities Law**

The operations of brokerage firms in Panama are regulated by the Superintendency of the Securities Market of Panama according to the legislation established in Decree Law No.1 of July 8, 1999, amended by Law No.67 of September 1, 2011. The operations of the Securities Brokerage Firms are in the process of adaptation to Agreement No.4-2011, modified in certain provisions through Agreement No.8-2013, established by the Superintendency of the Securities Market of Panama, which indicate that they are obliged to comply with the rules of capital adequacy and its modalities.

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

d) Trust Law

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

e) Financial Leasing Law

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

Capital Reserves

The Global Bank Overseas subsidiary, in accordance with the Montserrat banking regulator, establishes that every licensed financial institution shall maintain a reserve fund and, from its net profits for each year, shall transfer an amount equal to not less than 20 percent of such profits to that fund, provided that the amount of the reserve fund is less than 100 percent of the paid-in or, as the case may be, assigned capital of the financial institution. As of September 30, 2024, the reserve is B/.32,324,680 (June 2024: B/.32,324,680).

The following are the capital reserves:

	September 2024	June 2024
Capital reserve	32,324,680	32,324,680
Insurance reserves:		
Technical reserves	7,308,758	7,051,004
Legal reserve	5,749,193	5,749,193
	<u>45,382,631</u>	<u>45,124,877</u>

Technical reserves

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

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

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

	Reserve for statistical deviations		Reserve for catastrophic risk and/or contingencies	
	September 2024	June 2024	September 2024	June 2024
Balance at the beginning of the year	3,525,502	3,050,803	3,525,502	3,050,803
Additions	<u>128,877</u>	<u>474,699</u>	<u>128,877</u>	<u>474,699</u>
Balance at the end of the period	<u>3,654,379</u>	<u>3,525,502</u>	<u>3,654,379</u>	<u>3,525,502</u>

Global Bank Corporation and Subsidiaries

Notes to the consolidated financial statements for the three months ended September 30, 2024 (In balboas)

Legal reserve

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

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

The movement of the legal reserve is detailed below:

	September 2024	June 2024
Balance at the beginning of the year	<u>5,749,193</u>	<u>5,749,193</u>
Balance at the end of the period	<u>5,749,193</u>	<u>5,749,193</u>

34. Approval of the consolidated financial statements

The consolidated financial statements of Global Bank Corporation and Subsidiaries for the three months ended September 30, 2024 were authorized by Management for issuance on October 25, 2024.

* * * * *