MULTIBANK INC. AND SUBSIDIARIES
(Panama Republic of Panama)

Consolidated Financial Statements

As of December 31, 2020

(Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

"This document was prepared with the knowledge of that their content will be made available to the public investor and the general public"

MULTIBANK INC AND SUBSIDIARIES
(Panama, Republic of Panama)

Table of Contents

KPMG
Torre PDC, Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of Multibank Inc.

Opinion

We have audited the consolidated financial statements of Multibank Inc. and Subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for loan losses
See Notes 3(d) and 9 to the consolidated financial statements

Key audit matter	How the key matter was addressed during the audit
The allowance for loan losses in loans at amortized cost is considered as one of the most significant matters because it methodology requires the use of judgments and subjective assumptions, including the impact of Covid-19 pandemic, made by management for the construction of expected credit loss model ("ECL"). The loan portfolio represents 65% of the Bank´s total assets as of December 31, 2020. The allowance for loan losses comprised the ECL as a result of the loan rating model and the methodology to determine the probability of default of the loan according to the impairment stage in which it is assigned. The model to estimate the ECL is determined according to the grouping of loans with similar credit risk characteristics, segregated in "Consumer Banking" and "Corporate Banking". Both methodologies are composed of estimates of the probability of default, loss given default, prospective analysis and exposure at default. The evaluation of whether or not a significant increase in the credit risk of the loans has been presented entails the application of important judgments in those methodologies. This is a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of Bank's judgment.	Our audit procedures, considering the use of specialists, included: • We assessed the key controls over delinquency calculations, internal customer risk ratings, accuracy review of customer and model information and the methodologies used. • We assessed the judgments applied by the Bank on assumptions related to the current conditions of the economy, including the impact of Covid-19 in the judgement and the considerations on the prospective analysis that could change the level of ECL, based on our experience and knowledge of the industry • For a sample of corporates loans, classified by type of activity or industry, and debtors with changes in risk classification based on quantitative and qualitative factors, the respective credit files were inspected, including the financial information of the debtors, the values of guarantees, determined by expert appraisers, that support credit operations and other factors that could represent an event that causes losses, to determine the reasonableness of the credit risk assigned by risk officers. • The methodology applied by the Bank in the ECL model were assessed in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals and methodology documented and approved by the Bank's corporate government. • An independent assessment was made of the inputs used by the Consumer Banking and Corporate Banking methodologies, and a recalculation was carried out for both methodologies according to the ECL estimation model.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Gastón G. González F.

KPMG (SIGNED)

Panama, Republic of Panama
February 24, 2021

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2020

(Amounts expressed in Balboas)

	Note	2020	2019
Assets			
Cash and cash equivalents		20,587,457	23,875,586
Deposits due from banks:			
Demand deposits - local banks		21,350,042	12,625,941
Demand deposits - foreign banks		31,317,199	86,092,251
Time deposits - local banks		12,000,000	8,500,000
Time deposits - foreign banks		117,536,181	123,920,941
Allowance for expected credit losses on bank deposits		(7,930)	(10,104)
Accrued interest receivable		25,471	112,538
Total cash, cash items and bank deposits at amortized cost	4, 7	202,808,420	255,117,153
Investments securities designated as at fair value through profit or loss	4, 8	44,819,334	59,226,261
Debt instruments at fair value through other comprehensive income	4, 8	927,081,358	547,785,376
Debt instruments at amortized cost, net	4, 8	81,368,722	85,300,248
Derivative financial instruments	4, 26	9,583,501	0
Loans:			
Local sector		2,989,903,901	3,135,920,458
Foreign sector		142,536,170	301,789,349
Accrued interest receivable		92,505,789	39,459,363
Allowance for expected credit losses on loans		(49,845,110)	(54,575,217)
Unearned discounted interests and commissions		(310,944)	(2,532,283)
Loans at amortized cost	4, 9, 27	3,174,789,806	3,420,061,670
Property, furniture, equipment and leasehold improvements, net	10	60,458,170	66,275,663
Customers' liabilities under acceptances	4	194,237,832	115,506,674
Deferred tax assets	23	22,233,106	12,733,159
Other assets	11, 27	161,782,789	179,550,987
Total assets		4,879,163,038	4,741,557,191

The consolidated statement of financial position should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

Liabilities and Equity	Note	2020	2019
Liabilities			
Deposits from customers:			
Demand deposits - local		243,797,576	189,020,363
Demand deposits - foreign		203,049,873	173,014,660
Savings deposits		384,127,180	384,322,132
Time deposits - local		1,413,781,435	1,444,340,481
Time deposits - foreign		767,407,282	578,671,161
Accrued interest payable		39,170,028	42,510,497
Total deposits from customers	4, 27	3,051,333,374	2,811,879,294
Securities sold under repurchase agreements	4, 12	16,018,626	31,093,230
Borrowings	4, 13	582,806,260	581,178,656
Lease payable	4, 16	17,681,588	19,545,111
Bonds payable	4, 14	434,347,540	447,110,798
Negotiable commercial papers	4, 15	64,377,915	55,098,511
Acceptances outstanding		194,237,832	115,506,674
Derivative financial instruments	4, 26	6,245,611	5,767,808
Certified and cashier's checks		40,909,436	26,747,227
Other liabilities	17	42,512,330	69,490,132
Total liabilities		4,450,470,512	4,163,417,441
Equity:			
Common shares	19	183,645,893	183,645,893
Preferred shares	19	8,000,000	110,000,000
Excess paid in acquisition of non-controlling interests	19	(152,873)	(5,606,927)
Reserves		87,409,430	45,319,379
Retained earnings		149,790,076	244,781,405
Total equity		428,692,526	578,139,750
Commitments and contingencies	24		
Total liabilities and equity		4,879,163,038	4,741,557,191

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

(Amounts expressed in Balboas)

	Note	2020	2019
Interest and commission income:			
Interest on:	27		
Loans		215,345,327	236,430,558
Time deposits		1,144,246	4,742,936
Securities		17,342,014	19,543,712
Commissions on loans		10,997,819	12,620,596
Total interest and commission income		244,829,406	273,337,802
Interest expenses:	27		
Deposits		98,288,242	92,262,053
Borrowings		22,514,823	34,305,669
Bonds		22,120,292	18,215,379
Total interest expenses		142,923,357	144,783,101
Total interest and commission income, net		101,906,049	128,554,701
Allowance for impairment of financial assets:			
Reversal of provision for losses on deposits	7	(2,157)	0
Provision for loan losses	9	70,379,776	25,806,308
Provision for other accounts receivable losses	11	9,179,282	45,154
Provision for credit losses on debt instruments at costo amortizado	8	506,957	1,670
Provision (reversal) of provision for credit losses on debt instruments through other comprehensive income at fair value	8	1,726,343	(527,468)
Net interest and commission income, after provisions		20,115,848	103,229,037
Income (expenses) from banking services and others:			
Fees and other commissions earned		18,454,787	24,075,909
Net gain on securities sales and valuation of derivatives	20	18,361,130	10,003,794
Foreign exchange gain, net		539,405	1,719,827
Insurance premiums, net		8,444,876	11,506,793
Commissions incurred		(13,023,137)	(14,872,143)
Others, net		2,270,588	11,538,062
Provision for impairment of foreclosed assets	11	(403,155)	(55,651)
Total income from banking services and other, net		34,644,494	43,916,591
General and administrative expenses:			
Salaries and other personnel benefits	21	48,509,257	55,253,702
Professional fees		3,731,347	8,467,451
Depreciation and amortization	10, 11	7,470,541	7,337,479
Maintenance of equipment and premises		8,619,338	8,520,940
Rental	16, 27	3,496,652	3,373,833
Taxes, other than income		3,997,811	3,993,362
Other	22	10,044,677	5,664,271
Total general and administrative expenses		85,869,623	92,611,038
Net (loss) income before income tax		(31,109,281)	54,534,590
Income tax, net	23	8,349,563	(6,034,830)
Net (loss) inc Net (loss) income for the year		(22,759,718)	48,499,760

The consolidated statement of profit or loss should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2020

(Amounts expressed in Balboas)

	Note	2020	2019
Net (loss) income of the year		(22,759,718)	48,499,760
Other comprehensive income:			
Items that will never be reclassified to the consolidated statement of profit or loss			
Deferred tax on property revaluation		(163,419)	3,202
Deferred tax on employee benefit plan		35,478	0
Employee benefit plan - changes in actuarial effects		(141,913)	0
Items that are or may be reclassified to the consolidated statement of profit or loss:			
Foreign currency translation effect		(4,201,199)	(234,155)
Net gain on hedge of net investment in foreign operation		2,797,828	64,411
Reserve for valuation of investments in securities:			
Net changes in valuation of debt instruments at fair value through other comprehensive income		25,339,806	30,050,650
Net gain in debt instruments at fair value through other comprehensive income transferred to profit or loss	8, 20	(16,135,161)	(6,464,948)
Net change in debt instruments at fair value reclassified to profit or loss for fair value hedge		(2,145,539)	(1,945,820)
Reversal provision of recognized profit or loss for impairment of debt instruments at fair value through other comprehensive income	8	1,726,343	(527,468)
Change in fair value for the effective portion of cash flow hedge		440,119	(1,357,133)
Spin-off of subsidiary	19	(19,685,909)	0
Total other comprehensive (loss) income, net		(12,133,566)	19,588,739
Total other comprehensive income for the period		(34,893,284)	68,088,499

The consolidated statement of other comprehensive income should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(Amounts expressed in Balboas)

					Reserves													
	Note	Common Shares	Preferred shares	Excess paid in acquisition of non-controlling interests	Dynamic provisions	Excess of credit reserve	Regulatory Generic reserve for corporate loans	Regulatory Generic reserve for modified loans	Allowance for foreclosed assets	Regulatory insurance reserve	Regulatory capital reserve	Revaluation surplus	Reserve for valuation of securities at fair values with changes in comprehensive income	Employee benefit plan - changes in actuarial effects	Foreign currency translation effect	Cash flow hedge	Retained earnings	Total
Balance as of December 31, 2018		183,645,893	110,000,000	(5,606,927)	53,447,145	14,376,432	0	0	954,046	4,304,778	177,769	2,024,023	(28,873,873)	0	(23,032,755)	871,569	210,678,000	522,966,100
Comprehensive income:																		
Net Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	48,499,760	48,499,760
Other comprehensive income:																		
Deferred tax on property revaluation		0	0	0	0	0	0	0	0	0	0	3,202	0	0	0	0	0	3,202
Foreign currency translation effect		0	0	0	0	0	0	0	0	0	0	0	0	0	(234,155)	0	0	(234,155)
Net loss on hedge of net investment in foreign operation		0	0	0	0	0	0	0	0	0	0	0	0	0	64,411	0	0	64,411
Net changes in valuation of debt instruments at fair value through comprehensive income		0	0	0	0	0	0	0	0	0	0	0	30,050,650	0	0	0	0	30,050,650
Net gain in debt instruments at fair value through comprehensive income transferred to profit or loss		0	0	0	0	0	0	0	0	0	0	0	(6,464,948)	0	0	0	0	(6,464,948)
Recognized provision in profit or loss for impairment of debt instruments at fair value through comprehensive income		0	0	0	0	0	0	0	0	0	0	0	(527,468)	0	0	0	0	(527,468)
Net change in debt instruments at fair value reclassified to profit or loss for fair value hedge		0	0	0	0	0	0	0	0	0	0	0	(1,945,820)	0	0	0	0	(1,945,820)
Change in fair value of the effective portion of cash flow hedge		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,357,133)	0	(1,357,133)
Regulatory credit reserve	30	0	0	0	0	(689,114)	0	0	0	0	0	0	0	0	0	0	689,114	0
Allowance for foreclosed assets		0	0	0	0	0	0	0	1,073,231	0	0	0	0	0	0	0	(1,073,231)	0
Transfer to retained earnings		0	0	0	0	0	0	0	0	0	0	(64,035)	0	0	0	0	64,035	0
Regulatory insurance reserve		0	0	0	0	0	0	0	0	1,161,424	0	0	0	0	0	0	(1,161,424)	0
Total other comprehensive income		0	0	0	0	(689,114)	0	0	1,073,231	1,161,424	0	(60,833)	21,112,414	0	(169,744)	(1,357,133)	(1,481,506)	19,588,739
Total other comprehensive (loss) income		0	0	0	0	(689,114)	0	0	1,073,231	1,161,424	0	(60,833)	21,112,414	0	(169,744)	(1,357,133)	47,018,254	68,088,499
Contributions, distributions and changes in stockholder's interests:																		
Dividends paid - common shares	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(4,553,300)	(4,553,300)
Dividends paid - preferred shares	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(7,944,833)	(7,944,833)
Complementary tax		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(416,716)	(416,716)
Total contributions, distributions and changes in stockholder's interests		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(12,914,849)	(12,914,849)
Balance as of December 31, 2019		183,645,893	110,000,000	(5,606,927)	53,447,145	13,687,318	0	0	2,027,277	5,466,202	177,769	1,963,190	(7,761,459)	0	(23,202,499)	(485,564)	244,781,405	578,139,750
Balance as of December 31, 2019		183,645,893	110,000,000	(5,606,927)	53,447,145	13,687,318	0	0	2,027,277	5,466,202	177,769	1,963,190	(7,761,459)	0	(23,202,499)	(485,564)	244,781,405	578,139,750
Net Loss		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(22,759,718)	(22,759,718)
Other comprehensive income:																		
Deferred tax on property revaluation		0	0	0	0	0	0	0	0	0	0	(163,419)	0	0	0	0	0	(163,419)
Deferred tax employee benefit plan		0	0	0	0	0	0	0	0	0	0	0	0	35,478	0	0	0	35,478
Employee benefit plan - changes in actuarial effect		0	0	0	0	0	0	0	0	0	0	0	0	(141,913)	0	0	0	(141,913)
Foreign currency translation effect		0	0	0	0	0	0	0	0	0	0	0	0	0	(4,201,199)	0	0	(4,201,199)
Net gain on hedge of net investment in foreign operation		0	0	0	0	0	0	0	0	0	0	0	0	0	2,797,828	0	0	2,797,828
Net changes in valuation of debt instruments at fair value through comprehensive income		0	0	0	0	0	0	0	0	0	0	0	25,339,806	0	0	0	0	25,339,806
Net gain in debt instruments at fair value through comprehensive income transferred to profit or loss		0	0	0	0	0	0	0	0	0	0	0	(16,135,161)	0	0	0	0	(16,135,161)
Provision recognized in income for impairment in instruments of debt at fair value with changes in other comprehensive income		0	0	0	0	0	0	0	0	0	0	0	1,726,343	0	0	0	0	1,726,343
Net change in debt instruments at fair value reclassified to profit or loss for fair value hedge		0	0	0	0	0	0	0	0	0	0	0	(2,145,539)	0	0	0	0	(2,145,539)
Change in fair value of the effective portion of cash flow hedge		0	0	0	0	0	0	0	0	0	0	0	0	0	0	440,119	0	440,119
Dynamic provision	30	0	0	0	9,481,111	0	0	0	0	0	0	0	0	0	0	0	(9,481,111)	0
Regulatory credit reserve	30	0	0	0	0	(13,487,730)	0	0	0	0	0	0	0	0	0	0	13,487,730	0
Regulatory generic reserve for corporate loans	30	0	0	0	0		2,563,641	0	0	0	0	0	0	0	0	0	(2,563,641)	0
Regulatory generic reserve for modified loans	30	0	0	0	0	0	0	13,089,052	0	0	0	0	0	0	0	0	(13,089,052)	0
Allowance for foreclosed assets		0	0	0	0	0	0	0	192,494	0	0	0	0	0	0	0	(192,494)	0
Transfer to retained earnings		0	0	0	0	0	0	0	0	0	0	39,390	0	0	0	0	(39,390)	0
Regulatory insurance reserve		0	0	0	0	0	0	0	0	248,886	0	0	0	0	0	0	(248,886)	0
Spin off of subsidiary		0	0	5,454,054	(2,317,575)	0	0	0	0	0	0	122,569	0	0	24,605,870	0	(47,550,827)	(19,685,909)
Total other comprehensive income		0	0	5,454,054	7,163,536	(13,487,730)	2,563,641	13,089,052	192,494	248,886	0	(1,460)	8,785,449	(106,435)	23,202,499	440,119	(59,677,671)	(12,133,566)
Total other comprehensive (loss) income		0	0	5,454,054	7,163,536	(13,487,730)	2,563,641	13,089,052	192,494	248,886	0	(1,460)	8,785,449	(106,435)	23,202,499	440,119	(82,437,389)	(34,893,284)
Contributions, distributions and changes in stockholder's interests:																		
Redemption of preferred shares	19	0	(102,000,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(102,000,000)
Dividends paid - preferred shares	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(6,105,489)	(6,105,489)
Complementary tax		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(6,448,451)	(6,448,451)
Total contributions, distributions and changes in stockholder's interests		0	(102,000,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	(12,553,940)	(114,553,940)
Balance as of December 31, 2020		183,645,893	8,000,000	(152,873)	60,610,681	199,588	2,563,641	13,089,052	2,219,771	5,715,088	177,769	1,961,730	1,023,990	(106,435)	0	(45,445)	149,790,076	428,692,526

The consolidated statement of changes in equity should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(Amounts expressed in Balboas)

	Note	2020	2019
Cash flows from operating activities:			
Net (loss) income of the year		(22,759,718)	48,499,760
Adjustments for:			
Reversal of provision for losses on deposits		(2,157)	0
Provision for loan losses	9	70,379,776	25,806,308
Provision for other accounts receivable		9,179,282	45,154
Provision for impairment of foreclosed assets	11	403,155	55,651
(Reversal) provision for losses on debt instruments at amortized cost	8	506,957	1,670
Reversal of reserve for expected credit losses on debt instruments at fair value through comprehensive income	8	1,726,343	(527,468)
Net gain from sale securities and valuation of derivatives	19	(18,361,130)	(9,173,044)
Depreciation and amortization	10, 11	7,470,541	7,337,479
Income tax	23	(8,349,563)	6,034,830
Income from the transfer of assets and liabilities		0	(4,622,331)
Interest and commission income, net		(101,906,049)	(129,362,630)
Loss on disposal of property, furniture and equipment		2,098,567	1,924,767
Net changes in operating assets and liabilities:			
Deposits with terms over 90 days		8,650,000	(9,021,577)
Loans		217,818,760	(53,521,006)
Other assets		(1,923,993)	(5,321,672)
Deposits from customers		242,794,549	(105,259,574)
Other liabilities		2,096,836	8,831,357
Investments securities designated as at fair value to profit or loss, net	20	14,248,823	15,298,408
Spin-off of subsidiary		(8,425,020)	0
Interest received		189,369,579	268,938,709
Interest paid		(147,725,201)	(145,059,635)
Income tax paid		(5,603,146)	(11,998,258)
Net cash used in operating activities		451,687,191	(91,093,102)
Cash flows from investing activities:			
Securities under repurchase agreements, net		0	1,173,377
Purchase of debt instruments at fair value through other comprehensive income	8	(2,588,056,172)	(979,454,210)
Sales and redemptions of debt instruments at fair value through comprehensive income	8	2,235,731,030	1,136,577,186
Purchase of debt instruments at amortised cost		(13,511,226)	(12,056,679)
Amortization of capital and redemptions of instruments at amortized cost		18,628,565	5,704,204
Transfer of financial assets and liabilities, net		0	11,527,705
Purchases of property, furniture and equipment	10	(3,076,940)	(12,895,343)
Net cash (used in) provided by investing activities		(350,284,743)	150,576,240
Cash flows from financing activities:			
Securities under repurchase agreements		(15,005,631)	(44,724,436)
Borrowings received		336,953,139	318,879,269
Borrowings canceled and amortizations		(333,225,137)	(415,890,649)
Payments of financial leases		(1,863,523)	(2,969,593)
Issuance of bonds payable		9,000,000	6,000,000
Redemption of bonds payable		(32,200,000)	0
Issuance of negotiable commercial papers		64,438,000	17,812,324
Redemption of negotiable commercial papers		(55,160,695)	0
Redemption of preferred shares		(102,000,000)	0
Dividends paid on common shares	19	0	(5,944,121)
Dividends paid on preferred shares	19	(6,822,322)	(7,944,833)
Avanced dividend tax		(6,448,451)	(416,716)
Net cash provided by (used in) financing activities		(142,334,620)	(135,198,755)
Effect of exchange rate changes on cash and cash equivalents		(2,648,576)	(161,827)
Net (decrease) increasee in cash and equivalents		(43,580,748)	(75,877,444)
Cash and cash equivalents at the beginning of year		226,375,863	302,253,307
Cash and cash equivalents at the end of year	7	182,795,115	226,375,863
Non-cash flows generating transactions			
Spin-off of subsidiary	19	19,685,909	0
Incorporation of the right of use in property, furniture and equipment, as a result of the adoption of IFRS 16	10	0	22,240,555
Dividends declared but not paid on common and preferred shares	19	0	716,833

The consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

Index to the notes of the consolidated financial statements

1. General Information
2. Basis of Preparation
3. Summary of Significant Accounting Policies
4. Financial Risk Management
5. Considerations for COVID-19
6. Use of Estimates and Judgments in the Application of Accounting Policies
7. Cash and Cash Equivalents
8. Investment in Securities
9. Loans
10. Property, Furniture, Equipment and Improvements
11. Other Assets
12. Securities Sold under Repurchase Agreements
13. Borrowings Received
14. Bonds Payable
15. Negotiable Commercial Papers
16. Leases Liabilities
17. Other Liabilities
18. Provisions for insurance contract
19. Equity
20. Net Gain on Sale of Securities and Valuation of Derivatives
21. Salaries and other personnel expenses
22. Other Expenses
23. Income Tax
24. Commitments and Contingencies
25. Investment Entities and Separate Legal Vehicles
26. Derivative Financial Instruments
27. Balances and Transactions with Related Parties
28. Operating Segments
29. Fair Value of Financial Instruments
30. Main Applicable Laws and Regulations
31. Consolidated Cash Flows of Financial Liabilities

(1) General Information

Multibank Inc. is incorporated under the laws of the Republic of Panama and started operations on July 12, 1990 under a general banking license issued by the Superintendency of Banks of Panama (hereinafter referred to as “the Superintendency”), by means of Resolution N° 918 dated March 28, 1990, which allows it to provide banking services, indistinctly, in Panama or abroad, and conduct any other activity authorized by the Superintendency.

On May 22, 2020, the sale of the shares of The Multi Financial Group, Inc. (Parent Company to that date) by the AVAL Group (based in Colombia) is formalized through its subsidiary Leasing Bogotá, S.A. Panama.

Multibank, Inc., is a 100% subsidiary of Multi Financial Group, Inc., an entity incorporated by the laws of the Republic of Panama, through Public Deed No.27,702 of November 9, 2007. As of May 22, 2020 it belongs to Leasing Bogotá, S.A. Panama (the "Holding Company") by 99.57%. Leasing Bogota, S.A. Panama is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Banco Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

Multibank Inc. owns the entire equity of the following subsidiary companies:

	Activity	**Country of Incorporation**
Gran Financiera, S. A.	Grant consumer loans. (Merged with Multibank Inc. in December 2020)	Panama
Multi Securities, Inc.	Trade, execute and process the purchase/sale of securities, locally and abroad, and management of investment portfolios.	Panama
Multi Trust, Inc.	Promote, establish, administrate and manage a trust and provide services as trustee.	Panama
Banco Multibank, S. A., (now Latam Credit Colombia, S.A.)	Commercial banking business (Banking license canceled in April 2020 and spun off on the same date. See Note 19).	Colombia

(1) General Information, continued

Multibank Seguros, S. A.	Insurance business. (Subsidiary Escarlata International, S. A. was merged in July 2020)	Panama
Multileasing Financiero, S. A.	Leasing business of non-fixed assets. (Merged with Multibank Inc. in December 2020)	Panama
MB Creditos, S. A. and Subsidiary	Finance leasing of non-fixed assets.	Costa Rica
Multibank Factoring, Inc.	Factoring services. (Merged with Multibank, Inc in December 2020.)	Panama
Multibank Cayman, Inc.	Commercial banking business. (Banking operations ceased in December 2020)	Cayman Islands
Orbis Real Estate, Inc.	Purchase, sale and administration of real estate.	Panama

Multibank Inc. and subsidiaries shall be hereinafter jointly referred to as the “Bank”.

The Bank. provides a wide range of financial services, mainly related to corporate, investment, mortgage and consumer banking as well as insurance, factoring and leasing services.

On May 31, 2019 the Financial Superintendence of Colombia authorizes the partial assignment of assets, liabilities and contracts by Banco Multibank, S.A. (now Latam Credit Colombia, S.A.) to Coltefinanciera, S.A., as part of the process approved by the Board of Directors for voluntary wind down of the operations of the Subsidiary. On April 14, 2020, the Financial Superintendence of Colombia, after reviewing compliance with the conditions required for the execution of the voluntary wind-down, authorizes the cancellation of the operating license.

On August 2019 and September 2019, the Bank concluded the liquidation process of Hemisphere Bank Inc., Ltd, and the sale of Multi Capital, Inc., respectively.

In December 2020, with the approval of the SBP, the merger of Multibank Inc. with its subsidiaries Multibank Factoring, Inc., Mult Multileasing Financiero, S.A. and Gran Financiera, S.A. was filed.

In December 2020, the request for the return of the banking license of our subsidiary Multibank Cayman was approved.

The main office of Multibank, Inc. is located at Via España, Edificio Prosperidad, Local #127, P.O. Box No.0823-05627, Panama, Republic of Panama.

(2) Basis of Preparation

(a) Statement of Compliance

The Bank's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issuance by the Audit Committee on February 17, and ratified by the Board of Directors on February 24, 2021.

(b) Basis of Measurement

These interim consolidated financial statements have been prepared on the historical cost basis or amortized cost, except for debt instruments at fair value through other comprehensive income, derivative financial instruments, properties and liabilities at fair value, which are measured at fair value; the foreclosed assets held for sale, which are measured at the lower of carrying amount or fair value less cost to sell and derivatives financial instruments that are recognized at fair value.

The Bank initially recognizes loans, receivables and deposits on the date on which they are originated. Any other financial assets (including assets designated at fair value through profit or loss), are initially recognized on the trade date, which is the date when the Bank engages to purchase or sell an instrument.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in balboas (B/.). The balboa is the monetary unit of the Republic of Panama, which is at par and freely exchangeable with the United States of America dollar (US$). The Republic of Panama does not issue paper currency and, in lieu, the United States of America dollar (US$) is used as legal tender and functional currency.

(d) Use of Estimates and Judgements

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that result in the implementation of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management is also required to apply its discretion in the process of implementing the Company's accounting policies.

The information on the most significant areas for estimating uncertainty and critical judgments in the implementation of accounting policies that have the most important effect on financial achievements in the consolidated financial statements are disclosed in Note 6.

(3) Summary of Significant Accounting Policies

The accounting policies detailed below have been consistently applied by the Bank for all periods presented in these consolidated financial statements.

(a) Basis of Consolidation

(a.1) Subsidiaries

The Bank has control on a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of the subsidiaries, described in Note 1, are included in the consolidated financial statements since the date the Bank obtains control and ceases when the Bank loses control.

Non-controlling interests in subsidiaries are identified separately from the Bank's equity, which entitle their holders to a proportion of the participation in net assets. The Bank also maintains other non-controlling interests which are measured at fair value and which only entitle the nominal value of the equity instrument issued by the subsidiary and a return established in the prospectuses.

(a.2) Investment Entities and Separate Legal Vehicles

The Bank manages and administrates assets held in trust funds and other investment instruments on behalf of investors. The financial statements of these entities are not part of these consolidated financial statements, except when the Bank has control over the entity.

(a.3) Transactions Eliminated in Consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Bank are eliminated in preparing the consolidated financial statements.

(a.4) Changes in the Bank’s 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.

(b) Transactions and Balances in Foreign Currencies

Assets and liabilities held in foreign currency are converted to the functional currency at the exchange rate of the date of the interim consolidated statement of financial position. Foreign currency conversion gains or losses are reflected in the accounts of other income or other expenses in the condensed consolidated statement of income.

(b.1) Subsidiaries of the Company

The functional currency of the subsidiary Banco Multibank, S.A. (now Latam Credit Colombia, S.A.), located in Colombia is the Colombian peso. The results and financial situation of Bank entities that have a different functional currency from the presentation currency are converted to the presentation currency, as follows:

- Monetary assets and liabilities, at the exchange rate at the end of the period;
- Income and expenses, at the average exchange rate of the respective year;
- The capital accounts, at the historical exchange rate;

(3) Summary of Significant Accounting Policies, continued

- The resulting conversion adjustment is taken directly to a separate account in the equity section under the heading "Foreign currency translation adjustment".

On April 15, 2020, the Bank spin off the subsidiary, see Note 19.

(c) Cash and Cash Equivalents
The Bank considers all highly liquid term deposits with maturity of 90 days or less as cash equivalents. For the purposes of the consolidated statement of cash flows, cash and cash equivalents include demand deposits and time deposits due from banks that have an original maturity of three months or less.

(d) Instrumentos Financieros
The Bank classifies all its financial instruments based on business models for the management of these financial assets and in accordance with the contractual terms.

Classification and Measurement – Financial assets
IFRS 9 contains three main classification categories for financial assets:

- Amortized Cost (AC);
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit and loss (FVTPL).

The IFRS 9 classification is generally based on the business model in which financial assets and their contract flows are managed.

A financial asset is measured at amortized cost and not at fair value with changes in profit and loss if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at AC or FVOCI as described above, are measured at their fair value through profit and loss.

(3) Summary of Significant Accounting Policies, continued

Additionally, the Bank will evaluate each case to irrevocably designate a financial asset as FVTPL to reduce significantly the accounting asymmetry that could occur if it does not do so.

Derivatives embedded in contracts in which the host is a financial asset are evaluated to determine the classification of the hybrid financial instrument taken as a whole.

Evaluation of the business model

The Bank determined its business models for its financial instruments at the portfolio level to reflect, in the best way, the way in which the business is managed and in which the information is provided to the Administration and to other supervisory and reporting entities. The information considered included:

- The policies and objectives indicated for the portfolio and the operation of those policies in practice. These include whether the Administration's strategy focuses on collecting revenue from contractual interests, maintaining a specific interest return profile or coordinating the duration of the financial assets with that of the liabilities that such assets are financing or the expected cash outflows or realize cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the key personnel of the Bank's Administration;

- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which said risks are managed;

- How the business managers are compensated (for example, if the compensation is based on the fair value of the assets under management or on the contractual cash flows obtained); and

- The frequency, value and scheduling of sales in previous periods, the reasons for those sales and expectations about future sales activity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss because they are not held to collect contractual cash flows or to obtain contractual cash flows and sell these financial assets.

(3) Summary of Significant Accounting Policies, continued

Evaluation of whether the contractual cash flows are solely payments of principal and interest

For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration of the time value of money and the credit risk associated with the amount of the outstanding principal for a particular period and by other basic risks of a loan agreement and other associated costs (i.e. liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether the contractual cash flows are solely payment of principal and interest, the Bank will consider the contractual terms of the instrument. This will include the evaluation to determine if the financial asset contains a contractual term that could change the period or amount of the contractual cash flows in such a way that it does not comply with this condition. In making this evaluation, the Bank will consider:

- Contingent events that will change the amount and periodicity of cash flows;
- Leverage conditions;
- Terms of prepayment and extension;
- Terms that limit the Bank to obtain cash flows from specific assets (e.g. asset agreements without recourse); and
- Characteristics that modify the considerations of the time value of money; for example, periodic review of interest rates.

The interest rates on certain consumer and commercial loans are based on variable interest rates that are established at the discretion of the Bank. Variable interest rates are generally established in accordance with practices in each of the countries in which the Group operates, and in accordance with established policies. In these cases, the Bank assesses whether the discretionary characteristic is consistent with the principal and interest-only criterion considering a number of factors which include if:

- Debtors are able to prepay loans without significant penalties;
- Competitive market factors ensure that interest rates are consistent among banks;
- Any regulatory protection standards in favor of clients in the country that requires banks to treat customers reasonably (e.g., regulated rates).

All consumer and commercial fixed-rate loans contain conditions for prepayment.

A prepaid feature is consistent with the primary and interest payments only criterion if the substantially prepaid amounts represent unpaid principal amounts and interest amounts on the outstanding principal balance, which may include reasonable compensation for the advance termination of the contract.

(3) Summary of Significant Accounting Policies, continued

In addition, a prepayment characteristic is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount from its nominal contractual amount, and the amount prepaid substantially represents the contractual amount at par plus contractually accrued, but unpaid interest (which may include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant at initial recognition.

Reclassification between categories of financial assets and liabilites

The Bank does not reclassify its financial assets after its initial designation, unless there is any exceptional circumstance in which the Bank can require, but is not limited to, acquire, sell any investment portfolio or market conditions arise that merit a revaluation of the business models. Financial liabilities will never be reclassified. The Bank has not reclassified any of its financial assets and liabilities in December 31, 2020.

Impairment of financial assets

The Bank evaluates at each reporting date, if there is any objective evidence of impairment of its financial assets. The amount of losses will be determined by applying the model of 'expected credit loss' (ECL), during the period and the differences with respect to the previous period are recognized as an allowance expense in profit and loss.

The expected credit loss model requires the Bank to measure expected losses and consider forward-looking information, reflecting "an unbiased and probability-weighted amount determined by assessing a range of possible outcomes" and taking into account "reasonable information and supporting it from being available at no cost or undue effort on that date on past events, current conditions, and forecasts of future economic conditions. As widely stated in Note 30 to the consolidated financial statements, the Superintendency of Panama, as well as the Panamanian Executive Branch, issued important regulations to mitigate the impacts on projected cash flows of individuals and companies.

Financial instruments within the scope of IFRS 9 Expected Credit Loss Model (ECL) (loans, trading accounts and other receivables, debt instruments not measured at fair value, contractual assets "including financial asset model concession agreements", leasing receivables, financial guarantees and loan commitments), have been assessed considering the impact that COVID-19 is having on the ECL for the measures taken by the Governments in each of the countries and regions in which the Bank operates.

No impairment losses will be recognized on investments in equity securities.

(3) Summary of Significant Accounting Policies, continued

The Bank recognizes a impairment provision for financial assets at AC and FVOCI in an amount equal to an expected credit loss within twelve months of the reporting date of the financial statements or during the remaining life of the financial instrument. The expected loss in the remaining life of the financial instrument is the expected losses resulting from all possible events over the expected life, while expected credit losses in a twelve-month period are the result of possible losses resulting from the event of default within twelve months after the date of the reporting date.

The allowances for losses shall be recognized for an amount equal to the ECL during the lifetime of the asset, except in the following cases in which the recognized amount is equivalent to a 12-month ECL:

- Investments in debt instruments that are determined to reflect low credit risk at the reporting date; and
- Other financial instruments over which the credit risk has not increased significantly since its initial recognition.

The impacts that have been generated for the Bank's entities in relation to the impairment of financial instruments are based on the following aspects:

- Measurement of the ECL, due for changes in the credit risk allocation of financial instruments, incorporating COVID effect analysis and generating an impact on the provision, going from measurement of 12 months (stage 1) to measurement for the remaining life of the instrument (stages 2 and 3) for those in which it is determined that there was an increase in credit risk since its initial measurement.
- Credit risk, whose behavior has varied for entities according to the economic segments of their loan portfolios, is greater for clients whose businesses have been adversely affected.
- The amount at risk (default exposure), bearing in mind that it has been observed that the affected debtors of some of the Bank's entities have stopped making payments or are taking longer than normal to pay, mainly under the relief schemes enacted by different governments.
- The estimated loss for those credits that are evaluated individually, resulting from the least recovery of flows taking into account the impact caused by COVID-19.
- Macroeconomic aspects considered in the development of scenarios and models for the calculation of provision, where some of the variables have been weakened for the purposes of COVID-19 effects in the economy.

(3) Summary of Significant Accounting Policies, continued

The calculation of expected credit risk losses incorporated updates of prospective information projections from the second quarter of 2020, in line with the results of the decisions that Governments continue to make around COVID-19 and considering their high level of uncertainty as to their intensity and duration. The projection information has been based on the best available information that has been obtained, considering the different geographical areas where the Bank operates, and taking into account the effects on segments and portfolios of the different entities, which are exposed to different risks and situations.

ECL Measurement

The ECL is the estimated weighted probability of expected credit losses and is measured as follows:

- Financial assets that do not show credit impairment at the reporting date: the present value of all past-due contractual cash payments (e.g., the difference between the cash flows payable to the Bank according to the contract and the cash flows that the Bank expects to receive);
- Financial assets that are impaired at the reporting date: the difference between the book value and the present value of the estimated future cash flows;
- Outstanding loan commitments: the present value of the difference between the contractual cash flows payable to the Bank in the event that the commitment is executed and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the payments expected to reimburse the holder less any amount that the Bank expects to recover.

Definition of default

Bank considers a financial asset in default when:

- It is unlikely that the debtor fully pays its credit obligations to the Bank, with no course of action on the part of the Bank to foreclose collateral (if applicable); or
- The debtor has a delinquency of more than 90 days in any material credit obligation. Overdrafts are considered delinquent once the client has exceeded the recommended limit or has been recommended a lower limit than the current balance.
- For fixed income financial instruments, the following concepts are included, among others:

  - Downgrade of the issuer's external rating;
  - Contract payments are not made on the date they expire or within the stipulated period or grace period;
  - There is a virtual certainty of suspension of payments;
  - You are likely to enter bankruptcy or a bankruptcy petition or similar action is made;
  - The financial asset ceases to be traded in an active market given its financial difficulties.

(3) Summary of Significant Accounting Policies, continued

When evaluating if a debtor is in default, the Bank will consider indicators that are:

- Qualitative - ex. Breach of contractual clauses
- Quantitative - ex. delinquency status and no payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

The inputs used in the evaluation of whether the financial instruments are in default and their importance may vary over time to reflect changes in circumstances.

Significant Increase in the Credit Risk

When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Bank will consider reasonable and sustainable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert evaluation of the credit, including information with a forward looking projection.

The Bank expect to identify if there has been a significant increase in the credit risk exposure comparing between:

- The probability of default (PD) during the remaining life until the reporting date; with
- The PD during the remaining life at this point in time which was estimated at the time of initial recognition of the exposure.

The assessment of whether credit risk has increased significantly since the initial recognition of a financial asset requires to identify the initial date of recognition of the instrument. For certain revolving credits, (credit cards, overdrafts, among others), the date of the credit was granted might have been a long period of time. The modification of the contractual terms of a financial asset might affect its evaluation, which is dicussed as follow.

Credit Risk Rating for the Expected Loss Model

The Bank will assign each exposure to a credit risk rating based on a variety of data that is determined to be predictive of the PD and applying expert credit judgment, the Bank uses these ratings for the purpose of identifying significant increases in credit risk. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors depend on the nature of the exposure and the type of borrower. The Bank expects to use these ratings for purposes of identifying significant increases in the credit risk under IFRS 9.

(3) Summary of Significant Accounting Policies, continued

Credit risk ratings are defined and calibrated so that the risk of loss increases exponentially as credit risk deteriorates and so that, for example, the difference in risk of loss between satisfactory ratings and special mention is less than the difference between the credit risk of the special mention and sub-standard ratings.

Each exposure is distributed in a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures are subject to continuous monitoring, which may result in the migration of exposure to a different credit risk rating.

The mechanism to determine the probability of default according to the methodology of (ECL) is detailed below:

Stage 1	The ECL for 12 months is calculated as the portion of the expected life of the ECL as a result of events of default of a financial instrument that are possible within 12 months after the reporting date. The Bank calculates the 12-month ECL reserve based on the expectation of a default within the 12 months after the reporting date. These expected 12-month probabilities of default apply to a projection of the EAD, multiplied by the expectation of expected PD and discounted by an approximation to the original EIR. This calculation is performed for each of the four scenarios, as explained previously.
Stage 2	When a loan has shown a significant increase in credit risk since its origination, the Bank records an allowance corresponding to the lifetime ECL. The mechanisms are similar to those explained above, including the use of multiple scenarios, but the PDs and LGDs are calculated over the life of the security. The expected cash shortfalls are discounted by an approximation to the original EIR of the loan.
Stage 3	When a loan has shown a significant increase in credit risk since its origination, the Bank records an allowance corresponding to the lifetime ECL. The mechanisms are similar to those explained above, including the use of multiple scenarios, but the PDs and LGDs are calculated over the life of the security. The expected cash shortfalls are discounted by an approximation to the original EIR of the loan.
Loans Commitments, irrevocable letter of credits and and customer's liabilities under acceptances	In estimating the lifetime ECL for loan commitments, non-disbursed irrevocable letters of credit, and customer's liabilities under acceptances, the Bank estimates part of the commitment that is expected to be used during its expected life. The ECL is based on the present value of the expected cash shortfalls if the commitment is used, based on a weighted probability of the four scenarios. The expected cash shortfalls are discounted by an approximation to the expected EIR of the loan. For credit cards and revolving credit facilities that include both a loan and a commitment, the ECLs are calculated and presented together with the loan. For loan commitments,letters of credit, and acceptances, the ECL is recognized as a liability.

(3) Summary of Significant Accounting Policies, continued

Generating the Term Structure of the PD

Credit risk ratings are the main input for determining the PD term structure for different exposures. The Bank obtains performance and loss information on credit risk exposures analyzed by jurisdiction or region, product type and debtor, as well as the assigned credit risk rating. For some portfolios, information compared to external credit reference agencies can also be used.

The Bank uses statistical models to analyze the collected data and generates estimates of the probability of deterioration in the remaining life of exposures and how these probabilities of deterioration will change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain credit risk factors (for example loan write-offs). For most credits, key economic factors are likely to include gross domestic product growth, changes in market interest rates, and unemployment.

For exposure in specific industries and/or regions, the analysis may be extended to relevant goods and/or real estate prices.

The Bank's approach to preparing forward-looking economic information within its assessment is indicated below:

Determine whether credit risk has increased significantly

The Bank has established a general framework that incorporates quantitative and qualitative information to determine whether the credit risk of a financial asset has increased significantly since its initial recognition.

The initial framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and include limits based on defaults.

The Bank assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on the Bank's quantitative model, the expected probability of credit loss in the remaining life has increased significantly since initial recognition. In determining increased credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities.

(3) Summary of Significant Accounting Policies, continued

In certain circumstances, using the judgment of credit experts and on the basis of relevant historical information, the Bank may determine that an exposure has experienced a significant increase in credit risk if certain qualitative factors can indicate that, and those factors may not be fully captured by quantitative analyses performed periodically. As a limit, the Bank will presume that significant credit risk occurs no later than when the asset is delayed by more than 30 days.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk based on regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is impaired;
- The criteria do not align with the point in time when an asset is more than 30 days past due;
- The average time to identify a significant increase in credit risk and default appears reasonable;
- Exposures are generally not transferred directly from the PCE 12 months following the measurement of impaired default loans;
- There is no unjustified volatility in the provision for impairment of transfers between the groups of expected loss in the following twelve months and the expected loss for the remaining life of the loans.

Modified or Restructured Financial Assets

The contractual terms of the loans may be modified for various reasons, such as difficulties in the debtor's ability to pay, changes in market conditions, customer retention or other factors unrelated to an actual or potential deterioration of the loan.

When the terms of a financial asset are modified, and the modification does not result in a derecognition of the asset in the interim consolidated statement of financial position, the determination of whether the credit risk has increased significantly reflects comparisons of:

- PD for the remaining life at the date of the report based on the terms modified with;
- The PD for the estimated remaining life based on data as of the initial recognition date and the original contractual terms.

The Bank renegotiates loans to financially distressed customers to optimize recovery opportunities and reduce the probability of default. The Bank's policies consider the granting of concessions that generally correspond to decreases in interest rates, changes in terms or changes in payments.

(3) Summary of Significant Accounting Policies, continued

After a follow-up period, the Bank will evaluate if, according to its payment capacity and compliance with its obligations, there is a basis for its classification to a lower risk category or, on the contrary, it should be classified to a higher category.

For financial assets modified as part of the Bank's renegotiation policies, the estimate of the PD will reflect whether the modifications have improved or restored the Bank's ability to collect interest and principal and the Bank's previous experiences of similar actions.

For financial assets modified as part of the Bank's renegotiation policies, the PD estimate will reflect whether the modifications have improved or restored the Bank's ability to collect interest and principal and the Bank's prior experiences of similar actions. As part of this process, the Bank evaluates the debtor's compliance with the modified terms of the debt and considers various indicators of the behavior of the debtor or group of modified debtors.

Generally, restructuring indicators are a relevant factor in the increase of credit risk. Consequently, a restructured obligor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered credit impaired or that the PD has decreased such that the provision can be reversed and the credit measured for impairment in a period of twelve months after the reporting date.

ECL Measurement

The key inputs in the ECL measurement are the structure of the terms of the following variables:

- Probability of default (PD)
- Loss-given default (LGD)
- Exposure at default (EAD).

The above parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect forward-looking information as described below:

PD are estimated on certain dates, which are calculated based on statistical classification models and evaluated using qualification tools tailored to different counterparty categories and exposures. These statistical models are based on internally compiled data comprising both qualitative and quantitative factors. If a counterparty or exposure migrates between different ratings, then this will result in a change in estimated PD. PD are estimated considering contractual terms of expiration of exposures and estimated prepayment rates.

(3) Summary of Significant Accounting Policies, continued

The LGD is the magnitude of the probable loss if there is a default. The Bank estimates the LGD parameters based on the history of loss recovery rates against defaulted parties. LGD models will consider the structure, collateral and order of lost debt, counterparty industry, and recovery costs of any collateral that is integrated into the financial asset. For property-guaranteed loans, indices relating to the value of the loan guarantee ("LTV") are used as parameters in the determination of the LGD. LGD estimates are calibrated to different economic scenarios and for loans secured with real estate, variations in the price indices of these goods are considered. These loans are calculated on the basis of discounted cash flow using the effective interest rate of the credit.

The EAD represents the expected exposure at the non-compliance event. The Bank derives EAD from the counterparty's current exposure and potential changes in the current amount allowed under the terms of the contract including amortization and prepayments. The EAD of a financial asset is the book value at the time of non-compliance. For loan commitments and financial guarantees the EAD considers the amount disbursed, as well as future potential amounts that could be disbursed or repaid under the contract, which are estimated to be based on historical observations and projected economic information. For some financial assets, the Bank determines the EAD by modeling a range of possible exposure results to various points in time using statistical scenarios and techniques.

As described above, and subject to using at most a twelve-month PD for loans whose credit risk has increased significantly, the Bank measures EAD considering the risk of default during the maximum contractual period (including client debt extension options), over which there is a credit risk exposure even if, for risk management purposes, the Bank considers a longer period of time. The maximum contractual period extends to the date on which the Bank has the right to demand payment of a loan or terminate a loan commitment or guarantee granted.

For consumer overdrafts, credit card balances and certain revolving corporate loans that include both components, a loan and a loan commitment not withdrawn by the customer, the Bank measures EAD over a period greater than the maximum period if the contractual ability of the Bank to demand payment and cancel the commitment not withdrawn does not limit the Bank's exposure to credit losses to the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, if not only when the Bank learns of an increase in credit risk at the level of each loan. This longer period is estimated considering the credit risk management actions that the Bank takes and that serve to mitigate EAD. These measures include a reduction in the limits and cancellation of credit contracts.

(3) Summary of Significant Accounting Policies, continued

Where parameter modeling is performed on a collective basis, financial assets are grouped based on similar risk characteristics including:

- Type of instrument
- Credit risk rating
- Warranty
- Initial recognition date
- Remaining term for maturity
- Industry.
- Debtor's geographical location

Previous groupings are subject to regular reviews to ensure that exposures of a particular group remain homogeneous.

Projection of Future Conditions
The Bank incorporates information with projection of future conditions both in its assessment of whether an instrument's credit risk has increased significantly since its initial recognition and in its ECL measurement, based on recommendations from the Bank's Credit Risk area, use of expert economists, and consideration of a variety of current and projected external information , the Bank formulates a base case of the projection of relevant economic variables as well as a representative range of other possible projected scenarios. This process involves the development of two or more additional economic scenarios and considers the relative probabilities of each outcome.

External information may include economic data and publication of projections by government committees, monetary authorities (mainly in the countries where the Bank operates), supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund, among others), academic projections, the private sector, and risk rating agencies.

The base case represents the most probable outcome and aligned with the information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent a more optimistic and pessimistic outcome. The Bank also periodically performs stress tests to calibrate the determination of these other representative scenarios.

Financial Liabilities
Financial liabilities are listed at amortized cost using the effective interest rate method except, where there are financial liabilities that account for fair value throug profit or loss.

(3) Summary of Significant Accounting Policies, continued

Derecognition of Financial Assets

A financial asset (or, if applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised 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 either transferred substantially all the risks and rewards of the asset or neither transferred nor retained substantially all the risks and rewards of the asset, but control of the asset has been transferred.
- The Bank reserves the right to receive the cash flows of the asset, but has taken on an obligation to pay the cash flows received in full and without material delay to a third party.
- When the Bank has transferred its rights to receive cash flows from an asset or entered into a transfer agreement, and neither substantially all of the risks and rewards of the asset have been transferred or retained, nor control of the asset has been transferred, the asset is recognized to the extent of the Bank's continuing interest in the asset. In that case, the Bank also recognizes an associated liability that is presented, net of the related asset accounts, to reflect the net exposure from the transaction. The transferred asset and associated liability are measured on a basis that reflects the contractual rights and obligations the Bank has retained. The continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the original carrying value of the asset and the maximum amount of consideration the Bank could be required to pay.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Presentation of reserve by ECL in the consolidated statement of financial position

The reserve for ECL is presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction of the gross book value of the assets;
- Loan commitments, financial guarantee contracts, and acceptances: generally, as a provision; and
- Debt instruments measured at FVOCI: No reserves for losses in the consolidated statement of financial position are recognized because the book value of these assets is their fair value. However, the loss reserve is disclosed and recognized in other comprehensive income.

(3) Summary of Significant Accounting Policies, continued

(e) Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which are generally originated by lending funds to a debtor. Loans are initially measured at fair value plus incremental direct costs; subsequently measured at amortized cost using the effective interest rate method. Loans include finance leases receivable (note 3 (i)) and factoring receivables (note 3 (n)).

For administration purposes and for constituting a provision, the products are classified as: corporate, small business, vehicle, credit cards, personal, mortgage, leases or commitments of credits and guarantees, as defined below:

Corporate and Small Business

Corporate customers and small business are generally defined as registered and unregistered entities (for example companies, limited liability companies, companies limited by shares, corporations) and sole or self-employment owners, who use lines of credit for business purposes. Corporate and small business customers should be segmented into two separate categories, as detailed below. Customer segmentation in these categories is based on sales, customer credit exposure with the Company, and number of employees. The total credit exposure consolidated with the customer should appear only in one category.

- Small business: Legal entities or other entities that use commercial products or financing assets for commercial uses where annual sales are less than or equal to $1 million, group credit exposure is less than or equal to $500,000, and the number of employees is less than 50.
- Corporate: Legal entities or other entities that use commercial products or financing assets for commercial uses where annual sales exceed $1 million, group credit exposure is greater than $500,000, and the number of employees over is 50.

The loan portfolio classification is assigned by the original amount of the approved credit.

Vehicles

It has an agreed repayment schedule to repay the entire original loan; there are no more disbursements without an additional contract and its main objective is to provide financing for the purchase of a vehicle, whether new or used.

Credit Card

It has a credit limit from which a customer can continue to disburse without the need for more contracts and the amount owed at the end of a cycle is used to calculate a minimum payment.

(3) Summary of Significant Accounting Policies, continued

Personal
It has an agreed repayment schedule to repay the entire original loan; there are no more disbursements without an additional contract and its main objective is to provide financing to individuals for various purposes.

Mortgage
Mortgage product in which the purpose of the loan is to provide financing for the purchase of real estate (family homes) guaranteed by a mortgage on residential real estate that the borrower provides. It has an agreed repayment schedule to repay the entire original loan; there are no more disbursements without an additional contract.

Leases
Financing mechanism for the acquisition of assets through a contract. The lessor undertakes to temporarily transfer the risk and reward of an asset to the other party, called a lessee. The lessee in turn is obliged to make a payment for the use of the asset. This definition covers both leasing and operating leasing.

Credit Commitments and Financial Guarantees
Letters of credit, financial guarantees and contractual commitments to disburse loans. Commitments outside the condensed consolidated statement of financial position are subject to individual reviews and are analyzed and segregated by risk according to the customer's internal risk rating.

(f) Fair Value Measurement
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 in the principal market, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non – performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered as active if the transactions of these assets and liabilities are frequent and with enough volume to provide information to set prices on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable input data and minimize the use of unobservable inputs. The selected valuation technique incorporates the entire factor that would be considered by market participants when setting the price of a transaction.

(3) Summary of Significant Accounting Policies, continued

The best evidence of fair value is a quoted market price in an active market. In the case that the market for a financial instrument is not active, a valuation technique is used. The decision of whether a market is active may include, but is not limited to, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the magnitude of the bids and offers. In markets that are not active, the guaranty for the price of the transaction to provide evidence of the fair value, or to determine adjustments to the transaction prices that are needed to measure the fair value of the instrument, requires additional work during the valuation process.

The fair value of a demand deposit is not lower than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the period during which the change has occurred.

(g) Derivatives Financial Instruments

Derivatives are initially recognized at fair value; transaction costs are recognized in income as incurred. After initial recognition, derivatives are valued at fair value and any change is recorded as follows:

(g.1) Fair Value Hedges

Derivatives under the fair value method are instruments that hedge the exposure to changes in the fair value of: (a) a portion or the total value of a financial asset or liability recognized in the consolidated statement of financial position, or (b) a firm commitment or probable transaction to be materialized. The change in the fair value of the hedging instrument is recognized in the consolidated statement of profit or loss.

If a hedged asset is classified as fair value through other comprehensive income, the revaluation of this category of investments is recorded in equity. Since inception of the hedge relationship, the revaluation of such asset will begin to be recorded in the consolidated statement of profit or loss and the revaluation balance, previously recorded in equity, shall be maintained until sale or maturity date of the asset.

If a hedged asset or liability is carried at amortized cost, its carrying value shall be adjusted to reflect the changes in its fair value due to fluctuation in interest rates. These hedged assets and liabilities shall be carried at amortized cost upon termination of the hedging relationship by using the adjusted effective yield rate for the amortization calculation. If the hedged asset carried at amortized cost suffers an impairment, the loss shall be calculated based on the difference between the carrying value, after the adjustment by changes in the fair value of the hedged asset, as a consequence of the hedged risk and the present value of estimated future cash flows, discounted at the recalculated effective interest rate of the item.

(3) Summary of Significant Accounting Policies, continued

(g.2) Cash Flow Hedges

Derivative instruments designated for cash flow hedges are instruments that cover the exposure to changes in cash flows associated with a previously recognized asset or liability, or a highly probable forecast transaction. The effective part of any change in the fair value of the hedging instrument is recognized directly in other comprehensive income and presented as a reserve for cash flow hedges within equity, while the ineffective portion of any change in the fair value amount is recognized in the consolidated statement of profit or loss. The amounts accumulated in equity are reclassified to the consolidated statement of profit or loss in the periods in which the hedging transactions will affect profit or loss.

If the hedge derivative expires or is sold, terminated or exercised, or if the hedge no longer meets the cash flow hedge accounting criteria, or if the hedge designation is revoked, then the hedge accounting is discontinued prospectively and any remaining cumulative gain or loss in equity is recognized in the consolidated statement of profit or loss.

If it is considered that the anticipated transaction will not occur, the balance maintained in other comprehensive income will be reclassified immediately to the consolidated statement of profit or loss.

(g.3) Net Investment Hedges

When a derivative financial instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and presented in the foreign currency translation adjustment within equity. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in the consolidated statement of profit or loss. The amount recognized in other comprehensive income will be reclassified to the consolidated statement of profit or loss as a reclassification adjustment on disposal of the foreign operation.

(g.4) Other Derivatives

Derivatives not designated as part of a hedging strategy are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the valuation of these derivatives are recorded in the consolidated statement of profit or loss.

(3) Summary of Significant Accounting Policies, continued

(h) Property, Furniture, Equipment and Improvements

Property, furniture, equipment and improvements comprise buildings, furniture and improvements used by branches and offices. Property, furniture, equipment and improvements are presented at their historical cost, less accumulated depreciation and amortization, except for land and buildings, which since December 31, 2014 are recognized under the revalued cost method. The historical cost includes the expense directly attributed to the purchase of the assets

Subsequent costs are capitalized, or they are recognized as a separate asset, as applicable, when it is probable that the economic benefits associated with the transaction will flow to the Bank; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Costs for maintenance and repairs are charged directly to expenses when incurred.

Depreciation of property, furniture and equipment and amortization of improvements are calculated using the straight-line method over the estimated useful lives of assets. Land is not subject to depreciation. The useful lives of the assets are as follows:

- Buildings	60 years
- Furniture and equipment	3 - 10 years
- IT Equipment	3 - 7 years
- Vehicles	3 - 7 years
- Property improvements	5 - 10 years
- Rights of Use	2 - 10 years

The amount equivalent to the depreciation expense associated with the revaluation of buildings is transferred from the equity account of property revaluation reserve to retained earnings as these assets are being used, without affecting profit or loss.

The useful life is revised and adjusted as appropriate at each reporting date. Property and equipment are reviewed for impairment provided that any change in events or circumstances indicates that the carrying value might not be recoverable. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

(i) Finance Leases Receivables

The Bank applied the practical expedient for the definition of a transitional lease contract. This means that IFRS 16 will apply to all contracts entered before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(3) Summary of Significant Accounting Policies, continued

The Bank will assess at inception whether a contract is, or contains a lease, and will account for each component of the lease within the contract as a lease separately from the components of the contract that do not constitute a lease, unless the practical expedient applies. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identifiable asset: this may be specified explicitly or implicitly and must be physically identifiable or represent substantially all of the capacity of a physically identifiable asset. If the supplier has a substantial right of substitution, then the asset is not identified;

- The Bank has the right to obtain substantially all of the economic benefits from the use of the asset during the period of use; and

- The Bank has the right to direct the use of the asset. The Bank has this right when it has the rights to make decisions that are most relevant to changing how and for what purpose the asset is used. On rare occasions, when the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to decide the use of the asset if:

  - The Bank has the right to operate the asset; or
  - The Bank designed the asset so that it predetermines how and for what purpose it will be used.

At the beginning or at the re-assessment of a contract containing a lease component, the Bank assigns the consideration in the contract to each lease component based on its independent relative prices. However, for land and building leases where the Bank is a lessee, the Bank has elected not to separate the non-lease components and to treat the lease and non-lease components as a single component of the lease.

(i.1) As a Lessee

The Bank recognizes a right-of-use asset and a lease liability at the inception date of the lease. The right-of-use asset is initially measured at cost, which is the initial amount of the lease liability adjusted for any lease payments made on or before the inception date, plus initial costs incurred and an estimate of the costs to dismantle and dispose of the underlying asset or to restore the underlying asset or its site, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, furniture, equipment and improvements. In, addition, the right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for possible revaluation of the lease financial liability.

(3) Summary of Significant Accounting Policies, continued

The lease liability is initially measured at the present value of the lease payments not paid at the inception date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Bank's incremental borrowing rate is used. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease fee payment made. It is remeasured when there is a change in future lease payments from a change in an index or rate, a change in the estimate of the amount expected to be paid under a residual value guarantee, or, appropriately, changes in the evaluation of the purchase option or extension if it is reasonably certain to be exercised or if an early termination option is reasonably certain not to be exercised.

The lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including essentially fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the start date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a call option that the Bank may reasonably exercise, lease payments on an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to effect early termination.

The lease liability is measured at amortized cost using the effective interest rate method. A remeasurement is made when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be paid under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase option, extension or termination.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, or it is recorded in profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

(3) Summary of Significant Accounting Policies, continued

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term machine leases that have a term of 12 months or less and leases of low value assets, including IT equipment. The Bank recognizes the lease payment associated with these leases as a straight-line expense over the term of the lease.

(i.2) As a Lessor

The Bank as lessor shall classify each of its leases as either an operating lease or a finance lease.

To classify each lease, the Bank makes an overall assessment to determine whether the lease transfers substantially all risks and benefits associated with ownership of the underlying asset. If this is the case, then the lease is a financial lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for most of the economic life of the asset.

Financial leases consist primarily of mobile equipment leases, which are reported as part of the loan portfolio at the present value of the lease. The difference between the gross amount receivable and the present value of the amount receivable is recorded as unearned interest, which is amortized as operating income using the effective interest rate method.

The Bank recognizes lease payments from operating leases as income on a straight-line basis or on another systematic basis.

For contracts signed on before January 1, 2019, the Bank determined whether the agreement was or contained a lease based on the assessment of whether:

- Compliance with the agreement was dependent on the use of an identifiable asset or assets; and
- The agreement had transferred the right to use the asset. An agreement conveyed the right to use the asset if one of the following conditions was met;
- The buyer had the ability or right to operate the asset while it obtained or controlled more than an insignificant amount of the output;
- The buyer had the ability or right to control physical access to the asset while it obtained or controlled more than an insignificant quantity of the output; or
- The facts and circumstances indicated that it was remote for other parties to obtain more than an insignificant quantity of the output, and the unit price was not fixed per unit of output or equal to the current market price per unit of output

(3) Summary of Significant Accounting Policies, continued

(j) Intangibles Assets

Intangible assets represent identifiable non-monetary assets and are acquired separately or through a business combination or are generated internally. The Bank's intangible assets consist mainly of depositor relationships, relationships with credit card clients, relationships with affiliated merchants, technology programs and trade names.

Cash-generating units to which intangible assets have been attributed are periodically analyzed to determine whether they have deteriorated. This analysis is performed at least annually, or whenever there are signs of deterioration.

The amortization expense of depreciable intangible assets is presented in the condensed consolidated statement of income under the depreciation and amortization period.

Trade names are non-depreciable intangible assets.

(k) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, the investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the results of the period in which they arise.

An investment property is written off at the time of disposition or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposition. Any gain or loss that arises when the property is derecognized (calculated as the difference between the net proceeds of the disposition and the carrying value of the asset) is included as gain or loss in the period in which the property is written off, from the accounting records.

(l) Securities Sold under Repurchase Agreements

The securities bought under resale agreements are transactions of short-term financing with securities guarantee, in which the Bank takes possession of the securities at a discount of the market value and agrees to resell them to the debtor at a future date and at a certain price. The difference between the value of purchase and the future sale price is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless there is a breach by the counterparty of the contract, which gives the right to the Bank to take possession of the securities.

(m) Securities Purchased under Resale Agreements

The securities bought under resale agreements are transactions of short-term financing with securities guarantee, in which the Bank takes possession of the securities at a discount of the market value and agrees to resell them to the debtor at a future date and at a certain price. The difference between the value of purchase and the future sale price is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless there is a breach by the counterparty of the contract, which gives the right to the Bank to take possession of the securities.

(3) Summary of Significant Accounting Policies, continued

(n) Factoring Receivables

Factoring consists of the purchase of invoices, which are presented at their principal outstanding value, less unearned interest and commissions, and the allowance for loan losses. These invoices receivable reflect the present value of the contract.

(o) Deposits, Bonds Payable, Borrowings Received and Negotiable Commercial Papers

These instruments result from the funds received by the Bank, which are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost, using the effective interest rate method, except for liabilities that the Bank decides to measure at fair value through profit or loss.

(p) Financial Guarantees

Financial guarantees are contracts that require the Bank to make specific payments on behalf of its customers for purposes of reimbursing the guarantee beneficiary, in the event that the customer fails to make payment when due, in accordance with the terms and conditions of the arrangement.

Liabilities arising from financial guarantees are initially measured at fair value, which is amortized over the term of the financial guarantee. Subsequently, the guarantee is carried at the highest amount between the amortized amount and the present value of expected future payments. Financial guarantees are included in the consolidated statement of financial position within other liabilities.

(q) Interest Income and Expenses

Interest income and expenses are usually recognized in the consolidated statement of profit or loss for any financial instrument presented at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income over the relevant period. The calculation includes all the commissions and installments paid or received by the counterparties which form an integral part of the effective interest rate, transaction costs and any other premium or discount. Transaction costs are origination costs directly attributable to the acquisition, issuance or disposal of an asset or liability. When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses.

(r) Income from Fees and Commissions

Usually, fees and commissions on short-term loans, letters of credit and other bank services are recognized as income under the cash basis due to their short-term maturity. Income recognized under the cash basis does not significantly differ from income recognized under the accrual method.

Commissions on loans and other mid-term and long-term transactions, net of some direct costs are deferred and amortized over the life of the respective financial instrument.

(3) Summary of Significant Accounting Policies, continued

(s) Dividend Income

Dividends are recognized in the consolidated statement of profit or loss when the Bank's right to receive the dividends is determined.

(t) Employee Benefits

The Bank provides for an employee benefit when the benefit relates to employee services already rendered, the employee has earned the right to receive the benefit, payment of the benefit is probable, and the amount of the benefit can be estimated.

(u) Insurance Operations

Insurance arrangements correspond to those arrangements whereby the Bank assumes the significant insurance risk of a counterparty (the insurer), committing to compensate the policyholder or other beneficiary when an uncertain future event (the insured event) adversely affects the policyholder or beneficiary. By general rule, the Bank determines if the arrangement has a significant insurance risk by comparing premiums collected for benefits to be paid if the insured event occurs. An insurance arrangement might also transfer financial risks. Insurance arrangements are maintained for the rest of their effective term, notwithstanding if the insurance risk significantly decreases, until all the risks and obligations terminate or expire. During the normal course of operations, the Bank has entered into reinsurance arrangements with reinsurance companies.

The reinsurance payable corresponds to the portion of premiums generated by sharing the risks. This sharing is agreed in the reinsurance arrangements; however, reinsurance arrangements do not release the Bank from contracted obligations, retaining overall responsibility for the policyholders or beneficiaries.

The reinsurance receivable represents the balance of the amounts receivable from reinsurance companies originating from events occurred, whereby it assumes the indemnity on behalf of the policyholder, and for the reinsurances accepted by other insurance companies. The amounts expected to be recovered from reinsurance companies are recognized in conformity with the terms and conditions included in the arrangements entered into by both parties.

Any gain or loss from the reinsurance arrangement is recognized in the consolidated statements of profit or loss at the inception of the arrangement and they are not amortized.

Income and expenses from insurance operations are recorded as follows:

Premiums receivable are recognized when the insurance policy is issued. Income from insurance premiums corresponding to the period contracted in the policy is recognized upon the inception of the insurance without considering the payment status of the premium. Insurance begins with the acceptance of the insurance request submitted by the client and collection of the premium, which may be fractioned or deferred when collected in one single installment, during the term of the policy.

Expenses from reinsurance and commissions and other income and expenses related to the policy issuance are recognized upon recognition of income from insurance premiums.

(3) Summary of Significant Accounting Policies, continued

(v) Trust Operations

Assets held in trust are not considered part of the Bank's assets, and consequently, such assets and their corresponding income are not included in these consolidated financial statements. The Bank shall administrate the trust funds in conformity with contractual arrangements and separately from its own equity.

The Bank charges a commission for administrating the trust funds, which is paid by the settlors based on the amount maintained in the trust funds or as agreed by the parties. These commissions are recognized in income in accordance with the terms of the trust fund agreements, whether monthly, quarterly or annually or on an accrual basis.

(w) Assets Classified as Held for Sale

Non-current assets, or disposal group comprised of assets and liabilities, including foreclosed assets held for sale, which are expected to be recovered primarily through sales rather than being recovered through continued use are classified as available for sale.

Immediately before being classified as held for sale, assets or components of disposal groups will be measured again in conformity with the Bank's accounting policies. Based on that classification, the lowest value between its carrying amount and its fair value less costs to sell shall be recognized. An impairment loss shall be recognized for reductions in the initial value of the Bank's assets. Impairment losses at initial classification and subsequently as held for sale are recognized in the consolidated statement of profit or loss.

(x) Preferred Shares

The preferred shares are classified as part of its equity, because the Bank has full discretionary power to decide on their redemption and declare dividends. Payment of dividends is deducted from retained earnings.

(y) Income Tax

Estimated income tax is the income tax payable for the year, using tax rates enacted at the consolidated statement of financial position date, plus any other income tax adjustment from prior years.

Deferred income tax is the tax amount expected to be recovered or paid in future periods over temporary differences between carrying amounts of assets and liabilities, for financial reporting purposes and the amounts used for taxation purposes, using tax rates that are expected to be applied to temporary differences when they reverse, based on laws enacted or substantially enacted at the reporting date. These temporary differences are expected to be reversed in the future. If it is determined that a deferred tax asset cannot be realized in the future, it would be totally or partially reduced.

(z) Segment Information

An operating segment is a component of the Bank, whose operating results are reviewed on a regular basis by Management to make decisions about resources allocated to each segment and assess its performance, and for which financial information is available.

(3) Summary of Significant Accounting Policies, continued

(aa) Foreign Currency

Assets and liabilities maintained in foreign currency are converted into balboas (B/.) at the official exchange rate prevailing at the reporting date. Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transactions, and exchange gains and losses are included in other income or other expenses in the consolidated statement of profit or loss. (See note 3(a.4)).

(bb) Spin off of Net Assets

The Bank derecognizes the assets and liabilities determined at the time of the spin off for the purposes of transferring them to a new entity. The net value of the asset spun off will be reflected by decreasing undistributed profits in the statement of changes in equity.

(cc) Comparative Information

Some 2019 figures were reclassified to make their presentation uniform with that of the 2020 consolidated financial statements.

(dd) New International Financial Reporting Standards (IFRS) and Interpretations not Yet Adopted.

As of the date of the consolidated financial statements, there are standards that have not yet been applied in their preparation:

- Amendments to the references of the conceptual framework in IFRS.
- Definition of a business (amendments to IFRS 3).
- IFRS 17 Insurance Contracts requires insurance liabilities to be measured at current compliance value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the objective of consistent and principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual financial reporting periods beginning on or after 1 January 2023.

The Bank is assessing the potential impact of the application of IFRS 17 on its consolidated financial statements.

(4) Financial Risk Management

The main purpose of risk management is to mitigate the potential losses the Bank may face as an actor in the financial industry through a preventive comprehensive management approach maximizing the risk-return ratio and enhancing the allocation of economic capital.

The Bank has a Comprehensive Risk Management System (SIAR, for its acronym in Spanish) whose bases are supported by the policies and procedures that set out the effect of each type of risk identified and described in an operating manual. Additionally, it has provided the system with an organizational structure with material and financial resources directly reporting to the Board of Directors through the Risk Committee.

(4) Financial Risk Management, continued

The Risk Committee, comprised by independent directors and Bank's executives, is mainly engaged in the following activities:

- Approve the strategies to take risks, ensuring that they produce an adequate risk-return ratio optimizing the use of the Bank's economic capital.
- Approve the maximum exposure limits allowed, reflecting the Bank's risk appetite.
- Approve the management policies and framework for any type of risks.
- Analyze the Bank's exposure to different risks and their interrelationship and recommended mitigating strategies as required.
- Inform the Board of Directors about the Bank's risk behavior.

The Bank has defined four main principles for Risk Management, detailed as follows:

- The management approach shall be comprehensive, incorporating any risk and all operations of the Bank and its subsidiaries.
- Management of individual risks shall be uniform.
- The risk management framework shall be based on international best practices and shall incorporate past experiences.
- The function of the risk unit shall be independent from the business.

Additionally, the Bank is subjected to regulations from the Superintendency of Banks and the Superintendency of the Securities Market of Panama, with respect to concentrations of risk, liquidity and capitalization, among others. Moreover, the Bank is subject to the regulations applicable in the various countries where it operates.

The Bank's Audit Committee supervises the way Management monitors compliance with risk management policies and procedures and reviews if the risk management framework is appropriate to face the Bank's risks. This Committee is assisted by Internal Audit in its oversight role. Internal Audit periodically reviews risk management controls and procedures, whose results are reported to the Audit Committee.

(4) Financial Risk Management, continued

The main risks identified by the Bank are credit, liquidity, market, operational and business continuity risks, which are described as follows:

(a) Credit Risk

Credit risk represents the probability that the counterparty to a business transaction does not meet the terms originally agreed with the Bank. In order to assume this risk, the Bank has a management framework including the following main elements:

- Analysis of risk or pre-approval, which is carried out separately from business; its objectives, in addition to identify, evaluate and quantify the risk of the proposals is to determine the effect they will have on the Bank's loan portfolio and ensure that the price of proposed operations covers the cost of the risk assumed.

- A control area responsible for validating that proposals are framed within the Bank's policies and limits, obtain the required approval based on the risk level taken and meet the conditions agreed in the approval upon settling the operation.

- The approval process takes place within different levels of the Bank, considering approval limits for each level.

- A portfolio management process aimed at monitoring the risk trends for the Bank in order to proactively anticipate any evidence of impairment in the portfolio.

- Oversight by the members of Board of Directors through their participation in various Committees (Credit, Portfolio Quality, Risk Policies and Assessment (CPER), Assets and Liabilities (ALCO)).

Formulating Credit Policies:

Credit policies are issued or reviewed by Management of the Credit Risk, Business and Consumer areas, always considering:

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

Every change in policies or the establishment of new policies approved by the Risk Committee, and ratified by the Board of Directors, are published internally for the Bank's entire staff.

Establishing Authorization Limits:

Approval limits for credits are established depending on the percentage that each amount represents of the Bank's equity. These limit levels are submitted before the consideration of the Risk Committee and ratified by the Board of Directors.

(4) Financial Risk Management, continued

Exposure Limits:
In order to limit the exposure, maximum limits have been established for an individual debtor or economic group, based on the Bank's capital funds.

Concentration Limits:
In order to limit concentration per activity or industries, exposure limits have been approved based on capital distribution and the strategic orientation to be given to the loan portfolio.

Furthermore, the Bank has limited its exposure to different geographies through the country risk policy, in which it has defined countries where it would like to have exposure based on the Bank's strategic plan; also, credit and investment exposure limits have been implemented in such countries, based on their credit risk rating and the approved risk appetite.

Policy Compliance Review:
Each business unit is responsible for the quality and performance of their loan portfolios, as well as for the control and monitoring of risks. However, through Loan Management and Control, the debtor's financial position and payment capacity are periodically assessed. For loans that are not individually material, monitoring is made through delinquency ranges as observed in their installment payments, and the characteristics of such portfolios.

(4) Financial Risk Management, continued

Analysis of Credit Quality

The following table analyzes the credit quality of financial assets and the impairment allowance held by the Bank for these assets.

	Loans and Other Accounts Receivable		Debt Security Investments	
	2020	2019	2020	2019
Maximum exposure				
Carrying value	0	0	1,008,450,080	633,085,624
At amortized cost				
Level 1: Low Risk	0	0	80,924,715	86,142,374
Accrued interest receivable	0	0	2,132,657	339,689
Allowance for impairment loss	0	0	(1,688,650)	(1,181,815)
Carrying value, net	0	0	81,368,722	85,300,248
Maximum exposure				
Carrying value	3,282,683,519	3,563,774,410	0	0
At amortized cost				
Levels 1-3 (Low risk)	3,181,319,337	3,514,678,886	0	0
Level 4 (Watch list)	4,897,331	7,114,662	0	0
Level 5 (Substandard)	4,112,150	5,092,712	0	0
Level 6 (Doubtful)	1,976,024	1,038,910	0	0
Level 7 (Loss)	49,546,241	54,139,808	0	0
Gross amount	3,241,851,083	3,582,064,978	0	0
Accrued interest receivable	92,505,789	39,459,363	0	0
Unearned discounted interest and commissions	(310,944)	(2,532,283)	0	0
Allowance for expected loss	(51,362,409)	(55,217,648)	0	0
Carrying value, net	3,282,683,519	3,563,774,410	0	0
Securities at fair value through comprehensive income				
Level 1: Low Risk	0	0	922,914,201	544,319,197
Accrued interest receivable	0	0	4,167,157	3,466,179
Carrying value, net	0	0	927,081,358	547,785,376
Stage 1				
Level 1	0	0	1,003,838,916	630,461,571
No past due nor impaired				
Level 1-3	3,181,319,337	3,514,678,886	0	0
With evidence of impairment				
Level 4-7	60,531,746	67,386,092	0	0
Allowance for expected credit loss				
Stage 1	11,460,393	18,696,705	831,306	417,118
Stage 2	22,799,632	4,941,429	857,344	764,697
Stage 3	17,102,384	31,579,514	0	0
Total reserve for expected credit loss	51,362,409	55,217,648	1,688,650	1,181,815

(4) Financial Risk Management, continued

	2020	2019
Off balance sheet operations (Note 24)		
Level 1:		
Letters of credit	7,008,176	5,593,064
Guarantees issued	114,536,041	137,563,787
Promissory notes	71,742,122	90,538,235
Level 2:		
Letters of credit	129,538	0
Guarantees issued	500,000	1,165,000
Promissory notes	728,849	411,854
Level 3:		
Guarantees issued	10,000	0
Level 5:		
Guarantees issued	450,000	450,000
Promissory notes	0	137,750
	195,104,726	235,859,690
Allowance for expected credit losses (Note 17)	(250,412)	(394,320)
Carrying value, net	194,854,314	235,465,370

The Bank maintains deposits with banks for the amount of B/.182,203,422 (2019: B/.231,129,029). Deposits are held in financial institutions applying the limits established in the risk policy for each counterparty.

The following are the factors that the Bank has considered to determine its impairment:

- Impairment of bank deposits, loans and debt security investment:
  Management determines if there is objective evidence of impairment of loans and debt securities, based on the following criteria established by the Bank:

  - Breach of contract, such as a default or delinquency in interest or principal payments;
  - Experienced difficulty in cash flows of the debtor or issuer;
  - Non-compliance with contractual terms and conditions;
  - Beginning of bankruptcy procedures;
  - Decline in the borrower's competitive position; and
  - Impairment of the collateral value.
  - Changes in the original rating
  - Significant increases in the PD in relation with the original PD.
  - Adjustments in macroeconomic variables for COVID-19 effects

- Loans past due but not impaired:
  Those considered past due without impairment, that is, without incurred losses. Loans and investments having collateral and/or payment sources sufficient to cover the carrying value of such loans and investments are considered past-due but not impaired.

(4) Financial Risk Management, continued

- Restructured loans:
  It corresponds to loans restructured due to any impairment in the debtor's financial condition and when the Bank considers to granting any modification to the original loan terms (balance, term, payment plan, rate or collateral). These loans once restructured, are maintained in this category, regardless of whether the debtor's capacity improves after Bank's restructuring (see note 30).

  As of December 31, 2020, the balance of the restructured loan portfolio was B/.42,682,719, (2019: B/.40,658,366) and generating an allowance for expected credit losses of B/.437,394 (2019: B/.8,021,778).

- Writte offs:
  Loans are written-off when they are deemed as uncollectible. This determination is taken after considering various factors such as: debtor's inability to pay; the collateral is not sufficient, or it is not duly incorporated; or it is determined that all means were used to recover the loan through collection procedures.

The Bank maintains collateral for loans granted to customers consisting of mortgages on properties and other guarantees. Fair value estimates are based on the collateral value depending on the effective date of the loan and they are not usually updated except if the loan becomes individually impaired.

Collateral and their Financial Effect
The Bank has collateral and other facilities to reduce credit risk, in order to ensure the collection of its financial assets exposed to credit risk. The table below shows the main types of collateral with respect to the different types of financial assets.

	% of exposure subjected to Collateral		Type of Collateral
	2020	2019	
Securities bought under resale agreement	100%	100%	Securities
Loans receivable	135%	135%	Cash, Properties and Equipment
Other accounts receivable	53%	58%	Properties and Equipment

(4) Financial Risk Management, continued

Residential Mortgage Loans

The following table presents the ratio of mortgage loans with respect to collateral value ("Loan to Value" - LTV). The LTV is calculated as a percentage of the loan gross amount with respect to the collateral value. The gross amount of the loan does not include any impairment loss. The collateral value for mortgages is based on the original value of the guarantee at disbursement date and generally it is not updated.

	2020	2019
Residential mortgage loans:		
% LTV		
Less than 50%	61,511,925	60,413,713
51% - 70%	146,594,064	148,290,399
71% - 90%	262,919,358	254,196,264
91% - 100%	239,570,744	264,080,966
More than 100%	7,482,703	5,907,445
Total	718,078,794	732,888,787

Derivatives, Margin Loans, Securities under Repurchase and Resale Agreements

The Bank mitigates the credit risk of derivatives, margin loans, and securities under repurchase and resale agreements, through the execution of master netting agreements and holding collateral under the form of cash and trading securities. Netting clauses are established in all of its contracts. Resale agreements only include collateral clauses.

Derivative operations are traded on exchanges or under master netting agreements (International Swap and Derivatives Association (ISDA)). These master agreements which regulate credit risk include netting clauses. In general, in light of these master netting agreements (ISDA) in certain specific cases; for example, in case of delinquency or default, any transaction pending payment under the agreement is terminated, and termination value is revised and only one net amount may be claimed or is payable when settling all of the transaction.

ISDA agreements do not meet the netting criteria in the consolidated statement of financial position, because the Bank has no constructive right to offset the recognized amounts, since the right to offset is only required upon occurrence of future events determined by the parties.

Assets Received as Collateral

Total collateral foreclosed during the period by the Bank to guarantee the collection or the execution of credit facilities during the year is as follows:

	2020	2019
Properties	1,824,061	3,526,472
Vehicles and others	1,076,957	1,715,660
Fiduciary rights	14,323,293	0
Total	17,224,311	5,242,132

The Bank's policy is to perform or execute the sale of these assets in order to cover outstanding balances. In general terms, it is not the Bank's policy to use non-financial assets for its own operations, but in case of enforcing the guarantee right, the intention is to dispose of those assets in the short term.

Concentration of Credit Risk
The Bank monitors credit risk concentration per-sector and geographic location. The analysis of credit risk concentration at the reporting date is as follows:

	Loan and Other Account Receivable		Debt Security Investments	
	2020	**2019**	**2020**	**2019**
Sector:				
Corporate	1,754,390,516	1,975,525,681	130,378,558	93,391,380
Consumption	1,434,803,171	1,545,302,320	0	0
Government	984,043	3,487,046	873,460,358	537,070,192
	3,190,177,730	3,524,315,047	1,003,838,916	630,461,572
Accrued interest receivable	92,505,789	39,459,363	6,299,814	3,805,867
	3,282,683,519	3,563,774,410	1,010,138,730	634,267,439
Geographic concentration:				
Panama	3,027,483,021	3,220,852,464	319,741,661	216,067,688
Latin America and the Caribbean	146,660,662	294,743,174	103,330,298	32,523,527
United States of America	12,429,669	3,762,477	575,690,237	381,870,357
Others	3,604,378	4,956,932	5,076,720	0
	3,190,177,730	3,524,315,047	1,003,838,916	630,461,572
Accrued interest receivable	92,505,789	39,459,363	6,299,814	3,805,867
	3,282,683,519	3,563,774,410	1,010,138,730	634,267,439

	Letters of Credit		Guarantees Issued		Promissory Notes	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Sector:						
Corporate	7,137,714	5,593,064	115,096,274	138,724,020	13,881,036	10,222,919
Consumption	0	0	399,767	454,767	58,589,935	80,864,920
	7,137,714	5,593,064	115,496,041	139,178,787	72,470,971	91,087,839
Geographic concentration:						
Panama	6,887,714	5,418,064	115,496,041	132,149,739	67,470,971	91,087,839
Latin America and the Caribbean	250,000	175,000	0	0	5,000,000	0
Others	0	0	0	7,029,048	0	0
	7,137,714	5,593,064	115,496,041	139,178,787	72,470,971	91,087,839

The geographic concentration of loans and bank deposits is based on the debtor's location. For investments, it is based on the issuer's location.

(b) *Liquidity or Financial Risk*
Liquidity risk is defined as the risk that the Bank might be unable to meet all of the obligations relating to its financial liabilities, which are settled through cash or any other financial asset. Liquidity risk might be affected by different reasons, such as: unexpected withdrawal of funds contributed by customers, the impairment of the quality of the loan portfolio, the decline in value of investments, the excessive concentration of liabilities in any particular source, the mismatch between assets and liabilities, lack of assets' liquidity, or financing of long-term assets with short-term liabilities. The Bank manages its liquid funds to cover its obligations when due under normal conditions.

(4) Financial Risk Management, continued

Liquidity Risk Management:

The risk management policies establish liquidity limits that determine the portion of the Bank's assets that shall be maintained in highly-liquid instruments; limits of borrowing composition; leverage limits; and term limits. In connection therewith, a limit of 25% has been established for liquid funds mainly comprised of cash funds, bank deposits and investment portfolio (highly liquid investments).

The Bank is exposed to daily requirements with respect to its available funds due to withdrawals from demand and savings deposits, maturity of fixed-term deposits and borrowings, and disbursements of loans, guarantees, commitments and operating expenses.

Liquidity is monitored on a daily basis by the Bank's Treasury department and on a periodical basis by the Risk Management (Market and Liquidity) department. Simulations are performed including stress tests developed in different scenarios considering normal or more severe conditions to determine the Bank's ability to face such crisis scenarios with available liquidity levels. All the policies and procedures for managing liquidity are subject to the review of the Risk Committee and the Assets and Liabilities Committee (ALCO) and the approval of the Board of Directors.

Exposure to Liquidity Risk:

The key measure used by the Bank to manage liquidity risk is the net liquid asset ratio over customers' deposits. Net liquid assets correspond to cash and cash equivalents and debt securities, for which there is an active and liquid market, less any other deposit received from banks, debt instruments issued, other borrowings and commitments due within the following month. The Banking Regulation in Panama requires that general license banks always maintain a minimum balance of liquid assets, as defined in Rule 4-2008 (Modified by the Rule No. 9-2008, Rule No. 10-2009, Rule No. 2-2011, Rule No. 6-2015, Rule No. 9-2018 and Rule No. 14-2019), of the Superintendency of Banks of Panama, not less than 30% of their deposits. However, as a result of the strict liquidity policies for the coverage of its passive operations, the Bank's liquidity based on this standard as of December 31, 2020 was 50.38% (2019: 48.94%).

The Bank's net liquid asset ratio over customers' deposits measured at the reporting date is detailed as follows:

	2020	2019
At the end of the year	50.38%	48.94%
Average for the year	55.39%	49.92%
Maximum for the year	65.82%	54.06%
Minimum for the year	47.55%	43.26%

(4) Financial Risk Management, continued

The following table details the undiscounted cash flows from financial assets and liabilities, and unrecognized loan commitments in groups based on due dates corresponding to the remaining period from the reporting date:

2020	Less than 1 year	1 to 3 years	3 to 5 years	More tan 5 years	Total nominal gross amount inflow/(outflow)	Carrying Value
Financial Liabilities						
Customers' deposits	(2,260,897,168)	(728,142,584)	(168,586,161)	(3,119,874)	(3,160,745,787)	3,051,333,374
Repurchase agreements	(16,230,022)	0	0	0	(16,230,022)	16,018,626
Borrowings received	(125,724,894)	(348,730,501)	(157,438,273)	(1,400,647)	(633,294,315)	582,806,260
Bonds payable	(130,309,012)	(321,543,889)	(7,346,500)	0	(459,199,401)	434,347,540
Negotiable Commercial papers	(65,877,632)	0	0	0	(65,877,632)	64,377,915
Acceptances outstanding	(194,237,832)	0	0	0	(194,237,832)	194,237,832
Derivative Financial Instruments	(6,245,611)	0	0	0	(6,245,611)	6,245,611
Other accounts payables	(30,100,178)	0	0	0	(30,100,178)	30,100,178
Letters of credit	(7,137,714)	0	0	0	(7,137,714)	0
Financial guarantees issued	(44,530,776)	(67,790,047)	(3,175,218)	0	(115,496,041)	0
Loan commitments	(32,081,032)	(40,389,939)	0	0	(72,470,971)	0
	(2,913,371,871)	(1,506,596,960)	(336,546,152)	(4,520,521)	(4,761,035,504)	4,379,467,336
Financial Assets						
Cash and cash equivalents	198,975,138	4,677,829	0	0	203,652,967	202,808,420
Securities at fair value though profit or loss	6,997,401	6,661,321	4,334,419	29,135,586	47,128,727	44,819,334
Derivative financial instruments assets	9,583,501	0	0	0	9,583,501	9,583,501
Debt instruments at fair value through comprehensive income	227,707,505	226,530,388	310,535,049	266,477,323	1,031,250,265	927,081,358
Debt instruments at amortized cost, net	5,692,370	35,826,168	7,617,717	68,505,394	117,641,649	81,368,722
Loans, net	1,097,727,001	797,662,543	587,793,031	2,035,089,083	4,518,271,658	3,174,789,806
Customers' liabilities under acceptances	194,237,832	0	0	0	194,237,832	194,237,832
Other accounts receivables	107,893,713	0	0	0	107,893,713	107,893,713
	1,848,814,461	1,071,358,249	910,280,216	2,399,207,386	6,229,660,312	4,742,582,686

2019	Less than 1 year	1 to 3 years	3 to 5 years	Mare than 5 years	Total nominal gross amount inflow/(outflow)	Carrying Value
Financial Liabilities						
Customers' deposits	(2,032,841,434)	(716,903,723)	(176,362,381)	(2,673,286)	(2,928,780,824)	2,811,879,294
Repurchase agreements	(16,077,223)	(16,423,556)	0	0	(32,500,779)	31,093,230
Borrowings received	(209,532,740)	(243,841,684)	(78,528,777)	(112,637,493)	(644,540,694)	581,178,656
Bonds payable	(55,929,302)	(426,566,785)	(5,173,611)	0	(487,669,698)	447,110,798
Negotiable Commercial papers	(56,284,344)	0	0	0	(56,284,344)	55,098,511
Acceptances outstanding	(115,506,674)	0	0	0	(115,506,674)	115,506,674
Derivative financial instruments liabilities	(5,767,808)	0	0	0	(5,767,808)	5,767,808
Other accounts payables	(26,633,642)	0	0	0	(26,633,642)	26,633,642
Letters of credit	(5,511,361)	(81,703)	0	0	(5,593,064)	0
Financial guarantees issued	(74,151,353)	(65,027,434)	0	0	(139,178,787)	0
Loan commitments	(69,525,254)	(21,562,585)	0	0	(91,087,839)	0
	(2,669,638,322)	(1,492,784,072)	(262,471,436)	(138,524,386)	(4,565,418,216)	4,074,268,613
Financial Assets						
Cash and cash equivalents	254,133,114	1,633,152	0	0	255,766,266	255,117,153
Securities at fair value though profit or loss	9,110,874	6,660,273	5,278,905	40,851,578	61,901,630	59,226,261
Debt instruments at fair value through comprehensive income	81,021,754	157,213,904	115,017,017	327,411,695	680,664,370	547,785,376
Debt instruments at amortized cost, net	12,529,782	17,300,223	27,834,720	66,561,279	124,226,004	85,300,248
Loans, net	1,165,905,907	806,052,380	732,588,989	2,172,758,267	4,877,305,543	3,420,061,670
Customers' liabilities under acceptances	115,506,674	0	0	0	115,506,674	115,506,674
Other accounts receivables	143,712,740	0	0	0	143,712,740	143,070,309
	1,781,920,845	988,859,932	880,719,631	2,607,582,819	6,259,083,227	4,626,067,691

The Bank uses derivative financial instruments to reduce certain identified risks, which could generate liability or asset undiscounted cash flows. (See Note 26).

(4) Financial Risk Management, continued

The following table shows the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled twelve months after the date of the consolidated financial statement:

	2020	**2019**
Assets:		
Banks deposits	4,000,000	4,000,000
Securities at fair value through profit or loss	14,630,183	16,710,893
Debt instruments at fair value through comprehensive income	715,452,587	480,849,640
Debt instruments at amortized cost	80,909,320	76,861,363
Loans, net	2,272,629,231	2,436,019,211
Total assets	3,087,621,321	3,014,441,107
Liabilities:		
Time deposits	742,930,022	842,526,728
Securities sold under repurchase agreements	0	16,000,000
Borrowings received	471,119,459	409,290,428
Lease payable	17,675,515	18,620,753
Bonds payable	317,880,727	407,807,475
Total liabilities	1,549,605,723	1,694,245,384

(c) Market Risk

It corresponds to the risk that the value of a Bank's financial asset declines due to fluctuation in interest rates, foreign exchange rates, changes in the price of shares or the effect of other financial variables beyond Bank's control. The purpose of the market risk management is to administrate and oversee risk exposures to be maintained within acceptable parameters to optimize return on risk.

Risk management policies establish compliance with limits per financial instrument, limits as to the maximum loss amount requiring the closure of the positions causing such loss and the requirement that, otherwise approved by the Board of Directors, all the assets and liabilities should be substantially denominated in United States of America Dollars or in Balboas.

Market Risk Management:

The Bank's investment policies provide for compliance with limits based on the total amount of the investment portfolio, individual limits per type of asset, entity, issuer and/or issuance and maximum terms.

Additionally, the Bank has established maximum limits for market risk losses in its investment portfolio that might be caused by fluctuations in the interest rates, credit risk and fluctuation in market value of the investments. The policies and structure of limits to investment exposure included in the Investment Manual are established and approved by the Bank's Board of Directors based on the recommendations of the Assets and Liabilities Committee (ALCO) and the Risk Committee; such recommendations consider the portfolio and assets forming part thereof.

(4) Financial Risk Management, continued

Currently, the Bank's investment policy does not provide for investments in foreign currency or commodities.

Following is a breakdown and analysis of each type of market risk:

- *Foreign Exhange Rate Risk*:
  It refers to the risk that the value of a financial instrument fluctuates due to changes in the exchange rates of foreign currency and other financial variables, as well as the reaction of market participants to political and economic events.

  The sensitivity analysis for the foreign exchange risk is mainly considered in the measurement of the position within a specific currency. The analysis consists of verifying how much would the position in the functional currency represent over the currency being translated; thus, generating the mix of the foreign exchange risk. The Bank manages this risk for certain operations through the use of hedge derivatives that mitigate the exposure to exchange rate fluctuations. (See Note 26).

  The following table details the Bank's exposure to foreign currency risk:

2020	Euros expressed in B/.	Swiss Francs expressed in B/.	Other currencies expressed in B/.	Total
Exchange rate	**1.23**	**0.88**		
Assets:				
Cash and due from banks	9,406,313	1,955,140	5,346,582	16,708,035
Securities at fair value through profit or loss	24,228	0	0	24,228
Total financial assets	9,430,541	1,955,140	5,346,582	16,732,263
Liabilities:				
Customers' deposits	8,996,584	1,951,947	5,282,899	16,231,430
Bonds payable	0	115,404,789	0	115,404,789
Total financial liabilities	8,996,584	117,356,736	5,282,899	131,636,219
Net position in the consolidated statement of financial position	433,957	(115,401,596)	63,683	(114,903,956)

(4) Financial Risk Management, continued

2019	Colombian pesos expressed in B/.	Euros expressed in B/.	Swiss Francs expressed in B/.	Other currencies expressed in B/.	Total
Exchange rate	**3,277.14**	**1.12**	**0.97**		
Assets:					
Cash and due from banks	22,186,041	12,964,378	1,936,356	5,289,156	42,375,931
Securities at fair value through profit or loss	3,983,101	22,230	0	0	4,005,331
Debt instruments at amortized cost	1,085,615	0	0	0	1,085,615
Loans at amortized cost	13,577,580	0	0	0	13,577,580
Total financial assets	40,832,337	12,986,608	1,936,356	5,289,156	61,044,457
Liabilities:					
Customers deposits	16,194	12,945,510	1,929,830	5,232,716	20,124,250
Borrowings received	18,738,238	0		0	18,738,238
Bonds payable	0	0	105,155,631	0	105,155,631
Total financial liabilities	18,754,432	12,945,510	107,085,461	5,232,716	144,018,119
Net position in the consolidated statement of financial position	22,077,905	41,098	(105,149,105)	56,440	(82,973,662)

- *Interest Rate Risk*:
  It corresponds to the risk that future cash flows and the value of a financial instrument change due to fluctuations in the market interest rates. The Bank's net interest margin may change as a result of unexpected changes in interest rates. In order to mitigate this risk, the Integrated Risk Management Department has set limits to exposure to interest rate risks that might be assumed, which are approved by the Board of Directors. Compliance with these limits is monitored by the Assets and Liabilities Committee (ALCO) and the Risk Committee.

(4) Financial Risk Management, continued

For interest rate risk management, the Bank has defined a limit interval to monitor the sensitivity of financial assets and liabilities. The estimate of the effect of the interest rate change per category is made under the assumption of an increase or decrease of 50 and 100 basis points (bps) in financial assets and liabilities. The table below shows the effect of applying such variations to the interest rates.

Sensitivity of net income due to projected interest rates:	**50 bps of increase**	**50 bps of decrease**	**100 bps of increase**	**100 bps of decrease**
2020				
As of December 31	(418,750)	418,750	(837,500)	837,500
Average for the year	(396,667)	396,667	(793,334)	793,334
Maximum for the year	(352,917)	352,917	(705,834)	705,834
Minimum for the year	(437,083)	437,083	(874,166)	874,166
2019				
As of December 31	(599,249)	599,249	(1,198,498)	1,198,498
Average for the year	(586,610)	586,610	(1,173,220)	1,173,220
Maximum for the year	(735,866)	735,866	(1,471,732)	1,471,732
Minimum for the year	(452,306)	452,306	(904,612)	904,612

Sensitivity of net equity due to interest rates fluctuation:	**50 bps of increase**	**50 bps of decrease**	**100 bps of increase**	**100 bps of decrease**
2020				
As of December 31	(14,853,257)	14,853,257	(29,706,514)	29,706,514
Average for the year	(13,728,412)	13,728,412	(27,456,824)	27,456,824
Maximum for the year	(8,059,338)	8,059,338	(16,118,676)	16,118,676
Minimum for the year	(17,131,652)	17,131,652	(34,263,304)	34,263,304
2019				
As of December 31	(11,357,947)	11,357,947	(22,715,894)	22,715,894
Average for the year	(11,738,183)	11,738,183	(23,476,366)	23,476,366
Maximum for the year	(13,516,447)	13,516,447	(27,032,894)	27,032,894
Minimum for the year	(8,796,489)	8,796,489	(17,592,978)	17,592,978

(4) Financial Risk Management, continued

The table presented below summarizes the Bank's exposure to interest rate risks. The Bank's assets and liabilities are included in the table at their carrying values, classified per categories, depending on the new setting of the contractual rate or maturity dates, whichever occurs first.

2020	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:							
Cash and cash equivalents	20,587,457	0	0	0	0	0	20,587,457
Bank deposits	174,720,536	3,500,427	1,000,000	3,000,000	0	0	182,220,963
Securities at fair value through profit or loss	20,243,595	343,381	456,063	0	16,100	23,760,195	44,819,334
Debt instruments at fair value through comprehensive income	170,280,917	42,024,593	247,139,428	300,085,063	167,551,357	0	927,081,358
Debt instruments at amortized cost, net	4,135,084	459,402	27,617,193	0	49,157,043	0	81,368,722
Loans, net	2,153,681,951	204,837,124	183,011,357	33,751,391	599,507,983	0	3,174,789,806
Customers' liabilities under acceptances	0	194,237,832	0	0	0	0	194,237,832
Other accounts receivables	0	0	0	0	0	107,893,713	107,893,713
Total financial assets	2,543,649,540	445,402,759	459,224,041	336,836,454	816,232,483	131,653,908	4,732,999,185
Financial liabilities:							
Demand deposits	446,847,449	0	0	0	0	0	446,847,449
Savings deposits	384,127,180	0	0	0	0	0	384,127,180
Time deposits	470,512,964	1,006,915,759	577,325,213	162,483,799	3,121,010	0	2,220,358,745
Repurchase agreements	0	16,018,626	0	0	0	0	16,018,626
Borrowings received	221,080,156	119,883,137	118,012,094	123,830,873	0	0	582,806,260
Lease liabilities	6,073	0	12,162	0	17,663,353	0	17,681,588
Bonds payable	115,465,202	1,001,611	310,867,894	7,012,833	0	0	434,347,540
Negotiable commercial papers	5,507,685	58,870,230	0	0	0	0	64,377,915
Acceptances outstanding	0	194,237,832	0	0	0	0	194,237,832
Other accounts payables	0	0	0	0	0	30,100,178	30,100,178
Total financial liabilities	1,643,546,709	1,396,927,195	1,006,217,363	293,327,505	20,784,363	30,100,178	4,390,903,313
Total sensitivity to interest rate	865,184,835	(951,524,436)	(546,993,322)	43,508,949	795,448,120		

2019	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:							
Cash and cash equivalents	23,875,586	0	0	0	0	0	23,875,586
Bank deposits	222,591,567	4,650,000	4,000,000	0	0	0	231,241,567
Securities at fair value through profit or loss	24,593,468	1,164,140	0	0	21,965	33,446,688	59,226,261
Debt instruments at fair value through comprehensive income	105,986,627	22,490,417	125,245,741	76,038,448	218,024,143	0	547,785,376
Debt instruments at amortized cost, net	75,794,350	628,665	0	0	8,877,233	0	85,300,248
Loans, net	2,289,545,753	284,237,409	231,971,118	60,189,915	554,117,475	0	3,420,061,670
Customers' liabilities under acceptances	0	115,506,674	0	0	0	0	115,506,674
Other accounts receivables	0	0	0	0	0	143,712,740	143,712,740
Total financial assets	2,742,387,351	428,677,305	361,216,859	136,228,363	781,040,816	177,159,428	4,626,710,122
Financial liabilities:							
Demand deposits	362,035,023	0	0	0	0	0	362,035,023
Savings deposits	384,322,132	0	0	0	0	0	384,322,132
Time deposits	410,572,486	812,422,925	668,477,456	171,381,272	2,668,000	0	2,065,522,139
Repurchase agreements	0	15,093,230	16,000,000	0	0	0	31,093,230
Borrowings received	76,209,692	115,223,647	215,618,863	65,372,368	128,299,197	0	600,723,767
Lease liabilities							
Bonds payable	8,103,323	31,200,000	402,807,475	5,000,000	0	0	447,110,798
Negotiable commercial papers	4,583,511	50,515,000	0	0	0	0	55,098,511
Acceptances outstanding	0	115,506,674	0	0	0	0	115,506,674
Other accounts payables	0	0	0	0	0	26,633,642	26,633,642
Total financial liabilities	1,245,826,167	1,139,961,476	1,302,903,794	241,753,640	130,967,197	26,633,642	4,088,045,916
Total sensitivity to interest rate	1,496,561,184	(711,284,171)	(941,686,935)	(105,525,277)	650,073,619		

(4) Financial Risk Management, continued

- *Price Risk:*
  It refers to the risk that the value of a financial instrument fluctuates due to changes in market prices, notwithstanding if they are caused by specific factors related to particular instruments or their issuer, or by factors affecting all securities traded in the market.

  The Bank is exposed to the price risk of equity instruments classified as available for sale or as at fair value through profit or loss. To manage the price risk derived from investments in equity instruments, the Bank diversifies its portfolio based on established limits.

(d) Operational Risk and Business Continuity

The operational risk refers to the risk generated by losses caused by the lack or insufficiency of controls on processes, individuals and internal systems or by external events not related to credit, market and liquidity risks, such as those generated by legal and regulatory requirements and the behavior of corporate standards generally accepted.

The Operational Risk Management structure has been designed to provide a segregation of functions among the owners, executors, control areas and areas in charge of ensuring compliance with policies and procedures. In this sense, we have established an Operational Risk Management Model that includes the Business Continuity model, approved by the Risk Committee and ratified by the Board of Directors.

The Bank's Supporting and Business Units assume an active role in the identification, measurement, control and monitoring of operational risks and they are responsible for managing and administrating these risks during daily activities.

For the implementation of this risk management structure, which has been disseminated throughout the organization by the Operational Risk coordinators, who receive continuous training, the Bank has adopted a self-assessment method of functions and processes based on risks, identification of inherent risks, flowcharting of the process cycle and definition of mitigating controls; making timely follow-up on the execution of action plans defined by the areas. Management is supported by technology tools allowing it to document, quantify and monitor the risk alerts identified through risk alert matrices and the timely report of loss events or incidents. Additionally, the operating risk level of new products and/or services is also assessed.

(4) Financial Risk Management, continued

Likewise, the Bank, as member of the Financial System, in order to guarantee operations, and generate confidence, has implemented a Business Continuity Plan that defines the types of alerts to be considered for triggering action and executes an annual training plan in line with operating tests; such Plan is used along with other plans designed to address different events, such as the evacuation plan and the functional plans for the critical areas.

(e) Capital Management

The Bank's regulators, which are the Superintendency of Banks and the Superintendency of the Securities Market of Panama, require that the Bank maintain a total capital ratio measured based on the risk weighted average assets. The Bank complies with the regulatory capital requirements to which it is subject.

The Bank's policy is to maintain a strong capital base to leverage the future development of investment and credit business within the market, with adequate levels of capital return to shareholders and regulatory capital.

The Banking Law in Panama requires general license banks to maintain a minimum paid-in capital of B/.10,000,000, and an equity of at least 8% of its risk-weighted assets, including financial instruments off the consolidated statement of financial position. For these purposes, assets shall be considered net of their respective provisions or reserves and with the weights indicated by the rulings of the Superintendency of Banks.

(4) Financial Risk Management, continued

Based on Rules No. 1-2015 and its amendments and No. 3-2016, issued by the Superintendency of Banks of Panama, as of December 31, 2020 and December 31,2019, the Bank maintains a position of regulatory capital that is composed as follows for its financial subsidiaries:

	2020	**2019**
Ordinary Primary Capital		
Common Tier 1 Capital	183,645,893	183,645,893
Common shares	(152,873)	(5,606,927)
Excess paid in acquisition of non-controlling interests	149,912,670	244,411,807
Retained earnings	177,769	177,769
Declared capital reserves		
Gain (loss) on securities at fair value through other comprehensive income and others	1,023,990	(7,761,459)
Foreign currency translation effect	0	(23,202,499)
Less: Reserve cash flow hedge	(45,445)	(485,564)
Deferred tax – net operations and tax loss carryforward	(4,135,319)	0
Other intangibles assets	(3,052,004)	0
Total of Common Tier 1 Capital	327,374,680	391,179,020
Additional Tier 1 Capital		
Preferred shares	8,000,000	110,000,000
Total of Additional Tier 1 Capital	8,000,000	110,000,000
Dynamic provision	60,610,681	53,447,145
Total Regulatory Capital Funds	395,985,360	554,626,165
Total risk-weighted assets (Note 30)	2,690,931,405	3,020,616,712
Ratios:		
Capital Adecuacy Ratio	14.72%	18.36%
Common Tier 1 Capital Ratio	12.17%	12.95%
Tier 1 Capital Ratio	12.46%	16.59%
Leverage Ratio	7.30%	8.84%

(5) COVID – 19 Considerations

During the first half of 2020, the Coronavirus (COVID-19) spreaded throughout the world, causing the closure of production and supply chains and interrupting international trade, which is causing a global economic slowdown that is affecting various industries. The world authorities, including those of the countries where the Bank operates, have adopted, among other measures, the temporary closure of businesses and the mandatory preventive confinement of people in different areas, preventing employees, suppliers and customers from carrying out their normal activities.

During the second and third quarters of 2020, this situation has continued to be monitored on a daily basis by the Bank's management in order to assess the adverse effects that could be generated on the results of operations, financial position and liquidity of the Group's entities, and to take all appropriate measures to minimize the negative impacts that could arise from this situation during 2020

As of December 31, 2020, the Bank has not defaulted on principal or interest payments on its financial obligations. As a result of regulatory responses by regulatory agencies to mitigate the macroeconomic and financial impacts generated by the COVID-19 pandemic, contractual commitments associated with specific financial indicators that may be impacted by such implementations are monitored.

As of December 31, 2020, the following matters have been evaluated, which in some cases have had an impact on the Bank's financial statements and operations and which during the period subsequent to the date of these financial statements and up to the date of issuance of these financial statements, continue to be monitored by management to address their effects on the Bank's operations and those of its customers.

a) <u>Impairment of financial instruments - Loans and receivables, other accounts receivable and others</u>

Financial instruments that are within the scope of the expected credit loss (ECL) model of IFRS 9 (loans, trade and other receivables, debt instruments not measured at fair value through profit or loss, lease receivables, financial guarantees and loan commitments), have been evaluated considering the impacts that COVID-19 is having on ECL due to measures adopted by the government where the Bank operates.

The impacts that have been generated for the Bank's entities in relation to the impairment of financial instruments are based on the following aspects:

- Measurement of the ECL, due to changes in the allocation of credit risk of financial instruments, incorporating impact analysis by COVID and generating an impact on the provision, going from measurement for 12 months (stage 1) to measurement for the remaining life of the instrument (stages 2 and 3) for those in which it is determined that there was a significant increase in credit risk since its initial measurement.

(5) COVID – 19 Considerations, continued

- Credit risk, whose behavior has varied for the institutions according to the economic segments of their loan portfolios, increasing in the case of clients whose businesses have been negatively affected.

- The amount at risk (default exposure), taking into account that it has been observed that the affected debtors of some of the entities of the Company have stopped making payments or are taking more time than normal to pay, mainly within the framework of the relief schemes promulgated by different governments.

- The expected loss for those credits that are evaluated individually, resulting from the lower recovery of cash flows considering the impact caused by COVID-19.

- Macroeconomic aspects considered in the development of scenarios and models for the calculation of the provision, where some of the variables have been weakened in relation to the effects of COVID on the economy.

The calculation of expected credit losses for credit risk incorporated from the second quarter of 2020 updates on the forward-looking information projections, in line with the effects of the decisions that the government continues with reference to COVID-19, and considering the high level of uncertainty of these in terms of their intensity and duration. The projection information has been based on the best available information obtained, considering the different geographic areas in which the Bank operates, and taking into account the effects on the segments and portfolios of the different entities, which are exposed to different risks and situations.

Considering prospective information based on macroeconomic variables, the Group updated the scenarios used and the probabilities assigned to them at the end of December 31, 2020, with the effects shown in the following two tables

Macroeconomic variables used in the PCL calculation

		December 3,1 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Monthly Economic Activity Index	Upside	4.71%	4.73%	1.15%	3.04%	5.54%
	Base case	3.87%	4.12%	(0.38%)	1.08%	3.34%
	Downside	3.22%	2.98%	(1.20%)	0.27%	1.63%
Consumer Price Index	Upside	0.38%	(0.33%)	(1.03%)	(0.67%)	(0.58%)
	Base case	0.57%	0.01%	(0.51%)	(0.44%)	(0.16%)
	Downside	1.31%	0.77%	0.00%	(0.26%)	1.21%
Asset rate in Dollars	Upside	(0.05%)	0.25%	(1.43%)	(0.20%)	(0.16%)
	Base case	0.37%	0.65%	(0.79%)	0.00%	(0.02%)
	Downside	0.84%	1.11%	0.58%	0.53%	0.16%

As shown in the table above, the macroeconomic variables that presented the greatest variation, reflecting more adverse economic expectations in their projection, were a weakening of the GDP and an increase in the unemployment rate, compared to the assumptions used as of March 31, 2020 and December 2019.

(5) COVID – 19 Considerations, continued

Weighted average of probabilities assigned to scenarios before and after COVID-19

	Upside	Base case	Downside
At June 30, 2020	15%	70%	15%
At September 30,2020	5%	50%	45%
At December 31, 2020	10%	60%	30%

The Bank continues to monitor on an ongoing basis information that allows it to identify in a timely manner possible impacts to the PCE. The macroeconomic scenarios were adjusted to reflect the impacts of COVID-19 and the weights assigned to each scenario were recalibrated based on the expectations resulting from the information available to date, as well as updated historical information, assumptions related to the severity and duration of the pandemic, speed of recovery of the economy and their respective market consequences.

The balances of the allowance for expected credit losses as of March 31 and December 31 are detailed below:

	March 31, 2020	December 31. 2020	Variation
Total	55,535,716	49,845,110	(5,690,606)

The table above summarizes the total balance of the provision by portfolio for each quarter of 2020. Details of the movement of the provision, transfers between stages, the impact of model calibration, among others, are presented in note 9.

The allowance for loan losses expense as of March 31 and December 31 is as follows:

	March 31, 2020	December 31. 2020	Variation
Total	8,215,625	70,379,776	62,164,151

The table above summarizes the loan loss provision expense for each quarter to date in 2020. B/.70,379,776, which includes the effect of recognizing provisions by B/.34,119,592, as a result of the review of some corporate clients. This increase in provision is not related to COVID-19 issues.

(5) COVID – 19 Considerations, continued

b) Customer Relief

The actions taken or suggested by the governments of the countries where the Bank operates have prompted the generation of relief to clients (companies or individuals) between April and December 2020 in relation to loans or loan agreements in force, which have involved the renegotiation of their terms including, among others, the granting of grace periods, the deferral of installments, the extension of terms and the extension of credit installments. As of December 31, 2020, 36,252 cases have been processed, representing 45.09% of total active credit facilities. The following table summarizes the volume of reliefs granted by portfolio and their effects on the Bank's results:

	Commercial	**Personal, vehicles and credit cards**	**Mortgage**	**Microcredit**	**Leasing**
Amount of credits with relief granted	1,622	29,599	4,041	603	387
% de credit with relief / Total of credits	47.04%	44.39%	48.24%	60.18%	55.68%

c) Leases from the lessee's perspective

As of April 2020, renegotiations of the terms of their lease agreements have taken place between lessors and lessees, as a result of which lessors have granted lessees concessions of some kind with respect to lease payments.

Some of the Bank's entities that have leased assets have renegotiated the terms of their lease agreements as a consequence of the COVID-19 crisis. The Bank has considered, in its role as lessee, the proper accounting of these concessions by analyzing whether or not they correspond to modifications of the contract; this analysis resulted in the recognition of gains and/or losses in the statement of income and in the adjustment of lease liabilities, with the impacts shown in the following table:

Relief Mode	**Number of reliefs received**	**% Contracts with relief/Total contracts**	**Recognized effect on income**
Decrease in the monthly payment for a number of months	24	54.55%	151,803

(6) Use of Estimates and Judgements in the Application of Accounting Policies

In the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards, the Bank's management requires to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Actual results may differ from these estimates.

Estimates and decisions are reviewed on an ongoing basis and they are based on past experience and other factors, including the expectation of future events deemed reasonable under the circumstances.

(6) Use of Estimates and Judgements in the Application of Accounting Policies, continued

The Bank's management evaluates the selection, disclosure and application of critical accounting policies for the most uncertain estimates. The information related to the assumptions and estimates affecting the reported amounts of assets and liabilities during the following fiscal year and critical judgments in the selection and application of the accounting policies are detailed as follows:

(a) *Determination of Control Over Investees:*

Control indicators mentioned in Note 3 (a) are subject to management's judgment and may have a significant effect on the Bank's interests or participation in investment companies and separate vehicles.

- *Investment Entities and Separate Legal Vehicles*
  The Bank acts as an asset manager on behalf of third parties through investment companies and separate vehicles. When evaluating if the Bank controls those investment companies and vehicles, factors such as the following have been considered: the reach of its authority to make decisions on behalf of the investee, the rights maintained by third parties, the consideration vested in conformity with the compensation agreements and its exposure to return fluctuations. Accordingly, the Bank has concluded that it acts as investment agent for all cases; therefore, it does not consolidate these investment companies and separate vehicles.

(b) *Im*pairment losses on financial assets*:*

The Bank reviews its main financial assets such as cash and cash equivalents, assets at amortized cost and assets at fair value through comprehensive income to assess impairment based on the criteria established by the Comprehensive Risk Committee, which establishes reserves under the expected credit loss methodology. These are divided into reserves for 3 different stages, losses at 12 months, losses for the lifetime of the loan and credits at default. See Note 3 (d).

(c) *Fair Value of Derivatives Instruments:*

Fair value of financial instruments not quoted in active markets is determined by using valuation techniques. When the valuation techniques (for example, models) are used to determine the fair value, they are validated and periodically reviewed by qualified independent staff from the corresponding area that created them. Models are all evaluated and adjusted before use, and they are tailored to ensure that results show the current information and comparable market prices.

As possible, models only use observable information; however, factors such as credit risk (own and counterparty's risk), volatilities and correlations require management estimates. Changes in the assumptions as to these factors might affect the reported fair value of financial instruments.

(d) *Income Tax:*

The Bank is subject to income tax payment. Significant estimates are required to determine the provision for income taxes. There are several transactions and calculations for which the determination of what is the last tax figure is uncertain during the normal course of business. The Bank recognizes the obligations based on anticipated tax audits. Whenever the final tax result differs from the amounts initially determined, such differences shall have an effect on the provisions for income taxes and deferred taxes for the period in which the determination was made.

(7) Cash and Cash Equivalents

Cash and cash equivalents, for purposes of reconciliation with the consolidated statement of cash flows, are detailed as follows:

	2020	**2019**
Cash and cash equivalents	20,587,457	23,875,586
Demand deposits	52,667,241	98,718,192
Time deposits in banks for less than 90 days	109,536,181	132,420,941
Interest receivable from bank deposits of less than 90 days	4,236	11,143
Total Cash and cash equivalents in the interim consolidated statement of cash flows	182,795,115	226,375,863
Deposits in banks over 90 days, pledges and reserve for impairment	19,992,070	28,639,895
Interest receivable from bank deposits over 90 days	21,235	101,395
Cash and cash equivalents	202,808,420	255,117,153

(8) Investment in Securities

Investments in securities are detailed below:

Securities at fair value through profit or loss

As of December 31, 2020, the Bank maintains securities at fair value through profit or loss of B/.44,814,817 (2019: B/.59,221,342) and accrued interest receivable for B/.4,517 (2019: B/.4,919), and sales and redemptions of its securities for B/.7,487,356 (2019: B/.8,513,365), realizing a net gain of B/.1,219,565 (2019: B/.3,467,654), which include unrealized gains in securities at FVTPL for B/.930,056 (2019: B/.3,467,654). The realized gains amount to B/.289,509 (2019: B/.0).

Debt instruments at fair value with changes in other comprehensive income:

The fair value of the debt instruments at fair value through other comprehensive income is detailed as follows:

	2020	**2019**
Foreign corporate bonds	15,128,695	9,392,120
Corporate bonds and local fixed income funds	98,127,418	11,351,135
Bonds of the Republic of Panama	150,746,010	129,719,923
Bonds from other governments	84,250,172	11,985,663
Bonds from US Government and Agencies	574,661,907	381,870,357
	922,914,201	544,319,198
Accrued interest receivable	4,167,157	3,466,178
Total net	927,081,358	547,785,376

(8) Investment in Securities, continued

The Bank had sales, maturities and redemptions of debt instruments at fair value through comprehensive income for B/.2,235,731,030 (2019: B/.1,136,577,186) generating a net gain on sale for B/.16,135,161 (2019: net gain on sale for B/.6,464,948).

Securities with a face value of B/.21,000,000 (2019: B/.33,900,000) guarantee securities sold under repurchase agreements in the amount of B/.16,000,000 (2019: B/.31,000,000). See Note 12. Additionally, securities with a face value of B/.346,760,000 (2019: B/.261,077,000) guarantee borrowings received. See Note 13.

The allowance for expected credit losses related to debt instruments at fair value through other comprehensive income is detailed as follows:

	Stage 1	Stage 2	Total
Allowance for expected credit losses at December 31, 2019	70,973	555,968	626,941
Changes due to financial instruments recognized in the year	(52,056)	343,649	291,593
Origination or purchase of new financial assets	1,434,750	0	1,434,750
Allowance for expected credit losses at December 30, 2020	1,453,667	899,617	2,353,284

	Stage 1	Stage 2	Total
Allowance for expected credit losses at December 31, 2018	358,867	795,542	1,154,409
Changes due to financial instruments recognized in the year	(335,036)	(239,574)	(574,610)
Origination or purchase of new financial assets	47,142	0	47,142
Allowance for expected credit losses at December 31, 2019	70,973	555,968	626,941

Debt instruments at amortized cost

Debt instruments amortized cost are as follows:

	2020	2019
Corporate bonds and local fixed income funds	70,868,233	74,996,630
Bonds from other governments	10,056,482	11,145,744
Total	80,924,715	86,142,374
Accrued interest receivable	2,132,657	339,689
Allowance for expected credit losses	(1,688,650)	(1,181,815)
Net total	81,368,722	85,300,248

Securities with a face value B/.0 (2019: B/.3,000,000) guarantee borrowings received. See Note 13.

(8) Investment in Securities, continued

The allowance for expected credit losses related to debt instruments at amortized cost is detailed as follows:

	Stage 1	Stage 2	Total
Allowance for expected credit losses at December 31, 2019	417,118	764,697	1,181,815
Changes due to financial instruments recognized in the year	360,801	92,647	453,448
Originación o compra de nuevos activos financieros	53,509	0	53,509
Spin-off assets (Note 19)	(122)	0	(122)
Allowance of expected credit losses at December 31, 2020	831,306	857,344	1,688,650

	Stage 1	Stage 2	Total
Allowance for expected credit losses at January 1, 2018	270,391	909,754	1,180,145
Changes due to financial instruments recognized in the period	36,483	(941,142)	(904,659)
Origination or purchase of new financial assets	110,244	796,085	906,329
Allowance of expected credit losses at December 31, 2019	417,118	764,697	1,181,815

(9) Loans

The loan portfolio by product is detailed as follows:

	2020	2019
Commercial	808,863,979	906,685,463
Residential mortgage	718,078,794	732,888,787
Personal, vehicles and credit cards	591,693,992	671,961,298
Interim financing and construction	447,697,078	475,837,322
Agricultural	207,039,397	212,221,892
Pledged loan	158,792,723	200,030,121
Retirees	103,193,973	100,672,106
Industrial	60,780,752	89,696,040
Financial leases	15,775,417	22,033,658
Tourism and services	12,080,586	10,315,186
Factoring	3,683,917	9,997,117
Commercial mortgage	4,759,463	5,370,817
	3,132,440,071	3,437,709,807
Accrued interest receivable	92,505,789	39,459,363
Allowance for expected credit loss	(310,944)	(2,532,283)
Unearned discounted interest and commissions	(49,845,110)	(54,575,217)
	3,174,789,806	3,420,061,670

(9) Loans, continued

The movement in the allowance for expected credit losses on loans is detailed below:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at December 31, 2019	18,054,274	4,941,429	31,579,514	54,575,217
Transfer to expected credit losses during the next 12 months	265,145	(264,549)	(596)	0
Transfer to expected losses during lifetime	(19,305,876)	19,398,564	(92,688)	0
Transfer to financial instruments with credit impairment	(5,764,737)	(7,630,502)	13,395,239	0
Net effect of changes in the allowance for expected credit losses	24,725,330	13,057,643	42,451,850	80,234,823
Financial instruments that have been written-off during the year	(5,376,229)	(678,104)	(8,525,977)	(14,580,310)
Origination or purchase of new financial assets	2,618,201	1,147,782	959,280	4,725,263
Loans written-off	(3,253,642)	(6,895,422)	(60,319,263)	(70,468,327)
Recoveries	0	0	1,569,439	1,569,439
Spin-off of assets (Note 19)	(502,073)	(277,209)	(5,431,713)	(6,210,995)
Allowance for expected credit losses at December 31, 2020	11,460,393	22,799,632	15,585,085	49,845,110

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at December 31, 2018	14,590,328	2,167,211	28,057,379	44,814,918
Transfer to expected credit losses during the next 12 months	68,631	(49,567)	(19,064)	0
Transfer to expected losses during lifetime	(3,877,949)	4,007,222	(129,273)	0
Transfer to financial instruments with credit impairment	(11,409,783)	(10,129,449)	21,539,232	0
Net effect of changes in the allowance for expected credit losses	21,200,931	9,849,521	(6,873,385)	24,177,067
Financial instruments that have been written-off during the year	(6,804,331)	0	0	(6,804,331)
Origination or purchase of new financial assets	6,626,219	579,948	1,227,405	8,433,572
Loans written-off	(2,339,772)	(1,483,457)	(21,137,233)	(24,960,462)
Recoveries	0	0	8,914,453	8,914,453
Allowance for expected credit losses at December 31, 2019	18,054,274	4,941,429	31,579,514	54,575,217

The credit risk concentration for each stage is detailed below:

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Classification				
Levels 1-3 (Low Risk)	2,434,381,920	561,270,352	76,256,053	3,071,908,325
Level 4 (Watch list)	0	4,598,640	307,691	4,897,331
Level 5 (Sub-standard)	0	0	4,112,150	4,112,150
Level 6 (Doubtful)	0	0	1,976,024	1,976,024
Level 7 (Loss)	0	0	49,546,241	49,546,241
Total	2,434,381,920	565,859,992	132,198,159	3,132,440,071
Allowance	(11,460,393)	(22,799,632)	(15,585,085)	(49,845,110)
Total loan portfolio net of allowance for expected credit losses	2,422,921,527	543,060,360	116,613,074	3,082,594,961

(9) Loans, continued

2019	Stage 1	Stage 2	Stage 3	Total
Classification				
Levels 1-3 (Low Risk)	3,259,050,302	103,361,521	7,911,892	3,370,323,715
Level 4 (Watch list)	0	7,034,033	80,629	7,114,662
Level 5 (Sub-standard)	0	3,827,034	1,265,678	5,092,712
Level 6 (Doubtful)	0	12,519	1,026,391	1,038,910
Level 7 (Loss)	0	0	54,139,808	54,139,808
Total	3,259,050,302	114,235,107	64,424,398	3,437,709,807
Allowance	(18,054,274)	(4,941,429)	(31,579,514)	(54,575,217)
Total loan portfolio net of allowance for expected credit losses	3,240,996,028	109,293,678	32,844,884	3,383,134,590

The model used to determine the impairment losses of the loan portfolio is subject to periodic review of its segments and inputs to fine tune the calculations once the model matures.

The loan portfolio includes financial leases with the following maturities:

	2020	2019
Minimum payments up to 1 year	5,086,538	9,636,658
Minimum payments from 1 to 5 years	5,795,464	10,125,688
Payments over 5 years	4,893,415	2,271,312
Total of minimum payments	15,775,417	22,033,658
Plus: accrued interest receivable	405,927	93,285
	16,181,344	22,126,943
Less: unearned commissions	45,690	97,302
Net Investment in financial leases	16,227,034	22,029,641

The following table shows the total future minimum payments:

	2020	2019
Minimum payments up to 1 year	5,575,098	10,472,515
Minimum payments from 1 to 5 years	6,684,599	11,847,848
Payments over 5 years	5,904,931	3,485,047
Total of minimum payments	18,164,628	25,805,410
Plus: accrued interest receivable	405,927	93,285
Less: unearned discounted interest	2,389,211	3,771,752
Total financial leases, net of unearned discounted interest	16,181,344	22,126,943

During the month of July 2019, as part of the voluntary wind-down process, the subsidiary Banco Multibank, S.A. (now Latam Credit Colombia, S.A.) assigned loans to a Colombian company in the amount of B/.27,083,752 and financial liabilities for B/.20,178,378.

(10) Property, Furniture, Equipment and Improvements

Properties, furniture, equipment and improvements are summarized below:

2020

	Land and Buildings	Construction in Progress	Improvements	Right of use of Properties	Right of use of Equipment	Furniture	Office Equipment	Vehicles	Total
Cost									
At the beginning of the year	20,738,059	3,954,865	18,915,584	21,038,403	0	3,761,935	33,276,789	1,086,854	102,772,489
Spin-off of assets (note 19)	0	0	(13,818)	(563,750)	0	(760)	(1,581,816)	(28,015)	(2,188,159)
Reclassification (Note 11)	0	0	0	0	0	0	(2,671,252)	0	(2,671,252)
Reclassification (Note 11)	1,554,024	0	0	0	0	0	0	0	1,554,024
Purchases and additions	0	0	795,724	33,100	0	53,212	2,194,904	0	3,076,940
Sales and disposals	0	0	(79,260)	(56,973)	0	(205,803)	(2,465,835)	(344,630)	(3,152,501)
At the end of the year	22,292,083	3,954,865	19,618,230	20,450,780	0	3,608,584	28,752,790	714,209	99,391,541
Accumulated depreciation and amortization									
At the beginning of the year	227,579	0	9,547,262	2,451,712	0	2,525,596	20,932,608	812,069	36,496,826
Spin-off of assets (Note 19)	0	0	(6,909)	(365,103)	0	(749)	(17,564)	(14,739)	(405,064)
Expense for the year	35,098	0	1,046,497	2,129,747	0	296,907	2,687,122	69,916	6,265,287
Reclassification (Note 11)	0	0	0	0	0	0	(2,369,744)	0	(2,369,744)
Sales, disposals and adjustments	0	0	(75,232)	(56,973)	0	(191,752)	(497,062)	(232,915)	(1,053,934)
At the end of the year	262,677	0	10,511,618	4,159,383	0	2,630,002	20,735,360	634,331	38,933,371
Net balance	22,029,406	3,954,865	9,106,612	16,291,397	0	978,582	8,017,430	79,878	60,458,170

2019

	Land and Buildings	Construction in Progress	Improvements	Right of use of Properties	Right of use of Equipment	Furniture	Office Equipment	Vehicles	Total
Cost									
At the beginning of the year	19,470,814	0	20,410,148	0	0	3,897,900	31,993,022	1,156,224	76,928,108
Adoption of accounting standard	0	0	0	5,324,699	152,588	0	0	0	5,477,287
Purchases and additions	675,000	4,057,292	2,342,918	16,763,268	0	1,249	5,818,884	0	29,658,611
Reclassification	1,069,392	(102,427)	(966,965)	0	0	0	0	0	0
Sales and disposals	(477,147)	0	(2,870,517)	(1,049,564)	(152,588)	(137,214)	(4,535,117)	(69,370)	(9,291,517)
At the end of the year	20,738,059	3,954,865	18,915,584	21,038,403	0	3,761,935	33,276,789	1,086,854	102,772,489
Accumulated depreciation and amortization									
At the beginning of the year	205,442	0	11,130,310	0	0	2,308,730	22,132,348	749,267	36,526,097
Expense for the year	35,097	0	930,036	2,512,207	0	327,153	3,126,801	131,997	7,063,291
Impairment	110,000	0	0	0	0	0	164,188	0	274,188
Sales, disposals and adjustments	(122,960)	0	(2,513,084)	(60,495)	0	(110,287)	(4,490,729)	(69,195)	(7,366,750)
At the end of the year	227,579	0	9,547,262	2,451,712	0	2,525,596	20,932,608	812,069	36,496,826
Net balance	20,510,480	3,954,865	9,368,322	18,586,691	0	1,236,339	12,344,181	274,785	66,275,663

The following table summarizes the group of revalued assets as if they were still measured on a historical cost basis less accumulated depreciation:

	2020	2019
Land	15,585,547	15,585,547
Building and improvements	5,806,044	5,806,044
	21,391,591	21,391,591

(11) Other Assets

The detail of other assets is as follows:

	2020	**2019**
Accounts receivable, from related companies	59,090,975	73,227,228
Accounts receivable, net	45,569,509	68,011,651
Foreclosed assets, net	23,313,868	8,622,003
Prepaid taxes	12,178,578	4,789,148
Prepaid expenses	8,274,655	14,360,920
Reinsurers' share of unearned premiums (Note 18)	3,233,229	2,473,862
Intangible assets	3,052,004	0
Investment properties	2,439,059	2,388,166
Guarantee deposits	2,412,940	2,803,326
Otros	2,217,972	2,874,684
Total	161,782,789	179,550,987

As of December 31, 2020, he Bank received approval from the Superintendency of Banks to the use for its operation, a commercial premise previously acquired as a foreclosed asset for B/.1,554,024, which was later reclassified to land and property. (See Note 10).

The reconciliation of allowance for expected credit losses, is detailed below:

	Stage 1	
	2020	**2019**
Allowances for expected credit losses on December 31, 2019	849,334	638,257
Provisión llevada al gasto	9,179,282	252,057
Writte-offs and effect of exchange rate	(8,511,317)	(40,980)
Allowance for expected credit losses on December 31, 2020	1,517,299	849,334

(11) Other Assets, continued

The foreclosed assets availabe for sale are detailed as follows:

	2020	**2019**
Real estate - less than 1 year	1,311,189	3,475,667
Real estate – more than 1 year	5,596,487	3,928,203
Real estate - legal process	578,635	65,764
Non real estate property - less than 1 year	161,537	574,499
Non real estate - more than 1 year	15,744,652	300,104
Non real estate - legal process	220,909	283,690
Foreclosed assets, gross	23,613,409	8,627,927
Reserve for possible losses	(299,541)	(5,924)
Foreclosed assets, net	23,313,868	8,622,003

The change in the reserve for foreclosed assets is as follows:

	2020	**2019**
Balance at the beginning of the year	5,924	0
Provision recognized in profit or loss	403,155	55,651
Writte-off of foreclosed assets	(109,538)	(49,727)
Balance at the end of the year	299,541	5,924

The movement of intangible assets is as follows

	2020
Cost	
At the beginning of the year	0
Purchases and addition	3,955,751
Reclassification (Note 10)	2,671,252
At the end of the year	6,627,003
Accumulated depreciation	
At the beginning of the year	0
Reclassification (Note 10)	2,369,744
Expense for the year	1,205,255
At the end of the year	3,574,999
Net balance	3,052,004

(12) Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements amounted to B/.15,994,369 (2019: B/.31,000,000) and accrued interest payable for B/.24,257 (2019: B/.93,230) with maturities as of September 2021 (2019: September 2020 and 2021) and annual interest rates of 1.88% (2019: del 3.68% to 3.78%). Such securities are guaranteed with debt instruments at fair value through comprehensive income for B/.21,000,000 (2019: Such securities are guaranteed with debt instruments at fair value through comprehensive income for B/.33,900,000). See Note 8.

The Bank has not breached principal, interests and other contractual clauses.

(13) Borrowings Received

The terms and conditions of the borrowings received by the Bank are as follows:

Financial Obligation	Interest Rate	Maturity	2020	2019
Line of credit	1.43% to 3.58%	Several up to December 2020	0	185,435,218
Line of credit	0.44% to 3.0%	Several up to October 2021	107,445,157	19,966,043
Line of credit	1.94% to 3.25%	July 2022	171,429,066	195,748,859
Line of credit	2.10%	Several up to November 2023	105,000,000	40,000,000
Line of credit	5.31%	April 2024	12,308,183	25,808,038
Line of credit	1.33% to 5.92%	Several up to December 2025	171,504,738	109,533,395
Line of credit	3.56%	December 2028	12,297,851	0
			579,984,995	576,491,553
Accrued interest payable			2,821,265	4,687,103
			582,806,260	581,178,656

Borrowings for B/.232,500,000 (2019: B/.180,840,587) are guaranteed with debt instruments at fair value through comprehensive income and debt instruments at amortized cost for B/.346,760,000 y B/.0 (2019: B/.261,077,000 y B/.3,000,000), respectively. See Note 8.

As of December 31, 2020, the Bank has not defaulted on the payment of principal or interest of its financial obligations.

(14) Bonds Payable

The Bank has issued bonds payable, which are summarized in the table below:

Serie	Interest date	Due date	2020	2019
Corporate bonds – November 2017 issue	4.38%	November - 22	299,086,642	298,662,333
Corporate bonds – June 2017 issue (CHF 100MM)	2.00%	January - 21	113,202,575	103,145,142
Serie F- November 2015 issue	4.35%	November - 20	0	30,000,000
Serie L- February 2017 issue	4.19%	August - 20	0	1,200,000
Serie Q – March 2018 issue	3.25%	March - 20	0	1,000,000
Serie R – August 2018 issue	5.00%	August - 23	5,000,000	5,000,000
Serie S – December 2019 issue	3.63%	December - 21	1,000,000	1,000,000
Serie T – February 2020 issue	4.13%	February - 25	7,000,000	0
Serie U – July 2020 issue	3.75%	July-22	2,000,000	0
			427,289,217	440,007,475
Accrued interest payable			7,058,323	7,103,323
			434,347,540	447,110,798

(14) Bonds Payable, continued

The characteristics and guarantees for these issuances are described below:

December 2012 Issuance (pladed in 2015, 2017, 2018, 2019 and 2020)

Public offering of the Corporate Bond Revolving Program for a value of up to B/.150,000,000 divided into B/.100,000,000 of Revolving Corporate Class A Bonds and B/.50,000,000 of Revolving Corporate Class B Bonds, authorized by the Superintendency of the Securities Market of Panama, through SMV Resolution No.436-12 of December 27, 2012 and by the Panamanian Stock Exchange. During 2013, placements under this authorization were made in the months of June and September. In 2015 and 2016, additional placements of this issue were made.

Bonds are issued as nominative, revolving, registered, without coupons, and denominated in thousands of Balboas, in different series, with the maturity of Revolving Corporate Class A Bonds being determined by the "Issuer", whereas Corporate Class B Bonds will be issued for a 20-year term; however, after 15 years, they will be renewed automatically for additional 20-year terms each, from the date of maturity of the original 20-year term. Revolving Corporate Class A Bonds were issued during 2013, as Series A, B and C; during 2015; as Series D, E and F; during 2016 as Series G, H, I and J; during 2017 were issued as Series K, L, M, N and O; during 2018 were issued as Series Q and R; during 2019 were issued as Series S and during 2020 were issued as Series T and U.

The annual interest rate of such Bonds may be fixed or variable at the Bank's discretion. For fixed rates, Bonds will earn an interest rate determined by the Issuer. For variable rates, Bonds will earn an annual interest rate equal to 3-month LIBOR plus a spread determined by the Issuer based on market demand.

Corporate Bond Issuance of June 2017

During the month of June 2017, the Bank made a placement of corporate bonds in the Swiss market for CHF 100,000,000, with a coupon of 2.00% and a maturity date of January 2021. On January 2021, the Bank proceeded to honor its obligation.

Corporate Bond Issuance of November 2017

During the month of November 2017, the Bank placed a corporate bond under the structure of 144A Reg (S) in the United States of America with a nominal value of USD 300,000,000 and due date on November 9, 2022. Interest on the Bonds will be accumulated at a rate of 4.375% per annum and will be paid semiannually on May 2 and November 9 of each year, beginning May 9, 2018.

The Bank may redeem the Bonds at any time prior maturity, in whole or in a part, at a redemption price based on a "total premium, plus any accrued and unpaid interest on the principal amount of the Bonds to the redemption date. In case of certain changes in the applicable tax treatment related to the payments of the Bonds, the Bank can exchange the Bonds in full, but not in part, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if applicable but excluding the redemption date.

The Bank has not breached payment of principal, interests, and other contractual clauses.

(15) Negotiable Commercial Papers (NCPs)

Multibank, Inc. was authorized, according to Resolution No.405-17 of July 26, 2017 of the Superintendency of the Securities Market of Panama, to offer through a public offering, Negotiable Commercial Papers (NCPs) for a nominal value of up to B/. 200,000,000 and with a maturity of up to one year from the date of issue of each series. The NCPs will be issued in nominative certificates registered and without coupons, in denominations of one thousand dollars (US$ 1,000) or their multiples. The NCPs of each series will accrue a fixed rate or variable interest rate, which will be determined by the issuer before the Respective Offer Date. For each of the series, interest will be payable monthly on the fifteenth (15th) day of each month until their respective due date. The basis for calculating interest will be on calendar days/365 for each series. The nominal value of each NCPs will be paid by means of a single payment to capital, on their respective due date. NCPs cannot be subject to early redemption.

The details of the Negotiable Commercial Papers are summarized below:

Serie	Date of issue	Interest rate	Maturity	2020	2019
Serie AU	December 15, 20	2.75%	Dec-21	5,000,000	0
Serie AT	December 14, 20	2.75%	Dec-21	2,000,000	0
Serie AS	November 30, 20	2.75%	Nov-21	1,500,000	0
Serie AR	November 23, 20	2.75%	Nov-21	2,000,000	0
Serie AQ	October 26, 20	2.75%	Oct-21	2,688,000	0
Serie AP	October 14, 20	2.75%	Oct-21	2,000,000	0
Serie AO	October 08, 20	3.00%	Oct-21	25,000,000	0
Serie AN	October 02, 20	2.75%	Oct-21	2,250,000	0
Serie AM	September 29, 20	2.75%	Sep-21	4,800,000	0
Serie AL	September 22, 20	2.75%	Sep-21	1,500,000	0
Serie AK	August 31, 20	3.00%	Aug-21	1,200,000	0
Serie AJ	August 17, 20	3.00%	Oct-21	3,000,000	0
Serie AI	July 22, 20	3.25%	Jul-21	5,000,000	0
Serie AH	July 03, 20	3.25%	Jul-21	1,000,000	0
Serie AF	March 05, 20	3.00%	Mar-21	1,254,000	0
Serie AE	February 07, 20	3.00%	Feb-21	2,000,000	0
Serie AD	February 06, 20	3.00%	Feb-21	1,000,000	0
Serie AA	January 27, 20	3.00%	Jan-21	1,246,000	0
Serie Z	November 27, 19	2.75%	Aug-20	0	2,000,000
Serie Y	October 10, 19	3.00%	Oct-20	0	2,000,000
Serie X	October 08, 19	3.13%	Oct-20	0	25,000,000
Serie W	September 26, 19	2.75%	Mar-20	0	1,000,000
Serie V	September 26, 19	3.25%	Sep-20	0	1,000,000
Serie U	September 18, 19	3.25%	Sep-20	0	1,500,000
Serie T	August 30, 19	3.50%	Aug-20	0	2,000,000
Serie S	August 20, 19	3.50%	Aug-20	0	5,000,000
Serie R	August 14, 19	3.50%	Aug-20	0	5,000,000
Serie Q	July 30, 19	3.50%	Jul-20	0	925,000
Serie P	July 22, 19	3.50%	Jul-20	0	5,000,000
Serie O	May 30, 19	3.50%	May-20	0	1,090,000
Serie N	February 23, 19	3.50%	Mar-20	0	1,254,000
Serie M	July 22, 19	3.50%	Jul-20	0	1,000,000
Serie L	February 06, 19	3.50%	Feb-20	0	1,246,000
				64,438,000	55,015,000
Accrued interest payable				87,971	83,511
Deferred commissions				(148,056)	0
				64,377,915	55,098,511

The Bank has not breached payment of principal, interests, and other contractual clauses.

(16) Leases Liabilities

The leases liabilities are detailed below:

2020

	Interest rate	Due date	Carrying Value	Undiscounted cash flows
Leases liabilities	6.36%	Several from 2021 to 2033	17,681,588	26,939,567
			17,681,588	26,939,567

2019

	Interest rate	Due date	Carrying Value	Undiscounted cash flows
Leases liabilities	6.36%	Several from 2021 to 2033	19,545,111	29,874,063
			19,545,111	29,874,063

The following table shows the detail of the maturity of the contractual undiscounted cash flows, related to the leases liabilities:

	2020	2019
Up to 1 year	1,138,069	1,877,187
1 to 3 years	2,275,311	2,376,602
3 to 5 years	20,144,464	2,406,667
More than 5 years	3,381,723	23,213,607
Total lease payable for undiscounted leases	26,939,567	29,874,063

The following table shows items recognized in the income statement, related to leases liabilities:

	2020	2019
Lease interest	1,198,169	1,333,097
Short-term lease expense and low-value assets	3,496,652	3,373,834
	4,694,821	4,706,931

In relation to leases, as per IFRS 16, the Bank has recognized depreciation and interest expense, instead of operating lease expense. During the nine months ended December 31, 2020, the Bank recognized, B/.2,129,747 (2019: B/.2,512,207) of depreciation expenses and B/.1,198,169 (2019: B/.1,333,097) of interest expense from these leases. No depreciation is recognized for the right-of-use asset that meets the definition of investment property.

At December 31, 2020, within lease expenses of B/.3,496,652 (2019: B/.3,373,834), includes property rental expenses of B/.2,743,089 (2019: B/.2,730,701).

(17) Other Liabilities

The detail of other liabilities is as follows:

	2020	2019
Accounts payable	19,205,387	17,189,414
Provisions for insurance contracts, net	10,894,791	9,444,228
Other fringe benefits	2,166,904	3,674,685
Customers' deposits	1,665,377	1,692,877
Severance and indemnity payable	1,383,065	1,757,746
Deferred tax	326,975	204,075
Allowance for expected credit losses for irrevocable commitments and letters of credit	250,412	394,320
Income tax payable	150,118	0
Dividends payable (Note 19)	0	716,833
Others	6,469,301	34,415,954
Total	42,512,330	69,490,132

(18) Insurance Contract Provisions

At December 31, 2020, provisions for insurance contracts are presented net of provisions for insurance contracts.

	2020	2019
Provision for insurance contracts	10,894,791	10,733,673
Participation in reinsurance contracts	0	(1,289,445)
Total	10,894,791	9,444,228

(18) Insurance Contract Provisions, continued

The provisions relating to insurance contracts are detailed below:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
General Insurance Business						
Unearned premiums	4,934,760	(1,816,402)	3,118,358	6,571,127	(2,473,862)	4,097,265
Provision for claims in process						
General insurance policies	1,521,869	(465,507)	1,056,362	1,656,917	(47,954)	1,608,963
Personal insurance policies	3,052,690	(951,320)	2,101,370	1,528,733	(1,241,491)	287,242
Total allowance claims in process Provision for claims in process	4,574,559	(1,416,827)	3,157,732	3,185,650	(1,289,445)	1,896,205
Long-term business life						
Provisions for non-participating benefits	1,385,472	0	1,385,472	976,896	0	976,896
Total provision for insurance contracts	10,894,791	(3,233,229)	7,661,562	10,733,673	(3,763,307)	6,970,366

(19) Equity

	Number of shares	
	2020	2019
Common shares:		
Authorized shares without par value	50,000,000	50,000,000
Issued and paid-in-shares:		
Beginning of the year	16,862,753	16,862,753
Issued and paid during the year	0	0
Total issued and outstanding shares, at the end of the year	16,862,753	16,862,753

As of December 31, 2020, the Bank's subsidiaries maintain capitalizations of undistributed earnings of B/.17,892,633, therefore, these undistributed earnings are not available for dividend distributions.

As of December 31, 2019, the Bank's subsidiaries have made the capitalization of undistributed profits for B/.1,211,521; and in previous years for B/.16,681,112, accumulating a total of B/.17,892,633 therefore, these undistributed profits are not available for distributions.

The dividends declared and paid on common shares are detailed below:

	2019
Total declared dividends on common shares	4,553,300
Total dividends paid on common shares	5,944,121
Total dividends declared and pending payable on common shares	0

(19) Equity, continued

Preferred Shares

The Bank is authorized to issue 1,500,000 preferred shares with a nominal value of B/. 100 each. During 2020, the Bank has redeemed the amount of 1,020,000 preferred shares during the months of August, September and October. As of December 31, 2020, the number of preferred shares outstanding amounts to 80,000 (2019: 1,100,000).

The table below shows the current balances, terms and conditions of the different preferred share issues:

Multibank Inc.

Emissions	2020	2019	Dividends	Type	Serie
2007	0	20,000,000	8.00%	Not cumulative	A
2008	0	15,000,000	7.00%	Not cumulative	B
2008	0	3,270,000	7.50%	Not cumulative	C
2009	0	2,911,700	7.50%	Not cumulative	C
2010	0	3,818,300	7.50%	Not cumulative	C
2011	0	7,000,000	7.00%	Not cumulative	A
2011	0	6,323,700	6.70%	Not cumulative	B
2011	0	15,046,600	7.00%	Not cumulative	C
2014	0	3,676,300	6.70%	Not cumulative	B
2014	0	4,953,400	7.00%	Not cumulative	C
2014	0	11,269,700	6.70%	Not cumulative	D
2014	0	899,000	6.70%	Not cumulative	E
2014	0	1,101,000	6.70%	Not cumulative	E
2014	0	3,730,300	6.70%	Not cumulative	D
2015	0	1,000,000	6.70%	Not cumulative	E
2015	0	800,000	6.70%	Not cumulative	E
2015	0	1,200,000	6.70%	Not cumulative	E
2016	8,000,000	8,000,000	6.70%	Not cumulative	F
	8,000,000	110,000,000			

The Offering Memorandum (OM) of the public offerings provide for the following conditions:

- Non-cumulative preferred shares have no maturity dates. Multibank, Inc. may, at its entire discretion, partially or fully redeem shares after 3 years from issue, in accordance with the mechanism established in section 3.7, Chapter III, of the OM. Through SMV Resolution 444-17 dated August 16, 2017, the initial Offering Memorandum (OM) is modified to include a period of 5 years from the date of issue for its partial or total redemption; this period began from the date of the resolution. However, Ruling No. 5-2008 of October 1, 2008, issued by the Superintendency of Banks of Panama sets forth that redemptions should be authorized by the Superintendency.

- Dividends shall be paid as declared by the Board of Directors; however, they will not be cumulative.

(19) Equity, continued

- Dividends on preferred shares will be paid to the registered holder on a quarterly basis until redemption of the issue (4 times a year), until the issuer decides to redeem such preferred shares. The OM of the public offerings provide for the following: i) for the Series "A" issued under Resolution No.326-07 of December 20, 2007, the dates set for dividend payment are March 26, June 26, September 26, and December 26 of each year; ii) for the Series "B", "C" and "D" issued under Resolution No.255-08 of August 14, 2008, the dates set for dividend payment are January 5, April 5, July 5, and October 5 of each year, iii) and for Series "A", "B", "C", "E" and "F" issued under Resolution No.47-11 of the February 25, 2011, the dates set for dividend payment are February 28, May 28, August 28, and November 28 of each year.

- Declaration of dividends is the responsibility of the Board of Directors, by applying its best criteria to declare or not declare dividends. The Board of Directors is not legally or contractually bound to declare dividends.

- Multibank, Inc. cannot guarantee, and does not guarantee, dividend payments.

- Investments of preferred stockholders may be affected provided that Multibank, Inc. may not generate the profits or earnings required to declare dividends at the Board of Directors' discretion.

- Dividends on preferred shares will be net of any applicable tax in Multibank, Inc.

- Preferred shares are backed by the Bank's general creditworthiness and are entitled to preferred rights over common shares for payment of dividends declared.

During the months of August, September and October 2020, the preferred shares were redeemed, Series A, B, C and E corresponding to the Resolution No. 47-11 on February 25, 2011, Series A of Resolution No.326-07 on December 20, 2007 and Series B, C and D of Resolution 255-08 on August 14, 2008.

On July 15, the holders of the preferred shares are notified of the Bank's intention to redeem as follows: CNV Resolution No. 47-11 of Series A for B/.7,000,000, Series B for B/.10,000,000. Seria C for B/.20,000,000 and Series E for an amount of B/.5,000,000; all of the above with cutoff date August 28, 2020 and on CNV Resolution No. 326-07 of Series A for an amount of B/.20,000,000, with cut-off date September 26, 2020.

As of December 31, 2020, dividends on preferred shares were declared and paid for a total of B/.6,105,489 (2019: B/.7,228,000) and dividends declared and remain declared, but unpaid for B/.0 (2019: B/.716,833).

(19) Equity, continued

Surplus of Capital Stock:
The table below summarizes the balance of the Bank's excess capital paid in acquisition of non-controlling interests in the following subsidiaries:

Entity	Acquisition date	Acquired Interest	2020 Excess paid	2019
Banco Multibank, S. A	April 2011 (Spin off in April 2020)	30%	0	(5,454,054)
MB Credito, S. A.	April 2014	25%	(152,873)	(152,873)
			(152,873)	(5,606,927)

Spin off Assets, net
On April 15, the Bank carries out a spin off net assets, of the subsidiary Banco Multibank, S.A. The detail and items of the consolidated interim financial statement that were decreased by this transaction are shown below:

	April 15, 2020
Statement of Financial Position	
Deposits in banks	8,425,020
Securities at fair value through profit or loss	447,211
Debt instruments at amortized cost	100,198
Loans at amortized cost, net	
External sector	14,177,261
Accrued interest receivable	373,049
Allowance for expected credit losses	(6,210,995)
	8,339,315
Property, furniture, equipment and improvements, net	1,783,095
Other assets	1,705,846
	20,800,685
Borrowing received and accrued interés payable	105,734
Cashier's checks	4,220
Other liabilities	1,004,822
	1,114,776
Assets, net	19,685,909
Impact on equity accounts	
Excess paid-in capital	5,454,054
Dynamic provisions	(2,317,575)
Assets revaluation	122,569
Adjustment for foreign currency translation	24,605,870
Retained earnings	(47,550,827)
	(19,685,909)

(20) Net Gain on Securities and Valuation of Derivatives

Gains or losses on securities and valuation of derivatives are detailed as follows:

	2020	**2019**
Realized gain on sale of securities with changes in profit or loss	289,509	0
Unrealized gain on sales of securities with changes in profit or loss	930,056	3,467,654
Net gain on sale of the debt instruments at fair value through other comprehensive income	16,135,161	6,464,948
Unrealized gain (loss) transferred to profit or loss due to hedge accounting	2,145,539	1,945,820
Net loss on revaluation of derivative instruments	(2,000,003)	(1,908,467)
Gain (loss) net in cash flow hedge	41,798	(22,699)
Net gain (loss) on sale of other financial instruments	819,070	56,538
	18,361,130	10,003,794

(21) Salaries and Other Personnel Expenses

Salaries and other personnel expenses are detailed below:

	2020	**2019**
Salaries and other remunerations	31,635,588	37,710,400
Employment benefits	10,727,782	11,929,414
Severance	3,906,282	2,315,743
Others	2,239,605	3,298,145
	48,509,257	55,253,702

(22) Other Expenses

The other expenses included in the interim consolidated income statement are summarized below:

	2020	**2019**
Communications	2,782,789	1,551,017
Advertising and marketing	1,199,674	1,207,842
Transportation of valuable items	553,282	561,555
Insurance	531,188	538,910
Paper and office supplies	260,516	431,724
Transportation and mobilization	132,529	229,818
Travel and meetings	108,000	522,650
Others	4,476,699	620,755
	10,044,677	5,664,271

(23) Income Tax

The income tax returns of the Bank and its subsidiaries incorporated in the Republic of Panama, in accordance with current tax regulations, are subject to review by the tax authorities for up to the last three (3) years. The statute of standard limitations for tax reviews applicable to the income tax of the subsidiary incorporated in the Republic of Colombia, is three years (2018: up to two years), from the due date or date on which the tax return was filed. Income tax returns in which they use or incur losses will have a statute of limitations of six years (2018: up to five years). A statute of limitations of three additional years applies if losses are used in the last two years (2017: losses used in the fifth or sixth year). The income tax return prescription law for tax returns filed by tax payers subject to the transfer pricing regime will be six years starting from the date of filling. In accordance with the income tax law applicable to the subsidiary incorporated in the Republic of Costa Rica, annual income tax returns must be presented at December 31 of each year.

The fiscal authorities can review the tax returns for the years 2015, 2016, 2017, 2018 and 2019.

According to current tax regulations, the companies incorporated in Panama are exempt from the payment of income tax on profits from foreign operations, interest earned on time deposits in local banks, debt securities of the Government of Panama and the investments in securities registered in the Superintendency of the Securities Market, and traded through the Panamanian Stock Exchange

Legal entities in the Republic of Panama must calculate income taxes at the statutory rate of 25%. Additionally, entities with annual taxable income over one million five hundred thousand balboas (B/.1,500,000) must pay income tax on the greater of:

a. Net taxable income calculated by the traditional method, or
b. Net taxable income resulting from applying four point sixty-seven percent (4.67%) to the total taxable income.

Law No 52 of August 28, 2012 reestablished the advanced payment of estimated income taxes starting in September 2012. Pursuant to this Law, estimated income taxes must be paid in three equal installments, in June, September and December of each year

The Subsidiaries incorporated in the following jurisdictions are subject to income taxes in accordance with the tax legislation of each country:

Country	Statutory tax rate
Costa Rica	30%

(23) Income Tax, continued

Income tax expense is detailed as follows:

	2020	2019
Current tax:		
Estimated income tax	1,257,933	9,792,427
Prior period tax adjustments	(102,508)	(242,845)
Deferred tax:		
Origination and reversal of temporary differences	(9,504,988)	(3,514,752)
Total income tax expense	(8,349,563)	6,034,830

In addition, the deferred tax as of December 31, 2020 for B/.332,016 (2019: B/.204,075), corresponds to the depreciation expense from revaluation of property in 2014 and 2019, as well as the effect from changes in actuarial assessments. It was recognized in other comprehensive income for the period for B/.163,419 (2019: B/.3,202).

The reconciliation of net income before income tax and current income tax is as follows:

	2020	2019
(Loss) net income before income tax	(31,109,281)	54,534,590
Income tax applying the current rate (25%)	(7,777,320)	13,633,648
Effects of tax rates on operations in other jurisdictions and exchange rates	(6,116)	(198,704)
Foreign exempted and non-taxable income	(29,935,374)	(32,975,906)
Non-deductible costs and expenses	25,228,992	25,364,660
Tax loss carryforwards	4,140,255	211,132
Total income tax expense	(8,349,563)	6,034,830

The effective income tax rate is determined as follows:

	2020	2019
(Loss) income before income tax	(31,109,281)	54,534,590
Current tax (income) expense	(8,349,563)	6,034,830
Effective income tax rate	(26.84)%	11.07%

(23) Income Tax, continued

Deferred income tax asset and liability are detailed below:

	2020 Asset	2020 Liability	2020 Net	2019 Asset	2019 Liability	2019 Net
Cash and cash equivalents	1,987	0	1,987	2,526	0	2,526
Allowances for loan losses	16,800,317	0	16,800,317	12,205,174	0	12,205,174
Reserve for loyalty rewards points	128,400	0	128,400	0	0	0
Reserve for legal risk	69,080	0	69,080	0	0	0
Impairment of modified loans	549,300	0	549,300	0	0	0
Employee's benefit plan (changes in actuarial assessments)	35,470	0	35,478	0	0	0
Account receivables estimated in legal recovery	0	(67,580)	(67,580)	0	0	0
Difference in determination of tax effects of subsidiaries	0	(241,916)	(241,916)	0	0	0
Allowance for other accounts receivables	311,124	0	311,124	175,379	0	175,379
Properties revaluation	0	(367,494)	(367,494)	0	(204,075)	(204,075)
Miscellaneous provisions	112,071	0	112,071	0	0	0
Right-of-use lease contracts	4,500,383	(4,072,849)	427,534	251,500	0	251,500
Deferred investment property	0	(53,023)	(53,023)	0	0	0
Irrevocable commitments and letters of credit	62,603	0	62,603	98,580	0	98,580
Loss carryforward	4,138,250	0	4,138,250	0	0	0
Total	26,708,993	(4,802,862)	21,906,131	12,733,159	(204,075)	12,529,084
Compensation	(4,475,887)	4,475,887	0	0	0	0
	22,233,106	(326,975)	21,906,131	12,733,159	(204,075)	12,529,084

The reconciliation of the deferred income tax is as follows:

2020	Beginning Balance	Recognition in profit or loss	Recognition in other comprehensive income	Ending balance
Cash and cash equivalents	2,526	(539)	0	1,987
Allowances for loan losses	12,205,174	4,595,143	0	16,800,317
Reserve for loyalty rewards points	0	128,400	0	128,400
Reserve for legal risk	0	69,080	0	69,080
Impairment of modified loans	0	549,300	0	549,300
Employee's benefit plan (changes in actuarial assessment)	0	0	35,748	35,748
Account receivables estimated in legal recovery	0	(67,580)	0	(67,580)
Difference in determination of tax effects of subsidiaries	0	(241,916)	0	(241,916)
Allowance for other accounts receivables	175,379	135,745	0	311,124
Properties revaluations	(204,075)	1	(163,419)	(367,494)
Revaluation of miscellaneous provisions	0	112,071	0	112,071
Right-of-use assets	251,500	4,248,883	0	4,500,383
Right-of-use liabilities	0	(4,072,849)	0	(4,072,849)
Investment properties	0	(53,023)	0	(53,023)
Irrevocable commitments and letters of credit	98,580	(35,977)	0	(62,603)
Loss carryforward	0	4,138,250	0	4,138,250
Total	12,529,084	9,504,988	(127,941)	21,906,131

(23) Income Tax, continued

2019	Beginning Balance	Recognition in profit or loss	Recognition in other comprehensive income	Ending balance
Cash and cash equivalents	2,526	0	0	2,526
Allowances for loan losses	8,906,847	3,298,327	0	12,205,174
Allowance for other accounts receivables	187,195	(11,816)	0	175,379
Properties revaluations	(207,277)	0	3,202	(204,075)
Right-of- use property, furniture and equipment	0	251,500	0	251,500
Irrevocable commitments and letters of credit	121,839	(23,259)	0	98,580
Total	9,011,130	3,514,752	3,202	12,529,084

The recognition of deferred tax assets for B/.22,233,106 (2019: B/.12,733,159) is based on the Management's forecasted profit (which is based on the available evidence including historical level of profitability), which indicates that it is probable that the companies of the Bank will generate future taxable income against which these assets may be used.

Deferred taxes assets have not been recognized for B/.1,740,747 (2019: B/.7,492,390) from accumulated tax losses of B/.925,388 (2019: B/.22,647,643) and by portfolio reserve and other accounts receivable for B/.4,710,342, because there is not enough evidence that indicates that there will be sufficient future taxable income for the Bank to use the corresponding taxable benefits. These accumulated tax losses expire between 2021 y 2025.

The Bank had cumulative tax losses of B/.16,543,386 (2019: B/.22,648,743), incurred by companies incorporated in Panama for 2020 and Panama as in Colombia for 2019.

Tax loss carryforwards incurred by companies incorporated in Panama could be used for up to five years, up to 20% every year without exceeding 50% of taxable income.

These tax loss carryforwards are distributed as follows:

Year	Tax loss to be used per year in Panama
2021	3,311,246
2022	3,308,035
2023	3,308,035
2024	3,308,035
2025	3,308,035
	16,543,386

Tax loss carryforwards for B/.22,647,643 incurred by companies incorporated in Colombia could be used up to 5 year and others up to 12 subsequent years and without cap of amount per fiscal period. Losses generated by excess of presumptive income over ordinary income may be applied up to 5 subsequent years without cap of amount per year.

(23) Income Tax, continued

As indicated in Note 19 of the consolidated financial statements, on April 15, 2020, the Bank proceeded to spin off assets of its subsidiary Banco Multibank, S. A., (now Latam Credit Colombia, S.A.), for such reason, all the accumulated losses and any tax benefits were transferred to the new company.

(24) Commitments and Contingencies

Commitments:

The Bank has financial instruments with risk off the consolidated statement of financial position, which involve elements of credit and liquidity risks. Such financial instruments include letters of credit, guarantees issued, and promissory notes, which are described below:

	2020	2019
Letters of credit	7,137,714	5,593,064
Guarantees issued	115,496,041	139,178,787
Commitments letters	72,470,971	91,087,839
	195,104,726	235,859,690
Allowance for expected credit losses (Note 17)	(250,412)	(394,320)
	194,854,314	235,465,370

Letters of credit, guarantees issued, and promissory notes are exposed to credit losses in the event the customer fails to meet its payment obligations. Bank policies and procedures for approval of loan commitments, financial guarantees, and promissory notes are the same as those used to extend loans recorded in the consolidated statement of financial position.

Contingencies:

Guarantees issued have pre-established maturities and mostly expire without the need for any disbursements; therefore, they do not represent a significant liquidity risk.

As far as letter of credits is concerned, most of them are at sight with immediate payment.

Commitment letters are commitments by the Bank to make payments when certain conditions are met, with average maturity of six (6) months, and which are mainly used for further disbursement of mortgage and vehicle loans. The Bank does not anticipate any losses as a result of such transactions.

Regular legal proceedings against the Bank are in place in the amount of B/.35,924,289 (2019: B/.32,834,736). Bank's management and its legal counsel do not estimate any material adverse effect on the consolidated financial position, the consolidated results of operations or business of the Bank. For those cases, where there is a potential unfavorable outcome, the Bank maintains a reserve designated for these contingencies for B/.650,000 (2019: B/.708,523).

(24) Commitments and Contingencies, continued

The following table sets forth a maturity analysis of finance lease payments under IFRS 16, which shows undiscounted lease payments to be made after the reporting date:

Operating leases under IFRS 16:

	2020	**2019**
Up to 1 year	610,090	2,710,006
1 to 3 years	5,342,937	5,342,937
3 to 5 years	5,653,347	5,653,347
More than 5 years	11,657,712	11,657,712
Total Liabilities for undiscounted leases	23,264,686	25,364,002

Income from leasing contracts in which the Bank acts as lessor are as follows:

	2020	**2019**
Operating lease		
Lease income	316,560	263,556

(25) Investment Entities and Separate Legal Vehicles

The subsidiary Multi Trust, Inc. administered trust agreements at customers' risk and expense, amounting to B/.192,162,454 (2019: B/.207,723,290); from which collateralized trust agreements amount to B/.188,746,651 (2019: B/.204,307,487) and administration trust contracts amount to B/.3,415,803 (2019: B/.3,415,803).

The subsidiary Multi Securities, Inc. administered trust agreements at customers' risk and expense amounting to B/.347,931,555 (2019: B/.335,229,390).

The Bank maintains within its portfolio of administered trust agreements a total of B/.262,013,078 (2019: B/.244,470,776), corresponding to investments of the Board of Directors of the Savings & Capitalization Pension System for Public Sector Employees (SIACAP). The administration of SIACAP was awarded to the Multibank/Multi Securities Operating Venture, (The "Administrator") through Service Contract No. 008-2017 published in the Official Gazette No.28379 of October 4, 2017. Some important clauses of this Contract establish the following:

Operate as an investment manager of the resources of SIACAP members for a period of 5 years. Manage and invest the resources of affiliates according to Law No.27 of June 27, 1997 and Executive Decree No.32 of July 6, 1998. Deliver monthly investment reports to SIACAP.

As of December 31, 2020, the Administrator maintains a compliance bond in the amount of B/.2,750,000 (2019: B/.2,750,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

(26) Derivatives Financial Instruments

Fair value hedges of interest rate risk

As of December 31, 2020, the Bank uses interest rate swap agreements ("interest rate swaps") to mitigate the interest rate risk of financial assets and liabilities. Such agreements are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, where appropriate.

Following is a summary of the derivative instrument's contracts by maturity and accounting method:

2020 Type of instrument	Nominal Amount Over 1 year	Fair Value Assets	Liabilities
Interest rate swap	20,500,000	0	6,245,611

2019 Type of instrument	Nominal Amount Over 1 year	Fair Value Assets	Liabilities
Interest rate swap	20,500,000	0	4,245,608

On a monthly basis, changes in fair value are determined for hypothetical derivatives that simulate the primary hedged position considering only the interest rate risk compared to the changes in the valuation of the actual interest rate swap.

Both values are compared to determine their effectiveness in accordance with the 80-125% effectiveness rule provided for in the accounting standards for hedge accounting.

The Bank has measured the effects of the credit risk of its counterparties and its own credit risk to determine the fair value of its derivative financial instruments. Some of the contracts entered with counterparties include early termination clauses.

The Bank calculates credit risk adjustments incorporating inputs from credit default swaps.

Cash flow hedges of the Exchange rate risk

As of December 31, 2020, the Bank uses interest rate swap and cross currency swap agreements to reduce the risk of the exchange rate of financial liabilities. These contracts are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, as appropriate.

(26) Derivatives Financial Instruments, continued

The derivative instruments contracts by maturity and accounting method are summarized below:

2020 Type of instrument	Outstanding balance of notional value Over 3 years	Fair Value Assets	Fair Value Liabilities
Cross-currency swaps	CHF 100,000,000	9,583,501	0

2019 Type of instrument	Outstanding balance of notional value Over 3 years	Fair Value Assets	Fair Value Liabilities
Cross-currency swaps	CHF 100,000,000	0	758,534

Net investment hedge

At December 31, 2000, the Bank uses non-delivery forward contracts with maturities of one year, to reduce the risk of currency translation in a net investment made in one of its subsidiaries abroad. These contracts are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, as applicable. As of December 31, 2020, the Bank does not have net investment hedge.

The fair value of the derivative designated as net investment hedge is as follows:

2019 Accounting method	Nominal Amount 1 year	Fair Value Assets	Fair Value Liabilities
Foreign exchange forward	20,000,000	0	763,666

The derivatives financial instruments have been categorized in level 2 of the fair value hierarchy, as follows:

	2020	2019
Financial assets at fair value	9,583,501	0
Financial liabilities at fair value	(6,245,611)	(5,767,808)
Net	3,337,890	(5,767,808)

See description of levels in Note 29.

(26) Derivatives Financial Instruments, continued

The main valuation methods, hypotheses and variables used in estimating the fair value of derivatives are presented below:

Derivatives	Valuation Technique	Inputs used	Level
Over-the-Counter (OTC)	Discounted future cash flows	Yield curves Foreign currency rates Credit spread.	2

(27) Balances and Transactions with Related Parties

The consolidated statement of financial position and the consolidated statement of profit or loss include balances and transactions with related parties, which are summarized below:

	2020	
	Related companies	Shareholders, Directors and Key executives
Assets:		
Loans	3,102,417	1,952,470
Accrued interest receivable	295,957	542
Accounts receivable	59,090,975	0
Liabilities:		
Demand deposits	63,476,699	55,947
Savings deposits	5,327	1,797,775
Time deposits	169,630,000	652,001
Accrued interest payable	1,562,855	2,134
Interest earned on:		
Loans	190,571	62,214
Interest expenses:		
Deposits	1,806,604	24,078
General and administration expenses:		
Allowance	0	418,033
Salaries and other benefits	0	5,356,394
Rental	1,749,522	0

(27) Balances and Transactions with Related Parties, continued

	2019	
	Related companies	Shareholders, Directors and Key executives
Assets:		
Loans	38,232,958	5,597,040
Accrued interest receivable	441,086	7,232
Accounts receivable	73,227,228	
Debt instruments at amortized cost	16,000,000	0
Accrued interest receivable	15,111	0
Allowance for expected credit losses on debt instruments at amortized cost	(49,852)	0
Liabilities:		
Demand deposits	4,529,907	54,313
Savings deposits	1,438,153	1,402,975
Time deposits	15,942,110	3,979,689
Accrued interest payable	354,719	32,808
Commitments and contingencies:		
Financial Guarantees issued	0	296,209
Interest earned on:		
Loans	2,050,090	171,564
Debt instruments at amortized cost	1,360,000	0
Interest expenses:		
Deposits	679,720	195,062
General and administration expenses:		
Allowance	0	387,839
Salaries and other benefits	0	4,811,851
Rental	2,269,939	0

Loans granted to related parties have various maturities from May 2021 through July 2048 (2019: from January 2019 through July 2048) and bear annual interest rates ranging from 2.75% and 19.00% (2019: 2.25% and 24.50%).

These loans are backed with cash collateral amounting to B/.60,103 (2019: B/.8,308,265), guaranteed by real estate collateral for B/.2,754,550 (2019: B/.83,291,428) other assets pledged for B/.0 (2019: B/.366,138) and cash guarantees by B/.0 (2019: B/.57,099).

During the months of November and December 2020, the Bank partially sold its portfolio at carrying value to the related parties of BAC International Bank, Inc. and Banco BAC San José, S.A. (Costa Rica) in the amounts of B/.2,754,087 and B/.68,996,643, respectively.

(27) Balances and Transactions with Related Parties, continued

At December 31, 2019 debt instruments at amortized cost (acquired from related parties have a tenor of ten (10) years from the date of the offer on November 15, 2017 and accrue an annual interest rate of Libor 6 months plus a spread of 5.50%. In no case, will the interest rate be lower than 8.50%. These securities are 100% guaranteed with the properties acquired with the money received, which have been placed in a Guarantee Trust. Additionally, in May 2020, the Bank recognized a reserve on accounts receivable with related companies of approximately B/.8 million, as a result of the review of the collateral of these accounts receivable, which were collected for the net reserve balance on the same date.

The terms of transactions with related parties are substantially similar to those with third parties unrelated to the Bank.

(28) Operating Segments

Composition of the Operating Segments are as follows:

2020	Financial Services	Fund Management	Insurance	Eliminations	Total Consolidated
Interest income and commissions	244,027,408	119,351	682,647	0	244,829,406
Interest expenses	143,010,469	0	0	(87,112)	142,923,357
Other income, net	23,221,703	2,779,144	8,350,482	293,165	34,644,494
Provisions for impairment of financial assets	81,716,018	3,560	70,623	0	81,790,201
General and administrative expenses	80,074,806	1,637,329	4,155,907	1,581	85,869,623
Net loss before income tax	(37,552,182)	1,257,606	4,806,599	378,696	(31,109,281)
Total assets	4,863,054,903	6,376,792	46,950,528	(37,219,185)	4,879,163,038
Total liabilities	4,414,361,509	613,253	15,577,121	19,918,629	4,450,470,512

2019	Financial Services	Fund Management	Insurance	Eliminations	Total Consolidated
Interest income and commissions	272,434,927	157,997	744,878	0	273,337,802
Interest expenses	144,840,456	863	0	(58,218)	144,783,101
Other income, net	29,485,355	2,085,369	12,122,418	223,449	43,916,591
Provisions for impairment of financial assets	25,317,113	1,688	6,863	0	25,325,664
General and administrative expenses	87,222,605	1,440,440	4,183,476	(235,483)	92,611,038
Net loss before income tax	44,540,108	800,375	8,676,957	517,150	54,534,590
Total assets	4,700,830,074	5,194,484	43,548,272	(8,015,639)	4,741,557,191
Total liabilities	4,124,604,467	428,842	15,711,350	22,672,782	4,163,417,441

(29) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market prices or traders' price quotes. For all other financial instruments, the Bank determines their fair value using other valuation techniques.

For financial instruments, not regularly traded and with limited availability of price information, fair value is less objective, and its determination requires varying degrees of judgment, depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(29) Fair Value of Financial Instruments, continued

The Bank measures fair value using the following levels of hierarchy, which reflect the relevance of the inputs used for measurement:

- Level 1: quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the Bank can access in the measurement date.

- Level 2: Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e., determined based on prices). This category includes instruments valued using prices quoted in active markets for similar instruments, quoted prices for identical or similar instruments in non-active markets, and other valuation techniques where significant inputs are directly or indirectly observable in a market.

- Level 3: This category includes all instruments where the valuation techniques include unobservable inputs with significant effect on fair value measurement. This category includes instruments valued per quoted prices for similar instruments where significant non-observable assumptions or adjustments reflect differences between the instruments.

Other valuation techniques include net present value and discounted cash flow models, comparisons to similar instruments for which observable market prices are available, and other valuation models. Inputs and assumptions used in the valuation techniques include risk-free benchmark rates, credit spreads, and other assumptions used to determine discount rates.

The main purpose of applying a valuation technique is to determine the price at which an orderly transaction would be performed to sell the asset or transfer the liability between market participants at the measurement date under current market conditions.

The fair values and carrying amounts of financial assets and liabilities are as follows:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Time deposits	129,553,722	129,553,722	132,523,375	132,523,375
Derivatives financial instruments	9,583,501	9,583,501	0	0
Securities at fair value through profit or loss	44,819,334	44,819,334	59,226,261	59,226,261
Debt instruments at fair value through other comprehensive income	927,081,358	927,081,358	547,785,376	547,785,376
Debt instruments at amortized cost, net	81,368,722	79,114,388	85,300,248	85,701,417
Loans, net	3,174,789,806	3,234,520,970	3,420,061,670	3,433,558,692
	4,367,196,443	4,424,673,273	4,244,896,930	4,258,795,121

(29) Fair Value of Financial Instruments, continued

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Time deposits	2,220,358,745	2,406,650,864	2,063,536,718	2,091,587,041
Repurchase agreements	16,018,626	16,004,804	31,093,230	31,579,977
Borrowings received	582,806,260	593,886,560	607,442,087	618,953,693
Lease payable	17,681,588	23,738,951	19,545,111	19,545,111
Bonds payable	434,347,540	444,891,466	447,110,798	454,697,870
Negotiable commercial papers	64,377,915	64,377,915	55,098,511	55,098,511
Derivatives liabilities	6,245,611	6,245,611	5,767,808	5,767,808
	3,341,836,285	3,555,796,171	3,205,316,253	3,257,684,900

It is not necessary to disclose information about short–term financial instruments, for which book value approximates fair value.

The table below analyzes the financial instruments measured at fair value on a recurring basis. These instruments are classified at different levels of the fair value hierarchy based on the inputs and valuation techniques used.

2020	Level 1	Level 2	Level 3	Total
Assets:				
Debt Instruments at FVOCI and Instruments at FVTPL				
Foreign common shares	0	0	24,228	24,228
Local shares and fixed income funds	0	442,481	24,860,939	25,303,420
Foreign corporate bonds	10,087,720	5,057,075	0	15,144,795
Local corporate bonds and fixed income funds	21,450,276	72,127,019	24,021,191	117,598,486
Bonds of the Republic of Panama	0	150,746,010	0	150,746,010
Other governments' bonds	0	84,250,172	0	84,250,172
Bonds of US Government and Agencies	499,914,426	74,747,481	0	574,661,907
Derivative financial instruments	0	9,583,501	0	9,583,501
	531,452,422	396,953,739	48,906,358	977,312,519
Accrued interest receivable				4,171,674
Total debt instruments at FVOCI and Instruments at FVTPL and derivative financial instruments for hedging at FVTPL				981,484,193
Liabilities:				
Liability derivative financial instruments to hedge FVTPL:	0	6,245,611	0	6,245,611

2019	Level 1	Level 2	Level 3	Total
Asssets:				
Debt Instruments at FVOCI and Instruments at FVTPL				
Foreign common shares	0	0	44,195	44,195
Local shares and fixed income funds	0	0	59,177,147	59,177,147
Foreign corporate bonds	0	9,392,120	0	9,392,120
Local corporate bonds and fixed income funds	0	4,013,520	7,337,615	11,351,135
Bonds of the Republic of Panama	0	87,966,970	41,752,952	129,719,922
Other governments' bonds	0	11,985,663	0	11,985,663
Bonds of US Government and Agencies	48,588,828	215,723,215	117,558,314	381,870,357
	48,588,828	329,081,488	225,870,223	603,540,539
Accrued interest receivable				3,471,098
Total debt instruments at FVOCI and Instruments at FVTPL				607,011,637
Liabilities:				
Liability derivative financial instruments to hedge FVTPL:	0	5,767,808	0	5,767,808

(29) Fair Value of Financial Instruments, continued

During 2020, there were transfers from Level 1 to Level 2, as a result of the low trading of certain financial instruments held by the Bank.

During 2020, there were instruments reclassified from Level 2 to Level 1.

Following is the reconciliation of the opening balances to the closing balances of the financial instruments measured at fair value on a recurring basis, classified as Level 3:

	2020	**2019**
Balance at the beginning of the year	225,870,223	230,512,667
Sales and redemptions	(41,752,952)	(39,503,499)
Changes in fair value	(34,316,208)	(2,017,315)
Category reclassifications	(100,894,705)	36,878,370
Balance at the end of the year	48,906,358	225,870,223

The valuation techniques and significant inputs used in the recurring fair value measurements of financial instruments are described in the table below:

Financial Instrument	**Valuation technique and inputs used**	**Level**
Corporate bonds and bonds of the Republic of Panama.	Discounted cash flows using a discount rate composed of the risk-free rate, an issuer's risk spread, and a liquidity spread, for an instrument with similar remaining maturity.	2 and 3
Shares and Bonds of US Government and Agencies.	Quoted prices for identical instruments in non-active markets.	2 and 3
Mutual Funds	Net Asset Value.	2

The following table describes the valuation techniques and the significant unobservable input data used in recurring fair value measurements classified within Level 3:

Financial Instrument	**Valuation technique**	**Significant non-observable inputs**	**Range (Weighted Average)**	**Sensitivity of the fair value measurement to significant unobservable inputs**
Corporate bonds	Discount cash flows	Discounted cash flows at a rate adjusted to the credit and liquidity risk of each instrument.	3.07% - 5.93%	An increase or (decrease) in the unobservable input alone would lead to lower (higher) fair value measurement.
Negotiable certificates of participation / Negotiable certificates corresponding to the second installment of the XIII-month salary	Discounted cash flows	Discounted cash flows at a rate adjusted to the liquidity risk of each instrument.	3.15% 6.09%	An increase or (decrease) in the unobservable input alone would lead to lower (higher) fair value measurement.

(29) Fair Value of Financial Instruments, continued

The Bank's management believes that changing any unobservable input data listed in the table above to reflect reasonable and potential alternative assumptions would not result in significant changes in the estimated fair value.

The Bank has determined that the net carrying amount of collateral represents the fair value at the reporting date.

The Bank's Board of Directors has decided to outsource pricing services to estimate the fair value of the financial assets measured at recurring and non-recurring fair value classified in the Level 3 of the fair value hierarchy.

For those measurements, the Bank has defined a control framework, which includes a review by an independent unit which reports directly to the ALCO Committee and the Risk Committee. This independent unit is responsible for fair value measurements and for the regular review of significant unobservable inputs and adjustments to such valuations by third parties, and for ensuring that they have been developed according to the requirements of International Financial Reporting Standards. Such review includes assessing and documenting the evidence obtained from these third parties that support the valuation techniques and the level of fair value hierarchy in which they were classified. All differences greater than (5%) in valuation compared to our internal models are validated with suppliers to understand the variables used in the period evaluated.

(29) Fair Value of Financial Instruments, continued

In the table below, we have analyzed the fair values of financial instruments not measured at fair value. These instruments are classified into different levels of fair value hierarchy based on the inputs and valuation techniques used.

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Time deposits	0	0	129,553,722	129,553,722
Debt instruments at amortized cost	0	0	79,114,388	79,114,388
Loans, net	0	0	3,234,520,970	3,234,520,970
	0	0	3,443,189,080	3,443,189,080
Liabilities:				
Time deposits	0	0	2,406,650,864	2,406,650,864
Repurchase agreements	0	0	16,004,804	16,004,804
Borrowings received	0	0	593,886,560	593,886,560
Lease payable			23,738,951	23,738,951
Bonds payable	0	0	444,891,466	444,891,466
Negotiable commercial Papers	0	0	64,377,915	64,377,915
	0	0	3,549,550,560	3,549,550,560

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Time deposits	0	0	132,523,375	132,523,375
Debt instruments at amortized cost	0	0	85,701,417	85,701,417
Loans, net	0	0	3,433,558,692	3,433,558,692
	0	0	3,651,783,484	3,651,783,484
Liabilities:				
Time deposits	0	0	2,091,587,041	2,091,587,041
Repurchase agreements	0	0	31,579,977	31,579,977
Borrowings received	0	0	612,235,373	612,235,373
Lease payable			19,545,111	19,545,111
Bonds payable	0	0	454,697,870	454,697,870
Negotiable commercial Papers	0	0	55,098,511	55,098,511
	0	0	3,245,198,772	3,245,198,772

(29) Fair Value of Financial Instruments, continued

The valuation techniques and significant inputs used for financial assets and liabilities not measured at fair value, classified in the fair value hierarchy as Level 2 and 3, are described in the table below:

Financial Instrument	Valuation technique and inputs used
Debt securities at amortized cost	Discounted cash flows using a discount rate composed of the risk-free rate, an issuer's risk spread, and a liquidity spread, for an instrument with a similar remaining maturity.
Loans	The fair value of loans represents the discounted amount of estimated future cash flows to be received. Estimated cash flows are discounted at current market rates to determine their fair value.
Time deposits, customers' time deposits, securities sold under repurchase agreements, borrowings received, and bonds payable	Discounted cash flows using current interest rates for financing of new obligations with similar remaining maturities.

(30) Main Applicable Laws and Regulations

Laws and Regulation

(a) *Banking Law in the Republic of Panama*

Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, pursuant to the regulations established in Executive Decree No.52 of April 30, 2008, which adopted the sole text of Decree-Law 9 of February 26, 1998, as amended by Decree-Law No.2 of February 22, 2008 that incorporates the banking system in Panama and the Superintendency of Banks and its regulations.

For purposes of compliance with the regulatory standards issued by the Superintendency of Banks of Panama, the Bank must prepare an estimate of the regulatory credit reserve. If the regulatory calculation is greater than the corresponding estimate determined under IFRS, the excess reserve is recognized in a regulatory equity reserve.

Regulation in the Republic of Colombia

Operations of the Colombian subsidiary are regulated by the Financial Superintendence of Colombia, by means of Law 510 of 1999, which provides for the regulations of the financial system.

Law of the Republic of Costa Rica

A capital reserve must be created in compliance with article 143 of the Commerce Code of Costa Rica, which requires allocation of 5% of liquid earnings of each business year, for constitution of a capital reserve, until this reserve becomes equivalent to 20% of the paid-in capital of each individual company.

(30) Main Applicable Laws and Regulations, continued

(b) Financial Companies Law

Financial companies in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.42 of July 23, 2001.

(c) Law for Finance Leases

Leasing operations in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.7 of July 10, 1990.

(d) Insurance and Reinsurance Laws

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

Insurance Reserve

Reserves for legal and catastrophic risks and/or contingencies and a provision for statistical deviations must be established in accordance with Article 213 of the Insurance Law of the Republic of Panama, which establishes that insurers in Panama are required constitute and maintain in the country, a reserve fund equivalent to 20% of its net earnings before income tax, until the fund reaches two million dollars (B/.2,000,000) and, thereafter, 10% until reaching 50% of paid – in capital.

(e) Securities Law

Broker-dealer operations in Panama are regulated by the Superintendency of the Securities Market pursuant to the regulations established by Decree-Law No.1 of July 8, 1999, as amended by Law No. 67 of September 1, 2011.

The operations of brokerage houses are currently in the process of being adapted to the Rule No. 4-2011, as amended in certain provisions by Rule No. 8-2013, issued by the Superintendency of the Securities Market, which provides that brokerage houses must comply with the capital adequacy rules and its models.

(f) Trust Law

Trust operations are regulated in Panama by the Superintendency of Banks of Panama pursuant to the regulations established by Law No.1 of January 5, 1984, modified and partially rescinded by Law 21 of 2017, which establishes the standards for regulation and supervisory of the fiduciary and the trust business.

(30) Main Applicable Laws and Regulations, continued

(g) Foreclosed Assets

Based on Rule No. 3-2009, for regulatory purposes, the Superintendency of Banks of Panama sets a term of five (5) years, effective the date of registration before the Public Registry, to sell the real estate acquired in compensation of past due loans. If after that term the Bank has not sold the foreclosed property, it shall conduct an independent appraisal to determine if its value has decreased by applying, in such case, the provisions of IFRS.

Likewise, the Bank shall create an equity reserve, through the appropriation in the following order of a) retained earnings; b) profits for the period, to which the following value of the foreclosed asset will be transferred:

First year:	10%
Second year:	20%
Third year:	35%
Fourth year:	15%
Fifth year:	10%

The afore mentioned reserve shall be maintained until the acquired asset is transferred, and it shall not be considered a regulatory reserve for purposes of calculating the capital adequacy ratio.

The Bank maintains a regulatory reserve for B/.2,219,771 (2019: B/.2,027,277) under Rule No.3-2009.

Regulations issued by the Superintendency of Banks effective since 2014:

General Resolution of the Board of Directors SBP-GJD-003-2013 dated July 9, 2013, establishes the accounting treatment for differences arising between regulatory standards issued by the Superintendency of Banks and International Financial Reporting Standards so that 1) the accounting records and financial statements be prepared in conformity with IFRS as required by Rule No. 6-2012 dated December 18, 2012, and 2) in the event that the calculation of a provision or reserve in conformity with regulatory standards applicable to banks presenting specific accounting aspects in addition to those required by IFRS, results to be higher than the corresponding calculation as per IFRS, the excess of the provision or reserve under regulatory standards shall be recognized in an equity reserve.

Upon prior authorization by the Superintendency of Banks, banks shall be able to partially or totally reverse the provision established, after submitting due justification to the Superintendency of Banks.

(30) Main Applicable Laws and Regulations, continued

Rule No. 4-2013 dated May 28, 2013 sets forth the provisions for credit risk management and administration inherent to the loan portfolio and off-balance sheet operations, including general classification criteria for credit facilities in order to determine the specific and dynamic provisions to cover the Bank's credit risk. Additionally, this Ruling establishes certain minimum required disclosures, in line with IFRS disclosure requirements about credit risk management and administration.

Specific Provisions

Rule No.4-2013, modified by the Rule No. 8-2014, sets forth that specific provisions are generated by any objective and concrete evidence of impairment. These provisions shall be recorded for credit facilities classified in the following risk categories: special-mention, substandard, doubtful or loss, both for individual and groups of credit facilities.

As a minimum, banks shall calculate and maintain the amount of the specific provisions determined through the methodology explained in this rule, which takes into consideration the balance owed by each credit facility classified in any of the categories subjected to provision, mentioned in the preceding paragraph; the present value of each collateral available to mitigate risk, as established by type of collateral, and a table of estimates applied to the net balance of credit facilities exposed to credit losses.

In case of an excess in the specific provision, calculated in conformity with this Rule, over the provision calculated in conformity with IFRS; such excess shall be accounted for in a regulatory reserve within equity, increasing or decreasing, through allocations from or to retained earnings. The balance of the regulatory reserve shall not be considered as capital funds for purposes of calculating certain ratios mentioned in this Rule.

The table below summarizes the classification on the loan portfolio of the Bank based on Rule No. 4--2013:

	2020		2019	
	Loans	Reserves	Loans	Reserves
Normal	2,701,665,009	0	3,005,517,416	4,411
Special mention	285,457,500	19,763,746	283,223,573	21,861,222
Substandard	70,522,048	7,692,527	64,876,888	8,057,578
Doubtful	22,037,799	6,151,169	26,072,459	6,498,349
Loss	52,757,715	17,771,022	58,019,471	30,260,784
Gross amount	3,132,440,071	51,378,464	3,437,709,807	66,682,344

With the issuance of Rule No. 9-2020, a new temporary sub-category arises which is widely detailed in the section *Modified special mention category loans.*

(30) Main Applicable Laws and Regulations, continued

The Bank has made the classification of the irrevocable off-balance sheet operations and has estimated reserves based on Rule No. 4-2013 issued by the Superintendency of Banks of Panama, as shown below:

2020	Letter of credit	Reserves	Guarantees received	Reserves
Normal	7,008,176	0	114,536,041	0
Special mention	129,538	0	500,000	0
Substandard	0	0	10,000	0
Loss	0	0	450,000	450,000
Total	7,137,714	0	115,496,041	450,000

2019	Letter of credit	Reserves	Guarantees received	Reserves
Normal	5,593,064	0	137,563,787	0
Special mention	0	0	1,165,000	0
Loss	0	0	450,000	450,000
Total	5,593,064	0	139,178,787	450,000

As of December 31, 2019, Multibank Inc. and Subsidiaries, for regulatory purposes, has the policy of classifying loans under non-accrual status when principal or interest are overdue by more than ninety days, unless in the opinion of management, based on the assessment of the financial condition of the borrower, collateral or other factors, the total collection of principal and interest will be probable. As of December 31, 2020, interest is recognized on the total balance, net of the reserve for expected credit loss.

Loans in non-accrual status amounted to 2019: B/.45,159,340 Loans in non-accrual status amounted to 2019: B/.2,240,172.

Rule No. 4-2013 defined past due loans as any credit facility with any unpaid amount for contractual principal, interest or fees, with an aging of more than 30 days up to 90 days, from the payment due date.

Rule No. 4-2013 defined non-performing loans as any credit facility which payments have remained past due for more than 90 days. This period shall be calculated from the date contractually set for payment. Operations with a lump-sum payment at maturity and overdrafts will become non - performing when the aging of defaulted payments exceeds 30 days from the date on which payment was required.

(30) Main Applicable Laws and Regulations, continued

The balance of past due and non-performing loans based on Rule No. 4-2013 is detailed below:

	2020	
Past due	Non-performing loans	Total
17,024,904	65,718,952	82,743,856

	2019	
Past due	Non-performing loans	Total
18,383,572	60,487,424	78,870,996

Total collateral amounts for both years are presented in Note 4.

The balance of restructured loans at December 31, 2020 amounted to B/.178,399,719 (2019: B/.135,717,000).

Furthermore, based on Rule No. 8-2014, which amends Rule No. 4-2013, suspension of accrual of interest income is based on days in arrears in payment of principal and/or interest and the type of credit transaction as follows:

a) For consumer and corporate loans; if payment is in arreas for more than 90 days; and
b) For residential mortgage loans, if payments is in arreas for more than 120 days.

Dynamic Provision

Rule No.4-2013 sets forth that a dynamic provision is a reserve incorporated to face future needs of specific provisions, which is ruled by regulatory criteria inherent to banking regulations. The dynamic provision is incorporated on a quarterly basis on credit facilities lacking a specific provision assigned, i.e., on credit facilities classified under the performing category.

This Rule regulates the methodology to calculate the amount of the dynamic provision, which considers a maximum and minimum percentage restriction to the amount of the provision determined over credit facilities classified underperforming category.

The dynamic provision is an equity item that increases or decreases through appropriations from or to retained earnings. The credit balance of this dynamic provision forms part of the regulatory capital, but does not replace nor offset capital adequacy requirements established by the Superintendency.

(30) Main Applicable Laws and Regulations, continued

The following table summarizes the balance constituted for dynamic provision by Multibank Inc. and Subsidiaries for each of the following subsidiaries:

	2020	**2019**
Multibank Inc.	56,630,024	45,538,479
Banco Multibank, S. A. (Note 19)	0	2,317,575
MB Creditos, S. A. and Subsidiaries	2,682,433	2,644,106
Multibank Cayman, Inc.	1,298,224	1,298,224
Multileasing Financiero, S. A. (Note 1)	0	955,993
Multibank Factoring, Inc. (Note 1)	0	516,503
Gran Financiera, S. A. (Note 1)	0	176,265
	60,610,681	53,447,145

The Bank, as per requirements of Rule No.4-2013, constituted a regulatory reserve of B/.199,588 (2019: B/.13,687,318) which represents the excess of the regulatory credit reserve over the balance of the allowance for loan losses recognized as per IFRS.

Capital Adequacy Ratio

Rule No. 1-2015 "establishes the rules of Capital Adequacy applicable to banks and banking groups", Rule No. 3-2016 "sets rules for the determination of assets weighted by credit risk and counterparty risk" and Bulletins Nos. 0058-2016 and 0072-2016 related to these agreements, surrogated Rules Nos. 4-2009 and No 5-2008. The application of these Rules came into effect for the quarter ended September 30, 2016, with some exceptions to certain articles that were effective on January 1, 2017. As of December 31, 2020 the risk-weighted assets for this concept include B/.2,566,022,197 (2019: B/.2,885,120,810).

Issuance of Rule No 3-2018 “which establishes capital requirements for financial instruments registered in the trading portfolio”. This rule will enter into force on December 1, 2019, corresponding to the compliance with the agreement for the quarter ending on December 31, 2019. Banks are bound by the minimum capital requirements for market risks calculated as set out in the Technical Annex. Banks must meet the required capital requirements on a daily basis. As of December 31, 2020 and December 31, 2019, no impacts were determined for this concept.

(30) Main Applicable Laws and Regulations, continued

Issuance of Rule No 11-2018 “through which new provisions on operational risk are issued”. This rule will take effect on December 31, 2019. Among its new provisions is the calculation of the weighted assets by operational risk, which will be determined by multiplying a factor of 0.75, by the amount of the Business Index (BI) as defined in the Technical Annex, and by the capital coefficient in force on the date of compliance. The frequency of the calculation is quarterly, following the operational rules established by the Superintendency. As of December 31, 2020, risk weighted assets for this concept include B/.124,909,208 (2019: B/.132,143,701).

Regulatory standards issued by the Superintendency of Banks which came into effect during 2019:

Liquidity risk and the short-term liquidity coverage ratio

The Superintendency of Banks issued Rule No. 2-2018 "whereby the provisions on liquidity risk management and liquidity coverage ratio are established", and its amendments through Rule No. 4-2018 "whereby Article 35 of Rule No. 2-2018 on the management of liquidity risk and the short-term liquidity coverage ratio is modified.” The application of these Rules became effective as of July 1, 2018, with its first reporting date being the first 5 business days of the month after January 31, 2019. This rule seeks to establish the Short-Term Liquidity Coverage of the month in order to ensure that Banks have an adequate fund of unencumbered high-quality liquid assets that can easily and immediately be converted into cash in the public markets, in order to cover their liquidity needs under a 30-calendar day liquidity stress scenario.

For purposes of the information to be disclosed to the Superintendency of Banks of Panama, the short-term liquidity coverage ratio shall be calculated at the end of each month, and the presentation of the report, with the pertinent data and calculations, shall conform to the criteria and procedures determined by the Banking Superintendency. Given that the liquidity ratio must be complied with on a daily basis, the entity that fails to comply with the ratio must immediately inform the Superintendency of the event of non-compliance,and provide a reasoned explanation.

During 2019, Multibank Inc. a subsidiary of the Bank implemented Rule 2-2018, which establishes the Short-Term-Liquidity Coverage Ratio (LCR), which ensure that the Bank maintains an adequate funding of unencumbered high-quality liquid and free of liens assets that can easily be converted and immediately become cash in a public market, in order to meet its liquidity needs under a 30-calendar day liquidity stress scenario. Since its implementation, this indicator has been monitored by the Risk Committee and the Assets and Liabilities Committee (ALCO) which has established a minimum limit of 100%.

(30) Main Applicable Laws and Regulations, continued

The Bank's short-term liquidity coverage ratio measured at the reporting date is detailed as follows:

	2020	**2019**
At the end of the year	269.03%	402.42%
Average for the year	420.41%	303.87%
Maximum for the year	744.96%	443.92%
Minimum for the year	159.79%	194.64%

Country Risk Management

Superintendency of Banks issued the Rule No. 7-2018 "through which provisions on country risk management are established". The application of this agreement becameeffective as of June 3, 2019. Country risk is the possibility of incurring losses caused by adverse effects in the economic, social, political or natural disasters of the countries where the regulated subject or your customers do business. Country risk includes, among others, transfer risk, political risk and sovereign risk. The Banks will develop and maintain at the request of the Superintendency of Banks: i) method of analysis of each country assessed, as well as the report containing all the relevant information and the conclusions that determine the classification category assigned to the respective country, ii)methodology used to calculate the country risk provision, iii) file of each country in which it maintains exposure, when applicable, in accordance with the provisions of the Superintendency and iv) any other information that this Superintendency determines appropriate to request.

The following items are subject to country risk:

- Assets, risk contingencies and derivative trading transactions resulting from transactions with individuals or legal entities domiciled abroad.
- Assets, risk contingencies and derivative trading transactions resulting from transactions with individuals or legal entities domiciled in Panama whose main source of payment comes from abroad.
- Assets, risk contingencies and derivative trading transactions resulting from transactions with individuals or legal entities domiciled in Panama, when they have guarantees registered abroad, provided that said guarantee has been decisive for loan approval.

Taking into consideration the elements detailed in the Rule, regulated entities will classify exposures subject to country risk, as follows:

- Group 1. Countries with low risk
- Group 2. Countries with normal risk
- Group 3. Countries with moderate risk
- Group 4. Countries with difficulties
- Group 5. Doubtful countries
- Group 6. Countries with serious problems

(30) Main Applicable Laws and Regulations, continued

During the period ended December 31, 2020, the Bank, in compliance with Rule 7-2018 and its subsequent amendments, incorporated into its credit risk models the methodology for calculating the country risk provision. As a result of the incorporation of this methodology, the Bank recognized an increase in its allowance for expected credit losses of B/.0 (December 31, 2019: B/.1,504,561).

Investments Portfolio

Issuance of Rule No. 12-2019 "whereby provisions on the management of investments insecurities responsibilities are established. The implementation of this rule entered into effect as of December 1, 2019.

COVID-19 pandemic

The SBP issues Resolution SBP-GJD-0003-2020, which temporarily extends the periodicity of the risk rating updates set out in Article 4 of Agreement No. 2-2010 on bank rating.

The SBP issues General Resolution SBP-GJD-4-2020, contemplating the need and convenience of temporarily recognizing the validity of appraisal reports for the establishment of guarantees on real estate and non-real estate assets, temporarily extends the validity of these reports for one (1) year.

The SBP issues General Resolution SBP-GJD-5-2020, which considers special and temporary settings in the weighting of assets by category. All risky assets classified into categories 7 and 8, the weighting of which is 125% and 150%, respectively, will temporarily weigh as part of the 6, whose weighting is 100%.

The SBP issues Bulletin No.SBP-DR-120-2020, which states that, as expressed by other regulators, including the IFRS Foundation, the extension of loan payments or modified loans established by Agreement No. 2-2020, does not automatically means that those loans have significant credit risk. This does not imply that there should be no monitoring and analysis of a significant increase in credit risk for this particular type of loan. That is, banks should be able to classify their portfolio with a top-down approach to see if they recover after this crisis and those who don't, and estimate the increase in significant risk. They request that each bank meet with its external auditors for the impact on financial statements by the implementation of IFRS 9 and responsibility for capital adequacy.

This year on May 4, the Executive Branch and the Banking Association of Panama (ABP) entered into an Agreement through the bank members to extend the moratorium until 31 December 2020, as a financial relief measure for clients who, are financially affected by COVID-19.

(30) Main Applicable Laws and Regulation, continued

The Superintendency clarifies that the additional moratorium by ABP bank members does not constitute a Banking Agreement by the regulatory body. This additional extension until 31 December 2020 is governed by the current banking regulation on modified loans. The moratorium applies to:

Residential Home Loans	Until December 31, 2020
Personal loans	Until December 31, 2020
Vehicles loans	Until December 31, 2020
Credit cards	Until December 31, 2020
Small and Medium Business loans	Until December 31, 2020
Commercial loans	Until December 31, 2020
Loans to the transportation sector	Until December 31, 2020
Agricultural loans	Until December 31, 2020

Additionally, Rule No, 013-2020 was issued, which establishes additional, exceptional and temporary measures for compliance with the provisions set forth in Rule No. 4-2013 on credit risk and establishes an additional term for financial relief measures. Banks will have until June 30, 2021 to continue evaluating the loans of those borrowers whose cash flow and payment capacity have been affected by the COVID-19 situation and who were up to 90 days past due at the time of the original modification. During the period from January 1 to June 30, 2021, the Bank will not foreclose on the collateral corresponding to the modified loans.

Modified Special Mention Category Loans

In accordance with the requirements of Article 4-E of Rule No. 9-2020 of September 11, 2020, which modifies Rule No. 2-2020 of March 16, 2020, a detail of the modified special mention category loan portfolio and their respective provisions and regulatory reserves as of December 31, 2020, classified according to the three stage model of IFRS 9 are as follows:

		2020		
	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified Loans:				
Consumption	55,868,128	490,940,607	1,950,215	548,758,950
Corporate	610,543,675	3,556,219	28,242,172	642,342,066
Total modified loans	666,411,803	494,496,826	30,192,387	1,191,101,016
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	26,670,841	5,766,448	0	32,452,294
(-) Modified loans in a different category other than normal and special mention	8,829,566	5,387,510	16,982,655	31,199,731
(+) Interest and commissions accrued receivable	30,277,453	19,173,742	733,057	50,184,253
(-) Unearned discounted interests and commissions	0	0	0	0
Total portfolio subject to provisions of Rule No. 9-2020	661,188,849	502,516,610	13,942,789	1,177,648,248
Provisions:				
IFRS 9 provision	(3,715,397)	(17,475,372)	(1,049,627)	(22,240,396)
Generic provision (First 1.5%) (*)	0	0	0	0
Regulatory reserve (Difference to complete the 3%) (*)	(7,348,819)	(5,585,255)	(154,968)	(13,089,052)
Total provisions and reserves				(35,329,448)

(30) Main Applicable Laws and Regulations, continued

As explained in Note 4(f) on the effects of COVID-19, as of March 31, 2020, the Bank granted an automatic grace period to borrowers affected in their business or personal activities by COVID-19, until June 30, 2020. From that date, and as result of an agreement signed between the government of Panama and the Banking Association of Panama, as well as the issuance of the moratorium Law No.156; the financial relief was extended until December 31, 2020 to those affected by COVID-19 and for those who requested it. These financial relief measures consist mainly of granting grace periods for principal and interests to clients whose income has been affected by the pandemic.

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

COVID-19 has resulted in a disruption of economic activities that have adversely affected, and are likely to continue to adversely affect, the Bank's business, financial condition, liquidity and operational results. The bank's cash flows have been significantly diminished as a result of the aforementioned moratoriums, as shown in the following table detailing the percentage of the value of the modified special mention loans, including interest, that as of December 31, 2020 are unpaid as of the last installment payment recorded at the time of the loan modification:

	Until 90 days	Between 91 to 120 days	Between 121 and 180 days	Between 181 and 270 days
Consumer loans	2.87%	0.62%	1.05%	7.44%
Corporate loans	0.55%	0.10%	1.37%	10.75%

(30) Main Applicable Laws Regulations, continued

It is important to note that, in addition to the loans modified with special mention, the Bank also has loans that fell into the category of "substandard", "doubtful" or "uncollectible" and were subject to the moratorium of Law No. 156 of June 30, 2020. The following table shows the amounts of these loans with unpaid installments as of December 31, 2020, counted from the last payment of the contractual installment (in thousands of B/.)

	Between 91 to 120 days	Between 121 and 180 days	Between 181 and 270 days	More than 270 days
		(in thousands B/.)		
Loans to high-risk individuals under Law No. 156	0	1,932	0	2,981
Corporate loans in high risk category under Law No. 156	12,203	8,415	7,660	55,289

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

In accordance with the agreement mentioned in the preceding paragraph on the modified special mention loan portfolio, the banks will constitute a provision equivalent to the higher of the provision according to IFRS for the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including accrued uncollected interest and capitalized expenses;
Modified credits guaranteed with deposits pledged in the same bank may be excluded from this calculation up to the guaranteed amount.
Base don the aforementioned, the following scenarios will be considered:

- In cases where the IFRS provision is equal to or greater than the generic provision of 3% established in this article, the bank will record the corresponding IFRS provision in the results of the year.
- In cases in which the IFRS provision is less than the generic provision of 3%, as established in the present article, the Bank will record in profit or loss the IFRS provision and the difference must be recorded in profit or loss or in a regulatory reserve within equity, taking into consideration the following aspects:
  - When the IFRS provision is equal or greater than a 1.5%, the Bank should record such IFRS provision in profit or loss. Likewise, the difference to complete the 3% of the generic provision, established in the present article, must be recorded in a regulatory reserve within equity.
  - When the IFRS provision is less than 1.5%, the Bank must ensure to complete the percentage is completed and record it in profit and loss. Likewise, the difference to complete the 3% of the generic provision, as established in the present article, must be recorded in a regulatory reserve within equity.

(31) Consolidated Cash Flows of Financial Liabilities

The following shows the effect on the cash flows of financial liabilities and equity originated by financing activities due to operations that did not generate cash flows.

			Non-cash flows generating transactions			
	2020	Cash Flows	Split of Assets, net	Effects of fluctuation in exchange rates	Interests payable and amortizations	2019
Financial liabilities						
Securities sold under repurchase agreements	16,018,626	(15,005,631)	0	0	(68,973)	31,093,230
Borrowings received	582,806,260	3,728,002	(129,274)	0	(1,971,124)	581,178,656
Lease payable	17,681,588	(1,863,523)	0	0	0	19,545,111
Bonds payable	434,347,540	(23,200,000)	0	9,860,119	576,623	447,110,798
Negotiable Commercial papers	64,377,915	9,277,305	0	0	2,099	55,098,511
Total	1,115,231,929	(27,063,847)	(129,274)	9,860,119	(1,461,375)	1,134,026,306

			Non-cash flows generating transactions			
	2019	Cash Flows	Adoption IFRS 16	Effects of fluctuation in exchange rates	Interests payable and amortizations	2018
Financial liabilities						
Securities sold under repurchase agreements	31,093,230	(44,724,436)	0	0	342,218	75,475,448
Borrowings received	581,178,656	(96,744,563)	0	25,862	(396,066)	677,501,291
Lease payable	19,545,111	0	22,240,555	0	(2,695,444)	0
Bonds payable	447,110,798	6,000,000	0	2,053,786	676,620	438,380,392
Negotiable Commercial papers	55,098,511	17,812,324	0	0	(23,662)	37,309,849
Total	1,134,026,306	(117,656,675)	22,240,555	2,079,648	(1,304,202)	1,228,666,980

			Non-cash flows generating transactions			
	2020	Cash Flows	Appropriation of retained earnings	Net Income	Split of Assets, net	2019
Equity						
Common shares	183,645,893	0	0	0	0	183,645,893
Preferred shares	8,000,000	(102,000,000)	0	0	0	110,000,000
Retained earnings	149,790,076	(12,553,940)	(12,126,844)	(22,759,718)	(47,550,827)	244,781,405
Total	341,435,969	(114,553,940)	(12,126,844)	(22,759,718)	(47,550,827)	538,427,298

	2019	Cash Flows	Appropriation of retained earnings	Net Income	2018
Equity					
Common shares	183,645,893	0	0	0	183,645,893
Preferred shares	110,000,000	0	0	0	110,000,000
Retained earnings	244,781,405	(12,914,849)	(1,481,506)	48,499,760	210,678,000
Total	538,427,298	(12,914,849)	(1,481,506)	48,499,760	504,323,893