MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

As of December 31, 2021

(Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

"This document was prepared with the knowledge 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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of Multibank Inc.

Report on the Audit of the Consolidated Financial Statements

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, 2021, the consolidated statements of income, other comprehensive income (loss), 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, 2021, 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(c) 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 70% of the Bank´s total assets as of December 31, 2021. 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, actions taken to eliminate threats or safeguards applied.

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.

Report on Other Legal and Regulatory Requirements

In compliance with Law 280 of December 30th, 2021, which regulates the certified public accounting profession in the Republic of Panama, we declare the following:

- That the direction, execution and supervision of this audit engagement has been physically performed in the Panamanian territory.

- The audit partner that has prepared this independent auditors' report is Ricardo A. Carvajal V. with suitability number of certified public accountant (C.P.A.) #4378.

- The engagement team that has participated in the group audit to which this report refers, is formed by Ricardo Carvajal, audit Partner; Nicole Ramsauer, IT audit Partner; Luis Laguerre, tax audit Partner; Wuilliam Guerra, audit Senior Manager; Antonella Alarcón, tax audit Senior Manager; Magdiel Rodríguez, IT audit Manager; y Manuel Pino, audit Supervisor.

KPMG (SIGNED)

Panama, Republic of Panama
February 17, 2022

PARTNER NAME (SIGNED)

Ricardo A. Carvajal V.
Partner
C.P.A. 4378

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

Consolidated Statement of Financial Position

December 31, 2021

(In U.S. dollars)

Assets	Note	2021	2020
Cash and cash equivalents		21,963,899	20,587,457
Deposits in banks:			
Demand		52,800,755	52,667,241
Time deposits		108,915,705	129,553,722
Total deposits in banks		161,716,460	182,220,963
Total cash, cash equivalents and deposits in banks	4, 7	183,680,359	202,808,420
Investments at fair value	4, 8, 28	915,886,007	1,053,269,414
Derivative financial instruments	17	254,004	9,583,501
Loans		3,497,349,852	3,224,634,916
Provisión para pérdidas en préstamos		(79,132,068)	(49,845,110)
Loans at amortized cost, net	4, 9, 28	3,418,217,784	3,174,789,806
Property, furniture, equipment and improvements, net	10	55,190,737	60,458,170
Acceptances outstanding	4	98,842,541	194,237,832
Other accounts receivable	4	123,243,466	120,595,573
Provision for accounts receivable	4	(794,782)	(1,517,299)
Intangible assets	11	9,784,721	3,052,004
Deferred Income tax	26	30,171,865	22,233,106
Other assets	12	43,291,323	39,652,511
Total assets		4,877,768,025	4,879,163,038

The consolidated statement of financial position must be read in conjunction with the notes which are part of the consolidated financial statements.

Liabilities and Equity	Note	2021	2020
Liabilities:			
Deposits from customers:			
Demand		365,929,204	446,847,449
Savings		409,781,063	384,127,180
Time deposits		2,170,986,203	2,220,358,745
Total deposits from customers	4, 13, 28	2,946,696,470	3,051,333,374
Securities sold under repurchase agreements		26,189,973	16,018,626
Financial obligations	14	918,241,637	582,806,260
Other financial obligations	15	393,918,933	498,725,455
Lease liabilities	16	16,974,135	17,681,588
Derivative financial instruments	17	5,016,916	6,245,611
Acceptances outstanding	4	98,842,541	194,237,832
Income tax payable		240,207	150,118
Deferred income tax	26	335,491	326,974
Other liabilities	18	60,738,860	82,944,674
Total liabilities		4,467,195,163	4,450,470,512
Equity:			
Common stock	20	183,645,893	183,645,893
Additional paid in capital	20	(152,873)	(152,873)
Preferred shares	20	0	8,000,000
Retained earnings		177,199,706	149,790,076
Capital reserves		177,769	177,769
Regulatory reserves		71,286,960	84,397,821
Other comprehensive results	21	(21,584,593)	2,833,840
Total shareholder's equity of the controlling Company		410,572,862	428,692,526
Commitments and contingencies	27		
Total liabilities and equity		4,877,768,025	4,879,163,038

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Income

For the year ended December 31, 2021

(In U.S. dollars)

	Note	2021	2020
Interest income:			
Deposits in banks		392,023	1,150,471
Investments at fair value		11,783,443	12,637,830
Investments at amortized cost		5,325,803	5,068,189
Loans		214,487,849	217,859,897
Total interest income	30	231,989,118	236,716,387
Interest expense:			
Deposits from customers		93,092,807	98,288,243
Financial obligations		20,417,744	20,720,676
Other financial obligations		17,653,914	24,089,380
Securities sold under repurchase agreements		581,749	760,958
Lease liabilities		1,121,176	1,270,658
Total interest expense	30	132,867,390	145,129,915
Interest income, net	31	99,121,728	91,586,472
Provision for loan and interest losses	4	43,714,554	70,379,776
(Reversal) provision for credit risk of investments and deposits in banks	4	(304,828)	2,231,143
Provision for account receivable losses	4	55,125	9,179,282
Interest income, net after provisions		55,656,877	9,796,271
Other income (expenses):			
Gains on financial instruments, net	22	7,131,078	18,361,130
Service charges	23	15,567,006	17,423,881
Insurance premiums, net		8,203,708	8,444,876
Commissions and other fees, net		3,194,644	3,302,296
Loss on foreign currency exchange, net		(13,422)	(18,446)
Impairment of assets held for sale	12	(1,153,616)	(403,155)
Other income	23	10,111,536	6,838,188
Total other income, net		43,040,934	53,948,770
General and administrative expenses:			
Salaries and employee benefits	24, 30	43,685,323	48,102,379
Depreciation and amortization	10, 11	8,749,804	7,470,541
Administrative		4,771,423	9,967,837
Occupancy and related expenses		3,741,271	4,284,707
Other operating expenses	25	23,112,003	25,028,858
Total general and administrative expenses		84,059,824	94,854,322
Income (loss) before income tax and discontinued operations		14,637,987	(31,109,281)
Current income tax	26	(7,373,678)	(1,155,426)
Deferred income tax	26	7,955,749	9,504,989
Net income (loss)		15,220,058	(22,759,718)

The consolidated statement of income must be read in conjunction with the notes which are part of the consolidated financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income (loss)

For the year ended December 31, 2021

(In U.S. dollars)

	2021	2020
Net income (loss)	15,220,058	(22,759,718)
Other comprehensive results:		
Items that will not be reclassified to the consolidated income statement		
Employee benefits plan - change in actuarial effect	61,776	(106,435)
Deferred tax related on asset revaluation	(4,915)	(163,419)
Items that are or can be reclassified to the consolidated income statement		
Foreign currency translation	0	(4,201,199)
Net gain on hedge of net investment in foreign operation	0	2,797,828
Valuation for investments FVOCI:		
Net amount transferred to income statement	(7,055,718)	(16,135,161)
Net change in fair value	(19,034,805)	27,066,150
Net change in fair value hedges reclassified to profit or loss	1,608,490	(2,145,540)
Net change in cash flow hedges	45,445	440,119
Spin-off of assets, net	0	(19,685,909)
Other comprehensive results	(24,379,727)	(12,133,566)
Comprehensive (loss)	(9,159,669)	(34,893,284)

The consolidated statement of other comprehensive income (loss) should be read along with the accompanying notes which are 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, 2021

(In U.S. dollars)

	Common shares	Preferred shares	Excess paid in acquisition of non-controlling interests	Retained earnings	Regulatory capital reserve	Regulatory reserves	Other comprehensive losses	Total
Balance as of December 31, 2019	183,645,893	110,000,000	(5,606,927)	244,781,405	177,769	74,627,942	(29,486,332)	578,139,750
Loss income	0	0	0	(22,759,718)	0	0	0	(22,759,718)
Other comprehensive results								
Foreign currency translation	0	0	0	0	0	0	(4,201,199)	(4,201,199)
Net gain on hedge of net investment in foreign operation	0	0	0	0	0	0	2,797,828	2,797,828
Valuation for investments FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	(16,135,161)	(16,135,161)
Net change in fair value	0	0	0	0	0	0	27,066,149	27,066,149
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	(2,145,539)	(2,145,539)
Net change in cash flow hedges	0	0	0	0	0	0	440,119	440,119
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	(106,435)	(106,435)
Spin-off of assets, net	0	0	5,454,054	(49,868,402)	0	0	24,728,439	(19,685,909)
Deferred tax related to asset revaluation	0	0	0	0	0	0	(163,419)	(163,419)
Transfer to retained earnings due to revaluation of assets	0	0	0	(39,390)	0	0	39,390	0
Total other comprehensive results	0	0	5,454,054	(49,907,792)	0	0	32,320,172	(12,133,566)
Total comprehensive results	0	0	5,454,054	(72,667,510)	0	0	32,320,172	(34,893,284)
Other changes in equity								
Regulatory reserves	0	0	0	(9,769,879)	0	9,769,879	0	0
Transactions with the Bank's owners								
Contributions and distributions:								
Redemption of preferred shares	0	(102,000,000)	0	-	0	0	0	(102,000,000)
Declared dividends - preferred shares	0	0	0	(6,105,489)	0	0	0	(6,105,489)
Advanced dividend tax	0	0	0	(6,448,451)	0	0	0	(6,448,451)
Total transactions with the Bank's owners	0	(102,000,000)	0	(12,553,940)	0	0	0	(114,553,940)
Balance as of December 31, 2020	183,645,893	8,000,000	(152,873)	149,790,076	177,769	84,397,821	2,833,840	428,692,526
Balance as of December 31, 2020	183,645,893	8,000,000	(152,873)	149,790,076	177,769	84,397,821	2,833,840	428,692,526
Net income	0	0	0	15,220,058	0	0	0	15,220,058
Other comprehensive results								
Valuation of available for sale securities:								
Net amount transferred to income statement	0	0	0	0	0	0	(7,055,718)	(7,055,718)
Net change in fair value	0	0	0	0	0	0	(19,034,805)	(19,034,805)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	1,608,490	1,608,490
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	61,776	61,776
Net change in cash flow hedges	0	0	0	0	0	0	45,445	45,445
Deferred tax related to asset revaluation	0	0	0	0	0	0	(4,915)	(4,915)
Transfer to retained earnings due to revaluation of assets	0	0	0	38,706	0	0	(38,706)	0
Total other comprehensive results	0	0	0	38,706	0	0	(24,418,433)	(24,379,727)
Total comprehensive results	0	0	0	15,258,764	0	0	(24,418,433)	(9,159,669)
Other changes in equity								
Regulatory reserves	0	0	0	13,110,861	0	(13,110,861)	0	0
Transactions with the Bank's owners								
Contributions and distributions:								
Redemption of preferred shares	0	(8,000,000)	0	0	0	0	0	(8,000,000)
Declared dividends - preferred shares	0	0	0	(543,444)	0	0	0	(543,444)
Advanced dividend tax	0	0	0	(416,551)	0	0	0	(416,551)
Total transactions with the Bank's owners	0	(8,000,000)	0	(959,995)	0	0	0	(8,959,995)
Balance as of December 31, 2021	183,645,893	0	(152,873)	177,199,706	177,769	71,286,960	(21,584,593)	410,572,862

The consolidated statement of changes in equity must be read in conjunction with the notes which are 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, 2021

(In U.S. dollars)

	Note	2021	2020
Cash flows from operating activities:			
Net Income (loss)		15,220,058	(22,759,718)
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization	10, 11	6,584,990	5,340,794
Amortization of the right-of-use assets	10	2,164,814	2,129,747
Provision for loan losses	4	43,714,554	70,379,776
(Reversal) provision for credit risk of investments and deposits in banks	4	(304,828)	2,231,143
Provision for accounts receivable losses	4	55,125	9,179,282
Impairment of assets held for sale		1,153,616	403,155
Impairment non-current assets held for sale		22,048	0
Reversal for losses on undisbursed commitments		(15,285)	(143,908)
Interest income, net		(99,121,728)	(91,586,472)
Gain on financial instruments, net	22	(7,131,078)	(18,361,130)
Loss on sale and disposal of property and equipment, net		8,625	2,098,567
loss (gain) on assets held for sale		40,856	(20,397)
Dividends earned on investments in securities		(1,578,946)	1,696,169
Income tax expense	26	(582,071)	(8,349,563)
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		12,500,000	8,650,000
Investments at fair value		7,965,078	14,248,823
Loans		(284,343,665)	217,818,760
Securities sold under agreements to repurchase		10,000,000	(15,005,631)
Other accounts receivables and other assets		(3,425,535)	(1,923,993)
Other assets		(3,002,871)	(6,916,354)
Deposits from customers		(97,915,266)	242,794,549
Other liabilities		(22,121,701)	2,096,836
Spin-off of assets		0	(8,425,020)
Cash generated by operations:			
Interest received		233,828,188	189,369,579
Interest paid		(143,071,679)	(147,725,201)
Dividends received		1,578,946	(1,696,169)
Income tax paid		(7,283,589)	(5,603,146)
Net cash (used in) provided by operating activities		(335,061,344)	439,920,478
Cash flows from investment activities:			
Proceeds from sale of investments securities		668,250,091	2,235,731,030
Maturities and prepayments of investments securities		201,834,951	18,628,565
Purchase of investments at securities		(762,957,046)	(2,601,567,398)
Purchase of property and equipment		(3,412,359)	(3,076,940)
Proceeds from sale of property and equipment		53,673	0
Purchase of right of use	10	(1,441,813)	0
Acquisition of intangible assets		(1,642,171)	(3,955,751)
Disposal in intangible assets		1,053,207	0
Proceeds from sale of intangible assets		609,268	0
Proceeds from sale of assets held for sale		1,569,442	0
Net cash provided by (used in) investment activities		103,917,243	(354,240,494)
Cash flows from financing activities:			
Proceeds from other financial obligations		78,464,000	73,438,000
Payment of other financial obligations		(178,285,712)	(87,360,695)
Proceeds from financial obligations		500,550,406	336,953,139
Payment of financial obligations		(166,557,815)	(333,225,137)
Proceeds from lease liabilities		887,480	0
Redemption of preferred shares		(8,000,000)	(102,000,000)
Payment of lease liabilities		(1,597,827)	(1,863,523)
Dividends paid	20	(543,444)	(6,105,489)
Advanced dividend tax		(416,551)	(6,448,451)
Net cash provided by (used in) financing activities		224,500,537	(126,612,156)
Effect of exchange rate fluctuation on cash held		0	(2,648,576)
Decrease in cash and cash equivalents		(6,643,565)	(43,580,748)
Cash and cash equivalents at beginning of the year		182,795,115	226,375,863
Cash and cash equivalents at the end of the period	7	176,151,550	182,795,115

The consolidated statement of cash flows must be read together with the notes that form an integral part of the consolidated financial statements.

Table of Contents to the Notes to the Consolidated Financial Statements

(In U.S. dollars)

(1) Organization

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 up to that date), 99.57% by the AVAL Group (based in Colombia), was formalized through its subsidiary Leasing Bogota, S.A. Panama. Leasing Bogota, S.A. Panama is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

On September 29, 2021, the spin-off of the shares of Multi Financial Group, Inc. was carried out by BAC Holding International Corp. (formerly Leasing Bogota, SA Panama) to Multi Financial Holding Inc., an entity constituted in accordance with the laws of the Republic of Panama, through Public Deed No.5,469 of September 29, 2021.

Multibank Inc. is a 100% subsidiary of Multi Financial Group, Inc. (MFG), an entity incorporated in accordance with the laws of the Republic of Panama, through Public Deed No.27,702 dated November 9, 2007. As of September 29, 2021, MFG is 99.57% owned by Multi Financial Holding Inc. (the “Parent Company”). Multi Financial Holding Inc. is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

The Bank consolidates directly and indirectly with the following entities:

Subsidiary	Activity	Location	Total voting rights
Multi Securities, Inc.	Dealer/Broker	Panama	100%
Multi Trust, Inc.	Trust Company	Panama	100%
Multibank Seguros, S. A.	Insurance	Panama	100%
MB Creditos, S. A. and subsidiary	Financial institution	Costa Rica	100%
Orbis Real Estate, Inc.	Real Estate	Panama	100%

Multibank Inc. and Subsidiaries; will be referred to collectively as “the Bank”.

On May 31, 2019, the Financial Superintendence of Colombia authorized the partial transfer of assets, liabilities, and contracts of Banco Multibank, S.A. (now Latam Credit Colombia, S.A.) to Coltefinanciera, SA, as part of the process approved by the Board of Directors for the voluntary dismantling 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 dismantling, authorized the cancellation of the banking license.

(1) Organization continued

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

In December 2020, the request to return the banking license of our subsidiary Multibank Cayman was approved, and during May 2021, the subsidiary was closed.

On October 21, 2021, the Bank´s Board of Directors approved the merger by absorption of Orbis Real Estate, a subsidiary 100% owned by Multibank Inc., at the expense of the Superintendency of Banks of Panama' approval.

(2) Basis of Preparation of the Consolidated Financial Statements

(a) Consolidated financial statements

The Bank prepares its consolidated financial statements incorporating its controlled entities. The Bank controls an entity if and only if it complies with the following elements:

- Power over the entity that entitles the Bank to direct any relevant activity that significantly affects the entity's performance.
- Exposure or rights to variable returns from their participation in the entity.
- Ability to affect those returns through its power over the entity.

To comply with this requeriment, the Bank conducts an annual reassessment of all its contractual relationships. New entities are not required to be consolidated as a result of this process, including structured entities.

The financial statements of the Bank's subsidiaries are included in the consolidated financial statements from the date the Bank acquired control or until the date control is lost.

During the consolidation process, the Bank consolidates the assets, liabilities, and gains or losses of the entities under control, previously aligning the accounting policies of all its subsidiaries. This process includes eliminating balances and transactions within the bank and any unrealized and realized income and expenses (except foreign currency translation gains or losses and taxes that are not subject to elimination) arising from transactions within the bank. Unrealized and realized losses are eliminated in the same way as unrealized and realized gains, but only to the extent that there is no evidence of impairment.

(b) Compliance with International Financial Reporting Standards ("IFRS")

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 and ratified by the Board of Directors on February 17, 2022

(2) Basis of Preparation of the Consolidated Financial Statements, continued

(c) Basis of measurement

The consolidated financial statements have been prepared on a historical and amortized cost, except for the following accounts in the consolidated financial statements:

- Investments at fair value
- Derivatives financial instruments
- Real estate; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed. Investments in securities and loans at amortized costs are recorded when settled.

(d) Functional and presentation currency

These consolidated financial statements are presented in dollars of the United States of America (US) and are the presentation and functional currency of the Bank. US dollars are expressed in units unless otherwise indicated. The balboas ($), the monetary unit of the Republic of Panama, which is at par and is freely exchangeable with the dollar (US $) of the United States of America (E.U.A). The Republic of Panama does not issue its own paper money and, instead, the dollar (US $) of the United States of America is used as the legal and functional currency.

(e) Use of estimates and judgments

Preparation of the consolidated financial statements requires the Bank's management to make judgments, estimates, and assumptions affecting applying accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Final results may differ from these estimates. These also require the Bank's management to apply its judgment when applying the Group´s accounting policies.

The information on the most significant areas of uncertainty estimation and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the consolidated financial statements is disclosed in Note 6.

(3) Summary of Significant Accounting Policies

The Bank has applied the policies to the consolidated financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2020, which are detailed below:

(a) *Basis of consolidation*

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To determine the control, the potential voting rights that are currently executable or convertible are considered. The subsidiaries' financial statements are included in the consolidated financial statements from the date on which the control begins until the control ceases.

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.

Balances and Transactions Eliminated in the Consolidation

Intragroup transactions, balances, revenue, and expenses in transactions among subsidiaries are eliminated. Losses and gains arising from intragroup transactions recognized as assets or liabilities are also eliminated.

Changes in the ownership of the subsidiaries that do not result in a change of control

Transactions with non-controlling interest that do not result in a loss of control are accounted for as equity transactions, such as transactions with the owners. Any difference between the carrying value of the interest and the amount of the transaction is recorded as an adjustment in retained earnings.

Loss of control

When the Bank ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the consolidated statement of income. Any retained interest in the former subsidiary is measured at fair value when control is lost.

Investment in associates

An associate is an entity over which the Bank has significant influence but does not have control or joint control over its financial or operating policies. It is presumed that the entity exercises significant influence when it holds between 20% and 50% of the voting power in the investee. As of December 31, 2021, the Bank had a 50% interest in Desarrollo Inmobiliario Benagil, S.A. which did not reported movements during the year.

(3) Summary of Significant Accounting Policies, continued

(b) Foreign Currency

Assets and liabilities maintained in foreign currency are converted to the functional currency at the current exchange rate on the reporting date. Gains or losses resulting from foreign currency conversion are reflected in other revenues or other expense accounts in the consolidated statement of income.

Subsidiaries of the Bank

The financial position and results of all the Bank's subsidiaries that have a functional currency different from the Bank's functional currency are converted into the presentation currency as follows:

- Assets and liabilities: at the exchange rate at the period closing date.
- Revenues and expenses: at the average exchange rate.
- Equity accounts: at the historical exchange rate.

The resulting conversion adjustment is carried directly to a separate account in the “Equity” section, under "other comprehensive loss.”

(c) Financial assets and liabilities

Financial assets are classified on the date of initial recognition based on the nature and purpose of the financial asset's acquisition.

Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

At initial recognition, financial assets are classified as measured at AC, FVOCI, or FVTPL.

A financial asset is measured at amortized cost and not at FVTPL if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the outstanding balance.

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

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the current outstanding balance.

(3) Summary of Significant Accounting Policies, continued

During the initial recognition of investments in equity instruments not traded, the Bank may elect to irrevocably record subsequent changes in fair value as part of other comprehensive profit and loss in equity. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at AC or FVOCI as described above are measured at FVTPL.

In addition, in the initial recognition, the Bank may irrevocably designate a financial asset that meets the measurement requirements at AC or FVOCI to be measured at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that may occur if not done. For now, the Bank does not use this option.

A financial asset is classified in one of the referenced categories at the time of its initial recognition.

An embedded derivative where the main contract is a financial contract covered under IFRS 9 is not separated, and instead, the hybrid financial instrument is jointly assessed for classification.

Business Model Assessment

The Bank assesses the business models' objectives that hold the financial assets in a portfolio to represent better how each subsidiary manages the business and how management information is reported. The information considered include:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance, or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;
- How they are evaluated or reported to key management personnel for each Bank subsidiary on portfolio performance.
- The risks that affect the performance of the portfolios (and the financial assets maintained in the business model) and the way those risks are managed;
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,
- The frequency, value, and timing of sales in prior fiscal periods, the reasons for those sales, and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation but rather as part of an assessment of how Bank objectives established for managing financial assets are achieved and how cash flows are realized.

(3) Summary of Significant Accounting Policies, continued

Financial assets, held or managed for trading and where their performance is evaluated on a fair value basis, are measured at FVTPL, because these are not held to cover contractual cash flows or obtain and sell these financial assets.

Assessment if contractual cash flows are solely payments of principal and interest

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as compensation for the time value of money and credit risk associated with holding the current principal for a period of time and for other basic risk from loan agreements and other associated costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether contractual cash flows are solely payment of principal and interest, the Bank considered the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it does not meet this condition. In making this assessment the Bank considers:

- Contingent events that will change the amount and timing of cash flows;
- Leverage conditions;
- Prepayment and extension terms;
- Terms that limit the Bank to obtain cash flows for specific assets (e.g., unfunded asset agreements); 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 can prepay the loans without significant penalties;
- Competitive market factors ensure that interest rates are consistent among banks; and;
- Any regulatory protection standard in favor of customers in the country requiring banks to treat customers reasonably (e.g., regulated rates).

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

(3) Summary of Significant Accounting Policies, continued

A prepaid feature is consistent with the solely principal and interest criteria, if the prepayment amount substantially represents unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

In addition, a prepayment feature is consistent with these criteria, if a financial asset is acquired or originates from a premium or discount to the contractual par amount and the prepayment amount substantially represents the contractual par amount, plus accrued, but unpaid contractual interest (which may include fair compensation for early termination) and the fair value of the prepayment feature is insignificant in the initial recognition.

Impairment of Financial Assets

The Bank assesses the impairment of financial assets with an Expected Credit Losses model (ECL). This model requires the application of considerable judgment regarding how changes in economic factors impact ECL, which is determined on a weighted average basis.

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 32 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.

The impairment model applies to the following financial assets that are not measured at FVTPL:

- Debt instruments;
- Lease payments receivable;
- Other accounts receivable;
- Loan portfolio;
- Financial guarantee contracts issued; and
- Loans commitments issued.

(3) Summary of Significant Accounting Policies, continued

The Bank recognizes a provision for impairment of financial assets at AC and FVOCI in an amount equal to the expected impairment losses in a period of twelve months after the end date of financial statements or during the remaining life of the loan. Expected losses during the remaining life of the loan are the losses expected from all possible impairment events during the expected life of the financial instrument, while expected losses in a twelve-month period are the portion of expected losses arising from impairment events resulting from impairment events that are possible during the twelve months following the date of the report.

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,

- Other financial assets (other than short-term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

Impairment requirements are complex and require estimated judgments and significant assumptions by management, particularly in the following areas:

- Assess whether the credit risk has increased significantly from initial recognition; and;

- Incorporate prospective information in the measurement of expected impairment losses.

Measuring ECL

Expected credit loss (ECL) is the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example, the difference between Bank cash flow debt in accordance with the contract and cash flows that the Bank expects to receive);

- Impaired financial assets to the reporting date: the difference between the gross book value and the present value of estimated future cash flows;

- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and

- Financially secured contracts: expected payments to reimburse the holder minus any amount the Bank expects to recover.

(3) Summary of Significant Accounting Policies, continued

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor willfully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if applicable); or

- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.

- For fixed-income financial instruments, the following concepts, among others, are included:

  - Downgrade on the issuer's credit risk rating;

  - Contractual payments are not made on the due date or in the term period stipulated;

  - There is a virtual certainty of default;

  - Issuer is likely to go bankrupt, or a bankruptcy petition is filed or similar action;

  - The financial asset stops trading in an active market given its financial difficulties.

To assess whether a debtor is impaired, the Bank considers indicators such as:

- Qualitative, e.g., breach of contractual clauses;

- Quantitative, e.g., 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.

Inputs used in the assessment of whether financial instruments are impaired, and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers 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.

(3) Summary of Significant Accounting Policies, continued

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 of financial instrument at the closing date, with

- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly since initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For certain revolving credit (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 discussed as follow.

In addition to the indicated parameters, in order to monitor cases with financial relief (see Note 5), the Bank has included in its parameters: monitoring of payments made, percentage of payments vs. expected payment, fulfillment of payment agreements, initiative of clients to request an agreement and communication with the Bank.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to be capable of separating credit exposures into homogeneous risk groups. These risk groups, in turn, must meet the minimum criteria for separating and ordering risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors depend on the nature of the exposure and the type of borrower.

Credit risk grading is defined and calibrated so that the risk of losses increases exponentially as the credit risk is impaired and for the risk of loss between the ratings increases regardless of the portfolio. For example, the difference in the risk of losses between grade satisfactory and special mention is less than the difference between the credit risk between grades special mention and sub-standard.

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.

Generating the Term Structure of the PD

Credit risk grading are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as the assigned credit risk rating.

(3) Summary of Significant Accounting Policies, continued

The Bank uses statistical models to analyze the collected data and generate estimates of the probability of impairment during the remaining life of the exposures and how these probabilities of impairment 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.

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;

(3) Summary of Significant Accounting Policies, continued

- 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 the expected loss in the following twelve months and the expected loss for the remaining life of the loans.

Modified financial assets
The contractual terms of the loans may be modified for a number of reasons, including changes in market conditions, client retention and other factors unrelated to an actual or potential impairment of the client's loan.

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

- The PD during the remaining life on the date of the balance sheet based on the terms modified with;

- The PD on the estimated remaining life based on the date of initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximize the opportunities to collect and to minimize the probability of default. Under the Bank's renegotiation policies, customers in financial difficulties are given concessions that generally involve a decrease in interest rate, extension of the payment term, reductions in the balances due or a combination of these.

After a follow-up period, the Bank will assess whether, based on its payment capacity and compliance with its obligations, if there are grounds for its classification in a lower risk category or, on the contrary, it should be classified in a higher category.

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.

(3) Summary of Significant Accounting Policies, continued

Inputs in Measuring ECL

Key inputs in measuring ECL are usually the structure of 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:

PDs are estimated on certain cut-off dates. They are calculated using survival models, based on historical default vectors. If a counterparty or exposure migrates between different ratings, then this will result in a change in the estimated PD for that group. PDs are estimated considering the contractual expiration terms of the exposures and the estimated prepayment rates.

The historical PD is then transformed to a prospective PD, using macroeconomic sensitivity models.

LGD is the magnitude of probable losses if there is a default. The Bank estimates the LGD parameters based on historical loss recovery rates against the defaulted parties. LGD models consider the structure, collateral and the recovery costs of any collateral when there are mortgage guarantees.

For unsecured loans, a cash flow recovery model is used at present value, ordered by vintage. For loans guaranteed with mortgages and/or pledges, a history of the relationship between the sale price of goods available for sale and sold with respect to the balance of the credits is used as a recovery parameter. The calculation is made on a net cost recovery basis, discounted using the effective interest rate of the loan.

EAD represents the expected exposure at the non-compliance event. The Bank derives the EAD from the counterparty's current exposure and potential changes in the current amount allowed under the contract terms including amortization and prepayments for decreasing and revolving exposures with no commitment to disburse. For loan commitments and financial guarantees, the EAD considers the amount disbursed, as well as future potential amounts that could be removed or repaid under the contract, which are estimated to be based on historical issues. Finally, for credit cards, due to its relative nature, the Bank determines the EAD by modeling a percentage of historical utilization over the approved credit limit.

The Bank measures the EAD considering the risk of noncompliance during the maximum contractual period (including options to extend the customer’s debt) on which there is an exposure to credit risk, even if, for purposes of risk management, the Bank considers a longer period of time. The maximum contractual period is extended to the date on which the Bank has the right to require payment of a loan or terminate a loan commitment or security given.

(3) Summary of Significant Accounting Policies, continued

For credit card balances the Bank measures EADs over a period greater than the maximum period if the contractual ability of the Bank to demand payments and pay off the commitment does not limit the Bank's exposure to credit losses for 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, but 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 limits and cancellation of loan contracts.

Where parameter modeling is performed on a collective basis, the financial assets are pooled on the basis of similar risk characteristics that include:

- Type of instrument.
- Credit risk rating.
- Warranty.
- Initial recognition date.
- Remaining term for maturity.
- 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

On a quarterly basis, macroeconomic scenarios forecast for twelve months are approved for the six countries where the Bank operates, and they are divided into three categories: upside, base and downside scenario. These scenarios are prepared based on the Bank's macroeconomic simulation model and are complemented by (i) projections from supranational organizations such as the International Monetary Fund, the World Bank, ECLAC, etc. (ii) the macroeconomic program of the Central American central banks and (iii) economists outside the Bank.

- **Base-case scenario:** It goes with current expectations. In the current situation, it contemplates stability in the nominal macroeconomic variables, exchange rate, interest rates, and inflation. Forecasts from other organizations that carry out economic research are used as a reference, for example, the International Monetary Fund, the World Bank and the central banks of each country. External references bring fairness to the exercise.

(3) Summary of Significant Accounting Policies, continued

- **Upside and downside scenarios:** These are the probable macroeconomic scenarios before the realization of some of the main risks associated with each country. They are categorized as upside and downside risks; furthermore, divided between internal and external risks.

- **External Risks:** The Central American countries, being small and open economies, are exposed to the economic performance of the large economies and main trading partners, mainly the United States and Europe. The economic activity of these countries affects the Central American countries in a generalized way, mainly through income from remittances, exports, tourism, and foreign direct investment.

- **Internal Risks:** These are risks specific to each country. They include risks associated with the internal social, political, and economic situation. In the current situation, the risks associated with the performance of governments predominate public finance management, natural disasters, health policies, etc.

The external information includes 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 and others), academic projections, private sector, and credit risk rating agencies.

The base case represents the most probable outcome. Other scenarios represent a more optimistic or downside outcome. In addition, 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 when there are financial liabilities that account for at fair value through profit or loss.

Recognition, derecognition and measurement

The Bank regularly recognizes the purchase or sale of financial instruments on the trading date of each negotiation, the date on which the Bank agrees to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value.

Transaction costs are recorded as expenses in the consolidated statement of income when incurred for financial assets and liabilities at fair value with changes in the consolidated statement of income, and they are recorded as part of the initial value of the instrument for assets and liabilities at amortized cost and available for sale securities. Transaction costs are incremental costs incurred to acquire assets or to sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock exchanges, as well as taxes and other rights.

(3) Summary of Significant Accounting Policies, continued

Financial assets are derecognized from the consolidated statement of financial position when the rights to receive cash flows from the investments have expired or have been transferred, and the Bank has substantially transferred all the risks and benefits derived from their ownership.

After initial recognition, all financial assets and financial liabilities classified at amortized cost are measured based on the amortized cost method. Accrued interests are recorded in the interest income or expense account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

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

- Financial assets measured at amortized cost: as a deduction from gross book value of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Debt instruments measured at FVOCI: no reserve is recognized for losses in the consolidated statement of financial position since its carrying amount is their fair value. However, the provision for losses is disclosed and recognized in other comprehensive income.

(d) Loans

Loans are initially measured at fair value plus incremental direct costs; subsequently measured at amortized cost using the effective interest rate method. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

(e) Assets held for sale

Assets acquired or foreclosed in the settlement of a loan are held for sale and are initially recognized at the lower of the balance of the loan and fair value less selling costs as of the foreclosure date, establishing a new cost basis. After the foreclosure, management conducts periodic assessments and assets are recognized at the lower of carrying value or fair value less costs to sell. Operating income and expenses originated and changes in the provision for the valuation of those assets are included in other operating expenses. The costs related to the maintenance of these properties are included as expenses when incurred.

(3) Summary of Significant Accounting Policies, continued

(f) Recognition of the most significant income and expenses

Interest income and expenses

Interest income and expenses are recognized in the consolidated statement of income using the effective interest method. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable or payable throughout the expected life of the financial instrument or when appropriate (in a shorter period) with the net carrying value of the financial asset or liability. To calculate the effective interest rate, the Bank will estimate cash flows considering all of the contractual conditions of the financial instrument, but not considering future credit losses.

The calculation of the effective interest rate includes all commissions and basis points paid or received that are part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fees and commissions

Fees and commissions that are part of the effective interest rate in a financial asset or liability instrument are included in the measurement of the effective interest rate.

Other incomes from fees and commissions, including services fees, asset management, sales commissions, loan syndication, among others, are recognized when the corresponding services are provided.

Annual credit card memberships, net of direct card-origination incremental costs, are deferred and amortized by applying the straight-line method during a term of one year. Commissions charged to affiliated commercial establishments are determined based on the amount and type of purchase by the cardholder and are recognized when invoiced.

Other fees and commissions received mainly relating to fees for transactions and services are recognized as income when they are received.

Loyalty programs

The Bank offers loyalty programs that allow cardholders to earn points that can be redeemed for a variety of awards, including cash, travel and products at a discount. The points are recognized as a separately identifiable component of the initial transaction of credit card consumption income.

The estimated fair value of loyalty programs and those points redeemed are recognized in the commissions account in the consolidated statement of income. The Bank recognizes the points based on the earned points expected to be redeemed and the fair value of the points to be redeemed. The points to be redeemed are estimated based on redemption history, card product type, account transaction activity and the historical performance of the cards.

(3) Summary of Significant Accounting Policies, continued

(g) Cash and cash equivalents

The Bank considers all highly liquid time deposits with maturities of 90 days or less as cash equivalents. Cash and cash equivalents consist of cash, demand deposits at banks, certain securities and deposits that generate interests, with original maturities of 90 days or less.

(h) Property, furniture, equipment and improvements and depreciation method used

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.

The cost of renewals and improvements is capitalized when they increase the asset's useful life; while repairs and maintenance that do not extend the useful life or improve the asset are recorded in profit or loss during the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Bank depreciates amounts with a charge to the period's profit or loss with a credit to the accumulated depreciation account. Land is not depreciated. The estimated useful lives of assets are as follows:

Category	Year/Base
Buildings	Up to 60
Furniture and equipment	3 – 10
Vehicles	3 – 7
IT Equipment	3 – 7
Leasehold improvements	5 – 10

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.

Leasehold improvements are amortized during the lower of the estimated useful life or the term of the lease contract.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is immediate reduced to its recoverable value if the carrying amount of the asset is greater than the estimated recoverable value. The recoverable amount is the highest between the fair value of the asset less the cost of selling and its value in use. circumstances

(3) Summary of Significant Accounting Policies, continued

(i) Leases

At the inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 identified 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 use of the asset throughout 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 decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either

- The Bank has the right to operate the asset; or

- The Bank designed the asset so that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank assigns the consideration in the contract to each lease component based on their 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. As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease inception date. 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 unpaid lease payments at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

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 a rate, initially measured using the index or rate as of 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 amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, furniture, equipment and improvements" and lease liabilities in "lease liabilities" in the consolidated statement of financial position.

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 an expense on a straight-line basis over the term of the lease.

(3) Summary of Significant Accounting Policies, continued

ii. As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment to determine whether the lease transfers substantially all the 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 part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other income”

(j) Intangible 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 are recognized at cost or at fair value and mainly comprised of relations with the depositors, relations with credit card clients, relations with affiliated businesses, technological 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 intangible assets is presented in the consolidated statement of income as depreciation and amortization expenses.

Trade names are non-amortizable 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.

(3) Summary of Significant Accounting Policies, continued

(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) 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.

(n) 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.

(o) 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.

(p) 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:

a. *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 income.

(3) Summary of Significant Accounting Policies, continued

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 income 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.

b. 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 income. The amounts accumulated in equity are reclassified to the consolidated statement of income 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 income.

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 income.

c. 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 income. The amount recognized in other comprehensive income will be reclassified to the consolidated statement of income as a reclassification adjustment on the disposal of the foreign operation.

(3) Summary of Significant Accounting Policies, continued

d. 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 income.

(q) Income Tax

Tax expense for the period includes current and deferred taxes. Taxes are recognized in the consolidated statement of income, insofar as they refer to items recognized in the consolidated statement of income or directly in equity.

The current tax expense is calculated based on the laws enacted on the balance sheet date in the countries where the parent company and its subsidiaries operate, and where they generate positive taxable bases. The Bank's management periodically assesses the assumptions taken in tax returns regarding situations in which applicable tax regulation is subject to interpretation, and when necessary, recognizes provisions for the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; deferred taxes are not recognized if they arise from an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect the accounting results nor taxable income or loss. Deferred tax is determined using tax rates (and laws) enacted on the balance sheet date and expected to be applicable when the corresponding deferred tax asset is realized, or the liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future economic tax benefits will be available with which to offset the temporary differences.

Deferred taxes are recognized over temporary differences that arise from investments in subsidiaries and associates, except for those deferred tax liabilities for which the Bank can control the date on which the temporary differences will be reversed, and it is likely that they will not be reversed in the near future. Deferred tax assets are recognized in deductible temporary differences that arise from investments in subsidiaries only to the extent that it is likely that the temporary differences will be reversed in the future, and there is a sufficient future taxable income against which the temporary differences can be used.

Deferred tax assets and deferred tax liabilities are set off only if there is a legally recognized right to offset the current tax assets with the current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from income tax corresponding to the same tax authority, and the authority allows the Bank to pay or receive a single amount that settle the existing net balance.

(3) Summary of Significant Accounting Policies, continued

(r) Employee benefits

The Bank is subject to the labor laws where it operates. The Bank provides an employment benefit when such benefit is related to employee services already provided, the employee has earned the right to receive the benefit, the benefit payment is probable, and the amount of such benefit can be estimated.

(s) Trust Operations and Securities Management

Trust contracts and custody of securities are not considered part of the Bank, and accordingly, such securities and their corresponding income are not included in these consolidated financial statements. It is the obligation of the Bank to manage and safeguard the assets under contract and independently of its equity.

The Bank charges a fee for the management of trust contracts and custody of securities, which is paid according to agreements between the parties. These fees are recognized as income according to the terms of the contracts either monthly, quarterly or annually on an accrual basis.

(t) 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.

(3) Summary of Significant Accounting Policies, continued

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 receivables 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.

(u) 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.

(v) 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.

(w) Spin off 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.

(x) Comparative Information

Some figures from December 31, 2020 were reclassified to make their presentation uniform to that of the consolidated financial statements of 2021.

(y) Fair value estimates

The fair value of a financial asset or liability 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 (exit price).

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.

(3) Summary of Significant Accounting Policies, continued

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.

- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

A market is considered active if quoted prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices reflect actual market transactions with sufficient frequency and volume to provide pricing market information.

The fair value of a demand deposit is not less than the amount to be paid when it becomes payable, discounted from the first date on which payment may be required.

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

(z) Transactions between entities under common control

Transfers of assets between entities under common control, including transactions with intermediate holding companies, are initially recorded at book value of the Bank transferring the assets at the date of transfer. If the carrying amount of the assets and liabilities transferred differs from the historical cost of the Parent Company of entities under common control, then the Bank receiving the assets and liabilities will recognize them at the historical cost of the Parent Bank.

The Bank enters into transactions with related parties, which according to the internal policies of the Bank, are carried out at market conditions.

(aa) New International Financial Reporting Standards (“IFRSs”) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning January 1, 2022 and early application is permitted; however, the Bank has not early adopted the new and modified standards when preparing the consolidated financial statements as of December 31, 2021.

(3) Summary of Significant Accounting Policies, continued

The following new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance contracts.
- Onerous contracts – Cost of fulfilling a contract (amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before intended use (amendments to IAS 16)
- Reference to the conceptual framework (amendments to IFRS 3).
- Classification of liabilities as current or non-current (amendments to IAS 1)

(bb) Benchmark reform interest rates

In March 2021, the Financial Conduct Authority (FCA), as a regulator of ICE (the authorized administrator of LIBOR), announced that after December 31, 2021 the setting of LIBOR for US dollars for a week or two months will no longer be provided or will no longer be representatives.
The remaining US dollars benchmark rate will no longer be provided or representatives after June 30, 2023.

A fundamental overhaul of the world's major interest rate benchmarks is being conducted on the, which replaces some Interbank Offered Rates (IBORs) with alternative near-risk-free rates (referred to as "IBORs"). reform').The Bank has significant exposure to LIBOR on its financial instruments, which are being modified as part of these market initiatives.

The main risks to which the Bank has been exposed as a result of the IBOR reform are operationals. For example, the renegotiation of loan contracts through bilateral negotiation with corporate clients, the update of contractual terms in corporate and consumer clients, the update of systems that use IBOR curves, and the review of operational controls related to reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank established a Commission that reports to ALICO to manage the transition to alternative reference rates. The Commission's objectives include assessing whether financial assets and/or liabilities should be amended as a result of IBOR reform, and how to manage communication about IBOR reform with counterparties. The Commission reports to the Executive Committee on a regular basis and collaborates with other business functions as needed. Additionally, it provides periodic reports on the Bank´s operations ALICO and the treasuries to support interest rate risk management.

For contracts indexed to an IBOR that expire after the expected discountinuance of the IBOR rate, the Commission has established policies to modify the contractual terms. These amendments include the addition of clauses in the contracts that determine the applicable rate or calculation mechanism once the reference IBOR rate is not published ("fallback" clauses, according to the industry term in English) or the replacement of the rate IBOR with an alternative reference rate.

(3) Summary of Significant Accounting Policies, continued

The Bank has been aplying a management policy that consumer loans, such as mortgages, personal, and car loans, are modified in a uniform manner, and custom-made products as they progress, such as corporate loans, are modified in bilateral negotiations with the counterparties.

The Bank monitors the progress of the transition away from IBOR to new reference rates by reviewing the total amounts of contracts that have yet to transition to an alternative reference rate and the amount of such contracts that include an adequate fallback clause. The Bank considers that a contract has not yet transitioned to an alternative reference rate (and it is known as an “unreformed contract”) when the interest under the contract is indexed to a reference rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of IBOR.

As of December 31, 2021, the reform of the IBOR on the operations in which the Bank has any exposure has not been completed. The following table shows the IBOR rates in which the Bank has exposure, the main reference rates to which these exposures have been or are being transferred, and the status of transition:

Our activities for the transition away from and discountinuance of LIBOR are currently under development, and by 2021, they were focused on the conversion of existing contracts based on LIBOR to other alternative reference rates through:

Currency	Reference IBOR rate prior to the reform	Post-reform reference	2021	2020
USD	USD LIBOR – 1 month	BSBY / TERM SOFR	In process	In process
USD	USD LIBOR – 3 months	BSBY / TERM SOFR	In process	In process
USD	USD LIBOR – 6 months	BSBY / TERM SOFR	In process	In process
USD	USD LIBOR – 12 months	BSBY / TERM SOFR	In process	In process

The Bank ceased to originate loan operations referenced to LIBOR rates in the fourth quarter of 2021. Likewise, it has begun the modification of the financial assets contracts associated with the LIBOR rate, and incorporated fallback clauses in some existing contracts. Likewise, it temporarily opted to originate loan operations based on a fixed rate.

In the medium term, the Bank expects to originate loan operations referenced to the CME TERM SOFR reference rate, published by the Chicago Mercantile Exchange (CME). The Bank opted for this rate in light of the recommendation made to the market by the Alternative Reference Rates Committee, a technical entity made up of different market participants and regulators to lead this transition process. The Bank constantly monitors the TERM SOFR reference rate, and estimates to migrate and/or originate loan operations with reference to said rate before June 2023.

(3) Summary of Significant Accounting Policies, continued

The following tables show the amounts of unreformed financial assets and those with appropriate fallback clauses as of December 31, 2021 and December 31, 2020. The amounts of investment securities are shown at their book values and the amounts of loans are shown at their gross book values.

	2021			2020		
	Total value of indexed contracts	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**	**Total value of indexed contracts**	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**
Investment in securities	40,140,827	39,529,563	0	45,512,301	40,224,683	0
Loans						
Corporate	48,391,898	20,087,892	0	75,974,720	1,560,000	0
Mortgages	560,274	560,274	0	571,221	571,221	0
Cars	962,205	862,367	0	1,823,251	1,606,234	0
Total Loans	49,914,377	21,510,533	0	78,369,192	3,737,455	0

The following tables show the amounts of unreformed financial liabilities and those with appropriate fallback clauses as of December 31, 2021 and December 31, 2020. The amounts are shown at their book values.

	2021			2020		
	Total value of indexed contracts	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**	**Total value of indexed contracts**	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**
Financial obligations	640,585,536	96,372,132	191,788,796	335,860,398	77,582,270	160,000,000
Hedging derivative	20,500,000	0	20,500,000	20,500,000	0	20,500,000

(4) Risk Management

Risk management is a fundamental part of the Bank. It has an infrastructure to comprehensively manage risks, in order to ensure a responsible and sustainable growth in time, to maintain the confidence of its stakeholders, and to assure with reasonable certainty the fulfillment of its short, medium and long-term goals, through a balance between meeting objectives and taking risks, in line with the corporate strategy.

Classification of financial assets

See the classification under IFRS 9 in accounting policies in Note 3 (c).

(4) Risk Management, continued

The following table provides a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

December 31, 2021	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	183,680,359	183,680,359
Investments at fair value	37,001,221	2,018,397	781,960,638	94,905,751	915,886,007
Loans at amortized costs	0	0	0	3,418,217,784	3,418,217,784
Other accounts receivable	0	0	0	122,448,684	122,448,684
Total financial assets	37,001,221	2,018,397	781,960,638	3,819,252,578	4,640,232,834

December 31, 2020	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	202,808,420	202,808,420
Investments at fair value	42,854,731	1,964,603	927,081,358	81,368,722	1,053,269,414
Loans at amortized costs	0	0	0	3,174,789,806	3,174,789,806
Other accounts receivable	0	0	0	119,078,274	119,078,274
Total financial assets	42,854,731	1,964,603	927,081,358	3,578,045,222	4,549,945,914

As of December 30, 2021, and December 31, 2020, all financial liabilities held by the Bank are classified at amortized cost.

The Bank is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk and
- Operational risk.

For the management of these risk, an organizational framework based on current regulations in the region on risk management has been defined. This framework includes policies, procedures and a human and technical infrastructure to identify, analyze and assess risks, as well as to set adequate limits and controls, monitor risk management and compliance with defined limits. These policies and risk management systems are periodically reviewed, updated and reported to the respective committees, to ensure they reflect changes in market conditions, products and services offered.

Through its management procedures and standards, the Bank aims to develop a disciplined and constructive control environment where all employees understand their roles and duties.

The periodic oversight and management of risks is conducted through the following corporate governance bodies, established both regionally and in the countries where the Bank operates: Committee of Comprehensive Risk Management, Assets and Liabilities Committee (ALICO), Compliance Committee, Credit Committee, and Audit Committee.

(a) Credit Risk

This is the risk of financial loss faced by the Bank when a client or counterparty fails to meet their contractual obligations, and is mainly originated from deposits, investments in securities and loans receivable.

(4) Risk Management, continued

To mitigate credit risk, risk management policies follow established processes and controls for the approval of loans or credit facilities. The Bank structures acceptable credit risk levels by setting limits on the amount of risk that is assumed in relation to one borrower, or group of borrowers, and geographic segment. These credits are constantly controlled and subject to periodic review.

Exposure to credit risk is managed through a periodic analysis of the borrowers' or potential borrowers' capacity to pay principal and interest. Exposure to credit risk is also mitigated in part through collateral, corporate and personal guarantees.

Credit is managed through policies that have been clearly defined by the Board of Directors and they are reviewed and modified periodically based on changes and expectations in the market where the Bank operates, regulations and other factors considered while preparing these policies.

The Bank uses a series of credit reports to assess its portfolio's performance, provision requirements and specially to anticipate events that could affect its debtor’s condition in the future.

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.

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) Risk Management, continued

In relation to investments, the Bank has a regional guideline that defines the general profile that the investment portfolio must have and establishes two large levels of maximum limits to control the exposure of investments: limit at the level of country risk and risk of issuer. Country risk limits are established based on an internal rating scale and measured as percentages of the Bank's equity or as absolute amounts. In addition, the guideline includes the attributions and approval schemes for new limits or increases to existing ones. Additionally, the Group maintains other internal guidelines approved by ALICO and ratified by the Board of Directors.

Compliance with this guideline is monitored daily by the Market Risk and Liquidity Vice-presidency, part of the Comprehensive Risk Management area, which monitors all transactions to identify any acquisition or purchase outside the parameters and immediately notifies the originating area.

The Board of Directors has delegated the responsibility of managing credit risk to the Credit Committee and Assets and Liabilities Committee (ALICO); both periodically monitor the financial condition of the respective debtors and issuers that represent a credit risk for the Bank.

Information on the portfolio's quality

Quality of the portfolio of bank deposits

The Bank maintains deposits in banks for $161,716,460 as of December 2021 (December 31, 2020: $182,220,963). Deposits are maintained at central banks and other financial institutions, most of which have AA to BB risk ratings, (December 31, 2020: AA to BB) based on Standard & Poor’s, Moody's, and/or Fitch Ratings. On the total amount of deposits.

Securities under resale agreements are mostly classified based on the ratings assigned by Standard & Poor’s, Moody's, and/or Fitch Ratings.

Quality of the investment portfolio at fair value

The Bank segregates the investment portfolio into investments at FVTPL, investments at AC and investments at FVOCI. As of December 30, 2021, investments amounted to $915,886,007 (December 31, 2020: $1,053,269,414).

As December 30, 2021, the other assets at FVTPL includes common stocks and mutual funds for $21,185,348 (December 31, 2020: $21,795,592) which are excluded of the following risk analyzes.

- Investments at FVTPL
  The credit quality of investments is monitored according to the international risk rating of the issuer provided by Standard & Poor’s, Moody’s, and/or Fitch Ratings.

(4) Risk Management, continued

The following table summarizes investments at FVTPL categories:

	December 31, 2021	December 31, 2020
Governments and agencies		
BBB	15,799,761	21,043,039
Total governments and agencies	15,799,761	21,043,039
Corporate		
Sin calificación	16,112	16,100
Total Corporate	16,112	16,100
Total investments at FVTPL	15,815,873	21,059,139

- Investments at FVOCI
  The following table summarizes the investments at FVOCI categories:

	December 31, 2021			December 31, 2020		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AAA	80,443,260	0	80,443,260	54,880,955	0	54,880,955
AA+	323,625,542	0	323,625,542	520,317,005	0	520,317,005
A+	0	0	0	1,041,330	0	1,041,330
BBB	271,918,014	0	271,918,014	200,944,795	0	200,944,795
BB+ a B-	7,536,562	7,035,397	14,571,959	68,319,778	6,884,547	75,204,325
Total Governments and agencies	683,523,378	7,035,397	690,558,775	845,503,863	6,884,547	852,388,410
Corporate						
A+	15,059,604	0	15,059,604	0	0	0
BBB	25,888,532	0	25,888,532	19,325,161	0	19,325,161
BBB-	32,853,282	0	32,853,282	18,737,649	0	18,737,649
BB+ a B	8,552,713	9,047,732	17,600,445	25,290,946	11,339,192	36,630,138
Total Corporate	82,354,131	9,047,732	91,401,863	63,353,756	11,339,192	74,692,948
Total	765,877,509	16,083,129	781,960,638	908,857,619	18,223,739	927,081,358
Allowance for ECL	307,966	934,300	1,242,266	1,453,667	899,617	2,353,284

Debt instruments measured at VRCOUI as of December 31, 2021 and December 31, 2020: they are up to date in their payments.

- Investment in AC
  The following table summarizes the AC investment portfolio ratings:

	December 31, 2021			December 31, 2020		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
BB+ a BB-	0	0	0	0	9,703,791	9,703,791
Total Governments and agencies	0	0	0	0	9,703,791	9,703,791
Corporate						
BBB	5,483,230	0	5,483,230	0	0	0
Rango BB+ a B-	39,153,685	28,875,030	68,028,715	54,713,016	16,951,915	71,664,931
Sin calificación	3,578,255	17,815,551	21,393,806	0	0	0
Total Corporate	48,215,170	46,690,581	94,905,751	54,713,016	16,951,915	71,664,931
Total	48,215,170	46,690,581	94,905,751	54,713,016	26,655,706	81,368,722
Allowance for ECL	180,500	2,312,808	2,493,308	831,307	857,344	1,688,651

The AC investment as of December 31, 2021 are up to date in their payments.

(4) Risk Management, continued

Quality of the loan portfolio

Note 3 (c) contains an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

The following table presents the loan portfolio and the debt commitments and guarantee according to its risk category, in accordance with the grading used for each year indicated:

December 31, 2021	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,483,687,153	56,708,078	0	1,540,395,231
Special mention	0	143,407,569	0	143,407,569
Sub-standard	0	0	66,638,019	66,638,019
Doubtful	0	0	30,422,199	30,422,199
Loss	0	0	38,578,029	38,578,029
Gross amount	1,483,687,153	200,115,647	135,638,247	1,819,441,047
Allowance for ECL	(8,114,361)	(9,796,942)	(16,790,707)	(34,702,010)
Net amount	1,616,809,770	67,517,219	107,515,368	1,791,842,357
Small Company				
Satisfactory	48,253,763	33,981,598	0	82,235,361
Special mention	0	1,163,485	0	1,163,485
Sub-standard	0	0	1,984,762	1,984,762
Doubtful	0	0	777,521	777,521
Loss	0	0	1,681,023	1,681,023
Gross amount	48,253,763	35,145,083	4,443,306	87,842,152
Allowance for ECL	(807,250)	(2,364,134)	(1,031,451)	(4,202,835)
Net amount	47,446,513	32,780,949	3,411,855	83,639,317
Mortgage				
Satisfactory	419,453,844	117,048,995	0	536,585,839
Special mention	1,288,474	205,736,350	0	207,024,824
Sub-standard	0	0	2,281,346	2,281,346
Doubtful	0	0	2,803,446	2,803,446
Loss	0	0	7,387,557	7,387,557
Gross amount	420,825,318	322,785,345	12,472,349	756,083,012
Allowance for ECL	(1,098,807)	(13,532,157)	(1,141,575)	(15,772,539)
Net amount	419,726,511	309,253,188	11,330,774	740,310,473
Personal banking				
Satisfactory	403,134,597	35,715,721	2,379	438,852,697
Special mention	35,503	19,108,610	1,563	19,145,676
Sub-standard	0	0	1,131,541	1,131,541
Doubtful	0	0	871,294	871,294
Loss	0	0	2,057,618	2,057,618
Gross amount	403,170,100	54,824,331	4,064,395	462,058,826
Allowance for ECL	(1,694,455)	(4,530,154)	(1,224,119)	(7,448,728)
Net amount	401,475,645	50,294,177	2,840,276	454,610,098
Vehicles				
Satisfactory	165,226,604	64,263,832	0	229,490,436
Special mention	2,169,362	75,816,802	7,369	77,993,533
Sub-standard	0	0	431,736	431,736
Doubtful	0	0	250,215	250,215
Loss	0	0	214,858	214,858
Gross amount	167,395,966	140,080,634	904,178	308,380,778
Allowance for ECL	(818,136)	(4,623,683)	(261,900)	(5,703,719)
Net amount	166,577,830	135,456,951	642,278	302,677,059
Credit Card				
Satisfactory	37,687,426	4,175,427	87,210	41,950,063
Special mention	0	10,012,378	555,830	10,568,208
Doubtful	0	975,873	0	975,873
Loss	0	0	10,049,893	10,049,893
Gross amount	37,687,426	15,163,678	10,692,933	63,544,037
Allowance for ECL	(688,141)	(3,827,881)	(6,786,215)	(11,302,237)
Net amount	36,999,285	11,335,797	3,906,718	52,241,800
Net carrying amount, net of reserve	2,547,798,576	729,439,767	140,979,441	3,418,217,784

(4) Risk Management, continued

December 31, 2020	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,543,690,139	671,494	0	1,544,361,633
Special mention	0	9,804,643	41,065	9,845,708
Sub-standard	0	0	62,039,599	62,039,599
Doubtful	0	0	27,264,154	27,264,154
Loss	0	0	32,424,741	32,424,741
Gross amount	1,543,690,139	10,476,137	121,769,559	1,675,935,835
Allowance for ECL	(7,340,069)	(1,118,232)	(12,288,172)	(20,746,473)
Net amount	1,536,350,070	9,357,905	109,481,387	1,655,189,362
Small Company				
Satisfactory	45,837,082	25,757,499	149,257	71,743,838
Special mention	0	2,267,154	0	2,267,154
Sub-standard	0	0	247,871	247,871
Doubtful	0	0	441,452	441,452
Loss	0	0	1,409,222	1,409,222
Gross amount	45,837,082	28,024,654	2,247,802	76,109,537
Allowance for ECL	(332,798)	(841,528)	(316,633)	(1,490,959)
Net amount	45,504,284	27,183,125	1,931,169	74,618,578
Mortgage				
Satisfactory	376,303,974	298,696,722	0	675,000,696
Special mention	994,014	19,984,037	999,391	21,977,442
Sub-standard	0	0	693,833	693,833
Doubtful	0	0	522,763	522,763
Loss	0	0	9,128,068	9,128,068
Gross amount	377,297,988	318,680,759	11,344,055	707,322,802
Allowance for ECL	(800,484)	(6,713,791)	(370,252)	(7,884,527)
Net amount	376,497,504	311,966,968	10,973,803	699,438,275
Personal banking				
Satisfactory	358,446,378	55,475,459	168,203	414,090,040
Special mention	110,818	3,772,289	321,955	4,205,062
Sub-standard	0	0	402,020	402,020
Doubtful	0	0	550,463	550,463
Loss	0	0	1,823,655	1,823,655
Gross amount	358,557,196	59,247,748	3,266,296	421,071,240
Allowance for ECL	(2,249,149)	(4,165,993)	(719,546)	(7,134,688)
Net amount	356,308,047	55,081,755	2,546,750	413,936,552
Vehicles				
Satisfactory	149,557,612	135,366,764	17,750	284,942,126
Special mention	65,973	4,263,479	107,701	4,437,153
Sub-standard	0	0	333,796	333,796
Doubtful	0	0	762,764	762,764
Loss	0	0	492,968	492,968
Gross amount	149,623,585	139,630,242	1,714,979	290,968,807
Allowance for ECL	(978,527)	(3,599,037)	(1,022,972)	(5,600,536)
Net amount	148,645,058	136,031,206	692,007	285,368,271
Credit Card				
Satisfactory	21,057,999	17,390,743	60,686	38,509,427
Special mention	456,814	12,495,786	246,565	13,199,165
Doubtful	0	727,605	0	727,605
Loss	0	0	790,497	790,497
Gross amount	21,514,813	30,614,134	1,097,749	53,226,695
Allowance for ECL	(661,540)	(5,697,145)	(629,242)	(6,987,927)
Net amount	20,853,273	24,916,989	468,506	46,238,768
Net carrying amount, net of reserve	2,484,158,236	564,537,948	126,093,622	3,174,789,806

(4) Risk Management, continued

The following table presents the loan portfolio and the debt commitments and guarantee according to its risk category, in accordance with the classification used for each year indicated:

December 31, 2021	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	163,286,095	0	0	163,286,095
Special mention	0	130,000	0	130,000
Sub-estándar	0	0	10,000	10,000
Gross amount	163,286,095	130,000	10,000	163,426,095
Allowance for ECL	(100,518)	(1,156)	(411)	(102,085)
Net amount	163,185,577	128,844	9,589	163,324,010
Personal banking				
Satisfactory	111,485,330	0	0	111,485,330
Gross amount	111,485,330	0	0	111,485,330
Allowance for ECL	(70,520)	0	0	(70,520)
Net amount	111,414,810	0	0	111,414,810
Net carrying amount, net of reserve	274,600,387	128,844	9,589	274,738,820

December 31, 2020	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	137,373,174	0	0	137,373,174
Sub-estándar	0	0	10,000	10,000
Gross amount	137,373,174	0	10,000	137,383,174
Allowance for ECL	(88,121)	0	(500)	(88,621)
Net amount	137,285,053	0	9,500	137,294,553
Personal banking				
Satisfactory	59,538,097	0	0	59,538,097
Gross amount	59,538,097	0	0	59,538,097
Allowance for ECL	(37,860)	0	0	(37,860)
Net amount	59,500,237	0	0	59,500,237
Net carrying amount, net of reserve	196,785,290	0	9,500	196,794,790

(4) Risk Managemente, continued

Guarantees and other improvements to reduce credit risk and its financial effect

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The types of mortgage guarantees include residential and commercial, buildings and land. The types of collateral include private vehicles, commercial use, leasing, machinery and other equipment.

The table below shows the main types of guarantees taken with respect to different types of financial assets.

	December 31, 2021					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Investments in securities at fair value	0	0	0	0	913,867,611	913,867,611
Loans at amortized cost						
Corporate						
Corporate	1,071,364,843	26,722,744	126,511,670	0	585,725,923	1,810,325,180
Corporate leases, net	0	9,115,867	0	0	0	9,115,867
Total corporate	1,071,364,843	35,838,611	126,511,670	0	585,725,923	1,819,441,047
Personal Banking and Small company						
Small company						
Small company	69,220,958	1,590,688	9,408,398	0	7,189,123	87,409,167
Small company leases, net	0	432,985	0	0	0	432,985
Total Small company	69,220,958	2,023,673	9,408,398	0	7,189,123	87,842,152
Personal Banking						
Mortgage	756,083,012	0	0	0	0	756,083,012
Personal	33,571,704	0	29,464,906	0	399,022,216	462,058,826
Vehicles	303,059	306,042,609	0	0	0	306,345,668
Personal leases, net of interest	0	2,035,110	0	0	0	2,035,110
Credit cards	0	0	0	0	63,544,037	63,544,037
Total Personal Banking	789,957,775	308,077,719	29,464,906	0	462,566,253	1,590,066,653
Total Personal Banking and Small company	859,178,733	310,101,392	38,873,304	0	469,755,376	1,677,908,805
Allowance for ECL	(39,352,018)	(12,010,108)	(269,006)	0	(27,500,936)	(79,132,068)
Total loans	1,891,191,558	333,929,895	165,115,968	0	1,027,980,363	3,418,217,784
Credit commitments and financial guarantees	0	70,509	5,534,152	0	269,134,159	274,738,820

	December 31, 2020					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Investments in securities at fair value	0	0	0	0	1,051,414,381	1,051,414,381
Loans at amortized cost						
Corporate						
Corporate	1,096,414,188	31,895,000	123,495,033	0	411,536,950	1,663,341,171
Corporate leases, net	0	12,594,664	0	0	0	12,594,664
Total corporate	1,096,414,188	44,489,664	123,495,033	0	411,536,950	1,675,935,835
Personal Banking and Small company						
Small company						
Small company	60,675,404	2,358,368	11,150,711	0	1,256,591	75,441,074
Small company leases, net	0	668,464	0	0	0	668,464
Total Small company	60,675,404	3,026,831	11,150,711	0	1,256,591	76,109,538
Personal Banking						
Mortgage	707,322,802	0	0	0	0	707,322,802
Personal	35,104,686	0	33,191,646	0	352,774,908	421,071,240
Vehicles	0	288,084,418	0	0	0	288,084,417
Personal leases, net of interest	0	2,884,390	0	0	0	2,884,390
Credit cards	0	0	0	0	53,226,695	53,226,695
Total Personal Banking	742,427,487	290,968,807	33,191,646	0	406,001,603	1,472,589,544
Total Personal Banking and Small company	803,102,892	293,995,639	44,342,357	0	407,258,194	1,548,699,081
Allowance for ECL	(22,360,121)	(7,771,441)	(1,348,534)	0	(18,365,014)	(49,845,110)
Total loans	1,877,156,959	330,713,862	166,488,856	0	800,430,130	3,174,789,806
Credit commitments and financial guarantees	13,537,339	196,164	9,169,255	0	173,892,032	196,794,790

(4) Risk Management, continued

The table below shows the portfolio and identifiable value of collateral (primarily commercial properties) backing up the loan. For each loan, the corresponding value of its guarantees is capped by the guaranteed nominal amount.

	December 31, 2021		December 31, 2020	
Corporates	**Loans**	**Covered amount**	**Loans**	**Covered amount**
Stage 1 and 2	948,250,268	946,869,372	940,029,995	929,595,364
Stage 3	114,067,753	113,875,255	92,978,332	71,402,704
Total	1,062,318,021	1,060,744,627	1,033,008,327	1,000,998,068

The following are the non-financial assets that the Bank seized as collaterals to secure collection during the period:

	December 31 2021	December 31 2020
Property	12,822,489	1,824,061
Vehicles and others	504,130	1,076,957
Fiduciary rights	0	14,323,293
Total	13,326,619	17,224,311

The Bank's policy is to sell these assets to cover the balances due. Using foreclosed assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals. 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. The corresponding values are updated based on the requirements of local regulators, new disbursements with the same guarantee, restructuring of the credit or judicial processes that imply execution.

	December 31, 2021		December 31, 2020	
LTV Ratio	**Loans**	**Credit and guarantee commitments**	**Loans**	**Credit and guarantee commitments**
Less than 50%	72,934,145	3,585,173	63,347,784	1,385,690
51-70%	153,844,970	2,367,555	150,839,949	6,427,050
71-80%	109,356,701	5,104,018	103,853,108	3,945,515
81-90%	246,553,413	26,202,068	173,566,833	18,793,416
91-100%	167,187,635	73,998,611	209,663,895	28,876,321
More than100%	6,206,148	227,905	6,051,233	110,105
Total	756,083,012	111,485,330	707,322,802	59,538,097

(4) Risk Management, continued

Impaired Loans

LTV Ratio	December 31 2021	December 31 2020
Less than 50%	1,515,390	1,203,617
51-70%	3,171,909	2,261,391
71-80%	2,209,278	2,742,996
81-90%	2,714,580	2,155,952
91-100%	2,353,320	1,617,393
More than 100%	507,872	363,316
Total	12,472,349	10,344,665

ECL allowance

Projection of future conditions

The upside, base and downside scenarios are described below, along with the main risks taken into consideration to define them.

External sector:

External risk	Upside	Base	Downside
Vaccine Application: It is identified as the distribution and effectiveness of the vaccine and its impact on economic growth.	1) Main commercial partners immunize population during the first semester, 2021.	1) Main commercial partners immunize population during the first semester, 2021.	1) Main commercial partners immunize population during the first semester, 2022.

The scenarios for each country are detailed below:

Scenario	Scenarios synthesis	Upside	Base	Downside
Panama	1. Inflation and interest rates remain stable. 2. Main differences in scenarios: Panama has historically been the Central American country with the highest rate of economic growth; however, it has had the greatest impact due to the pandemic. There is uncertainty about the speed of recovery, which remained below its historical average in 2018 and 2020: .	Economic recovery occurs faster than expected, with effective access and distribution of the vaccine and rapid recovery of sectors that remained inactive, such as construction and commerce. Rapid recovery of main commercial partners and international trade	Immunization applies to the most vulnerable populations during 2021. Panama gradually recovers economic growth, below its historically high level.	Acquisition and distribution of ineffective vaccine, deterioration in health indicators. Slow economic recovery due to greater vulnerability of the Banking system before the moratorium law to help those affected by the pandemic. Slow recovery of investment and consumption.
Costa Rica	1. Inflation remains stable. 2. Main differences in scenarios: recovery of economic growth, exchange rate and interest rates, consequence of the possibility that the deterioration in public finances will continue.	Approval of reforms that show fiscal commitment and that improve the conditions of the Government to obtain financing, including an Agreement with the IMF. Strength in health services allows the population to be immunized during the first semester of 2021.	Country approaches immunization during 2021. An Agreement is reached with the IMF; however, the commitment only partially restores investor confidence in the face of fiscal challenges. Expansive fiscal policy is limited in 2021.	Political agreements are not reached to reduce the fiscal deficit, uncertainty generates exchange rate pressures and an increase in the demand for loanable funds from the government puts pressure on interest rates.

(4) Risk Management, continued

The scenario probability weightings applied in measuring ECL in each of the countries where the Bank operates, are as follows:

Scenario probability weighting	December 31, 2021 Panama	December 31, 2021 Costa Rica	December 31, 2020 Panama	December 31, 2020 Costa Rica
Optimistic	25%	20%	10%	5%
Base	60%	65%	60%	60%
Downside	15%	15%	30%	35%

Periodically, the Bank carries out stress tests of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios, advised by at least one external economist.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for loans' portfolios are: Monthly Economic Activity Index, Consumer Price Index, Exchange Rate, Local Currency Interest Rate and Dollars Interest Rate.

The Bank estimates each key driver for credit risk over the active forecast period of one year.

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the forecast period.

		December 31, 2021		December 31, 2020	
		Costa Rica	Panama	Costa Rica	Panama
		%	%	%	%
Monthly Economic Activity Index	Optimistic	5.97	8.14	3.58	4.89
	Base	4.78	5.28	2.32	3.83
	Downside	4.41	3.68	0.41	2.97
Consumer Price Index	Optimistic	1.58	1.98	0.65	0.54
	Base	2.83	2.58	0.85	0.77
	Downside	3.38	3.36	1.85	1.71
Exchange Rate	Optimistic	0.70	-	2.35	-
	Base	1.87	-	3.69	-
	Downside	6.43	-	5.13	-
Local Currency Interest Rate	Optimistic	(1.03)	-	(0.21)	-
	Base	(0.09)	-	1.29	-
	Downside	1.20	-	1.66	-
Dollars Interest Rate	Optimistic	(1.04)	0.37	(1.28)	(0.35)
	Base	(0.02)	0.83	0.28	0.08
	Downside	1.80	0.87	1.02	0.56

(4) Risk Management, continued

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognized on material classes of its financial assets.

The table below shows the loss allowance on loans assuming each forward-looking scenario (e.g. base, upside and downside) were weighted at 100% instead of applying scenario probability weights across the three scenarios, See note 3 (c).

December 31, 2021	Upside	Base	Downside
Book Value			
Corporate	1,819,441,046	1,819,441,046	1,819,441,046
Small company	87,842,151	87,842,151	87,842,151
Mortgage	756,083,011	756,083,011	756,083,011
Personal banking	462,058,826	462,058,826	462,058,826
Vehicles	308,380,777	308,380,777	308,380,777
Credit card	63,544,041	63,544,041	63,544,041
	3,497,349,852	3,497,349,852	3,497,349,852
ECL Allowance			
Corporate	33,926,187	34,789,213	35,487,944
Small company	3,825,436	4,298,832	4,453,984
Mortgage	13,400,977	16,133,572	18,289,224
Personal banking	6,675,712	7,604,366	8,203,429
Vehicles	5,429,147	5,842,297	5,842,297
Credit card	11,124,455	11,332,554	11,456,451
	74,381,914	80,000,834	83,733,329
Proportion of assets in Stage 2			
Corporate	9.96%	9.96%	9.96%
Small company	36.64%	37.53%	37.53%
Mortgage	40.09%	41.18%	43.23%
Personal banking	10.85%	10.98%	11.06%
Vehicles	41.95%	42.29%	42.29%
Credit card	23.86%	23.86%	23.86%
	20.34%	20.64%	21.09%

(4) Risk Management, continued

December 31, 2020	Upside	Base	Downside
Valor en libros			
Book Value	1,675,935,835	1,675,935,835	1,675,935,835
Corporate	76,109,538	76,109,538	76,109,538
Small company	707,322,802	707,322,802	707,322,802
Mortgage	421,071,240	421,071,240	421,071,240
Personal banking	290,968,807	290,968,807	290,968,807
Vehicles	53,226,694	53,226,694	53,226,694
	3,224,634,916	3,224,634,916	3,224,634,916
ECL Allowance			
Corporate	20,187,826	20,656,151	21,168,510
Small company	1,419,370	1,476,549	1,532,895
Mortgage	5,939,678	7,545,891	9,193,358
Personal banking	6,552,668	7,011,607	7,536,485
Vehicles	5,559,977	5,600,536	5,648,216
Credit card	6,646,960	6,934,847	7,170,338
	46,306,479	49,225,581	52,249,802
Proportion of assets in Stage 2			
Corporate	0.61%	0.61%	0.61%
Small company	34.97%	35.03%	35.04%
Mortgage	42.78%	43.66%	44.06%
Personal banking	13.43%	13.50%	13.70%
Vehicles	45.47%	45.47%	45.55%
Credit card	57.52%	57.52%	57.52%
	17.33%	17.53%	17.66%

The following table shows a reconciliation of the opening and closing balances of the period as of December 31, 2021, of the financial assets' ECL allowance.

	December 31, 2021				December 31, 2020			
Deposits in banks	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance as of January 1	5,817	2,131	0	7,948	10,104	0	0	10,104
Transfer from stage 2 to 1	2,131	(2,131)	0	0	0	0	0	0
Provision expense - remeasurement	(6,786)	0	0	(6,786)	(4,287)	0	0	(4,287)
Provision expense - origination	8,318	0	0	8,318	0	2,131	0	2,131
Balance at period end	9,480	0	0	9,480	5,817	2,131	0	7,948

	December 31, 2021				December 31, 2021			
Investments at FVOCI	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance as of January 1	1,453,667	899,617	0	2,353,284	70,973	555,968	0	626,941
Transfer from stage 1 to 2	(11,877)	11,877	0	0	0	0	0	0
Transfer from stage 2 to 1	11,877	(11,877)	0	0	0	0	0	0
Provision expense - remeasurement	(1,413,545)	(93,289)	0	(1,506,834)	(52,056)	343,649	0	291,593
Provision expense - origination	267,844	127,972	0	395,816	1,434,750	0	0	1,434,750
Balance at period end	307,966	934,300	0	1,242,266	1,453,667	899,617	0	2,353,284

	December 31, 2021				December 31, 2021			
Investments at AC	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance as of January 1	831,306	857,344	0	1,688,650	417,118	764,697	0	1,181,815
Transfer from stage 1 to 2	(279,529)	279,529	0	0	0	0	0	0
Provision expense - remeasurement	(438,732)	(200,203)	0	(638,935)	360,801	92,647	0	453,448
Provision expense - origination	67,455	1,376,138	0	1,443,593	53,387	0	0	53,387
Balance at period end	180,500	2,312,808	0	2,493,308	831,306	857,344	0	1,688,650

(4) Risk Management, continued

The investments' ECL allowance is not recognized within the consolidated statement of financial position, because the book value of the investments at FVOCI is its fair value.

	December 31, 2021				December 31, 2020			
Loans at AC	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance as of January 1	12,362,567	22,135,726	15,346,817	49,845,110	18,054,274	4,941,429	31,579,514	54,575,217
Transfer from stage 1 to 2	(3,578,877)	3,578,877	0	0	(8,239,496)	8,239,496	0	0
Transfer from stage 1 to 3	(62,081)	0	62,081	0	(34,991)	0	34,991	0
Transfer from stage 2 to 3	0	(8,014,311)	8,014,311	0	0	(2,504,547)	2,504,547	0
Transfer from stage 3 to 2	0	3,571,368	(3,571,368)	0	0	1,979,800	(1,979,800)	0
Transfer from stage 2 to 1	7,734,140	(7,734,140)	0	0	7,420,372	(7,420,372)	0	0
Transfer from stage 3 to 1	2,968,670	0	(2,968,670)	0	1,105,050	0	(1,105,050)	0
Net remeasurement of loss allowance	(1,812,473)	28,064,707	24,874,343	51,126,577	(1,538,457)	17,082,663	58,475,116	74,019,322
New financial assets originated	8,101,652	8,977,265	8,739,946	25,818,863	3,930,877	4,803,182	1,051,907	9,785,966
Net derecognition of financial assets	(12,492,448)	(11,904,541)	(8,833,897)	(33,230,886)	(8,335,062)	(4,985,925)	(7,172,322)	(20,493,309)
Write-offs	0	0	(36,047,652)	(36,047,652)	0	0	(69,612,105)	(69,612,105)
Recoveries	0	0	21,621,248	21,621,248	0	0	1,577,423	1,577,423
Foreign currency translation	0	0	(1,192)	(1,192)	0	0	(7,404)	(7,404)
Balance at period end	13,221,150	38,674,951	27,235,967	79,132,068	12,362,567	22,135,726	15,346,817	49,845,110

	December 31, 2021				December 31, 2020			
Other accounts receivable	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Balance as of January 1	1,517,299	0	0	1,517,299	849,334	0	0	849,334
Provision Expense – remeasurement	(80,930)	0	0	(80,930)	(5,587)	0	0	(5,587)
Provision Expense – originationt	136,055	0	0	136,055	9,184,869	0	0	9,184,869
Write-offs	(874,394)	0	0	(874,394)	(8,511,317)	0	0	(8,511,317)
Recoveries	96,746	0	0	96,746	0	0	0	0
Foreign currency translation	6	0	0	6	0	0	0	0
Balance at period end	794,782	0	0	794,782	1,517,299	0	0	1,517,299

Modified Financial Assets

The following table provides information on individually significant financial assets that were modified while having a provision for losses measured in an amount equal to the ECL for the expected life.

	December 31, 2021	December 31, 2020
Amortized cost before modification	570,133	10,821,396
Net loss due modification	0	1,051,556
Total	570,133	11,872,952

(4) Risk Management, continued

Concentration of credit risk

The Bank follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. As for investments, they are based on the location of the issuer. The analysis of the concentration of credit risks at the reporting date is as follows:

	December 31, 2021					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVTPL
Concentration by sector						
Government	0	0	24,416,910	690,558,775	15,799,761	0
Corporate						
Trade	469,178,975	33,777,900	0	0	0	0
Real estate	144,346,472	0	0	0	18,552,030	3,044,273
Services	138,897,350	10,967,861	0	0	0	4,196,505
Food industry	0	0	0	0	0	0
General industry	186,567,714	0	0	0	0	0
Construction	529,764,060	5,561,502	0	11,547,630	0	0
Agriculture	286,865,871	12,618,900	0	0	0	0
Hotels and restaurants	49,186,800	0	0	0	0	0
Financial	71,277,207	100,499,932	137,299,550	64,216,236	2,633,318	0
Transportation	0	0	0	13,613,806	16,112	0
Oil and derivates	22,585,685	0	0	0	0	0
Telecommunication	8,613,065	0	0	0	0	0
Energy	0	0	0	1,046,677	0	9,717,833
Real estate	0	0	0	977,514	0	77,947,140
Personal Banking	1,590,066,653	111,485,330	0	0	0	0
Allowance for ECL	(79,132,068)	(172,605)	0	0	0	0
Net carrying amount	3,418,217,784	274,738,820	161,716,460	781,960,638	37,001,221	94,905,751
Geographic location:						
Panama	3,496,187,047	274,911,425	329,741,085	338,871,220	36,985,109	85,187,918
Costa Rica	1,162,805	0	14,571,963	14,850,421	0	9,717,833
North America	0	0	25,262,301	408,634,874	0	0
Europe	0	0	35,318,273	0	0	0
South America	0	0	11,003,871	13,953,112	16,112	0
Asia	0	0	30,015,369	0	0	0
Others	0	0	20,000,969	15,059,604	0	0
Allowance for ECL	(79,132,068)	(172,605)	0	0	0	0
Net carrying amount	3,418,217,784	274,738,820	161,716,460	781,960,638	37,001,221	94,905,751

(4) Risk Management, continued

	December 31, 2020					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVTPL
Concentration by sector						
Government	0	0	21,189,559	852,388,410	21,043,038	0
Corporate						
Trade	427,888,603	28,063,202	0	0	0	0
Real estate	144,974,859	0	0	3,584,489	19,471,070	62,439,546
Services	0	15,571,885	0	0	0	5,160,433
General industry	149,635,590	1,087,823	0	0	0	0
Agriculture	229,687,924	7,026,000	0	10,285,134	0	0
Hotels and restaurants	49,363,017	0	0	0	0	0
Financial	79,526,596	84,387,099	0	0	0	0
Transportation	23,663,999	0	161,031,395	46,289,580	2,324,523	0
Construction	524,625,497	1,247,165	0	0	0	0
Oil and derivates	0	0	0	14,533,746	0	0
Telecommunication	5,901,276	0	0	0	16,100	0
Energy	0	0	0	0	0	13,768,743
Personal Banking	1,472,589,544	59,538,097	0	0	0	0
Allowance for ECL	(49,845,110)	(126,481)	0	0	0	0
Net carrying amount	3,174,789,806	196,794,790	182,220,954	927,081,358	42,854,731	81,368,722
Geographic location:						
Panama	3,034,456	0	996,569	69,611,647	0	9,703,791
Costa Rica	3,221,600,460	196,921,271	33,364,345	250,928,479	42,838,631	71,664,931
North America	0	0	0	5,592,679	0	0
Europe	0	0	31,999,843	584,568,943	0	0
South America	0	0	65,813,644	0	0	0
Asia	0	0	15,000,054	15,338,280	16,100	0
Others	0	0	15,002,625	1,041,330	0	0
Allowance for ECL	0	0	20,043,883	0	0	0
Net carrying amount	(49,845,110)	(126,481)	0	0	0	0
Geographic location:	3,174,789,806	196,794,790	182,220,963	927,081,358	42,854,731	81,368,722

The Bank has been and will continue to monitor the evolution of the liquidity and the quality of the portfolio of financial instruments placed or acquired in that country, in order to mitigate and manage the impacts of this situation.

(b) *Liquidity Risk*

Liquidity risk is defined as the contingency for not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the insufficient liquid assets available for this and/or the need to assume unusual funding costs.

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short-term liabilities and assets. The Bank's liquidity is carefully managed and adjusted daily based on the estimated flow of liquidity in expected and contingent scenarios.

(4) Risk Management, continued

The Bank's liquidity management best practices are in compliance with the policies and guidelines issued by Senior management and/or Regional and Local Board of Directors; the regulators of each country in which it operates and the contractual obligations. These best practices are primarily defensive, in the sense of seeking to always maintain appropriate levels of liquidity. In addition, the Bank has implemented the internal liquidity requirements that force it to keep excesses on regulatory requirements.

Specifically, the Bank's liquidity risk is managed through the calculation of liquidity coverage indicators in the short term, net of obligations and requirements, and in normal and stressful situations, as well as a stress model of liquidity based on the cash flow, which considers the activity of assets and liabilities in a time horizon of up to one year, under a variety of scenarios, which include both normal market conditions and more severe conditions. In addition, the Bank seeks to maintain a term matching, which enables it to meet its financial obligations over time.

As in the market risk, Senior Management engages actively in liquidity risk management through regional and local Assets and Liabilities Committee (ALICO) and Comprehensive Risk Management; thus, giving greater support to the strategic decision-making process. The liquidity risk assumed by the Bank is in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by Senior Management and/or Regional and Local Board of Directors.

At the level of the entire Bank is established the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

The following table shows the results of the ratios for high-quality liquidity coverage with respect to the outflow of deposits under normal and stressful conditions, calculated based on internal policies, reported as of the reporting date and during the period:

	% of Liquidity	
	December 31, 2021	December 31, 2020
Al cierre del año	31.8%	39.9%
Máximo	40.8%	78.7%
Promedio	33.5%	52.2%
Mínimo	25.2%	37.4%

As of December 31, 2021, and December 31, 2020, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

(4) Risk Management, continued

Quantitative information

The following table details the undiscounted cash flows of financial liabilities and financial assets, and disbursements due to financial derivatives in contractual maturity groups from the remaining period from the date of the consolidated statement of financial position:

	December 31, 2021						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows /(outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Demand deposits	365,929	(365,929)	(365,929)	0	0	0	0
Savings deposits	409,781	(409,781)	(409,781)	0	0	0	0
Time deposits	2,170,986	(2,301,277)	(178,051)	(208,352)	(913,661)	(988,563)	(12,650)
Securities sold under repurchase agreements	26,190	(42,406)	(10,086)	(16,079)	(172)	(16,069)	0
Financial obligations	918,242	(945,347)	(61,285)	(51,084)	(499,443)	(327,222)	(6,313)
Other financial obligations	393,919	(404,313)	(1,158)	(18,078)	(359,437)	(25,639)	0
Lease Liabilities	16,974	(22,874)	(219)	(1,093)	(1,311)	(10,204)	(10,047)
Sub-total liabilities	4,305,020	(4,494,902)	(1,024,739)	(294,772)	(1,774,421)	(1,370,130)	(30,840)
Commitments and guarantees	133,797	(133,797)	(3,369)	(8,563)	(25,582)	(96,283)	0
Acceptances	98,843	(98,843)	0	(3,067)	(95,776)	0	0
Total liabilities	4,537,660	(4,727,542)	(1,028,108)	(306,402)	(1,895,779)	(1,466,413)	(30,840)
Assets							
Cash and cash equivalents	21,964	21,964	21,964	0	0	0	0
Deposits in banks	161,716	162,052	152,229	2,010	1,131	6,682	
Investments at FVTPL (1)	39,020	17,871	0	121	15,450	0	2,300
Investments at FVOCI	781,961	891,595	6096	2,630	20,894	464,496	397,479
Investments at AC	94,906	130,497	12	653	26,483	46,203	57,146
Loans	3,418,218	4,119,710	318,715	221,969	812,883	1,413,328	1,352,815
Sub-total assets	4,517,784	5,343,689	499,016	227,383	876,841	1,930,709	1,809,740
Acceptances outstanding	98,843	98,843	0	3,067	95,776	0	0
Total assets	4,616,627	5,442,532	499,016	230,450	972,617	1,930,709	1,809,740

(1) Investments in equity are not included

(4) Risk Management, continued

	December 31, 2020						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows /(outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Demand deposits	446,847	(446,847)	(446,847)	0	0	0	0
Savings deposits	384,127	(384,127)	(384,127)	0	0	0	0
Time deposits	2,220,359	(2,356,905)	(178,625)	(247,919)	(946,876)	(960,674)	(22,811)
Securities sold under repurchase agreements	16,019	(16,151)	0	(75)	(50)	(16,025)	0
Financial obligations	582,806	(463,288)	(368)	(26,020)	(48,914)	(63,085)	(324,901)
Other financial obligations	498,725	(511,950)	(122,521)	(11,200)	(398)	(65,298)	(312,533)
Lease Liabilities	17,682	(18,683)	(218)	(1,088)	(1,306)	(9,553)	(6,519)
Sub-total liabilities	4,166,565	(4,197,951)	(1,132,706)	(285,214)	(996,238)	(1,105,082)	(660,245)
Commitments and guarantees	72,471	(72,471)	(8,302)	(8,007)	(15,771)	(40,391)	0
Acceptances	194,238	(194,238)	0	(52,000)	(142,238)	0	0
Total liabilities	4,433,274	(4,464,660)	(1,141,008)	(345,221)	(1,154,247)	(1,145,473)	(660,245)
Assets							
Cash and cash equivalents	20,587	20,587	20,587	0	0	0	0
Deposits in banks	182,221	182,961	159,731	15,044	3,667	4,519	0
Investments at FVTPL (1)	44,819	44,813	0	155	22,269	20,089	2,300
Investments at FVOCI	927,081	1,004,753	85,854	84,820	53,424	526,665	253,990
Investments at AC	81,369	114,981	12	541	9,379	36,447	68,602
Loans	3,174,790	3,780,435	347,824	282,328	664,002	1,238,098	1,248,183
Sub-total assets	4,430,867	5,148,530	614,008	382,888	752,741	1,825,818	1,573,075
Acceptances outstanding	194,238	194,238	0	52,000	142,238	0	0
Total assets	4,625,105	5,342,768	614,008	434,888	894,979	1,825,818	1,573,075

(1) Investments in equity are not included

The liquidity of the Bank is measured and monitored on a daily basis by the treasury of each country. In addition, the Bank maintains appropriate levels of cash in vaults, deposits in banks and short-term deposits which constitutes the Bank's basis of liquidity reserves. The composition of liquidity is shown in the following table:

	Decmber 31, 2021	**Decmber 31, 2020**
Cash and cash equivalents	21,963,899	20,587,457
Deposits due from banks maturing in less than 90 days	154,187,651	162,207,650
Deposits due from banks greater than 90 days	7,528,809	20,013,313
Total Cash, cash equivalents and deposits in banks	183,680,359	202,808,420
Not committed sovereign debt instruments	399,421,474	525,846,975
Other credit lines available (1)	673,007,875	822,792,251
Total liquidity reserve	1,256,109,708	1,551,447,646

(1) Amounts not disbursed as of the reporting date.

The available credit lines are for use in normal business scenarios. They may have restricted use in stressful situations.

(4) Risk Management, continued

The following table shows the availability of the Bank's financial assets to support the future financing:

December 31, 2021	Committed	Uncommitted		
	As Collateral	Available as Collateral	Other (2)	Total
Cash and cash equivalents	0	0	21,963,899	21,963,899
Deposits due from banks	86,002,786	7,529,137	68,184,537	161,716,460
Investments in securities at fair value	320,115,751	399,421,474	101,443,031	820,980,256
Investments in securities at amortized cost	15,580,659	0	79,325,092	94,905,751
Loans at amortized cost	4,788,797	0	3,413,428,987	3,418,217,784
Total assets	426,487,993	406,950,611	3,684,345,546	4,517,784,150

(2) It represents assets that are uncommitted for use as collateral.

December 31, 2020	Committed	Uncommitted		
	As Collateral	Available as Collateral	Other (2)	Total
Cash and cash equivalents	0	0	20,587,457	20,587,457
Deposits due from banks	99,003,256	8,014,294	75,203,413	182,220,963
Investments in securities at fair value	377,082,541	486,088,011	108,730,140	971,900,692
Investments in securities at amortized cost		0	81,368,722	81,368,722
Loans at amortized cost	337,092,937	0	2,837,696,869	3,174,789,806
Total assets	813,178,734	494,102,305	3,123,586,601	4,430,867,640

(2) It represents assets that are uncommitted for use as collateral.

(c) Market Risk

Market risks are those that may result in losses as a result of adverse price movements in the financial markets where positions are maintained. It comprises the following risks:

- Interest rate risk: is the possibility of an economic loss due to adverse variations in interest rates.

- Exchange rate risk: is the possibility of an economic loss due to adverse variations in the exchange rate.

The main objectives of the Bank's corporate governance structure include supervising the performance of the management team in each country, ensuring the proper functioning of the internal control system, monitoring the exposure to risks and managing them effectively. For such purpose, management engages actively in market risk management through the regional and local Assets and Liabilities Committees (ALICO) and the Comprehensive Risk Management Committee; thus, giving greater support to the strategic decision-making process.

Market risks assumed by the Bank are in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by management and/or regional and local board of directors.

(4) Risk Management, continued

The Bank establishes the requirement of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations, as well as ensuring that reports related to market risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of the content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

For the measurement, control and management of market risk, the Bank uses the indicators required by the regulator of each country as well as another set of indicators established in the internal regional guideline, which are calculated by country and in a consolidated manner based on internal sources of information.

Exchange risk is measured through the determination of the equity percentage that is not dollarized (also known as monetary position). The main objective of the policy is to establish that the difference between assets denominated in US dollars and liabilities denominated in US dollars is at least equal to equity, which is equivalent to having a 100% dollarized equity. However, due to regulatory restrictions applicable in each country that limit the position in US dollars, the consolidated monetary position may be below this desirable limit. The Bank manages this risk for certain operations through the acquisition of hedging derivatives that mitigate the exposure to exchange rate fluctuations (See note 17).

Quantitative information

The Bank maintains operations in the consolidated statement of financial position, agreed in local currency other than US dollars, which are listed below:

December 31, 2020 *Amounts in millions*	Euro	Sterling pound	Canadian dollar	Swiss franc	Total
Cash, cash equivalents and deposits in banks	9	5	1	2	17
Investments in securities	0	0	0	0	0
Loans, net	0	0	0	0	0
Total assets	9	6	1	2	17
Deposits	9	5	1	2	17
Obligations	0	0	0	0	0
Total liabilities	9	6	1	2	17
Exchange risk exposure	0	0	0	0	0

December 31, 2020 *Amounts in millions*	Euro	Sterling pound	Canadian dollar	Swiss franc	Total
Cash, cash equivalents and deposits in banks	9	4	1	2	16
Investments in securities	0	0	0	0	0
Loans, net	0	0	0	0	0
Total assets	9	4	1	2	16
Deposits	9	4	1	2	16
Obligations	0	0	0	115	115
Total liabilities	9	4	1	117	131
Exchange risk exposure	0	0	0	(115)	(115)

(4) Risk Management, continued

Bellow, the summary exposure of the Bank's consolidated statement of financial position to interest rate risk. Assets and liabilities are included in the table at their carrying amount, classified by categories of time considering the next rate review date of the maturity date, as applicable:

December 31, 2021	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	21,963,899	0	0	0	21,963,899
Deposits due from banks	52,533,043	102,683,417	6,500,000	0	161,716,460
Investments in securities at fair value and other assets	17,775,045	118,813,149	416,713,450	362,584,363	915,886,007
Loans at amortized cost	93,944,895	2,370,181,946	290,582,554	663,508,389	3,418,217,784
Total assets	186,216,882	2,591,678,512	713,796,004	1,026,092,752	4,517,784,150
Deposits	339,652,325	1,698,019,161	898,634,984	10,390,000	2,946,696,470
Securities sold under repurchase Agreement	189,973	10,000,000	16,000,000	0	26,189,973
Obligations	4,334,249	644,605,529	269,301,859	0	918,241,637
Other obligations	2,114,997	367,464,000	24,339,936	0	393,918,933
Total liabilities	346,291,544	2,720,088,690	1,208,276,779	10,390,000	4,285,047,013
Exchange risk exposure	(160,074,662)	(128,410,178)	(494,480,775)	1,015,702,752	232,737,137

December 31, 2020	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	20,587,457	0	0	0	20,587,457
Deposits due from banks	52,252,853	125,968,120	4,000,000	0	182,220,963
Investments in securities at fair value and other assets	123,298,260	170,844,371	519,265,420	239,861,363	1,053,269,414
Loans at amortized cost	91,130,825	2,279,972,335	192,985,189	610,701,457	3,174,789,806
Total assets	287,269,395	2,576,784,816	716,250,609	850,562,820	4,430,867,640
Deposits	347,076,753	1,809,916,040	872,410,581	21,930,000	3,051,333,374
Securities sold under repurchase Agreement	18,626	16,000,000	0	0	16,018,626
Obligations	2,821,265	335,299,474	244,685,521	0	582,806,260
Other obligations	7,255,537	178,429,448	313,040,470	0	498,725,455
Total liabilities	357,172,181	2,339,644,962	1,430,136,572	21,930,000	4,148,883,715
Exchange risk exposure	(69,902,785)	237,139,584	(713,885,963)	828,632,820	281,983,925

Based on the above, the Bank calculates the total exposure of the consolidated statement of financial position to interest rate risk. The Bank states that the interest rate risk should be measured for each currency in which assets and liabilities are maintained.

Interest rate risk is analyzed based on the gap analysis, in order to approximate the change in equity of the Bank's consolidated statement of financial position and in the net income from interest from eventual changes in market interest rates. The economic value of an instrument involves an assessment of the current value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a financial entity can be seen as the present value of expected net cash flows from the entity, defined as expected cash flows from assets less expected cash flows from liabilities. In this sense, the perspective of economic value reflects a view of the sensitivity of the financial entity net value to interest rate fluctuations.

The estimate of the impact of variations in interest rates is conducted under a scenario of increase or decrease of 100 basis points in assets and liabilities at the different terms (parallel movement of the curve). The following table presents a summary of the impact on the Bank's economic value and on the net interest income applying these variations:

(4) Risk Management, continued

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
December 31, 2021	(97,039,175)	97,039,175
Average for the year	(88,474,355)	88,474,355
Maximum for the year	(80,213,654)	80,213,654
Minimum for the year	(97,039,175)	97,039,175
December 31, 2020	(60,079,322)	60,079,322
Average for the year	(47,040,206)	47,040,206
Maximum for the year	(60,079,322)	60,079,322
Minimum for the year	(41,790,389)	41,790,389
Impact on net income from interests		
December 31, 2021	7,571,932	(7,571,932)
Average for the year	8,410,796	(8,410,796)
Maximum for the year	9,092,066	(9,092,066)
Minimum for the year	7,571,932	(7,571,932)
December 31, 2020	5,230,619	(5,230,619)
Average for the year	4,736,845	(4,736,845)
Maximum for the year	5,230,619	(5,230,619)
Minimum for the year	4,017,511	(4,017,511)

(1) According to the nature of the instruments on demand, the sensitivity of annual income and expenses to a decrease or increase in rates for currencies with rates below 1% is measured using a variation of 25 basis points.

(d) Operating Risk

The Bank has established a minimum framework for operational risk management within its companies, which is intended to provide general guidelines to ensure the identification, assessment, control, monitoring and reporting of operational risks and materialized events that may affect the organization with the objective of ensuring the proper management, mitigation or reduction of the managed risks and contributing to provide a reasonable assurance with respect to the achievement of organizational objectives.

The operational risk management model considers best practices issued by the Basel Committee on Banking Supervision and by COSO (Committee of Sponsoring Organizations of the Treadway Commission). In addition, it complies with the regulatory requirements of the region, which have been defined by the regulators of the countries where the Bank operates.

Taking the foregoing as a reference, operational risk is defined as the possibility that the events resulting from personnel, information technologies or inadequate or failed internal processes, or produced by external causes, generate negative impacts that go against the objectives. By its nature, it is present in all of the organization's activities.

The priority of the Bank is, therefore, identifying and managing the major risk factors, regardless of whether they can produce monetary losses. The measurement also contributes to the establishment of priorities in the management of operational risk.

(4) Risk Management, continued

The operational risk management system is properly documented in the Operational Risk Guideline and Manual. It is a continuous process with several stages:

- Measurement of the perspective of control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and review
- Registration and accounting of losses due to operational risk incidents

Additionally, the Bank has policies formally established for the management of information security, business continuity, fraud prevention and code of ethics that support the proper management of operational risks in the organization.

At the regional level and in all countries where the Bank operates, there is an operational risk management unit that monitors, advises and assesses the management conducted by the administration with regard to operational risks. In addition, there is a specialized Operational Risk Committee (OR Committee) composed of senior management. The OR Committee reports to the Comprehensive Risk Management Committee, monitors management and ensures that identified operational risks are kept at accepted levels by the Bank.

Compliance with Bank standards is supported by a program of periodic reviews undertaken by Internal Audit, which reports the results to the Internal Audit.

(5) COVID – 19

Impact of the pandemic of the spread of COVID-19

During the first quarter 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 subsequent periods of 2020 and 2021, 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 Bank's entities, and to take all appropriate measures to minimize the negative impacts that could arise from this situation during 2020 financial year and subsequent periods. The Bank continues to have a reasonable expectation that it has adequate resources to continue as a going concern indefinitely.

(5) COVID – 19, continued

As of December 31, 2021, 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, 2021, 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 — Portfolio of loans, 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.

- 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.

(5) COVID – 19, continued

The calculation of expected credit losses for credit risk incorporated from the third 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 September 30, 2021, with the effects shown in the following two tables:

i. Macroeconomic variables used in the calculation of ECL

		December 31, 2021		December 31, 2020	
		Costa Rica	Panama	Costa Rica	Panama
		%	%	%	%
Monthly Economic Activity Index	Upside	5.97	8.14	3.58	5.54
	Base case	4.78	5.28	2.32	3.34
	Downside	4.41	3.68	0.41	1.63
Consumer Price Index	Upside	1.58	1.98	0.65	(0.58)
	Base case	2.83	2.58	0.85	(0.16)
	Downside	3.38	3.36	1.85	1.21
Exchange Rate	Upside	0.70	-	2.35	-
	Base case	1.87	-	3.69	-
	Downside	6.43	-	5.13	-
Local Currency Interest Rate	Upside	(1.03)	-	(0.21)	-
	Base case	(0.09)	-	1.29	-
	Downside	1.20	-	1.66	-
Dollars Interest Rate	Upside	(1.04)	0.37	(1.28)	(0.16)
	Base case	(0.02)	0.83	0.28	(0.02)
	Downside	1.80	0.87	1.02	0.16

ii. Weighting of probabilities assigned to scenarios before and after COVID-19

	December 31, 2021		December 31, 2020	
	Costa Rica	**Panamá**	**Costa Rica**	**Panamá**
Upside	20%	25%	5%	10%
Central	65%	60%	60%	60%
Downside	15%	15%	35%	30%

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 updating historical information, assumptions related to the severity and duration of the pandemic, speed of recovery of the economy and their respective impact on the market).

The Bank continues to continuously monitor information that allows it to identify in a timely manner possible impact to ECL.

(5) COVID – 19, continued

iii. Impairment allowance balances

	December 31 2020	March 31 2021	June 30, 2021	September 30, 2021	December 31 2020	Variation June vs March	Variation September vs June	Variation December vs September
Corporate	20,746,473	24,066,208	27,858,559	29,010,212	34,702,010	3,792,351	1,151,653	5,691,798
Small and medium company	1,490,959	1,274,139	1,458,940	2,332,442	4,202,835	184,801	873,502	1,870,393
Mortgage	7,884,527	8,650,291	13.503,384	16,486,975	15,772,538	4,853,093	2,983,591	(714,437)
Personal banking	7,134,688	6,372,872	7,524,652	7,953,869	7,448,728	1,151,780	429,217	(505,141)
Vehicles	5,600,536	5,542,141	6,588,497	6,410,975	5,703,717	1,046,356	(177,522)	(707,256)
Credit Card	6,987,927	6,665,750	6,715,516	8,985,016	11,302,240	49,766	2,269,500	2,317,224
Total	49,845,110	52,571,401	63,649,548	71,179,489	79,132,068	11,078,147	7,529,941	7,952,581

The table above summarizes the total balance of the provision by portfolio for each quarter of the period ended September 30, 2021. The detail of the movement of the provision, transfers between stages, the impact by refinement of models, among others, is presented in the Note 4.

iv. Loan's Portfolio provision expense

	December 31 2020	March 31 2021	June 30, 2021	September 30, 2021	December 31 2020	Variation June vs March	Variation September vs June
Corporate	8,226,865	3,855,554	1,919,358	6,909,938	(4,371,311)	(1,936,196)	4,990,577
Small and medium company	(279,280)	(56,229)	674,080	1,924,916	223,051	730,309	1,250,836
Mortgage	736,864	4,627,332	2,970,130	(495,614)	3,890,468	(1,657,202)	(3,465,744)
Personal banking	(368,326)	1,761,069	1,301,263	2,232,983	2,129,395	(459,806)	931,720
Vehicles	556,976	1,226,251	164,533	370,279	669,275	(1,061,718)	205,746
Credit Card	235,175	(23,238)	2,497,666	2,746,009	(258,413)	2,520,901	248,346
Total	9,108,274	11,390,739	9,527,030	13,688,511	2,282,465	(1,936,196)	4,161,481

The table above summarizes the provision expense for portfolio impairment for impairment for each quarter of 2021.

b) Customer relief programs

The actions taken or suggested by the governments of the countries in which the Bank operates have promoted the generation of reliefs to customers (companies or individuals) between April 2020 and June 2021 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, payment deferrals, extension of maturity and increase of credit line quotas. The following table summarizes the volume of relief granted by portfolio:

December 31, 2021	Corporate	Small Company	Mortgage	Personal banking	Vehicles	Credit Card
Amount of credits with relief	159	172	787	1,997	2,096	824
% of credit with relief / Total credits	2.32%	16.28%	10.35%	6.91%	8.19%	9.58%

December 31, 2020	Corporate	Small Company	Mortgage	Personal banking	Vehicles	Credit Card
Amount of credits with relief	1,868	652	4,041	3,767	16,555	9,369
% of credit with relief / Total credits	51.71%	63.12%	51.19%	13.31%	59.28%	78.09%

(5) COVID – 19, continued

As of December 31, 2021, the impact recognized in operation results for COVID-19 reliefs is $10,438,155 (December 31, 2020 $2,197,202).

As of today, the government has not decreed direct support for the banks.

c) <u>Leases from the lessee's perspective</u>
Between lessors and lessees, as of April 2020, processes have been carried out to renegotiate the terms of their lease agreements, as a result of which the lessors have granted the lessees concessions of some kind in connection with the 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:

	December 31, 2021			December 31, 2020		
Relief mode	Number of relief received	% Contracts with relief/Total contracts	Recognized effect on income of	Number of relief received	% Contracts with relief/Total contracts	Recognized effect on income of
Reduction of the canon for a number of months	258	48.96%	2,802	24	54.55%	151,803

d) <u>Impairment on Other Assets – Property, Plant, Equipment and Intangibles</u>
As of December 31, 2021, no indicators of impairment were identified for the Bank's businesses.

(6) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies

The Bank's management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

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.

(6) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies, continued

Loan Impairment Losses

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes decisions as to whether observable information exists indicating that there is a measurable reduction in estimated future cash flows from a loan portfolio before such reduction may be identified with an individual loan in that portfolio. This evidence includes observable information indicating that an adverse change in the payment condition of borrowers in a group, national or local economic conditions that correlate with non-compliance instances in Bank's assets have occurred.

Fair Value of Financial Instruments

Fair value of financial instruments that are not quoted in active markets is determined using valuation techniques. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices.

To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates by management. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

Impairment of Investments at FVOCI

In debt instruments, the impairment may be appropriate when there is evidence of impairment in the financial health of the issuer, industry or sector performance, changes in technology, and operational and financial cash flows.

Income Tax

The Bank uses the asset and liability method to record income tax. Under this method, the deferred tax assets and liabilities are recognized by the estimates of future tax consequences attributable to temporary differences between the amounts of assets and liabilities in the consolidated financial statements and their respective tax bases and due to accumulated tax losses. The deferred tax assets and liabilities are valued using the enacted tax rates that are expected to be applied to the tax revenue for the years in which they are expected to be recovered or temporary differences are settled. The effect on deferred tax assets and liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

Management regularly assesses the realization of deferred tax assets for it recognition. Management evaluates whether it is more likely than not that a portion or all deferred tax assets are not realizable.

(7) Cash, Cash Equivalents and Deposits

Cash and cash equivalents are listed below for reconciliation purposes with the consolidated statement of cash flow:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	21,963,899	20,587,457
Deposits in banks and deposits due in less than 90 days	154,187,651	162,207,658
Cash and cash equivalents in the consolidated statement of cash flow	176,151,550	182,795,115
Deposits in banks greater than 90 days and pledged	7,528,809	20,013,305
Total cash, cash equivalents and deposits in banks	183,680,359	202,808,420

(8) Investments at Fair Value

As of December 31 2021, investments at fair value amounted to $915,886,007 (December 31, 2020: $1,053,269,414) are summarized as follows:

(a) *Investments at FVTPL*

The portfolio of investments in securities at FVTPL is detailed as follows:

	December 31, 2021	December 31, 2020
Government bonds	15,799,761	21,043,039
Corporates bonds	16,112	16,100
Mutual funds	21,185,348	21,795,592
Common stocks	2,018,397	1,964,603
	39,019,618	44,819,334

(b) *Investment at FVOCI*

The portfolio of investments at FVOCI is detailed as follows:

	December 31, 2021	December 31, 2020
Governments:		
United States of America	404,068,803	575,197,959
Other Governments	286,489,972	277,190,451
	690,558,775	852,388,410
Corporate bonds	91,401,863	74,692,948
	781,960,638	927,081,358

(c) *Investments at AC*

The portfolio of investments to the AC is detailed as follows:

	December 31, 2021	December 31, 2020
Other Governments	0	9,703,791
	0	9,703,791
Corporate bonds	94,905,751	71,664,931
	94,905,751	81,368,722

(9) Loans

The detail of the loan portfolio by product is presented below:

	December 31, 2021			December 31, 2020		
	Gross amount	Allowance for ECL	Net carrying amount	Gross amount	Allowance for ECL	Net carrying amount
Loans						
Corporate						
Corporate	1,810,325,180	(34,614,971)	1,775,710,209	1,663,341,171	(20,635,879)	1,642,705,291
Corporate leases, net (1)	9,115,867	(87,039)	9,028,828	12,594,664	(110,593)	12,484,071
Total corporate loans	1,819,441,047	(34,702,010)	1,784,739,037	1,675,935,835	(20,746,473)	1,655,189,362
Personal Banking and Small company						
Small company						
Small company	87,409,167	(4,161,596)	83,247,571	75,441,073	(1,481,990)	73,959,083
Small company leases, net (1)	432,985	(41,239)	391,746	668,464	(8,969)	659,495
Total Small company loans	87,842,152	(4,202,835)	83,639,317	76,109,537	(1,490,959)	74,618,578
Personal Banking						
Mortgage	756,083,012	(15,772,539)	740,310,473	707,322,802	(7,884,527)	699,438,275
Personals	462,058,826	(7,448,728)	454,610,098	421,071,240	(7,134,688)	413,936,552
Vehicles	306,345,668	(5,640,949)	300,704,719	288,084,418	(5,547,618)	282,536,800
Personal leases, net (1)	2,035,110	(62,770)	1,972,340	2,884,390	(52,918)	2,831,472
Credit Cards	63,544,037	(11,302,237)	52,241,800	53,226,695	(6,987,927)	46,238,768
Total Personal Banking	1,590,066,653	(40,227,223)	1,549,839,430	1,472,589,544	(27,607,678)	1,444,981,866
Total Personal Banking and Small company	1,677,908,805	(44,430,058)	1,633,478,747	1,548,699,081	(29,098,637)	1,519,600,444
Total loans at CA	3,497,349,852	(79,132,068)	3,418,217,784	3,224,634,916	(49,845,110)	3,174,789,806
(1) Total leases, net of interest	11,583,962	(191,048)	11,392,914	16,147,518	(172,480)	15,975,038

The following table presents the net value of finance leases receivable:

	December 31, 2021	December 31, 2020
Minimum lease payments receivable	13,280,817	18,593,268
Less: unearned interest	1,659,055	2,389,211
Minimum lease payments receivable, net	11,621,762	16,204,057
Less: allowance for loss in leases	37,800	172,480
Less: net deferred commissions	191,048	56,539
Net value of investment in finance leases	11,392,914	15,975,038

The following table summarizes the minimum lease payments receivable as of December 31, 2021:

Year ended December 31:	
2022	1,999,307
2023	3,802,717
2024	2,969,773
2025 and thereafter	2,849,965
	11,621,762

(10) Properties, Furniture, Equipment and Improvements

Properties, furniture, equipment and improvements are summarized below:

	December 31, 2021						
	Land and Buildings	Right of use of Properties	Construction in Progress	Vehicles	Furniture and Office Equipment	Improvements	Total
Cost:							
As of January 1, 2021	22,292,083	20,450,780	3,954,865	714,209	32,361,374	19,618,230	99,391,541
Purchase	0	1,441,813	1,361,231	547,160	1,426,342	77,626	4,854,172
Sales and disposals	0	(876,422)	0	(135,414)	(588,484)	(882,438)	(2,482,757)
Transfers	0	0	(1,054,497)	0	124,135	930,362	0
Reclassification (Note 11)	0	0	0	0	(11,764,469)	0	(11,764,469)
Reclassification (Note 12)	0	0	743,366	0	0	0	743,366
Foreign currency translation	0	0	0	0	(2,269)	(3,559)	(5,828)
As of December 31, 2021	22,292,083	21,016,171	5,004,966	1,125,955	21,556,629	19,740,221	90,849,022
Accumulated depreciation							
As of January 1, 2021	262,677	4,159,383	0	634,331	23,365,362	10,511,618	38,933,371
Expense for the year	116,887	2,164,814	0	124,765	1,246,106	1,786,850	5,439,422
Sales and disposals	0	(267,153)	0	(114,503)	(453,270)	(882,438)	(1,717,364)
Reclassification (Note 11)	0	0	0	0	(7,124,018)		(7,124,018)
Foreign currency translation	0	0	0	0	16,895	(3,021)	13,875
As of December 31, 2021	379,564	6,057,044	0	644,593	17,051,075	11,413,010	35,658,286
Net balance	21,912,519	14,959,127	5,004,966	481,362	4,505,554	8,327,209	55,190,737

	December 31, 2020						
	Land and Buildings	Right of use of Properties	Construction in Progress	Vehicles	Furniture and Office Equipment	Improvements	Total
Cost:							
As of January 1, 2020	20,738,059	21,038,403	3,954,865	1,086,854	37,038,724	18,915,584	102,772,489
Spin-off of assets (Note 19)	0	(563,750)	0	(28,015)	(1,581,816)	(13,818)	(2,188,159)
Purchase	0	33,100	0	0	2,248,116	795,724	3,076,940
Sales and disposals	0	(56,973)	0	(344,630)	(2,671,638)	(79,260)	(3,152,501)
Reclassification	0	0	0	0	(2,671,252)	0	(2,671,252)
Reclassification (Note 12)	1,554,024	0	0	0	0	0	1,554,024
As of December 31, 2020	22,292,083	20,450,780	3,954,865	714,209	32,361,374	19,618,230	99,391,541
Accumulated depreciation							
As of January 1, 2020	227,579	2,451,712	0	812,069	23,458,204	9,547,262	36,496,826
Spin-off of assets (Note 19)	0	(365,103)	0	(14,739)	(18,313)	(6,909)	(405,064)
Expense for the year	35,098	2,129,747	0	69,916	2,984,029	1,046,497	6,265,287
Ventas y descartes	0	(56,973)	0	(232,915)	(2,754,160)	(75,232)	(3,119,280)
Reclassification (Note 12)	0	0	0	0	(304,398)	0	(304,398)
As of December 31, 2020	262,677	4,159,383	0	634,331	23,365,362	10,511,618	38,933,371
Net balance	22,029,406	16,291,397	3,954,865	79,878	8,996,012	9,106,612	60,458,170

During 2021, the Bank made a transfer of intangible assets and other assets to properties, furnitures, equipments and improvements for a net amount of $1,053,208.

(11) Intangible Assets

The gross balance of the book value and the accumulated amortization for each of the intangible assets acquired and developed internally by the Bank as of December 31, 2021 are detailed below:

December 31, 2021	Software under development	Computer licenses	Total
Cost:			
As of December 31, 2020	0	6,627,003	6,627,003
Additions for the year	1,642,171	0	1,642,171
Disposals	(777,197)	0	(777,197)
Transfers	(2,924,567)	2,924,567	0
Reclassification (Note 12)	4,537,587	0	4,537,587
Reclassification (Note 10)	(1,053,208)	12,817,677	11,764,469
Effect of exchange rate	0	(17,648)	(17,648)
As of December 31, 2021	1,424,786	22,351,599	23,776,385
Accumulated amortization:			
As of December 31, 2020	0	3,574,999	3,574,999
Amortization	0	3,310,382	3,310,382
Reclassification (Note 10)	0	7,124,018	7,124,018
Disposals	0	0	0
Effect of exchange rate	0	(17,734)	(17,734)
As of December 31, 2021	0	13,991,664	13,991,664
Net balance as of December 31, 2021	1,424,786	8,359,935	9,784,721

December 31, 2020	Computer licenses	Total
Cost:		
As of December 31, 2019	0	0
Purchase	3,955,751	3,955,751
Reclassification (Note 10)	2,671,252	2,671,252
As of December 31, 2020	6,627,003	6,627,003
Accumulated amortization:		
As of December 31, 2019	0	0
Amortization	1,205,255	1,205,255
Reclassification (Note 10)	2,369,744	2,369,744
As of December 31, 2020	3,574,999	3,574,999
Net balance as of December 31, 2020	3,052,004	3,052,004

None of the intangible assets mentioned in the table above subject to amortization have a residual value.

During the year 2021, the Bank made a transfer from intangible assets to property, furniture, equipment and improvements for a net amount of $1,053,208 corresponding to furniture and equipment (see Note 10).

During the years ended December 31, 2021 and 2020, no impairment losses were recognized.

(12) Other Assets

The detail of other assets is as follows:

	December 31, 2021	December 31, 2020
Non-current assets held for sale, net	33,435,089	21,280,436
Deferred expenses	2,120,405	9,697,113
Current assets not held for sale	999,669	799,544
Guarantee deposits	2,042,951	2,462,940
Unstamped plastic cards	127,617	136,750
Investment properties	2,439,059	2,439,059
Others	2,126,533	2,836,669
	43,291,323	39,652,511

(12) Other Assets, continued

The non-current assets held for sale, net of reserve for posible losses, are detailed as follows:

	December 31, 2021	December 31, 2020
Vehicles	112,323	1,582,895
Real estate – less than1 year	12,566,489	14,400,595
Real estate – more tan 1 year	21,005,096	5,596,487
Non current assets held for sale, gross	33,683,908	21,579,977
Reserve for possible losses	(248,819)	(299,541)
Non current assets held for sale, net	33,435,089	21,280,436

The Bank made sales of repossessed assets for $1,579,992 (2020: $3,509,299), generating a loss of $40,571 (2020: $57,908).

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	299,541	5,924
Provision recognized in profit or loss	1,153,616	403,155
Sales	(1,204,049)	(109,538)
Exchange rate effect	(289)	0
Balance at the end of the year	248,819	299,541

(13) Deposits from Customers

Deposits from customers are detailed below:

	December 31, 2021	December 31, 2020
Retail customers		
Demand	47,729,425	58,217,773
Savings	247,315,181	250,944,051
Time deposits	656,190,263	641,182,575
Corporate customers		
Demand	318,199,779	388,629,676
Savings	162,465,882	133,183,129
Time deposits	1,514,795,940	1,579,176,170
	2,946,696,470	3,051,333,374

(14) Financial Obligations

Financial obligatons are detailed below:

	December 31, 2021		
	Interest rate	**Maturity up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	0.67% a 5.92%	2022 a 2026	679,877,867
Floating rate	1.15% a 3.60%	2022 a 2028	238,363,770
Total financial obligations at amortized cost			918,241,637

	December 31, 2020		
	Interest rate	**Maturity up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	1.03% a 5.92%	2021 a 2025	336,458,969
Floating rate	0.44% a 3.56%	2021 a 2028	246,347,291
Total financial obligations at amortized cost			582,806,260

The Bank has not defaulted on the payment of principal or interest of its financial obligations.

(15) Other Financial Obligations

The Bank has placed commercial bonds and securities, through the local and international Stock Exchange, which are detailed below:

	December 31, 2021		December 31, 2020	
Payable in:	**Interest rate**	**Carrying mount**	**Interest rate**	**Carrying mount**
US dollars	1.75% a 5.00%	393,918,933	2.00% a 5.00%	498,725,455
Total of other financial obligations		393,918,933		498,725,455

The characteristics and guarantees for these issuances are described below:

December 2012 Issuance (placed in 2015, 2017, 2018, 2019, 2020 and 2021)

Public offering of the Corporate Bond Revolving Program for a value of up to $150,000,000 divided into $100,000,000 of Revolving Corporate Class A Bonds and $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.

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 y O, during 2018 were issued as Q y R, during 2019 were issued as Series S, and during 2020 were issued as Series T y U and for the year 2021 the Serie V,W, X, Y y Z.

(15) Other Financial Obligations, continued

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.

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 $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 ($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.

During the year ended December 31, 2021, the following series were issued: AV, AW, AX, AY, AZ, BA, BB, BC, BD, BE, BF, BG, BH, BI, BJ, BK, BL, BM and BN.

During the year ended December 31, 2020, the series AA, AD, AE, AF, AH, AI, AJ, AK, AL, AM, AN, AO, AP, AQ, AR, AS, AT and AU were issued.

The Bank has not had any breaches of principal, interest, or other contractual clauses in relation to its other financial obligations.

(16) Lease Liabilities

Leese liabilities are detailed below:

	December 31, 2021			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.79% - 6.36%	2033	16,974,135	22,874,039
Total lease liabilities			16,974,135	22,874,039

	December 31, 2020			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	6.36%	2033	17,681,588	26,939,567
Total lease liabilities			17,681,588	26,939,567

The following is the detail of the maturity of the undiscounted contractual cash flows related to lease liabilities:

	December 31, 2021	December 31, 2020
Less than a year	2,621,989	2,632,774
One to two years	2,621,989	2,710,163
Two to three years	2,600,110	2,795,381
Three to four years	2,534,473	2,857,966
Four to five years	2,448,044	2,896,916
More than five years	10,047,434	13,046,367
	22,874,039	26,939,567

The following are the items recognized in the consolidated statement of income, related to lease liabilities.

	December 31, 2021	December 31, 2020
Interest on leases	1,121,176	1,270,658
Expense for leases with less than 12 months	1,005,139	1,166,997
Expense for leases of low-value assets	697,012	741,309
	2,823,327	3,178,964

(17) Derivative Financial Instruments

Fair value hedges of interest rate risk

As of December 31, 2021, 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.

(17) Derivative Financial Instruments, continued

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

December 31, 2021 Type of instrument	Remaining Maturity Nominal Ammount Over 1 year	Fair Values Assets	Liabilities
Interest rate swap	20,500,000	0	5,016,916

December 31, 2020 Type of instrument	Remaining Maturity Nominal Ammount Over 1 year	Fair Values Assets	Liabilities
Interest rate swap	20,500,000	0	6,245,611

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 ("Credit Default Swaps" or CDS).

Cash flow hedges of the exchange rate risk

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. On January 12, 2021, the position held by the Bank was closed.

(17) Derivative Financial Instruments, continued

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

December 31, 2020 Type of Instrument	Remaining Maturity of notional value Over 3 years	Fair Value Assets	 Assets
Cross currency swaps	CHF 100,000,000	9,583,501	0

Other derivatives

Al 31 de diciembre de 2021, the Group uses exchange rate swap contracts ("FX foward") to reduce the exchange rate risk on exposures of purchase and sale of currency on behalf of the client, for the active position $254,004 and liabilities $251,176 a natural hedge is applied in the consolidated income statement.

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

	December 31, 2021	December 31, 2020
Financial assets at fair value	254,004	9,583,501
Financial liabilities at fair value	(5,016,916)	(6,245,611)
Net	(4,762,912)	(3,337,890)

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

(18) Other Liabilities

The detail of other liabilities is as follows:

	December 31, 2021	December 31, 2020
Uncashed checks drawn	22,776,574	40,909,436
Provision of Insurance contracts	10,859,862	10,894,791
Reconciliatory items to be applied	4,168,701	5,376,217
Employee benefits	3,271,708	2,333,966
Collections	1,401,236	786,503
Sales tax payable	423,395	438,466
Loyalty programs	397,776	513,600
Allowance for expected credit losses from irrevocable commitments	235,127	250,412
Credits to accounts receivable to be applied	195,269	1,902,402
Accounts payable to suppliers	154,123	1,564,928
Provision for dismantling leased assets	110,473	101,065
Others	16,744,616	17,872,888
	60,738,860	82,944,674

(19) Provisions for Insurance Contracts

The provisions relating to insurance contracts are detailed below:

	December 31, 2021			December 31, 2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
General Insurance Business						
Unearned premiums	4,143,725	1,775,891	2,367,834	4,934,760	1,816,402	3,118,358
Provision for claims in process						
General insurance policies	2,498,935	628,000	1,870,935	1,521,869	465,507	1,056,362
Personal insurance policies	2,695,336	407,346	2,287,990	3,052,690	951,320	2,101,370
Total provisions for claims in process	5,194,271	1,035,345	4,158,926	4,574,559	1,416,827	3,157,732
Long-term business life						
Provisions for non-participating benefits	1,521,866	0	1,521,865	1,385,472	0	1,385,472
Total provisions for Insurance contracts	10,859,862	2,811,237	8,048,625	10,894,791	3,233,229	7,661,562

(20) Equity

	Number of Shares	
	December 31, 2021	December 31, 2020
Common shares:		
Authorized shares without par value	50,000,000	50,000,000
Issued and paid-in-shares:		
At beginning of the year	16,862,753	16,862,753
Total issued and outstanding shares, at the end of the period	16,862,753	16,862,753

(20) Equity, continued

As of December 31, 2021, the Bank's subsidiaries have capitalizations of retained earnings of $17,892,633 (2020: $17,892,633), therefore, these, capitalized earnings are not available for dividend distributions.

Preferred Shares

The Bank is authorized to issue 1,500,000 preferred shares with a nominal value of $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, 2021, the number of preferred shares outstanding amounts to 0 (December 31, 2020: 80,000).

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

Multibank, Inc.

Issuance	December 31, 2021	December 31, 2020	Dividend rate	Type	Serie
2016	0	8,000,000	6.70%	Non-cumulative	F
	0	8,000,000			

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, Rule 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.

- 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.

(20) Equity, continued

- Declaration of dividends is the responsability 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 $7,000,000, Series B for $10,000,000. Series C for $20,000,000 and Series E for an amount of $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 $20,000,000, with cut-off date September 26, 2020.

On September 9, the holders of the preferred shares were notified of the redemption of Series F for $8,000,000, with a cutoff date of November 28, 2021, as stated on CNV Resolution No. 47-11.

As of December 31, 2021, dividends on preferred shares were declared and paid for a total of $543,444 (2020: $6,105,489).

Entity	Acquisition Date	Acquired interest	Excess paid December 31, 2021	Excess paid December 31, 2020
MB Credito, S. A.	Abril 2014	25%	(152,873)	(152,873)
			(152,873)	(152,873)

(20) Equity, continued

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 financial statement that were decreased by this transaction are shown below:

Statement of Financial Position	April 15, 2020
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 interest 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
Other comprehensive income	24,605,870
Retained earnings	(49,745,833)
	(19,685,909)

(21) Other Comprehensive Income

The following table presents the components and changes in accumulated other comprehensive losses as of December 31, 2021:

	Foreign currency translation	Unrealized gain (loss) in securities	ECL in Securities	Assets revaluation	Employee benefits	Total Others Accumulated Comprehensive Losses
Balance as of December 31, 2019	(23,202,499)	(8,873,965)	626,941	1,963,190	0	(29,486,333)
Other comprehensive (loss) income before reclassifications	(4,201,199)	23,634,386	3,889,514	(163,419)	(106,435)	23,052,848
Reclassified amounts of other comprehensive losses	2,797,828	(16,135,161)	(2,163,171)	0	0	(15,500,504)
Spin-off of assets	24,605,870	0	0	122,569	0	24,728,439
Transfer to retained earnings	0	0	0	39,390	0	39,390
Net other comprehensive (loss) income for the year	23,202,499	7,499,225	1,726,343	(1,460)	(106,435)	32,320,172
Balance as of December 31, 2020	0	(1,374,740)	2,353,284	1,961,730	(106,435)	2,833,840
Other comprehensive (loss) income before reclassifications	0	(16,269,851)	(2,196,863)	(43,621)	61,776	(18,448,560)
Reclassified amounts of other comprehensive losses	0	(7,055,718)	1,085,845	0	0	(5,969,873)
Net other comprehensive (loss) income for the year	0	(23,325,569)	(1,111,018)	(43,621)	61,776	(24,418,433)
Balance as of December 31, 2021	0	(24,700,309)	1,242,266	1,918,109	(44,659)	(21,584,593)

The following table presents the detail of other comprehensive income reclassified to the consolidated statement of income during the year ended December 31, 2021:

	Balance reclassified to Other Comprehensive Income 2021	2020	Disclosure line at the Consolidated Statement of Income
Investments at FVOCI			
Unrealize net gain on securities	7,055,718	16,135,161	Gains on financial instruments, net
Total reclassifications	7,055,718	16,135,161	

(22) Net Gain (Losses) in Financial Instruments

Gain in financial instruments, nets, included in the consolidated statement of income is summarized below:

	December 31, 2021	December 31, 2020
Net gain on sale of investments at FVOCI	7,055,718	16,135,161
Unrealized net los (gain) from securities at FTVPL	(763,369)	930,056
Net gain from sales of securities at FTVPL	974,454	289,509
Net fair value loss on derivative financial instruments	(135,725)	(1,006,404)
	7,131,078	18,361,130

(23) Other Income (Services charges)

The service charges segregated according to their natures are detailed as follows:

	December 31, 2021	December 31, 2020
Retail and Corporate Banking	12,814,000	14,731,129
Assets management	698,380	724,944
Investment Banking services	2,054,626	1,967,808
	15,567,006	17,423,881

Fee and commission income from contracts with clients is measured based on the consideration specified in a contract with a client. The Bank recognizes income when it transfers control over a service to a customer.

(23) Others Income (Services Charges), continued

The following table presents information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies

Type of Services	Nature and timing of performance obligations, incluiding significant payment terms	Recognition of income by IFRS 15
Retail and Corporate Banking	The Bank provides banking services to individuals and corporate clients, including account management, provision of overdraft facilities, foreign currency transactions, credit cards and fees for banking services. Charges for the ongoing management of client accounts are charged directly to the client's account on a monthly basis. The Bank sets the fees on an annual basis separately for consumer banking and for corporate banking, taking into account the jurisdiction of each client. Income from commissions for exchange transactions, foreign currency transactions and overdrafts, are charged directly to the client's account when the transaction is carried out. Banking service fees are charged monthly and are based on fixed rates reviewed annually by the Bank.	Income from account management services and fees for banking services are recognized over the time the services are rendered. Transaction-related revenue is recognized at the time the transaction takes place.
Investment Banking services	The Bank's investment banking segment provides a variety of financial services, including loan servicing and agency services, syndicated loan servicing, executing client transactions with exchanges, and underwriting securities. Fees for ongoing services are charged annually at the end of the calendar year directly to the customer's account. However, if a client terminates the contract before December 31 of each year, the termination fee is charged for services performed to date. Transaction-based fees for servicing syndicated loans, executing transactions and underwriting securities are collected when the transaction is completed.	Revenue from administrative agency services is recognized over time as the services are rendered. Amounts receivable from customers as of December 31 are recognized as accounts receivable. Transaction-related revenue is recognized at the time the transaction takes place.
Assets Managements	The Bank provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of managed assets and are deducted from the client's account balance on a monthly basis. In addition, the Bank charges a non-refundable amount in advance when opening an account.	Asset management revenue is recognized over time as services are rendered. Initial non-refundable fees give rise to significant entitlements for future services and are recognized as revenue over the period in which a client is expected to continue to receive asset management services.

(23) Other Income (Service Charges), continued

The others income included on the consolidated statement of income, is detailed as follow:

	Decembre 31, 2021	Decembrer 31, 2020
Commercial recoveries	2,194,572	3,015,296
(Loss) gain in sales of repossessed assets	(40,856)	20,397
Other income from associated companies	1,578,946	1,696,169
Rentals	420,609	331,610
Reciprocal operations	87,111	255,869
Gain on sale of fixed assets	25,094	4,650
Gain on investment properties	0	50,730
Others	5,846,060	1,463,467
	10,111,536	6,838,188

(24) Salaries and Other Personnel Expenses

Salaries and other personnel expenses are detailed below:

	December 31, 2021	December 31, 2020
Salaries and other remunerations	28,988,867	31,635,688
Employment benefits	13,464,233	10,727,782
Severance	1,147,091	3,906,282
Others	85,132	1,832,627
	43,685,323	48,102,379

(25) Other Expenses

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

	December 31, 2021	December 31, 2020
Maintenance of computer programs and licenses	5,666,338	5,241,533
Telephone service	3,219,605	3,695,367
Other taxes	1,958,826	2,376,520
Advertising and marketing	1,651,802	1,180,039
Vehicles and equipment maintenance	1,624,266	1,589,781
Banking licenses	1,439,290	1,845,383
Security services	1,351,306	1,699,418
Credit cards franchises	1,241,053	833,271
Travel expenses	401,654	557,769
Others	4,557,863	6,009,777
	23,112,003	25,028,858

(26) Income Tax

The income tax expense is made up of:

	December 31, 2021	December 31, 2020
Current tax	7,373,678	1,155,426
Deferred tax	(7,955,749)	(9,504,989)
	(582,071)	(8,349,563)

Income tax expense for the year ended December 31, 2021 was $662,078 (December 31, 2020: $332,016), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	December 31, 2021	December 31, 2020
Calculation of "expected" income tax expense	3,659,497	(7,777,320)
Increase (decrease) in income tax as a result of		
Non-deductible costs	23,183,370	25,228,992
Effect of tax losses on subsidiaries	251,854	(6,116)
Tax loss carryforwards	(846,774)	4,140,255
Foreign exempted and non-taxable income	(26,830,018)	(29,935,374)
Impuesto sobre la renta	582,071	(8,349,563)

The temporary differences between the amounts of the consolidated financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of December 31, 2021, are as follows:

	December 31, 2021					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	1,987	383	0	2,370	2,370	0
Allowances for loan losses	16,800,317	8,502,303	0	25,302,620	25,302,620	0
Reserve for loyalty rewards points	128,400	(28,956)	0	99,444	99,444	0
Reserve for legal risk	69,080	(67,580)	0	1,500	1,500	0
Impairment of modified loans	549,300	353,177	0	902,477	902,477	0
Employee's benefit plan	35,478	0	(20,592)	14,886	24,925	(10,039)
Reserve for contingences	(67,580)	67,580	0	0	0	0
Investments in local subsidiaries, by undistributed profits	(241,916)	5,270	0	(236,646)	0	(236,646)
Allowance for other accounts receivables	311,124	(157,290)	0	153,834	153,834	0
Properties revaluations	(367,493)	0	(4,915)	(372,408)	0	(372,408)
Miscellaneous provisions	112,071	(112,071)	0	0	0	0
IFRS 16 leases	427,534	160,736	0	588,270	4,328,051	(3,739,781)
Investment properties	(53,023)	0	0	(53,023)	0	(53,023)
Off-balance sheet operations	62,603	(3,820)	0	58,783	58,783	0
Loss carryforward	4,138,250	(763,983)	0	3,374,267	3,374,267	0
Deferred tax asset (liability), net	21,906,132	7,955,749	(25,507)	29,836,374	34,248,271	(4,411,897)
Compensation of tax items					(4,076,406)	4,076,406
Total					30,171,865	(335,491)

(26) Income Tax, continued

	December 31, 2020					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,526	(539)	0	1,987	1,987	0
Allowances for loan losses	12,205,174	4,595,143	0	16,800,317	16,800,317	0
Reserve for loyalty rewards points	0	128,400	0	128,400	128,400	0
Reserve for legal risk	0	69,080	0	69,080	69,080	0
Impairment of modified loans	0	549,300	0	549,300	549,300	0
Employee's benefit plan	0	0	35,478	35,478	35,478	0
Reserve for contingences	0	(67,580)	0	(67,580)	0	(67,580)
Investments in local subsidiaries, by undistributed profits	0	(241,916)	0	(241,916)	0	(241,916)
Allowance for other accounts receivables	175,379	135,745	0	311,124	311,124	0
Properties revaluations	(204,075)	1	(163,419)	(367,493)	0	(367,493)
Miscellaneous provisions	0	112,071	0	112,071	112,071	0
IFRS 16 leases	251,500	176,034	0	427,534	4,500,383	(4,072,849)
Investment properties	0	(53,023)	0	(53,023)	0	(53,023)
Off-balance sheet operations	98,580	(35,977)	0	62,603	62,603	0
Loss carryforward	0	4,138,250	0	4,138,250	4,138,250	0
Deferred tax asset (liability), net	12,529,084	9,504,989	(127,941)	21,906,132	26,708,993	(4,802,861)
Compensation of tax items					(4,475,887)	4,475,887
Total					22,233,106	(326,974)

The management presents the net deferred tax, which is derived from the taxes corresponding to the same jurisdiction, within the consolidated statement of financial position.

As of December, 31 2021, the Bank has carry-over of net operating losses of $14,779,633 (December 31, 2020: $16,543,386), which are available to offset future taxable income of the subsidiaries as needed. Net operating losses begin to prescribe in 2022, based on annual percentages established by the country's regulation.

Deferred taxes assets have not been recognized for $918,134 (2020: $1,740,747) from accumulated tax losses of $1,282,564 (2020: $925,388) and by portfolio reserve and other accounts receivable for $1,777,883, 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 2022 y 2025.

As of December 31, 2021, the Bank maintains an effective tax rate of (3.98%) (December 31, 2020: (26.84%)).

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the furthest fiscal year subject to inspection: Costa Rica: 2017 and Panama: 2016.

(27) Financial Instruments with Off-Balance Sheet Risk and Other Commitments

The Bank participated in financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the accompanying consolidated financial position.

(27) Financial Instruments with Off-Balance Sheet Risk and Other Commitments, continued

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

The Bank generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Financial guarantees are used in various transactions to enhance the credit standing of the Bank's customers. They represent irrevocable assurances that the Bank will make payment in the event that the customer fails to fulfill its obligations to third parties.

The Bank uses the same credit policies in making commitments and conditional obligations as as those used when granting loans that are accounted for in the consolidated statement of financial position. As of December 31, 2021, the outstanding amounts of letters of credit, financial guarantees and letters of promise to pay are as follows:

	December 31, 2021	December 31, 2020
Stand-by letters of credit	17,112,010	25,185,505
Commercial letters of credit (1)	11,151,828	8,704,260
Financial guarantees	112,850,236	90,560,535
Loans commitments (promise letters)	133,797,351	72,470,971
	274,911,425	196,921,271

(1) Includes comercial and mortgage payment promise letters

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2021, are detailed as follows

	December 31, 2021	December 31, 2020
Up to 1 year	102,129,460	78,512,241
Over 1 year	161,630,136	109,704,770
	263,759,596	188,217,011

(27) Financial Instruments with Off Balance Sheet Risk and other Commitments, continued

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other guarantees to cover for these guarantees issued. The assets held as collateral that the Bank can obtain and settle to collect all or part of the amounts paid under these guarantees as of December 31, 2021, amounted to $5,793,278 (December 31, 2020: $22,917,379).

(28) Disclosures on the Fair Value of Financial Instruments

The Bank established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability.

The judgments are developed by the Bank based on the best information available, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Bank believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

Recurrent Fair Value Measurement

The following is a description of the valuation methodologies used to value instruments carried at fair value, including a general classification of such instruments according to the fair value hierarchy.

Securitiesres

When there are market prices in an active market, securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid bonds from the government and agencies and investments in highly traded shares.

If market prices are not available for a specific security, the fair value is determined using market prices of securities with similar characteristics or discounted cash flows and are classified in Level 2. In certain cases where there is limited activity or less transparency in determining the assumptions used in the valuation, securities are classified in Level 3 of the fair value hierarchy.

(28) Disclosures on the Fair Value of Financial Instruments, continued

Therefore, when valuing certain debt obligations, determining fair value may require comparisons with similar instruments or default and collection rate analysis.

Assets and liabilities recorded at fair value on a recurring basis are summarized below:

2021	Level 1	Other significant observable Inputs Level 2	Significant unobservable Inputs Level 3	December 31, 2021
Assets				
Investments at FVTPL:				
Other governments	0	0	15,799,761	15,799,761
Corporates bonds	0	16,112	0	16,112
Mutual funds	0	2,608,318	18,577,030	21,185,348
Common stocks	0	424,820	1,593,577	2,018,397
Total investments at FVTPL	0	3,049,250	35,970,368	39,019,618
Investments at FVOCI:				
Governments:				
United States of America	323,625,543	80,443,260	0	404,068,803
Other governments	0	286,489,972	0	286,489,972
	323,625,543	366,933,232	0	690,558,775
Corporate bonds	9,482,848	75,408,229	6,510,786	91,401,863
Total investments at FVOCI	333,108,391	442,341,461	6,510,786	781,960,638
Investments at AC				
Corporate bonds	0	9,717,833	85,187,918	94,905,751
Total investmetns at AC	0	9,717,833	85,187,918	94,905,751
Total assets	333,108,391	455,108,544	127,669,072	915,886,007

2020	Level 1	Other significant observable Inputs Level 2	Significant unobservable Inputs Level 3	December 31, 2020
Assets				
Investments at FVTPL:				
Other governments	0	0	21,043,039	20,043,039
Corporate debentures	0	16,100	0	16,100
Mutual funds	0	0	21,795,592	21,795,592
Common stocks	0	278,881	1,685,722	1,964,603
Total investments at FVTPL	0	294,981	44,524,353	44,819,334
Investments at FVOCI:				
Governments:				
United States of America	500,291,745	74,906,214	0	575,197,959
Other governments	0	277,190,451	0	277,190,451
	500,291,745	352,096,665	0	852,388,410
Corporate bonds	36,458,689	33,650,379	4,583,880	74,692,948
Common stocks	0	0	0	0
Total investments at FVOCI	536,750,434	385,747,044	4,583,880	927,081,358
Investments at AC				
Other governments	0	9,703,791	0	9,703,791
Corporate bonds	0	0	71,664,931	71,664,831
Total investments at AC	0	9,703,791	71,664,931	81,368,722
Total assets	536,750,434	438,584,447	77,934,533	1,053,269,414

(28) Disclosures on the Fair Value of Financial Instruments, continued

The Bank's accounting policies include the recognition of transfers between the levels of the fair value hierarchy on the date of the event or change in the circumstances that caused the transfer.

The table below includes the movement of the figures in the consolidated statement of financial position (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended December 31, 2021. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable inputs within the overall fair value measurement.

	Investment	
December 31, 2021	Common stocks	Total
Assets		
Fair value at January 01, 2021	1,685,722	1,685,722
Valuation of investments at FVTPL	(92,145)	(92,145)
Fair value at December 31, 2021	1,593,577	1,593,577

	Investments	
December 31, 2020	Common stocks	Total
Assets		
Fair value at January 01, 2020	1,209,491	1,209,491
Valuation of investments at FVTPL	476,231	476,231
Fair value at December 31, 2020	1,685,722	1,685,722

The table below describes the valuation techniques and input data used in the financial instruments' recurring fair value measurements:

Financial instrument	Valuation technique and entry data used	Level
Corporate bonds and bonds issued by the government and agencies	Consensus prices obtained through price providers (Bloomberg). For part of these instruments discounted cash flows are applied using a market rate of an instrument with a similar remaining maturity. Market prices provided by price providers or local regulators, in less marketable markets. Discounted cash flows are used for various bonds using a rate of market for an instrument with a similar remaining maturity.	(2,3)
Common stocks	Discounted cash flows using a capital cost rate adjusted for premium for size.	(3)
Common stocks	Market prices provided by local stock exchanges.	(2)
Mutual funds and other stocks	Net Asset Value.	(2)
Embedded financial derivative instruments	Functional currency cash flows Foreign currency cash flows	(3)

(28) Disclosures on the Fair Value of Financial Instruments, continued
Fair value of Financial Instruments, additional disclosures
A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approximate the fair value
Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the consolidated statement of financial position, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans
To determine the fair value of the loan portfolio, the cash flows were discounted at a rate that reflects:

a. Actual market rate, and
b. Future interest rate expectations, for a term that reflects the anticipated payments on the loan portfolio.

Deposits
To determine the fair value of these instruments, the cash flows were discounted at a rate that reflects:

a. Actual market rate, and
b. Future interest rate expectations, for the remaining term of these instruments.

Securities sold under repurchase agreements
There are no market price quotes for these instruments; therefore, their fair value is determined using discounted cash flow techniques. Cash flows are estimated based on the contractual terms, taking into account any incorporated derivative characteristic or other factors. Expected cash flows are discounted using market rates that approach the maturity of the instrument, as well as the nature and amount of the guarantee given or received.

Borrowings
The fair value is estimated based on current interest rates for debt with similar and adjusted maturities to reflect the credit rating of the Bank and its guarantees.

Other financial obligations
Fair value is estimated based on the market price quotes for the same issuance or similar issuances or on the current rates offered by the Bank for debts with the same terms, adjusted for credit quality.

(28) Disclosures on the Fair Value of Financial Instruments, continued

The valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the consolidated financial position are as follows:

December 31, 2021		Quantitative information of Level 3 fair values	
	Fair value	Valuation technique	Unobservable assumptions
Common stocks	1,593,577	Quoted prices for similar instruments	Similar instrument quotes

December 31, 2020		Quantitative information of Level 3 fair values	
	Fair value	Valuation technique	Unobservable assumptions
Common stocks	1,685,722	Quoted prices for similar instruments	Similar instrument quotes

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

December 31, 2021	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	21,963,899	21,963,899	21,963,899
Deposits in banks	0	161,716,460	161,716,460	161,716,460
Loans, excluding financial leases	0	3,186,164,527	3,186,164,527	3,385,928,219
Acceptances outstanding	0	98,842,541	98,842,541	98,842,541
Total financial assets	0	3,468,687,427	3,468,687,427	3,668,451,119
Financial liabilities				
Deposits	775,710,267	2,209,958,950	2,985,669,217	2,946,696,470
Securities sold under repurchase agreements	0	26,189,973	26,189,973	26,189,973
Financial obligations	0	926,236,798	926,236,798	918,241,637
Other financial obligations	0	393,192,120	393,192,120	393,918,933
Acceptances outstanding	0	98,842,541	98,842,541	98,842,541
Total financial liabilities	775,710,267	3,654,420,382	4,430,130,649	4,383,889,554

December 31, 2020	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	20,587,457	20,587,457	20,587,457
Deposits in banks	0	182,220,963	182,220,963	182,220,963
Loans, excluding financial leases	0	3,064,038,943	3,064,038,943	3,158,814,768
Acceptances outstanding	0	194,237,832	194,237,832	194,237,832
Total financial assets	0	3,461,085,195	3,461,085,195	3,555,861,020
Financial liabilities				
Deposits	828,454,165	2,307,576,933	3,136,031,098	3,051,333,374
Securities sold under repurchase agreements	0	16,018,626	16,018,626	16,018,626
Financial obligations	0	589,383,319	589,383,319	582,806,260
Other financial obligations	0	495,607,636	495,607,636	498,725,455
Acceptances outstanding	0	194,237,832	194,237,832	194,237,832
Total financial liabilities	828,454,165	3,602,824,346	4,431,178,511	4,343,121,547

(29) Trust Agreements Administration and Custody of Securities

As of December 31, 2021, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately $562,424,903 (December 31, 2020: $540,094,010).

(29) Trust Agreements Administration and Custody of Securities, continued

The Bank maintains, within its portfolio of administered trust agreements, a total of $275,496,768 (December 31, 2020: $262,013,078), 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, 2021, the Administrator maintains a compliance bond in the amount of $2,750,000 (December 31, 2020: $2,750,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

(30) Related Parties Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. These transactions, according to the internal policies of the Bank are carried out at market conditions. Additionally, on May 2020, the Bank recognized a reserve of accounts receivable with related companies of approximately $8 million, as a result of the review of the collateral of these accounts receivable, which were collected on the same date on the balance, net of reserve

The following table shows the balances and transactions with related parties as of December 31, 2021:

	December 31, 2021		December 31, 2020	
	Key personnel And directors	Related Parties	Key personnel And directors	Related Parties
Assets:				
Deposits due from banks	0	120,413	0	750
Interest bearing deposits	0	3,000,000	0	3,000,000
Loans	1,893,170	10,733	1.952.470	3,102,417
Loans los reserve	(7,294)	(7,161)	(6,719)	(17,684)
Accumulated interest receivable and other accounts receivable	1,170	56,028,164	542	59,385,584
	1,887,046	59,152,149	1,946,293	65,471,067
Liabilities:				
Demand deposits	2,036,556	19,109,329	1,781,142	63,592,986
Time deposits	1,413,184	189,830,001	552,000	169,730,001
Financial obligations	3,586	1,971,260	1,838	2,248,067
	3,453,326	210,910,590	2,334,980	235,571,054

	Key personnel And directors	Related Parties	Key personnel And directors	Related Parties
Interest income	57,223	275,098	62,214	478,371
Interest expense and other operating expenses	46,370	11,403,215	15,340	4,180,434
Key management personnel benefit	5,389,673	0	5,050,106	0

(31) Operating Segments

The Bank segregates its operations according to each of the countries in which it operates ("Operating Groups"). Each operating group offers similar products and services, and they are managed separately based on the Bank's internal reporting and management structure. The Bank's Management reviews the internal management reports of each operating group at least once a month.

(31) Operating Segments, continued

The information related to each operation group is presented below. The profit of the segment before taxes, as included in the internal management reports reviewed by the Bank's Management, is used to measure performance because the management considers that this information is the most relevant to evaluate the results of the respective groups of operation in relation to other entities operating within the industry.

December 31, 2021	Financial Services	Fund Management	Insurance	Eliminations	Total Consolidated
Total assets	4,862,865,825	5,999,404	51,309,394	(42,406,598)	4,877,768,025
Total liabilities	4,430,725,230	167,427	14,950,168	21,352,338	4,467,195,163
Consolidated of Statement of Income					
Interest Income	230,903,409	129,040	962,963	(6,294)	231,989,118
Interest expenses	132,869,660	682	0	(2,952)	132,867,390
Interest income, net	98,033,749	128,358	962,963	(3,342)	99,121,728
Provision for credit risk financial instruments	43,399,177	129,522	(63,848)	0	43,464,851
Interest income, net after Provisions	54,634,572	(1,164)	1,026,811	(3,342)	55,656,877
Other income, net	31,881,731	2,546,601	8,482,392	130,210	43,040,934
General and administrative expenses	79,434,579	1,483,815	3,316,723	(175,293)	84,059,824
Income before income tax	7,081,724	1,961,622	6,192,480	302,161	14,637,987
Less: Income tax	1,954,747	(200,827)	(1,171,849)	0	582,071
Net Income	9,036,471	860,795	5,020,631	302,161	15,220,058

December 31, 2020	Financial Services	Fund Management	Insurance	Eliminations	Total Consolidated
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
Consolidated of Statement of Income					
Interest Income	235,914,979	119,351	682,057		236,716,387
Interest expenses	145,217,027	0	0	(87,112)	145,129,915
Interest income, net	90,697,952	119,351	682,057	87,112	91,586,472
Provision for credit risk financial instruments	81,716,018	3,560	70,623	0	81,790,201
Interest income, net after Provisions	8,981,934	115,791	611,434	87112	9,796,271
Other income, net	42,891,690	2,758,140	8,005,775	293,165	53,948,770
General and administrative expenses	89,371,552	1,603,750	3,880,601	1,581	94,854,322
Income before income tax	(37,494,766)	1,270,181	4,736,608	378,696	(31,109,281)
Less: Income tax	9,600,665	(250,050)	(1,001,052)	0	8,349,563
Net Income	(27,894,101)	1,020,131	5,735,556	378,696	(22,759,718)

(32) Litigations

To the best of management's knowledge, the Bank is not involved in any litigation or claim that is likely to cause a significant adverse effect on its business, its consolidated financial position or its consolidated financial performance.

(33) Regulatory Aspects

Main Laws and Regulations applicable to banking operations in the Republic of Panama, regulated and supervised by the Superintendency of Banks of the Republic of Panama

The Bank's banking operations are subject to various regulatory requirements administered by the various regulators in which it operates or is licensed. Failure to comply with these regulatory requirements may give rise to certain mandatory actions, and possibly other discretionary actions, by regulators that, if assumed, may have a significant effect on the Bank's financial statements. Under the equity sufficiency guidelines and the regulatory framework for prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that contemplate quantitative measures of assets and certain elements outside the consolidated statements of financial position, in accordance with regulatory accounting practices. The capital amounts of the Bank's banking operations and their classification are subject to qualitative judgments by regulators regarding their components, risk weights and other factors.

As of December 31, 2021, the Banking operations of the Bank meet all capital adequacy minimum requirements to which they are subject, which varies from 8.00% and other regulatory requirements.

- *Director's Board General Resolution SBP-GJD-003-2013 issued by the Superintendency of July 9, 2013*.

  This Resolution establishes that in the event that the calculation of a provision or reserve in accordance with prudential rules applicable to banks, which present specific aspects in addition to those required by IFRS, is greater than the respective calculation determined under IFRS, the excess provision or reserve under prudential rules will be recognized within equity as a regulatory reserve.

- *Rule No. 4-2013 "By which provisions are established on the management and administration of credit risk inherent in the letter of credit and off-balance sheet transactions", issued by the Superintendency on May 28, 2013*.

  Among other aspects, this Rule defines the classification categories for credit facilities for specific and dynamic provisions, as well as the criteria of policies for restructured loans, acceptance of guarantees and write-off of operations. Specific impairment provisions of the loan portfolio should be determined and recognized in the financial statements according to the classification of credit facilities in the risk categories currently in use, according to certain weightings of calculations set out in the Rule and considering certain percentages of minimum provisions per category. Dynamic provisions, as a prudential regulatory criterion, will be determined and recognized quarterly as reserves, within equity following certain calculation criteria and restrictions that will be gradually applied.

(33) Regulatory Aspects, continued

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Rule No. 4-2013, as of December 31, 2021:

	December 31, 2021		December 31, 2020	
	Loans	Reserves	Loans	Reserves
Normal	2,873,403,880	0	2,701,665,009	0
Special mention	344,812,801	25,092,566	285,457,500	19,763,746
Substandard	90,775,606	11,750,662	70,522,048	7,692,527
Doubtful	37,770,662	12,927,121	22,037,799	6,151,169
Loss	52,764,772	24,769,034	52,757,715	17,771,022
Gross amount	3,399,527,721	74,539,383	3,132,440,071	51,378,464

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.

As of December 31, 2021, the classification of the amortized cost loan portfolio by maturity profile based on Rule No. 4-2013.

December 31, 2021

Past due	Non-performing loans	Total
46,433,353	74,999,298	121,432,651

December 31, 2020

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

Based on Rule No. 8-2014, for regulatory purposes, 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 arrears for more than 90 days; and
b) For residential mortgage loans, if payments is in arrears for more than 120 days.

(33) Regulatory Aspects, continued

Modified special mention category loans

In accordance with the requirements of Article 8 of Rule No. 6-2021 of December 22, 2021, a detail of the modified special mention category loan portfolio and their respective provisions and regulatory reserves as of December 31, 2021, classified accordig to the reporting codes indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021 and classified according to the three-stage model of IFRS9:

		December 31, 2021		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Modified special mention category loans				
Modified Loans:				
Modified Normal	15,442,917	48,919,454	14,348	64,376,719
Modified Special Mention	38,511,821	151,724,446	1,997,193	192,233,460
Modified Substandard	138,932,703	66,215,045	26,905,327	232,053,075
Modified Doubtful (1)	35,772,206	158,172,558	19,384,656	213,329,420
Modified Loss (2)	8,003,705	18,474,336	11,000,197	37,478,238
Total modified loans	236,663,352	443,505,839	59,301,721	739,470,912
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	4,447,141	1,561,101	4,134	6,012,376
(-) Modified loans in a different category other than normal and special mention	0	0	0	0
(+) Interest and commissions accrued receivable	10,134,642	30,600,277	536,424	41,271,343
Total portfolio subject to provisions of Rule No. 6-2021	242,350,853	472,545,015	59,834,011	774,729,879
Provisions:				
IFRS 9 provision	(1,517,779)	(23,912,272)	(16,750,121)	(42,180,172)
Generic provision (First component of 1.5%)	0	0	0	0
Regulatory reserve (Difference to complete the 3%)	0	0	0	0
Total provisions and reserves				(42,180,172)

(1) Modified Doubtful Stage 1 mostly commercial clients, who maintain deferrals in their installments or grace periods and are in negotiation for new terms according to the codifications indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021.

(2) Modified Loss Stage 1 mostly comercial clients, with Good credit references and credit payments, but to date the restructuring has not been formalized.

With the rescission of the article 8 of Rule No- 2-2021, the entities will not be able to reverse the provisions previously established (through profit or equity) as of November 2021. As of November 30, 2021 the Bank does not maintain provisions as per Rule No. 2-2021.

(33) Regulatory Aspects, continued

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, 2021, classified according to the three-stage model of IFRS 9 are as follows:

	December 31, 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
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 component of 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)

As explained in Note 5 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.

As of July 1, 2021, Rule 02-2021 and Resolution SBP-GJD-0004-2021 entered into force, which formalized the restructuring of the credits, whose period extended from July 1st to September 30, 2021. To comply with this Rule, the Bank, in its credit management, has taken measures for these financial reliefs, that consist mainly of granting grace periods of principal and interest to customers whose income has been affected by the pandemic, extensions of term keeping the same installment, installment reductions for periods of time between 6 to 36 months accompanied by term extensions and interest deferrals in a fixed amount for a period of up to 48 months.

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 re-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.

(33) Regulatory Aspects, continued

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, 2021 are unpaid as of the last installment payment recorded at the time of the loan modification:

December 31, 2021	Up 90 days	Between 91 to 120 days	Between 121 and 180 days	Between 181 and 270 days
Consumer loans	86.14%	8.73%	1.71%	3.43%
Corporate loans	98.39%	0.82%	0.03%	0.76%

December 31, 2020	Up 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%

It is important to note that, in addition to the modified special mention loans, the Bank also has loans in the category of "substandard", "doubtful" or "uncollectible" and were subject to the moratorium of Law No. 156 of December 31, 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 $):

December 31, 2020	Between 91 to 120 days	Between 121 and 180 days	Between 181 and 270 days	More than 270 days
		(in the Thousands $)		
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 those 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 Rule. 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.

(33) Regulatory Aspects, continued

In accordance with the Rule 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. Based on 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 profit or loss for 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.

Article 1 of Rule No.11-2019 amends Article 27 of Rule No. 004-2013 as follows:

Article 27. Write-off of Operations: Each bank will write off all loans classified as unrecoverable within a period of no more than one year from the date on which it was classified in this category. The following loans shall be exempt from the application of this period:

- Mortgage loans, consumer loans with real estate guarantees and corporate loans with real estate guarantees, classified as risk mitigators in accordance with Article 42 of Rule No. 11-2019 and whose guarantee is found duly constituted in the Republic of Panama in favor of the Bank. In these cases, each bank will write off all loans classified as unrecoverable within a period of no more than two years, from the date on which it was classified in this category. The above provision may be extended only once for an additional year upon approval by the Superintendent.

(33) Regulatory Aspects, continued

- After the year of extension, if the Bank has not yet carried out the stated write off, it must create a reserve within the equity account, by appropriating retained earnings to which the loan value, net of provisions, will be charged, according to the percentages set out in the following table:

Type of Loans	Period	Applicable percentage
Mortgage loans and consumer loans with real estate guarantees	At the beginning of the first year after the extension (fourth year)	50%
	At the beginning of the second year after the extension (fifth year)	50%
Corporate loans with real estate guarantees	At the beginning of the third year	50%
	At the beginning of the fourth year	50%

As of December 31, 2021, the Bank established a capital reserve of $4,739,677 (December 31, 2020 $2,563,641), in compliance with Rule No.11-2019.

As of December 31, 2021, in compliance with provisions indicated in articles 36 and 38 of Rule No. 4-2013, the Bank established a dynamic provision as an equity item that is assigned from retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but it does not replace or offset the requirements for the minimum capital adequacy percentage established by the Superintendency of Banks of Panama.

Rule No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor greater than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of December 31, 2021. These percentages represent the following amounts:

	December 31, 2021	December 31, 2020
1.25%	25,676,262	28,336,606
2.50%	51,352,525	56,673,212

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

	December 31, 2021	December 31, 2020
Multibank Inc.	56,630,024	56,630,024
MB Creditos, S. A. and Subsidiaries	21,314	2,682,433
Multibank Cayman, Inc.	0	1,298,224
	56,651,338	60,610,681

(33) Regulatory Aspects, continued

- *Capital Management*

  Banking law in Panama states that general license banks must maintain a minimum paid-in or allocated minimum capital of $10 million; and a minimum capital adequacy rate of 8% of its risk-weighted assets, which should include off-balance sheet operations.

  Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets.

  Management considers that, as of December 31, 2021 and December 31, 2020, the Bank meets all the financial adequacy requirements to which it is subject. The Bank presents its consolidated capital funds on its risk-weighted assets based on Rules No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

  Rule No.1-2015, which lays down capital adequacy rules for banks and banking groups, began to govern on 1 January 2016.

  Rule No.3-2016, which lays down rules for the determination of assets weighted by credit risks and counterparty risk, began to govern on 1 July 2016.

  Rule No.2-2018, which lays down the provisions on liquidity risk management and the short-term liquidity hedging ratio, began to govern on January 1, 2020.

  Rule No.11-2018, by which new provisions on Operational Risks are issued, began to govern on December 31, 2019.

  Resolution SBP-GJD-005-2020, established special measures in relation to article 2 of Rule No. 3- 2016, in order to temporarily modify the risk weights of the different categories of assets used to calculate the capital adequacy ratio, by virtue of the current situation that is being experienced at the national level as a result of COVID-19. It became effective on April 20, 2020.

  Rule No. 9-2020, which establish additional, exceptional, and temporary measures are issued to comply with the provisions contained in Rule No. 4-2013, became effective on September 21, 2020.

(33) Regulatory Aspects, continued

The Bank presents consolidated capital funds on its weighted assets based on risks, in accordance with the requirements of the Superintendency of Banks of Panama, which are detailed below:

	December 31, 2021	December 31, 2020
Ordinary Primary Capital		
Common shares	183,645,893	183,645,893
Excess paid in acquisition of non-controlling interests	(152,873)	(152,873)
Retained earnings	177,199,706	149,912,670
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Gain (loss) on securities at fair value through other comprehensive income and others	(23,458,043)	1,023,990
Employee benefits	(44,659)	0
Less: Reserve cash flow hedge	0	(45,445)
Deferred tax –tax loss carryforward	(3,374,267)	(4,135,319)
Other intangible assets	(9,784,720)	(3,052,004)
Total of Common Tier 1 Capital	324,208,805	327,374,680
Additional Tier 1 Capital		
Preferred shares	0	8,000,000
Total of Additional Tier 1 Capital	0	8,000,000
Dynamic Provision	56,651,338	60,610,681
Total Regulatory Capital Funds	380,860,143	395,985,360
Credit Risk Weighted Assets, Net of Deductions	2,739,754,039	2,566,022,197
Weighted Assets by Operational Risk (Rule No. 11-2018)	122,203,774	124,909,208
Total risk-weighted assets	2,861,957,813	2,690,931,405
Ratios:		
Capital Adecuacy Ratio	13.31%	14.72%
Common Tier 1 Capital Ratio	11.33%	12.17%
Tier 1 Capital Ratio	11.33%	12.46%
Leverage Ratio	7.09%	7.30%

(33) Regulatory Aspects, continued

- *Liquidity Ratio*
  The percentage of the liquidity ratio reported by Multibank Inc. (Parent Bank) to the regulatory body, under the parameters of Rule No. 4-2008, as of December 31, 2021 was 46.91% (December 31, 2020: 50.38%).

- *Foreclosed Assets*
  Rule No. 3-2009 issued by the Superintendency of Banks of Panama, through which the provisions on the foreclose of real estate are updated, sets the term of five (5) years for the sale of real estate acquired in payment of unpaid loans.

  Foreclosed properties held for sale are recognized at the lower of the carrying amount of the unpaid loans or the estimated realizable value of the properties. The agreement establishes that the reserve for foreclosed properties, assigned from undistributed profits, progressively increases within a range of 10% for the first year of registration up to 90% in the fifth year of being foreclosed, through the establishment of an equity reserve. The progressive table for provision is presented below:

Years	Minimum percentage provision
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

As of December 31, 2021, the Bank constituted a reserve for foreclosed properties amounting to $3,658,701, (December 31, 2020: $2,219,771), as an equity item that is allocated from undistributed profits.

- *Regulation from 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 for 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.

- *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.

- *Finance Lease Laws*
  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.

(33) Regulatory Aspects, continued

- *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 to 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 ($2,000,000) and, thereafter, 10% until reaching 50% of paid – in capital. As of December 31, 2021, it presents a reserve of $6,008,680 (December 31, 2020: $5,715,088).

- *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.

- *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.

(34) Subsequent Events

As of December 31, 2021, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.