

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

Condensed Consolidated Interim Financial Statements

As of March 31, 2022 and for the three-month
periods ended March 31, 2022 and 2021

(With the Independent Auditors' Report on
Review of Condensed Consolidated
Interim Financial Statements)

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors and Stockholder of Multibank Inc.

Report on the review of the condensed consolidated financial statements

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Multibank Inc. and subsidiaries ("the Bank") as of March 31, 2022, the condensed consolidated statements of profit or loss, comprehensive loss, changes in equity and cash flows for the three-month periods ended March 31, 2022 and 2021 ("the Condensed Consolidated Interim Financial Statements"), and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Multibank Inc. and Subsidiaries as of March 31, 2022 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

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 review engagement has been physically performed in the Panamanian territory.
- The partner that has prepared this independent auditors' report is Ricardo A. Carvajal V.
- The engagement team that has participated in the review to which this report refers, is formed by Ricardo A. Carvajal V., Partner; Wuilliam Guerra, Senior Manager; and Manuel Pino, Supervisor.

KPMG

Panama, Republic of Panama
June 17, 2022

Ricardo A. Carvajal V.

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Financial Position

March 31, 2022 and December 31, 2021

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>March 31, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u>
Cash and cash equivalents		21,076,099	21,963,899
Deposits in banks:			
Demand		42,778,479	52,800,755
Time deposits		93,724,871	108,915,705
Total deposits in banks		<u>136,503,350</u>	<u>161,716,460</u>
Total cash, cash equivalents and deposits in banks	4, 7	157,579,449	183,680,359
Investments in securities	4, 8, 19	905,964,285	915,886,007
Derivative financial instruments	14	11,848	254,004
Loans		3,550,790,464	3,497,349,852
Allowance for loan losses		(74,982,091)	(79,132,068)
Loans at amortized cost, net	4, 9, 19	<u>3,475,808,373</u>	<u>3,418,217,784</u>
Property, furniture, equipment and improvements, net		53,704,628	55,190,737
Acceptances outstanding	4	98,729,485	98,842,541
Other accounts receivable	4	124,962,125	123,243,466
Provision for accounts receivable	4	(808,123)	(794,782)
Intangible assets		9,047,186	9,784,721
Deferred Income tax	17	31,904,989	30,171,865
Other assets		48,400,440	43,291,323
Total assets		<u><u>4,905,304,685</u></u>	<u><u>4,877,768,025</u></u>

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

<u>Liabilities and Equity</u>	<u>Note</u>	<u>March 31, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u>
Liabilities:			
Deposits from customers:			
Demand		367,343,495	365,929,204
Savings		434,864,538	409,781,063
Time deposits		<u>2,148,670,645</u>	<u>2,170,986,203</u>
Total deposits from customers	4, 10, 19	<u>2,950,878,678</u>	<u>2,946,696,470</u>
Securities sold under repurchase agreements		16,025,778	26,189,973
Financial obligations	11	965,167,120	918,241,637
Other financial obligations	12	396,618,275	393,918,933
Lease liabilities	13	16,064,634	16,974,135
Derivative financial instruments	14	3,102,552	5,016,916
Acceptances outstanding	4	98,729,485	98,842,541
Income tax payable		332,284	240,207
Deferred income tax	17	334,023	335,491
Other liabilities		75,793,562	60,738,860
Total liabilities		<u>4,523,046,391</u>	<u>4,467,195,163</u>
Equity:			
Common stock		183,645,893	183,645,893
Additional paid in capital	15	(152,873)	(152,873)
Retained earnings		181,370,000	177,199,706
Capital reserves		177,769	177,769
Regulatory reserves		72,319,710	71,286,960
Other comprehensive results		<u>(55,102,205)</u>	<u>(21,584,593)</u>
Total equity		<u>382,258,294</u>	<u>410,572,862</u>
Commitments and contingencies			
Total liabilities and equity		<u><u>4,905,304,685</u></u>	<u><u>4,877,768,025</u></u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months period ended March 31, 2022 and 2021

(In U.S. dollars)

	<u>Note</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Interest income:			
Deposits in banks		110,965	99,902
Investments at fair value		2,863,209	3,003,393
Investments at amortized cost		1,436,502	1,518,215
Loans		57,236,346	52,282,914
Total interest income	22	<u>61,647,022</u>	<u>56,904,424</u>
Interest expense:			
Deposits from customers		21,580,315	23,898,925
Financial obligations		5,810,559	4,256,618
Other financial obligations		4,275,341	4,424,367
Securities sold under repurchase agreements		90,550	139,649
Lease liabilities		258,664	280,305
Total interest expense	22	<u>32,015,429</u>	<u>32,999,864</u>
Interest income, net		<u>29,631,593</u>	<u>23,904,560</u>
Provision for loan and interest losses	4	11,178,978	9,108,496
Provision (reversal) for credit risk of investments and deposits in banks	4	331,219	(527,571)
Provision for account receivable losses	4	13,337	123,823
Interest income, net after provisions		<u>18,108,059</u>	<u>15,199,812</u>
Other income (expenses):			
(Loss) gain on financial instruments, net	16	(824,191)	3,366,401
Service charges		3,881,578	3,356,971
Insurance premiums, net		2,058,649	1,674,555
Commissions and other fees, net		1,017,205	632,423
(Loss) gain on foreign currency exchange, net		(11,228)	8,438
Impairment of assets held for sale		(421,792)	(1,113,583)
Other income		1,802,870	1,791,478
Total other income, net		<u>7,503,091</u>	<u>9,716,683</u>
General and administrative expenses:			
Salaries and employee benefits		10,800,291	10,654,826
Depreciation and amortization		2,281,714	1,863,593
Administrative		1,050,785	1,130,343
Occupancy and related expenses		955,330	1,055,353
Other operating expenses		5,227,736	5,604,785
Total general and administrative expenses		<u>20,315,856</u>	<u>20,308,900</u>
Income before income tax		5,295,294	4,607,595
Current income tax	17	(1,843,928)	(1,134,115)
Deferred income tax	17	1,735,669	967,226
Net income		<u>5,187,035</u>	<u>4,440,706</u>

The condensed consolidated statement of profit or loss must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Unaudited Condensed Consolidated Statement of Comprehensive Loss

For the three months period ended March 31, 2022 and 2021

(In U.S. dollars)

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Net income	5,187,035	4,440,706
Other comprehensive results:		
Items that will not be reclassified to the condensed consolidated income statement		
Deferred tax related on asset revaluation	(1,077)	(1,687)
Items that are or can be reclassified to the condensed consolidated income statement		
Valuation for investments FVOCI:		
Net amount transferred to income statement	0	(3,764,572)
Net change in fair value	(35,281,019)	(17,490,551)
Net change in fair value hedges reclassified to profit or loss	1,780,493	2,531,015
Net change in cash flow hedges	0	45,445
Other comprehensive results	<u>(33,501,603)</u>	<u>(18,680,350)</u>
Comprehensive loss	<u>(28,314,568)</u>	<u>(14,239,644)</u>

The condensed consolidated statement of other comprehensive loss should be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months period ended March 31, 2022 and 2021

(In U.S. dollars)

	<u>Common shares</u>	<u>Preferred shares</u>	<u>Excess paid in acquisition of non-controlling interests</u>	<u>Retained earnings</u>	<u>Regulatory capital reserve</u>	<u>Regulatory reserves</u>	<u>Other comprehensive losses</u>	<u>Total</u>
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
Loss income	0	0	0	4,440,706	0	0	0	4,440,706
Other comprehensive results								
Valuation for investments FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	(3,764,572)	(3,764,572)
Net change in fair value	0	0	0	0	0	0	(17,490,551)	(17,490,551)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	2,531,015	2,531,015
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	(1,687)	(1,687)
Transfer to retained earnings due to revaluation of assets	0	0	0	16,009	0	0	(16,009)	0
Total other comprehensive results	0	0	0	16,009	0	0	(18,696,359)	(18,680,350)
Total comprehensive results	0	0	0	4,456,715	0	0	(18,696,359)	(14,239,644)
Other changes in equity								
Regulatory reserves	0	0	0	(949,716)	0	949,716	0	0
Transactions with the Bank's owners								
Contributions and distributions:								
Declared dividends - preferred shares	0	0	0	(136,978)	0	0	0	(136,978)
Total transactions with the Bank's owners	0	0	0	(136,978)	0	0	0	(136,978)
Balance as of March 31, 2021	<u>183,645,893</u>	<u>8,000,000</u>	<u>(152,873)</u>	<u>153,160,097</u>	<u>177,769</u>	<u>85,347,537</u>	<u>(15,862,519)</u>	<u>414,315,904</u>
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
Net income	0	0	0	5,187,035	0	0	0	5,187,035
Other comprehensive results								
Valuation of available for sale securities:								
Net change in fair value	0	0	0	0	0	0	(35,281,019)	(35,281,019)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	1,780,493	1,780,493
Deferred tax related to asset revaluation	0	0	0	0	0	0	(1,077)	(1,077)
Transfer to retained earnings due to revaluation of assets	0	0	0	16,009	0	0	(16,009)	0
Total other comprehensive results	0	0	0	16,009	0	0	(33,517,612)	(33,501,603)
Total comprehensive results	0	0	0	5,203,044	0	0	(33,517,612)	(28,314,568)
Other changes in equity								
Regulatory reserves	0	0	0	(1,032,750)	0	1,032,750	0	0
Balance as of March 31, 2022	<u>183,645,893</u>	<u>0</u>	<u>(152,873)</u>	<u>181,370,000</u>	<u>177,769</u>	<u>72,319,710</u>	<u>(55,102,205)</u>	<u>382,258,294</u>

The condensed consolidated statement of changes in equity must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Unaudited Condensed Consolidated Statement of Cash Flows

For the three months period ended March 31, 2022 and 2021

(In U.S. dollars)

	<u>Note</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Cash flows from operating activities:			
Net Income		5,187,035	4,440,706
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		1,749,602	1,343,670
Amortization of the right-of-use assets		532,112	519,923
Provision for loan losses	4	11,178,978	9,108,496
Provision (reversal) for credit risk of investments and deposits in banks	4	331,219	(527,571)
Provision for accounts receivable losses	4	13,337	123,823
Impairment of assets held for sale		421,792	1,113,583
Reversal for losses on undisbursed commitments		53,093	41,946
Interest income, net		(29,631,593)	(23,904,560)
Loss (gain) on financial instruments, net	16	824,191	(3,366,401)
Loss on sale and disposal of property and equipment, net		18,466	0
(Gain) loss on assets held for sale		(111,250)	13,697
Dividends earned on investments in securities		(404,503)	(497,971)
Income tax expense		108,259	166,889
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		0	11,500,000
Investments at fair value		(1,888,778)	299,067
Loans		(76,336,708)	(49,457,577)
Securities sold under agreements to repurchase		(10,000,000)	10,003,216
Other accounts receivables and other assets		(1,718,654)	(284,682)
Other assets		(4,468,365)	1,257,434
Deposits from customers		7,945,528	(2,782,210)
Other liabilities		15,001,614	(13,297,771)
Cash generated by operations:			
Interest received		69,894,843	46,935,142
Interest paid		(32,265,198)	(38,235,555)
Dividends received		404,503	497,971
Income tax paid		(1,751,851)	(5,284,691)
Net cash used in operating activities		<u>(44,912,328)</u>	<u>(50,273,426)</u>
Cash flows from investment activities:			
Maturities and prepayments of investments securities		17,433,756	383,102,465
Purchase of investments at securities		(44,917,897)	(359,679,202)
Purchase of property and equipment		(328,736)	(156,523)
Acquisition of intangible assets		439,621	0
Disposal in intangible assets		(274,893)	(232,820)
Proceeds from sale of intangible assets		509,687	14,541
Proceeds from sale of assets held for sale		886,526	0
Net cash (used in) provided by investment activities		<u>(26,251,936)</u>	<u>23,048,461</u>
Cash flows from financing activities:			
Proceeds from other financial obligations		10,543,128	11,889,432
Payment of other financial obligations		(11,154,000)	(107,866,222)
Proceeds from financial obligations		143,241,571	151,161,096
Payment of financial obligations		(96,695,854)	(30,427,975)
Payment of lease liabilities		(897,268)	(378,242)
Dividends paid		0	(136,978)
Net cash provided by financing activities		<u>45,037,577</u>	<u>24,241,111</u>
Decrease in cash and cash equivalents		(26,126,687)	(2,983,854)
Cash and cash equivalents at beginning of the year		176,151,550	182,795,115
Cash and cash equivalents at the end of the period	7	<u>150,024,863</u>	<u>179,811,261</u>

The condensed consolidated statement of cash flows must be read in conjunction with the notes which are part of the condensed consolidated interim financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2022

(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, S. A. 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:

<u>Subsidiary</u>	<u>Activity</u>	<u>Location</u>	<u>Total voting rights</u>
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 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.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(2) Basis of Preparation of the Condensed Consolidated Interim Financial Statements

(a) *Condensed consolidated interim financial statements*

The Bank prepares its condensed consolidated interim 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 requirement, 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 condensed consolidated interim 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 condensed consolidated interim financial statements of the Bank have been prepared in accordance with the International Accounting Standard No.34, Interim Financial Information of the International Financial Reporting Standards (IFRS), they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

IAS No. 34 does not require disclosure in interim financial information of all the notes that are prepared when preparing the annual financial statements according to the IFRS requirements; however, a selection of informative notes have been included to explain the events and transactions that are important to understand the change and performance of the Bank in its financial position since its last annual financial statement.

The consolidated results of operations for the Interim periods are not necessarily indicative of the results that can be expected for the whole year.

These condensed consolidated interim financial statements were authorized for issuance by the Audit Committee and ratified by the Board of Directors on May 9, 2022.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

(c) Basis of measurement

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

(3) Summary of Significant Accounting Policies

The Bank has applied the policies to the condensed consolidated interim financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2021.

(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.

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

	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	AC	Total
March 31, 2022					
Cash, cash equivalents and deposits in banks	0	0	0	157,579,449	157,579,449
Investments at fair value	36,089,533	1,842,887	774,166,966	93,864,899	905,964,285
Loans at amortized costs	0	0	0	3,475,808,373	3,475,808,373
Other accounts receivable, net of provision	0	0	0	124,154,002	124,154,002
Total financial assets	36,089,533	1,842,887	774,166,966	3,851,406,723	4,663,506,109
	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	AC	Total
December 31, 2021					
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, net of provision	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

As of March 31, 2022 and December 31, 2021, all financial liabilities held by the Bank are classified at amortized cost.

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

Information on the portfolio's quality

Quality of the portfolio of bank deposits

The Bank maintains deposits in banks for \$136,503,350 as of March 31, 2022 (December 31, 2021: \$161,716,460). Deposits are maintained at central banks and other financial institutions, most of which have AA to BB risk ratings, (December 31, 2021: 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 March 31, 2022, investments amounted to \$905,964,285 (December 31, 2021: \$915,886,007).

As March 31, 2022, the other assets at FVTPL includes common stocks and mutual funds for \$20,860,003 (December 31, 2021: \$21,185,348) 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.

The following table summarizes investments at FVTPL categories:

	March 31, <u>2022</u>	December 31, <u>2021</u>
Governments and agencies		
BBB	<u>15,214,028</u>	<u>15,799,761</u>
Total governments and agencies	15,214,028	15,799,761
Corporate		
Unrated	<u>15,502</u>	<u>16,112</u>
Total Corporate	<u>15,502</u>	<u>16,112</u>
Total investments at FVTPL	<u>15,229,530</u>	<u>15,815,873</u>

MULTIBANK INC. AND SUBSIDIARIES

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(4) Risk Management, continued

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	March 31, 2022			December 31, 2021		
	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	71,641,176	0	71,641,176	80,443,260	0	80,443,260
AA+	307,344,925	0	307,344,925	323,625,542	0	323,625,542
A+	278,632,968	0	278,632,968	271,918,014	0	271,918,014
BBB	<u>17,698,818</u>	<u>7,250,485</u>	<u>24,949,303</u>	<u>7,536,562</u>	<u>7,035,397</u>	<u>14,571,959</u>
BB+ a B-	<u>675,317,887</u>	<u>7,250,485</u>	<u>682,568,372</u>	<u>683,523,378</u>	<u>7,035,397</u>	<u>690,558,775</u>
Total Governments and agencies						
Corporate	14,259,092	0	14,259,092	15,059,604	0	15,059,604
A+	4,761,735	0	4,761,735	0	0	0
BBB	19,932,645	0	19,932,645	25,888,532	0	25,888,532
BBB-	35,798,593	0	35,798,593	32,853,282	0	32,853,282
BB+ a B	<u>8,451,376</u>	<u>8,395,153</u>	<u>16,846,529</u>	<u>8,552,713</u>	<u>9,047,732</u>	<u>17,600,445</u>
Total Corporate	<u>83,203,441</u>	<u>8,395,153</u>	<u>91,598,594</u>	<u>82,354,131</u>	<u>9,047,732</u>	<u>91,401,863</u>
Total	<u>758,521,328</u>	<u>15,645,638</u>	<u>774,166,966</u>	<u>765,877,509</u>	<u>16,083,129</u>	<u>781,960,638</u>
Allowance for ECL	<u>399,023</u>	<u>901,350</u>	<u>1,300,373</u>	<u>307,966</u>	<u>934,300</u>	<u>1,242,266</u>

Debt instruments measured at FVOCI as of March 31, 2022 and December 31, 2021: they are up to date in their payments.

- Investment in AC

The following table summarizes the AC investment portfolio ratings:

	March 31, 2022			December 31, 2021		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Corporate						
BBB	5,481,422	0	5,481,422	5,483,230	0	5,483,230
Range BB+ to B-	37,768,128	28,777,228	66,545,356	39,153,685	28,875,030	68,028,715
Unrated	<u>3,575,964</u>	<u>18,262,157</u>	<u>21,838,121</u>	<u>3,578,255</u>	<u>17,815,551</u>	<u>21,393,806</u>
Total Corporate	<u>46,825,514</u>	<u>47,039,385</u>	<u>93,864,899</u>	<u>48,215,170</u>	<u>46,690,581</u>	<u>94,905,751</u>
Total	<u>46,825,514</u>	<u>47,039,385</u>	<u>93,864,899</u>	<u>48,215,170</u>	<u>46,690,581</u>	<u>94,905,751</u>
Allowance for ECL	<u>179,150</u>	<u>2,582,455</u>	<u>2,761,605</u>	<u>180,500</u>	<u>2,312,808</u>	<u>2,493,308</u>

The AC investment as of March 31, 2022 and December 31, 2021 are up to date in their payments.

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(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 according to its risk category, in accordance with the grading used for each year indicated:

<u>March 31, 2022</u>	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,464,379,154	53,521,970	0	1,517,901,124
Special mention	0	156,357,886	0	156,357,886
Sub-standard	0	0	117,739,485	117,739,485
Doubtful	0	0	21,068,647	21,068,647
Loss	0	0	45,539,554	45,539,554
Gross amount	1,464,379,154	209,879,856	184,347,686	1,858,606,696
Allowance for ECL	<u>(8,259,771)</u>	<u>(9,841,238)</u>	<u>(19,866,811)</u>	<u>(37,967,820)</u>
Net amount	1,456,119,383	200,038,618	164,480,875	1,820,638,876
Small Company				
Satisfactory	53,953,771	31,377,459	0	85,331,230
Special mention	0	2,158,890	0	2,158,890
Sub-standard	0	0	1,158,883	1,158,883
Doubtful	0	0	1,536,511	1,536,511
Loss	0	0	1,704,516	1,704,516
Gross amount	53,953,771	33,536,349	4,399,910	91,890,030
Allowance for ECL	<u>(894,534)</u>	<u>(2,182,433)</u>	<u>(1,353,547)</u>	<u>(4,430,514)</u>
Net amount	53,059,237	31,353,916	3,046,363	87,459,516
Mortgage				
Satisfactory	475,424,025	81,031,308	174,206	556,629,539
Special mention	2,382,606	197,810,014	0	200,192,620
Sub-standard	0	0	3,601,096	3,601,096
Doubtful	0	0	3,417,778	3,417,778
Loss	0	0	6,490,887	6,490,887
Gross amount	477,806,631	278,841,322	13,683,967	770,331,920
Allowance for ECL	<u>(1,170,682)</u>	<u>(11,735,974)</u>	<u>(1,453,090)</u>	<u>(14,359,746)</u>
Net amount	476,635,949	267,105,348	12,230,877	755,972,174
Personal banking				
Satisfactory	418,038,900	26,904,097	0	444,942,997
Special mention	40,413	18,617,381	1,110	18,658,904
Sub-standard	0	0	464,003	464,003
Doubtful	0	0	1,303,783	1,303,783
Loss	0	0	778,873	778,873
Gross amount	418,079,313	45,521,478	2,547,769	466,148,560
Allowance for ECL	<u>(1,820,991)</u>	<u>(3,821,963)</u>	<u>(1,227,475)</u>	<u>(6,870,429)</u>
Net amount	416,258,322	41,699,515	1,320,294	459,278,131
Vehicles				
Satisfactory	188,226,131	45,272,785	0	233,498,916
Special mention	1,270,141	70,906,570	0	72,176,711
Sub-standard	0	0	1,233,366	1,233,366
Doubtful	0	0	465,707	465,707
Loss	0	0	190,996	190,996
Gross amount	189,496,272	116,179,355	1,890,069	307,565,696
Allowance for ECL	<u>(892,399)</u>	<u>(3,723,820)</u>	<u>(419,714)</u>	<u>(5,035,933)</u>
Net amount	188,603,873	112,455,535	1,470,355	302,529,763
Credit Card				
Satisfactory	34,462,136	6,521,168	846,925	41,830,229
Special mention	0	7,002,335	1,094,773	8,097,108
Doubtful	0	5,588,701	0	5,588,701
Loss	0	0	731,524	731,524
Gross amount	34,462,136	19,112,204	2,673,222	56,247,562
Allowance for ECL	<u>(589,308)</u>	<u>(4,432,040)</u>	<u>(1,296,301)</u>	<u>(6,317,649)</u>
Net amount	33,872,828	14,680,164	1,376,921	49,929,913
Net carrying amount, net of reserve	2,624,549,592	667,333,096	183,925,685	3,475,808,373

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(4) Risk Management, continued

<u>December 31, 2021</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
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	<u>38,578,029</u>	<u>38,578,029</u>
Gross amount	<u>1,483,687,153</u>	<u>200,115,647</u>	<u>135,638,247</u>	<u>1,819,441,047</u>
Allowance for ECL	<u>(8,114,361)</u>	<u>(9,796,942)</u>	<u>(16,790,707)</u>	<u>(34,702,010)</u>
Net amount	<u>1,475,572,792</u>	<u>190,318,705</u>	<u>118,847,540</u>	<u>1,784,739,037</u>
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	<u>1,681,023</u>	<u>1,681,023</u>
Gross amount	<u>48,253,763</u>	<u>35,145,083</u>	<u>4,443,306</u>	<u>87,842,152</u>
Allowance for ECL	<u>(807,250)</u>	<u>(2,364,134)</u>	<u>(1,031,451)</u>	<u>(4,202,835)</u>
Net amount	<u>47,446,513</u>	<u>32,780,949</u>	<u>3,411,855</u>	<u>83,639,317</u>
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	<u>7,387,557</u>	<u>7,387,557</u>
Gross amount	<u>420,825,318</u>	<u>322,785,345</u>	<u>12,472,349</u>	<u>756,083,012</u>
Allowance for ECL	<u>(1,098,807)</u>	<u>(13,532,157)</u>	<u>(1,141,575)</u>	<u>(15,772,539)</u>
Net amount	<u>419,726,511</u>	<u>309,253,188</u>	<u>11,330,774</u>	<u>740,310,473</u>
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	<u>2,057,618</u>	<u>2,057,618</u>
Gross amount	<u>403,170,100</u>	<u>54,824,331</u>	<u>4,064,395</u>	<u>462,058,826</u>
Allowance for ECL	<u>(1,694,455)</u>	<u>(4,530,154)</u>	<u>(1,224,119)</u>	<u>(7,448,728)</u>
Net amount	<u>401,475,645</u>	<u>50,294,177</u>	<u>2,840,276</u>	<u>454,610,098</u>
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	<u>214,858</u>	<u>214,858</u>
Gross amount	<u>167,395,966</u>	<u>140,080,634</u>	<u>904,178</u>	<u>308,380,778</u>
Allowance for ECL	<u>(818,136)</u>	<u>(4,623,683)</u>	<u>(261,900)</u>	<u>(5,703,719)</u>
Net amount	<u>166,577,830</u>	<u>135,456,951</u>	<u>642,278</u>	<u>302,677,059</u>
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	<u>10,049,893</u>	<u>10,049,893</u>
Gross amount	<u>37,687,426</u>	<u>15,163,678</u>	<u>10,692,933</u>	<u>63,544,037</u>
Allowance for ECL	<u>(688,141)</u>	<u>(3,827,881)</u>	<u>(6,786,215)</u>	<u>(11,302,237)</u>
Net amount	<u>36,999,285</u>	<u>11,335,797</u>	<u>3,906,718</u>	<u>52,241,800</u>
Net carrying amount, net of reserve	<u>2,547,798,576</u>	<u>729,439,767</u>	<u>140,979,441</u>	<u>3,418,217,784</u>

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(4) Risk Management, continued

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

	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
March 31, 2022				
Corporate				
Satisfactory	152,296,651	0	0	152,296,651
Special mention	0	130,000	0	130,000
Sub-standard	0	0	470,000	470,000
Gross amount	152,296,651	130,000	470,000	152,896,651
Allowance for ECL	(95,337)	(1,156)	(38,784)	(135,277)
Net amount	152,201,314	128,844	431,216	152,761,374
Personal banking				
Satisfactory	143,059,955	0	0	143,059,955
Gross amount	143,059,955	0	0	143,059,955
Allowance for ECL	(90,493)	0	0	(90,493)
Net amount	142,969,462	0	0	142,969,462
Net carrying amount, net of reserve	<u>295,170,776</u>	<u>128,844</u>	<u>431,216</u>	<u>295,730,836</u>
	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
December 31, 2021				
Corporate				
Satisfactory	163,286,095	0	0	163,286,095
Special mention	0	130,000	0	130,000
Sub-standard	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	<u>274,600,387</u>	<u>128,844</u>	<u>9,589</u>	<u>274,738,820</u>

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(4) Risk Management, 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.

	March 31, 2022					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Investments in securities at fair value	0	0	0	0	904,121,398	904,121,398
Loans at amortized cost						
Corporate						
Corporate	1,062,443,490	22,140,020	123,171,058	0	642,847,542	1,850,602,110
Corporate leases, net	0	8,004,586	0	0	0	8,004,586
Total corporate	1,062,443,490	30,144,606	123,171,058	0	642,847,542	1,858,606,696
Personal Banking and Small company						
Small company						
Small company	70,274,007	1,578,990	10,442,503	0	9,199,675	91,495,175
Small company leases, net	0	394,855	0	0	0	394,855
Total Small company	70,274,007	1,973,845	10,442,503	0	9,199,675	91,890,030
Personal Banking						
Mortgage	770,331,920	0	0	0	0	770,331,920
Personal	33,339,825	0	29,293,194	0	403,515,541	466,148,560
Vehicles	0	305,646,844	0	0	0	305,646,844
Personal leases, net of interest	0	1,918,852	0	0	0	1,918,852
Credit cards	0	0	0	0	56,247,562	56,247,562
Total Personal Banking	803,671,745	307,565,696	29,293,194	0	459,763,103	1,600,293,738
Total Personal Banking and Small company	873,945,752	309,539,541	39,735,697	0	468,962,778	1,692,183,768
Allowance for ECL	(44,832,483)	(7,076,270)	(245,433)	0	(22,827,905)	(74,982,091)
Total loans	1,891,556,759	332,607,877	162,661,322	0	1,088,982,415	3,475,808,373
Credit commitments and financial guarantees	0	70,509	5,194,458	0	290,465,869	295,730,836

	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

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(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.

Corporates	March 31, 2022		December 31, 2021	
	Loans	Covered amount	Loans	Covered amount
Stage 1 and 2	905,856,751	897,452,640	948,250,268	946,869,372
Stage 3	<u>163,577,106</u>	<u>161,098,930</u>	<u>114,067,753</u>	<u>113,875,255</u>
Total	<u>1,069,433,857</u>	<u>1,058,551,570</u>	<u>1,062,318,021</u>	<u>1,060,744,627</u>

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

	March 31 2022	December 31 2021
Property	1,471,386	12,822,489
Vehicles and others	<u>136,919</u>	<u>504,130</u>
Total	<u>1,608,305</u>	<u>13,326,619</u>

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.

LTV Ratio	March 31, 2022		December 31, 2021	
	Loans	Credit and guarantee commitments	Loans	Credit and guarantee commitments
Less than 50%	74,571,838	3,667,295	72,934,145	3,585,173
51-70%	156,157,411	3,159,321	153,844,970	2,367,555
71-80%	110,101,818	5,961,295	109,356,701	5,104,018
81-90%	266,693,545	36,035,898	246,553,413	26,202,068
91-100%	156,482,688	94,008,241	167,187,635	73,998,611
More than 100%	<u>6,324,620</u>	<u>227,905</u>	<u>6,206,148</u>	<u>227,905</u>
Total	<u>770,331,920</u>	<u>143,059,955</u>	<u>756,083,012</u>	<u>111,485,330</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

Impaired Loans

LTV Ratio	March 31 2022	December 31 2021
Less than 50%	1,279,606	1,515,390
51-70%	3,562,436	3,171,909
71-80%	2,345,600	2,209,278
81-90%	3,492,340	2,714,580
91-100%	2,494,650	2,353,320
More than 100%	509,335	507,872
Total	<u>13,683,967</u>	<u>12,472,349</u>

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. Panama's economic growth remains the highest among Central American countries. 2. Regarding the last review, scenarios of higher inflation during 2022 and a gradual increase in interest rates are contemplated, in line with the rate trend in the United States.	Panama is favored by external economic growth above expectations, with fewer obstacles to international trade	Government investment projects will support the base scenario for economic growth with improved productivity.	The deterioration in government finances continues and there is a greater increase in debt, which puts more pressure on prices and affects economic growth.
Costa Rica	1. Growth remains stable and economic recovery recovers during 2022. 2. Inflation is expected to remain in the upper half of the target range, with the possibility of exceeding it in the pessimistic scenario. A lower devaluation is expected than in 2021 and stability in interest rates.	Improvement in public finances, institutional strength, with transparent elections and advances in vaccination result in higher than expected growth and stability in interest rates.	Government advances in agreement with the IMF, with the objective of balancing its finances, which results in stability in economic growth, inflation in the target range and gradual increase in rates, in line with increases by the FED.	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

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

Scenario probability weighting	March 31, 2022	March 31, 2022	December 31, 2021	December 31, 2021
	Panama	Costa Rica	Panama	Costa Rica
Optimistic	25%	20%	25%	20%
Base	60%	65%	60%	65%
Downside	15%	15%	15%	15%

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.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

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.

		March 31, 2022		December 31, 2021	
		Costa Rica	Panama	Costa Rica	Panama
		%	%	%	%
Monthly Economic Activity Index	Optimistic	5.97	8.14	5.97	8.14
	Base	4.78	5.28	4.78	5.28
	Downside	4.41	3.68	4.41	3.68
Consumer Price Index	Optimistic	1.58	1.98	1.58	1.98
	Base	2.83	2.58	2.83	2.58
	Downside	3.38	3.36	3.38	3.36
Exchange Rate	Optimistic	0.70	-	0.70	-
	Base	1.87	-	1.87	-
	Downside	6.43	-	6.43	-
Local Currency Interest Rate	Optimistic	(1.03)	-	(1.03)	-
	Base	(0.09)	-	(0.09)	-
	Downside	1.20	-	1.20	-
Dollars Interest Rate	Optimistic	(1.04)	0.37	(1.04)	0.37
	Base	(0.02)	0.83	(0.02)	0.83
	Downside	1.80	0.87	1.80	0.87

Sensitivity of ECL to future economic conditions

The ECL is 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.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

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).

<u>March 31, 2022</u>	<u>Upside</u>	<u>Base</u>	<u>Downside</u>
Book Value			
Corporate	1,858,606,693	1,858,606,693	1,858,606,693
Small company	91,890,030	91,890,030	91,890,030
Mortgage	770,331,920	770,331,920	770,331,920
Personal banking	466,148,559	466,148,559	466,148,559
Vehicles	307,565,698	307,565,698	307,565,698
Credit card	<u>56,247,564</u>	<u>56,247,564</u>	<u>56,247,564</u>
	<u>3,550,790,464</u>	<u>3,550,790,464</u>	<u>3,550,790,464</u>
ECL Allowance			
Corporate	37,173,925	38,062,206	38,766,120
Small company	4,085,141	4,552,198	4,706,442
Mortgage	12,318,616	14,819,242	16,516,416
Personal banking	6,186,195	7,011,023	7,562,697
Vehicles	4,822,786	5,156,797	5,199,013
Credit card	<u>6,124,862</u>	<u>6,350,457</u>	<u>6,485,999</u>
	<u>70,711,525</u>	<u>75,951,923</u>	<u>79,236,687</u>
Proportion of assets in Stage 2			
Corporate	10.61%	10.61%	10.61%
Small company	33.18%	33.96%	35.12%
Mortgage	33.88%	35.25%	35.60%
Personal banking	8.83%	8.93%	9.01%
Vehicles	34.57%	34.93%	34.93%
Credit card	33.98%	33.98%	33.98%
	18.45%	18.82%	18.93%
<u>December 31, 2021</u>	<u>Upside</u>	<u>Base</u>	<u>Downside</u>
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	<u>63,544,041</u>	<u>63,544,041</u>	<u>63,544,041</u>
	<u>3,497,349,852</u>	<u>3,497,349,852</u>	<u>3,497,349,852</u>
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	<u>11,124,455</u>	<u>11,332,554</u>	<u>11,456,451</u>
	<u>74,381,914</u>	<u>80,000,834</u>	<u>83,733,329</u>
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%

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of March 31, 2022, of the financial assets' ECL allowance.

	March 31, 2022				December 31, 2021			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Deposits in banks								
Balance as of January 1	9,480	0	0	9,480	5,817	2,131	0	7,948
Transfer from stage 2 to 1	0	0	0	0	2,131	(2,131)	0	0
Provision expense - remeasurement	(308)	0	0	(308)	(6,786)	0	0	(6,786)
Provision expense - origination	5,123	0	0	5,123	8,318	0	0	8,318
Balance at period end	<u>14,295</u>	<u>0</u>	<u>0</u>	<u>14,295</u>	<u>9,480</u>	<u>0</u>	<u>0</u>	<u>9,480</u>
Investments at FVOCI								
Balance as of January 1	307,966	934,300	0	1,242,266	1,453,667	899,617	0	2,353,284
Transfer from stage 1 to 2	0	0	0	0	(11,877)	11,877	0	0
Transfer from stage 2 to 1	0	0	0	0	11,877	(11,877)	0	0
Provision expense - remeasurement	(55,362)	(38,943)	0	(94,305)	(1,413,545)	(93,289)	0	(1,506,834)
Provision expense - origination	146,419	5,993	0	152,412	267,844	127,972	0	395,816
Balance at period end	<u>399,023</u>	<u>901,350</u>	<u>0</u>	<u>1,300,373</u>	<u>307,966</u>	<u>934,300</u>	<u>0</u>	<u>1,242,266</u>
Investments at AC								
Balance as of January 1	180,500	2,312,808	0	2,493,308	831,306	857,344	0	1,688,650
Transfer from stage 1 to 2	0	0	0	0	(279,529)	279,529	0	0
Provision expense - remeasurement	(21,593)	(106,605)	0	(128,198)	(438,732)	(200,203)	0	(638,935)
Provision expense - origination	20,243	376,252	0	396,495	67,455	1,376,138	0	1,443,593
Balance at period end	<u>179,150</u>	<u>2,582,455</u>	<u>0</u>	<u>2,761,605</u>	<u>180,500</u>	<u>2,312,808</u>	<u>0</u>	<u>2,493,308</u>

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.

	March 31, 2022				December 31, 2021			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
Loans at AC								
Balance as of January 1	13,221,150	38,674,951	27,235,967	79,132,068	12,362,567	22,135,726	15,346,817	49,845,110
Transfer from stage 1 to 2	(936,986)	936,986	0	0	(3,578,877)	3,578,877	0	0
Transfer from stage 1 to 3	(23,089)	0	23,089	0	(62,081)	0	62,081	0
Transfer from stage 2 to 3	0	(3,264,315)	3,264,315	0	0	(8,014,311)	8,014,311	0
Transfer from stage 3 to 2	0	2,016,038	(2,016,038)	0	0	3,571,368	(3,571,368)	0
Transfer from stage 2 to 1	4,086,082	(4,086,082)	0	0	7,734,140	(7,734,140)	0	0
Transfer from stage 3 to 1	574,465	0	(574,465)	0	2,968,670	0	(2,968,670)	0
Net remeasurement of loss allowance	(1,134,406)	1,751,897	15,609,430	16,226,921	(1,812,473)	28,064,707	24,874,343	51,126,577
New financial assets originated	2,156,168	2,071,835	4,631,948	8,859,951	8,101,652	8,977,265	8,739,946	25,818,863
Net derecognition of financial assets	(4,315,699)	(2,363,842)	(7,228,353)	(13,907,894)	(12,492,448)	(11,904,541)	(8,833,897)	(33,230,886)
Write-offs	0	0	(22,366,547)	(22,366,547)	0	0	(36,047,652)	(36,047,652)
Recoveries	0	0	7,037,720	7,037,720	0	0	21,621,248	21,621,248
Foreign currency translation	0	0	(128)	(128)	0	0	(1,192)	(1,192)
Balance at period end	<u>13,627,685</u>	<u>35,737,468</u>	<u>25,616,938</u>	<u>74,982,091</u>	<u>13,221,150</u>	<u>38,674,951</u>	<u>27,235,967</u>	<u>79,132,068</u>
Other accounts receivable								
Balance as of January 1	794,782	0	0	794,782	1,517,299	0	0	1,517,299
Provision Expense - remeasurement	(15,467)	0	0	(15,467)	(80,930)	0	0	(80,930)
Provision Expense - origination	28,804	0	0	28,804	136,055	0	0	136,055
Write-offs	0	0	0	0	(874,394)	0	0	(874,394)
Recoveries	0	0	0	0	96,746	0	0	96,746
Foreign currency translation	4	0	0	4	6	0	0	6
Balance at period end	<u>808,123</u>	<u>0</u>	<u>0</u>	<u>808,123</u>	<u>794,782</u>	<u>0</u>	<u>0</u>	<u>794,782</u>

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.

	March 31, 2022	December 31, 2021
Amortized cost before modification	0	570,133
Total	<u>0</u>	<u>570,133</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(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:

	March 31, 2022					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
Concentration by sector						
Government	0	0	19,337,949	682,568,372	15,214,028	0
Corporate						
Trade	484,380,130	17,351,890	0	0	0	0
Real estate	142,671,571	0	0	0	18,552,030	2,923,116
Services	141,390,955	7,580,770	0	0	0	4,033,891
Food industry	0	0	0	0	0	0
General industry	201,418,182	0	0	0	0	0
Construction	533,400,446	3,856,629	0	11,142,942	0	0
Agriculture	294,985,280	24,143,761	0	0	0	0
Hotels and restaurants	50,256,900	0	0	0	0	0
Financial	67,711,192	99,963,601	117,165,401	65,917,036	2,307,973	0
Transportation	21,579,158	0	0	0	0	0
Oil and derivatives	0	0	0	12,657,076	15,502	0
Telecommunication	12,702,912	0	0	0	0	0
Energy	0	0	0	964,235	0	9,870,046
Real estate	0	0	0	917,305	0	77,037,846
Personal Banking	1,600,293,738	143,059,955	0	0	0	0
Allowance for ECL	<u>(74,982,091)</u>	<u>(225,769)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>3,475,808,373</u>	<u>295,730,837</u>	<u>136,503,350</u>	<u>774,166,966</u>	<u>36,089,533</u>	<u>93,864,899</u>
Geographic location:						
Panama	3,382,129,899	295,206,606	31,199,573	333,961,109	36,074,031	83,994,854
Costa Rica	9,561,506	0	462,496	24,949,303	0	9,870,045
North America	24,679,305	0	33,576,175	388,009,762	0	0
Europe	466,679	0	30,743,350	0	0	0
South America	90,997,519	750,000	14,504,958	12,987,701	15,502	0
Asia	0	0	16,016,048	0	0	0
Others	42,955,556	0	10,000,750	14,259,091	0	0
Allowance for ECL	<u>(74,982,091)</u>	<u>(225,769)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount	<u>3,475,808,373</u>	<u>295,730,837</u>	<u>136,503,350</u>	<u>774,166,966</u>	<u>36,089,533</u>	<u>93,864,899</u>

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

	December 31, 2021					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
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
General industry	0	0	0	0	0	0
Agriculture	186,567,714	0	0	0	0	0
Hotels and restaurants	529,764,060	5,561,502	0	11,547,630	0	0
Financial	286,865,871	12,618,900	0	0	0	0
Transportation	49,186,800	0	0	0	0	0
Construction	71,277,207	100,499,932	137,299,550	64,216,236	2,633,318	0
Oil and derivatives	0	0	0	13,613,806	16,112	0
Telecommunication	22,585,685	0	0	0	0	0
Energy	8,613,065	0	0	0	0	0
Real Estate	0	0	0	1,046,677	0	9,717,833
Personal Banking						
Allowance for ECL	1,590,066,653	111,485,330	0	0	0	0
Net carrying amount	<u>(79,132,068)</u>	<u>(172,605)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>3,418,217,784</u>	<u>274,738,820</u>	<u>161,716,460</u>	<u>781,960,638</u>	<u>37,001,221</u>	<u>94,905,751</u>
Geographic location:						
Panama	3,338,662,450	274,161,425	39,731,920	329,741,085	36,985,109	85,187,918
Costa Rica	17,303,276	0	383,757	14,571,963	0	9,717,833
North America	22,983,296	0	25,262,301	408,634,874	0	0
Europe	190,921	0	35,318,273	0	0	0
South America	75,334,472	750,000	11,003,871	13,953,112	16,112	0
Asia	0	0	30,015,369	0	0	0
Others	42,875,437	0	20,000,969	15,059,604	0	0
Allowance for ECL	<u>(79,132,068)</u>	<u>(172,605)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net carrying amount						
Geographic location:	<u>3,418,217,784</u>	<u>274,738,820</u>	<u>161,716,460</u>	<u>781,960,638</u>	<u>37,001,221</u>	<u>94,905,751</u>

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.

(a) *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.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(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:

	<u>% of Liquidity</u>	
	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
At the end of the period/year	31.2%	31.8%
Maximum for the period/year	38.6%	40.8%
Average for the period/year	33.3%	33.5%
Minimum for the period/year	29.2%	25.2%

As of March 31, 2022, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

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(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:

March 31, 2022							
<i>Amounts in thousands</i>	Carrying Amount	Total nominal gross amount inflows <u>/(outflows)</u>	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	367,343	(367,343)	(367,343)	0	0	0	0
Savings deposits	434,865	(434,865)	(434,865)	0	0	0	0
Time deposits	2,148,671	(2,276,999)	(111,535)	(223,348)	(992,565)	(940,146)	(9,405)
Securities sold under repurchase agreements	16,026	(16,281)	0	(80)	(161)	(16,040)	0
Financial obligations	965,167	(990,579)	(128,715)	(56,326)	(502,176)	(296,030)	(7,332)
Other financial obligations	396,618	(400,043)	(141)	(1,377)	(374,979)	(23,546)	0
Lease Liabilities	16,065	(22,848)	(228)	(1,138)	(1,366)	(10,089)	(10,027)
Sub-total liabilities	4,344,755	(4,508,958)	(1,042,827)	(282,269)	(1,871,247)	(1,285,851)	(26,764)
Commitments and guarantees	156,006	(156,005)	(6,375)	(3,915)	(22,249)	(123,466)	0
Acceptances	98,729	(98,729)	(4,500)	(632)	(93,597)	0	0
Total liabilities	4,599,490	(4,763,692)	(1,053,702)	(286,816)	(1,987,093)	(1,409,317)	(26,764)
Assets							
Cash and cash equivalents	21,076	21,076	21,076	0	0	0	0
Deposits in banks	136,503	136,806	127,025	2,012	1,103	6,666	0
Investments at FVTPL	37,932	32,636	0	15,009	15,327	0	2,300
Investments at FVOCI	774,167	919,436	4,239	2,701	27,086	494,455	390,955
Investments at AC	93,865	127,299	12	1,050	25,638	45,199	55,400
Loans	3,475,808	4,227,543	323,699	287,418	793,297	1,441,631	1,381,498
Sub-total assets	4,539,351	5,464,796	476,051	308,190	862,451	1,987,951	1,830,153
Acceptances outstanding	98,729	98,729	4,500	632	93,597	0	0
Total assets	4,638,080	5,563,525	480,551	308,822	956,048	1,987,951	1,830,153
December 31, 2021							
<i>Amounts in thousands</i>	Carrying Amount	Total nominal gross amount inflows <u>/(outflows)</u>	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	0
Investments at FVTPL	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

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(4) Risk Management, continued

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:

	March 31, <u>2022</u>	December 31, <u>2021</u>
Cash and cash equivalents	21,076,099	21,963,899
Deposits due from banks maturing in less than 90 days	128,948,764	154,187,651
Deposits due from banks greater than 90 days	<u>7,554,586</u>	<u>7,528,809</u>
Total Cash, cash equivalents and deposits in banks	157,579,449	183,680,359
Not committed sovereign debt instruments	407,028,616	399,421,474
Other credit lines available (1)	<u>606,978,199</u>	<u>673,007,875</u>
Total liquidity reserve	<u>1,171,586,264</u>	<u>1,256,109,708</u>

(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.

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

<u>March 31, 2022</u>	Committed		Uncommitted		Total
	As Collateral		Available as Collateral	Other (2)	
Cash and cash equivalents	0		0	21,076,099	21,076,099
Deposits due from banks	76,507,460		7,554,914	52,440,976	136,503,350
Investments in securities at fair value	304,907,687		407,028,616	100,163,083	812,099,386
Investments in securities at amortized cost	0		0	93,864,899	93,864,899
Loans at amortized cost	<u>4,788,797</u>		<u>0</u>	<u>3,471,019,576</u>	<u>3,475,808,373</u>
Total assets	<u>386,203,944</u>		<u>414,583,530</u>	<u>3,738,564,633</u>	<u>4,539,352,107</u>

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

<u>December 31, 2021</u>	Committed		Uncommitted		Total
	As Collateral		Available as Collateral	Other (2)	
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	<u>4,788,797</u>		<u>0</u>	<u>3,413,428,987</u>	<u>3,418,217,784</u>
Total assets	<u>426,487,993</u>		<u>406,950,611</u>	<u>3,684,345,546</u>	<u>4,517,784,150</u>

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

(b) 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.

MULTIBANK INC. AND SUBSIDIARIES

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(4) Risk Management, continued

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.

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).

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(4) Risk Management, continued

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:

<u>March 31, 2022</u>					
<i>Amounts in millions</i>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	8	4	1	1	14
Investments in securities	0	0	0	0	0
Loans, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	8	4	1	1	14
Deposits	8	4	1	1	14
Obligations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>8</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>14</u>
Exchange risk exposure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>December 31, 2021</u>					
<i>Amounts in millions</i>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	9	5	1	2	17
Investments in securities	0	0	0	0	0
Loans, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	9	5	1	2	17
Deposits	9	5	1	2	17
Obligations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>9</u>	<u>5</u>	<u>1</u>	<u>2</u>	<u>17</u>
Exchange risk exposure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

MULTIBANK INC. AND SUBSIDIARIES
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(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:

<u>March 31, 2022</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Cash and cash equivalents	21,076,099	0	0	0	21,076,099
Deposits due from banks	42,909,613	87,093,737	6,500,000	0	136,503,350
Investments in securities	20,674,728	115,413,738	429,888,453	339,987,366	905,964,285
Loans at amortized cost	<u>86,646,814</u>	<u>2,410,792,973</u>	<u>297,411,194</u>	<u>680,957,392</u>	<u>3,475,808,373</u>
Total assets	<u>171,307,254</u>	<u>2,613,300,448</u>	<u>733,799,647</u>	<u>1,020,944,758</u>	<u>4,539,352,107</u>
Deposits	344,336,163	1,743,279,979	855,757,536	7,505,000	2,950,878,678
Securities sold under repurchase Agreement	25,778	0	16,000,000	0	16,025,778
Obligations	4,713,208	720,733,890	239,720,022	0	965,167,120
Other obligations	<u>5,425,210</u>	<u>368,266,707</u>	<u>22,926,358</u>	<u>0</u>	<u>396,618,275</u>
Total liabilities	<u>354,500,359</u>	<u>2,832,280,576</u>	<u>1,134,403,916</u>	<u>7,505,000</u>	<u>4,328,689,851</u>
Exchange risk exposure	<u>(183,193,105)</u>	<u>(218,980,128)</u>	<u>(400,604,269)</u>	<u>1,013,439,758</u>	<u>210,662,256</u>
<u>December 31, 2021</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
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	17,775,045	118,813,149	416,713,450	362,584,363	915,886,007
Loans at amortized cost	<u>93,944,895</u>	<u>2,370,181,946</u>	<u>290,582,554</u>	<u>663,508,389</u>	<u>3,418,217,784</u>
Total assets	<u>186,216,882</u>	<u>2,591,678,512</u>	<u>713,796,004</u>	<u>1,026,092,752</u>	<u>4,517,784,150</u>
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	<u>2,114,997</u>	<u>367,464,000</u>	<u>24,339,936</u>	<u>0</u>	<u>393,918,933</u>
Total liabilities	<u>346,291,544</u>	<u>2,720,088,690</u>	<u>1,208,276,779</u>	<u>10,390,000</u>	<u>4,285,047,013</u>
Exchange risk exposure	<u>(160,074,662)</u>	<u>(128,410,178)</u>	<u>(494,480,775)</u>	<u>1,015,702,752</u>	<u>232,737,137</u>

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:

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(4) Risk Management, continued

	<u>Increase of 100 bps (1)</u>	<u>Decrease of 100 bps (1)</u>
Impact on equity to interest rate movements		
March 31, 2022		
Average for the year	(95,992,973)	95,992,973
Maximum for the year	(95,882,894)	95,882,894
Minimum for the year	(97,729,701)	97,729,701
	(93,926,009)	93,926,009
December 31, 2021		
Average for the year	(97,039,175)	97,039,175
Maximum for the year	(88,474,355)	88,474,355
Minimum for the year	(80,213,654)	80,213,654
	(97,039,175)	97,039,175
Impact on net income from interests		
March 31, 2022		
Average for the year	7,012,770	(7,012,770)
Maximum for the year	7,543,886	(7,543,886)
Minimum for the year	8,110,897	(8,110,897)
	7,012,770	(7,012,770)
December 31, 2021		
Average for the year	7,571,932	(7,571,932)
Maximum for the year	8,410,796	(8,410,796)
Minimum for the year	9,092,066	(9,092,066)
	7,571,932	(7,571,932)

(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.

(c) *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.

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(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

As of March 31, 2022, 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 March 31, 2022, 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.

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(5) COVID – 19, continued

The calculation of expected credit losses for credit risk incorporated from the first quarter of 2022 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 March 31, 2022, with the effects shown in the following two tables:

- i. *Macroeconomic variables used in the calculation of ECL, see note 4.*
- ii. *Weighting of probabilities assigned to scenarios after COVID-19*

	March 31, 2022		December 31, 2021	
	Costa Rica	Panamá	Costa Rica	Panamá
Upside	20%	25%	20%	25%
Central	65%	60%	65%	60%
Downside	15%	15%	15%	15%

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.

iii. *Impairment allowance balances*

	March 31 2022	December 31, 2021	Variation March vs December
Corporate	37,967,820	34,702,010	3,265,810
Small and medium company	4,430,514	4,202,835	227,679
Mortgage	14,359,745	15,772,538	(1,412,793)
Personal banking	6,870,429	7,448,728	(578,299)
Vehicles	5,035,933	5,703,717	(667,784)
Credit Card	6,317,650	11,302,240	(4,984,590)
Total	<u>74,982,091</u>	<u>79,132,068</u>	<u>(4,149,977)</u>

The table above summarizes the total balance of the provision by portfolio for each quarter of the period ended March 31, 2022. 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.

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(5) COVID – 19, continued

iv. Loan's Portfolio provision expense

	March 31 2022	December 31, 2021	Variation March vs December
Corporate	9,457,695	6,909,938	2,547,757
Small and medium company	(484,565)	1,924,916	(2,409,481)
Mortgage	(1,543,103)	(495,614)	(1,047,489)
Personal banking	(371,558)	2,232,983	(2,604,541)
Vehicles	(570,833)	370,279	(941,112)
Credit Card	<u>4,691,342</u>	<u>2,746,009</u>	<u>1,945,333</u>
Total	<u>11,178,978</u>	<u>13,688,511</u>	<u>(2,509,533)</u>

The table above summarizes the provision expense for portfolio impairment for impairment for each quarter of 2022.

a) 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 hT

ave 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:

	Corporate	Small Company	Mortgage	Personal banking	Vehicles	Credit Card
March 31, 2022						
Amount of credits with relief	147	162	623	1,578	1,761	598
% of credit with relief / Total credits	2.80%	16.63%	6.97%	5.41%	6.43%	3.92%
December 31, 2021						
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%

As of March 31, 2022, the impact recognized in operation results for COVID-19 reliefs is \$1,955,562 (December 31, 2021 \$10,438,155).

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

b) Leases from the lessee's perspective

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:

Relief mode	Number of relief received	March 31, 2022	Recognized effect on income of	December 31, 2021	Recognized effect on income of	
		% Contracts with relief/Total contracts		% Contracts with relief/Total contracts		
Reduction of the canon for a number of months	228	46.72%	23,318	258	48.96%	2,802

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(5) COVID – 19, continued

c) Impairment on Other Assets – Property, Plant, Equipment and Intangibles

As of March 31, 2022, no indicators of impairment were identified for the Bank's businesses.

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

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.

The Bank has applied the policies to the condensed consolidated interim financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2021.

(7) Cash, Cash Equivalents and Deposits

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

	March 31, 2022	March 31, 2021
Cash and cash equivalents	21,076,099	21,008,879
Deposits in banks and deposits due in less than 90 days	<u>128,948,764</u>	<u>158,802,382</u>
Cash and cash equivalents in the consolidated statement of cash flow	150,024,863	179,811,261
Deposits in banks greater than 90 days and pledged	<u>7,554,586</u>	<u>8,537,359</u>
Total cash, cash equivalents and deposits in banks	<u>157,579,449</u>	<u>188,348,620</u>

(8) Investments at Fair Value

As of March 31, 2022, investments at fair value amounted to \$905,964,285 (December 31, 2021: \$915,886,007) are summarized as follows:

(a) *Investments at FVTPL*

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

	March 31, 2022	December 31, 2021
Government bonds	15,214,028	15,799,761
Corporates bonds	15,502	16,112
Mutual funds	20,860,003	21,185,348
Common stocks	<u>1,842,887</u>	<u>2,018,397</u>
	<u>37,932,420</u>	<u>39,019,618</u>

(b) *Investment at FVOCI*

The portfolio of investments at FVOCI is detailed as follows:

	March 31, 2022	December 31, 2021
Governments:		
United States of America	378,986,102	404,068,803
Other Governments	<u>303,582,270</u>	<u>286,489,972</u>
	682,568,372	690,558,775
Corporate bonds	<u>91,598,594</u>	<u>91,401,863</u>
	<u>774,166,966</u>	<u>781,960,638</u>

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(8) Investments at Fair Value, continued

(c) Investments at AC

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

	March 31, 2022	December 31, 2021
Corporate bonds	<u>93,864,899</u>	<u>94,905,751</u>
	<u>93,864,899</u>	<u>94,905,751</u>

(9) Loans

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

	March 31, 2022			December 31, 2021		
	Gross amount	Allowance for ECL	Net carrying amount	Gross amount	Allowance for ECL	Net carrying amount
Loans						
Corporate						
Corporate	1,850,602,110	(37,888,766)	1,812,713,344	1,810,325,180	(34,614,971)	1,775,710,209
Corporate leases, net (1)	<u>8,004,586</u>	<u>(79,054)</u>	<u>7,925,532</u>	<u>9,115,867</u>	<u>(87,039)</u>	<u>9,028,828</u>
Total corporate loans	<u>1,858,606,696</u>	<u>(37,967,820)</u>	<u>1,820,638,876</u>	<u>1,819,441,047</u>	<u>(34,702,010)</u>	<u>1,784,739,037</u>
Personal Banking and Small company						
Small company						
Small company	91,495,175	(4,396,632)	87,098,543	87,409,167	(4,161,596)	83,247,571
Small company leases, net (1)	<u>394,855</u>	<u>(33,882)</u>	<u>360,973</u>	<u>432,985</u>	<u>(41,239)</u>	<u>391,746</u>
Total Small company loans	<u>91,890,030</u>	<u>(4,430,514)</u>	<u>87,459,516</u>	<u>87,842,152</u>	<u>(4,202,835)</u>	<u>83,639,317</u>
Personal Banking						
Mortgage	770,331,920	(14,359,746)	755,972,174	756,083,012	(15,772,539)	740,310,473
Personals	466,148,560	(6,870,429)	459,278,131	462,058,826	(7,448,728)	454,610,098
Vehicles	305,646,844	(4,984,889)	300,661,955	306,345,668	(5,640,949)	300,704,719
Personal leases, net (1)	1,918,852	(51,044)	1,867,808	2,035,110	(62,770)	1,972,340
Credit Cards	<u>56,247,562</u>	<u>(6,317,649)</u>	<u>49,929,913</u>	<u>63,544,037</u>	<u>(11,302,237)</u>	<u>52,241,800</u>
Total Personal Banking	<u>1,600,293,738</u>	<u>(32,583,757)</u>	<u>1,567,709,981</u>	<u>1,590,066,653</u>	<u>(40,227,223)</u>	<u>1,549,839,430</u>
Total Personal Banking and Small company	<u>1,692,183,768</u>	<u>(37,014,271)</u>	<u>1,655,169,497</u>	<u>1,677,908,805</u>	<u>(44,430,058)</u>	<u>1,633,478,747</u>
Total loans	<u>3,550,790,464</u>	<u>(74,982,091)</u>	<u>3,475,808,373</u>	<u>3,497,349,852</u>	<u>(79,132,068)</u>	<u>3,418,217,784</u>
(1) Total leases, net of interest	<u>10,318,293</u>	<u>(163,980)</u>	<u>10,154,313</u>	<u>11,583,962</u>	<u>(191,048)</u>	<u>11,392,914</u>

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

	March 31, 2022	December 31, 2021
Minimum lease payments receivable	11,823,973	13,280,817
Less: unearned interest	<u>1,471,749</u>	<u>1,659,055</u>
Minimum lease payments receivable, net	10,352,224	11,621,762
Less: allowance for loss in leases	163,980	37,800
Less: net deferred commissions	<u>33,931</u>	<u>191,048</u>
Net value of investment in finance leases	<u>10,154,313</u>	<u>11,392,914</u>

The following table summarizes the minimum lease payments receivable as of March 31, 2022:

<u>Year ended December 31:</u>	
2022	1,213,491
2023	3,279,515
2024	2,647,235
2025 and thereafter	<u>3,211,983</u>
	<u>10,352,224</u>

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(10) Deposits from Customers

Deposits from customers are detailed below:

	March 31, 2022	December 31, 2021
Retail customers		
Demand	49,948,266	47,729,425
Savings	245,724,145	247,315,181
Time deposits	648,712,060	656,190,263
Corporate customers		
Demand	317,395,229	318,199,779
Savings	189,140,393	162,465,882
Time deposits	<u>1,499,958,585</u>	<u>1,514,795,940</u>
	<u>2,950,878,678</u>	<u>2,946,696,470</u>

(11) Financial Obligations

Financial obligations are detailed below:

	March 31, 2022		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	0.80% a 5.92%	2022 a 2026	673,531,478
Floating rate	1.42% a 3.60%	2022 a 2028	<u>291,635,642</u>
Total financial obligations at amortized cost			<u>965,167,120</u>
	December 31, 2021		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
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	<u>238,363,770</u>
Total financial obligations at amortized cost			<u>918,241,637</u>

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

(12) Other Financial Obligations

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

<u>Payable in:</u>	March 31, 2022		December 31, 2021	
	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Interest rate</u>	<u>Carrying amount</u>
US dollars	2.00% a 5.00%	<u>396,618,275</u>	1.75% a 5.00%	<u>393,918,933</u>
Total of other financial obligations		<u>396,618,275</u>		<u>393,918,933</u>

(13) Lease Liabilities

Lease liabilities are detailed below:

	March 31, 2022			
	<u>Interest rate</u>	<u>Maturities up to</u>	<u>Carrying amount</u>	<u>Undiscounted cash flows</u>
Payable in US dollars	5.79% - 6.36%	2033	<u>16,064,634</u>	<u>23,566,882</u>
Total lease liabilities			<u>16,064,634</u>	<u>23,566,882</u>

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Less than a year	2,731,801	2,621,989
One to two years	2,731,801	2,621,989
Two to three years	2,731,801	2,600,110
Three to four years	2,731,801	2,534,473
Four to five years	2,612,690	2,448,044
More than five years	<u>10,026,987</u>	<u>10,047,434</u>
	<u>23,566,881</u>	<u>22,874,039</u>

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

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Interest on leases	258,664	280,305
Expense for leases with less than 12 months	244,652	276,384
Expense for leases of low-value assets	<u>132,322</u>	<u>215,656</u>
	<u>635,638</u>	<u>772,345</u>

(14) Derivative Financial Instruments*Fair value hedges of interest rate risk*

As of March 31, 2022, the Bank uses interest rate swap agreements ("interest rate swaps") to mitigate the interest rate risk of financial assets and liabilities. Such agreements are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, where appropriate.

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

<u>March 31, 2022</u> <u>Type of instrument</u>	<u>Remaining Maturity Nominal Amount Over 1 year</u>	<u>Fair Values</u>	
		<u>Assets</u>	<u>Liabilities</u>
Interest rate swap	<u>20,500,000</u>	<u>0</u>	<u>3,102,552</u>

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

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(14) Derivative Financial Instruments, continued

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.

Other derivatives

At of March 31, 2022, the Bank uses exchange rate swap contracts ("FX forward") to reduce the exchange rate risk on exposures of purchase and sale of currency on behalf of the client, for the active position \$11,848 and liabilities \$11,425 (December 31, 2021: 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:

	March 31, <u>2022</u>	December 31, <u>2021</u>
Financial assets at fair value	11,848	254,004
Financial liabilities at fair value	<u>(3,102,552)</u>	<u>(5,016,916)</u>
Net	<u>(3,090,704)</u>	<u>(4,762,912)</u>

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

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

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	<u>Number of Shares</u>	
	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Common shares:		
Authorized shares without par value	<u>50,000,000</u>	<u>50,000,000</u>
Issued and paid-in-shares:		
At beginning of the year	<u>16,862,753</u>	<u>16,862,753</u>
Total issued and outstanding shares, at the end of the period	<u>16,862,753</u>	<u>16,862,753</u>

As of March 31, 2022, the Bank's subsidiaries have capitalizations of retained earnings of \$17,892,633 (December 31, 2021: \$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 outstanding during the months of August, September and October and during November 2021 there were redeemed 80,000 preferred shares outstanding, completing the 100% of the preferred shares authorized and outstanding at that date.

As of March 31, 2022, dividends on preferred shares were declared and paid for a total of \$0 (December 31, 2021: \$543,444).

<u>Entity</u>	<u>Acquisition Date</u>	<u>Acquired interest</u>	<u>Excess paid</u>	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
MB Credito, S. A.	Abril 2014	25%		<u>(152,873)</u>	<u>(152,873)</u>
				<u>(152,873)</u>	<u>(152,873)</u>

(16) Net Gain (Loss) in Financial Instruments

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

	<u>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
Net gain on sale of investments at FVOCI	0	3,764,572
Unrealized net loss from securities at FVTPL	(758,256)	(287,856)
Net gain from sales of securities at FVTPL	42,350	0
Net fair value loss on derivative financial instruments	<u>(108,285)</u>	<u>(110,315)</u>
	<u>(824,191)</u>	<u>3,366,401</u>

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(17) Income Tax

The income tax expense is made up of:

	March 31, <u>2022</u>	March 31, <u>2021</u>
Current tax	1,843,928	1,134,115
Deferred tax	<u>(1,735,669)</u>	<u>(967,226)</u>
	<u>108,259</u>	<u>166,889</u>

Income tax expense for the year ended March 31, 2022 was \$108,259 (March 31, 2021: \$166,889), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	March 31, <u>2022</u>	Percentage <u>%</u>	March 31, <u>2021</u>	Percentage <u>%</u>
Calculation of "expected" income tax expense	1,323,824	25.00%	1,151,899	25.00%
Increase (decrease) in income tax as a result of				
Non-deductible costs	5,543,365	104.68%	6,926,185	150.32%
Effect of tax losses on subsidiaries	51,833	0.98%	42,230	0.92%
Tax loss carryforwards	(213,296)	(4.03%)	(827,212)	(17.95%)
Foreign exempted and non-taxable income	<u>(6,597,467)</u>	<u>(124.59%)</u>	<u>(7,126,213)</u>	<u>(154.66%)</u>
Income tax expense	<u>108,259</u>	<u>2.04%</u>	<u>166,889</u>	<u>3.62%</u>

The temporary differences between the amounts of the condensed consolidated interim financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of March 31, 2022, are as follows:

	March 31, 2022					
	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	2,370	1,204	0	3,574	3,574	0
Allowances for loan losses	25,302,620	2,020,759	0	27,323,379	27,323,379	0
Reserve for loyalty rewards points	99,444	2,180	0	101,624	101,624	0
Reserve for legal Risk	1,500	0	0	1,500	1,500	0
Impairment of modified loans	902,477	(109,499)	0	792,978	792,978	0
Employee's benefit plan	14,886	0	0	14,886	24,924	(10,038)
Investments in local subsidiaries, by undistributed profits	(236,646)	0	0	(236,646)	0	(236,646)
Allowance for other accounts receivables	153,834	7,227	0	161,061	161,061	0
Properties revaluations	(372,408)	0	(1,077)	(373,485)	0	(373,485)
IFRS 16 leases	588,270	11,419	0	599,689	4,096,537	(3,496,848)
Investment properties	(53,023)	0	0	(53,023)	0	(53,023)
Off-balance sheet operations	58,783	13,273	0	72,056	72,056	0
Loss carryforward	<u>3,374,267</u>	<u>(210,894)</u>	0	<u>3,163,373</u>	<u>3,163,373</u>	0
Deferred tax asset (liability), net	<u>29,836,374</u>	<u>1,735,669</u>	<u>(1,077)</u>	<u>31,570,966</u>	<u>35,741,006</u>	<u>(4,170,040)</u>
Compensation of tax items					<u>(3,836,017)</u>	<u>3,836,017</u>
Total					<u>31,904,989</u>	<u>(334,023)</u>

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(17) Income Tax, continued

	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	<u>4,138,250</u>	<u>(763,983)</u>	<u>0</u>	<u>3,374,267</u>	<u>3,374,267</u>	<u>0</u>
Deferred tax asset (liability), net	<u>21,906,132</u>	<u>7,955,749</u>	<u>(25,507)</u>	<u>29,836,374</u>	<u>34,248,271</u>	<u>(4,411,897)</u>
Compensation of tax items					<u>(4,076,406)</u>	<u>4,076,406</u>
Total					<u>30,171,865</u>	<u>-(335,491)</u>

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 March 31, 2022, the Bank has carry-over of net operating losses of \$14,081,471 (December 31, 2021: \$14,779,633), 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 \$1,363,284 (2021: \$918,134) from accumulated tax losses of \$1,833,748 (2020: \$1,282,564) and by portfolio reserve and other accounts receivable for \$1,427,969, 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 March 31, 2022, the Bank maintains an effective tax rate of 2.04% (December 31, 2021: 3.62%).

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.

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

As of March 31, 2022, the outstanding amounts of letters of credit, financial guarantees and letters of promise to pay are as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Stand-by letters of credit	15,977,229	17,112,010
Commercial letters of credit (1)	11,659,776	11,151,828
Financial guarantees	112,313,905	112,850,236
Loans commitments (promise letters)	<u>156,005,696</u>	<u>133,797,351</u>
	<u>295,956,606</u>	<u>274,911,425</u>

(1) Includes commercial 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 March 31, 2022, are detailed as follows

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Up to 1 year	93,677,613	102,129,460
Over 1 year	<u>190,619,217</u>	<u>161,630,136</u>
	<u>284,296,830</u>	<u>263,759,596</u>

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 March 31, 2022, amounted to \$5,268,257 (December 31, 2021: \$5,793,278).

(19) Disclosures on the Fair Value of Financial Instruments

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

<u>March, 31 2022</u>	<u>Level 1</u>	<u>Other significant observable Inputs Level 2</u>	<u>Significant unobservable Inputs Level 3</u>	<u>March 31, 2022</u>
Assets				
Investments at FVTPL:				
Other governments	0	0	15,214,028	15,214,028
Corporates bonds	0	0	15,502	15,502
Mutual funds	0	2,282,973	18,577,030	20,860,003
Common stocks	<u>0</u>	<u>440,129</u>	<u>1,402,758</u>	<u>1,842,887</u>
Total investments at FVTPL	<u>0</u>	<u>2,723,102</u>	<u>35,209,318</u>	<u>37,932,420</u>
Investments at FVOCI:				
Governments:				
United States of America	307,344,925	71,641,177	0	378,986,102
Other governments	<u>0</u>	<u>303,582,270</u>	<u>0</u>	<u>303,582,270</u>
	307,344,925	375,223,447	0	682,568,372
Corporate bonds	<u>407,868</u>	<u>83,777,883</u>	<u>7,412,843</u>	<u>91,598,594</u>
Total investments at FVOCI	<u>307,752,793</u>	<u>459,001,330</u>	<u>7,412,843</u>	<u>774,166,966</u>
Total assets	<u>307,752,793</u>	<u>461,724,432</u>	<u>42,622,161</u>	<u>812,099,386</u>

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Other significant observable Inputs Level 2</u>	<u>Significant unobservable Inputs Level 3</u>	<u>December 31, 2021</u>
Assets				
Investments at FVTPL:				
Other governments	0	0	15,799,761	15,799,761
Corporate debentures	0	16,112	0	16,112
Mutual funds	0	2,608,318	18,577,030	21,185,348
Common stocks	0	<u>424,820</u>	<u>1,593,577</u>	<u>2,018,397</u>
Total investments at FVTPL	<u>0</u>	<u>3,049,250</u>	<u>35,970,368</u>	<u>39,019,618</u>
Investments at FVOCI:				
Governments:				
United States of America	323,625,543	80,443,260	0	404,068,803
Other governments	<u>0</u>	<u>286,489,972</u>	<u>0</u>	<u>286,489,972</u>
	323,625,543	366,933,232	0	690,558,775
Corporate bonds	<u>9,482,848</u>	<u>75,408,229</u>	<u>6,510,786</u>	<u>91,401,863</u>
Total investments at FVOCI	<u>333,108,391</u>	<u>442,341,461</u>	<u>6,510,786</u>	<u>781,960,638</u>
Total assets	<u>333,108,391</u>	<u>445,390,711</u>	<u>42,481,154</u>	<u>820,089,789</u>

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 March 31, 2022. 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.

<u>March 31, 2022</u>	<u>Investment</u>	
	<u>Common stocks</u>	<u>Total</u>
Assets		
Fair value at January 01, 2022	1,593,577	1,593,577
Valuation of investments at FVTPL	<u>(190,819)</u>	<u>(190,819)</u>
Fair value at March 31, 2022	<u>1,402,758</u>	<u>1,402,758</u>
<u>December 31, 2021</u>	<u>Investments</u>	
	<u>Common stocks</u>	<u>Total</u>
Assets		
Fair value at January 01, 2021	1,685,722	1,685,722
Valuation of investments at FVTPL	<u>(92,145)</u>	<u>(92,145)</u>
Fair value at December 31, 2021	<u>1,593,577</u>	<u>1,593,577</u>

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

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)

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:

	<u>Fair value</u>	<u>Quantitative information of Level 3 fair values</u>	
		<u>Valuation technique</u>	<u>Unobservable assumptions</u>
<u>March 31, 2022</u>			
Common stocks	1,402,758	Quoted prices for similar instruments	Similar instrument quotes
<u>December 31, 2021</u>			
Common stocks	1,593,577	Quoted prices for similar instruments	Similar instrument quotes

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

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:

	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Carrying amount</u>
March 31, 2022				
Financial assets				
Cash and cash equivalents	0	21,076,099	21,076,099	21,076,099
Deposits in banks	0	136,503,350	136,503,350	136,503,350
Investments at AC	8,547,683	86,064,295	94,611,978	93,864,899
Loans, excluding financial leases	0	3,334,864,479	3,334,864,479	3,465,654,060
Acceptances outstanding	0	<u>98,729,485</u>	<u>98,729,485</u>	<u>98,729,485</u>
Total financial assets	<u>8,547,683</u>	<u>3,677,237,708</u>	<u>3,685,785,391</u>	<u>3,815,827,893</u>
Financial liabilities				
Deposits	802,208,033	2,193,425,028	2,995,633,061	2,950,878,678
Securities sold under repurchase agreements	0	16,025,778	16,025,778	16,025,778
Financial obligations	0	971,025,904	971,025,904	965,167,120
Other financial obligations	0	397,043,690	397,043,690	396,618,275
Acceptances outstanding	0	<u>98,729,485</u>	<u>98,729,485</u>	<u>98,729,485</u>
Total financial liabilities	<u>802,208,033</u>	<u>3,676,249,885</u>	<u>4,478,457,918</u>	<u>4,427,419,336</u>
December 31, 2021				
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
Investments at AC	8,630,858	87,695,127	96,325,985	94,905,751
Loans, excluding financial leases	0	3,186,164,527	3,186,164,527	3,385,928,219
Acceptances outstanding	0	<u>98,842,541</u>	<u>98,842,541</u>	<u>98,842,541</u>
Total financial assets	<u>8,630,858</u>	<u>3,556,382,554</u>	<u>3,565,013,412</u>	<u>3,763,356,870</u>
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	<u>98,842,541</u>	<u>98,842,541</u>	<u>98,842,541</u>
Total financial liabilities	<u>775,710,267</u>	<u>3,654,420,382</u>	<u>4,430,130,649</u>	<u>4,383,889,554</u>

(20) Trust Agreements Administration and Custody of Securities

As of March 31, 2022, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$551,941,945 (December 31, 2021: \$562,424,903).

The Bank maintains, within its portfolio of administered trust agreements, a total of \$273,402,040 (December 31, 2021: \$275,496,768), 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.

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

As of March 31, 2022, the Administrator maintains a compliance bond in the amount of \$2,750,000 (December 31, 2021: \$2,750,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

(21) 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 March 31, 2022:

	March 31, 2022		December 31, 2021	
	Key personnel and directors	Related Parties	Key personnel and directors	Related Parties
Assets:				
Deposits due from banks	0	149,895	0	120,413
ECL deposits due from banks	0	(5,098)	0	0
Interest bearing deposits	0	3,000,000	0	3,000,000
Loans	2,062,708	10,839	1,893,170	10,733
Loans los reserve	(7,025)	(10,843)	(7,294)	(7,161)
Accumulated interest receivable and other accounts receivable	<u>16,430</u>	<u>52,529,961</u>	<u>1,170</u>	<u>56,028,164</u>
	<u>2,072,113</u>	<u>55,674,754</u>	<u>1,887,046</u>	<u>59,152,149</u>
Liabilities:				
Demand deposits	2,103,622	8,212,058	2,036,556	19,109,329
Time deposits	1,539,184	168,920,000	1,413,184	189,830,001
Financial obligations	<u>4,751</u>	<u>1,752,721</u>	<u>3,586</u>	<u>1,971,260</u>
	<u>3,647,557</u>	<u>178,884,779</u>	<u>3,453,326</u>	<u>210,910,590</u>
	March 31, 2022		March 31, 2021	
	Key personnel and directors	Related Parties	Key personnel and directors	Related Parties
Interest income	<u>16,430</u>	<u>60,465</u>	<u>13,330</u>	<u>83,352</u>
Interest expense and other operating expenses	<u>14,226</u>	<u>2,350,707</u>	<u>10,010</u>	<u>2,568,051</u>
Key management personnel benefit	<u>1,708,380</u>	<u>0</u>	<u>1,559,661</u>	<u>0</u>

(22) Operating Segments

The Bank segregates its operations according to the nature of services provided ("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.

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.

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(22) Operating Segments, continued

	<u>March 31, 2022</u>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets		<u>4,891,617,343</u>	<u>6,127,930</u>	<u>55,857,545</u>	<u>(48,298,133)</u>	<u>4,905,304,685</u>
Total liabilities		<u>4,480,904,055</u>	<u>125,173</u>	<u>18,667,165</u>	<u>23,349,998</u>	<u>4,523,046,391</u>
<u>Consolidated of Statement of Income</u>						
Interest Income		61,306,867	31,994	302,257	5,904	61,647,022
Interest expenses		<u>32,015,429</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,015,429</u>
Interest income, net		29,291,438	31,994	302,257	5,904	29,631,593
Provision for credit risk financial instruments		<u>11,549,383</u>	<u>(15,121)</u>	<u>(10,728)</u>	<u>0</u>	<u>11,523,534</u>
Interest income, net after provisions		17,742,055	47,115	312,985	5,904	18,108,059
Other income, net		4,883,400	494,858	2,082,429	42,404	7,503,091
General and administrative expenses		<u>19,129,486</u>	<u>321,259</u>	<u>927,407</u>	<u>(62,299)</u>	<u>20,315,853</u>
Income before income tax		3,495,969	220,714	1,468,007	110,607	5,295,297
Less: Income tax		<u>236,473</u>	<u>(49,936)</u>	<u>(294,796)</u>	<u>0</u>	<u>(108,259)</u>
Net Income		<u>3,732,442</u>	<u>170,778</u>	<u>1,173,211</u>	<u>110,607</u>	<u>5,187,038</u>
	<u>December 31, 2021</u>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets		<u>4,862,865,825</u>	<u>5,999,404</u>	<u>51,309,394</u>	<u>(42,406,598)</u>	<u>4,877,768,025</u>
Total liabilities		<u>4,430,725,230</u>	<u>167,427</u>	<u>14,950,168</u>	<u>21,352,338</u>	<u>4,467,195,163</u>
	<u>March 31, 2021</u>					
<u>Consolidated of Statement of Income</u>						
Interest Income		56,689,272	32,180	182,393	579	56,904,424
Interest expenses		<u>33,118,182</u>	<u>330</u>	<u>0</u>	<u>(118,648)</u>	<u>32,999,864</u>
Interest income, net		23,571,090	31,850	182,393	119,227	23,904,560
Provision for credit risk financial instruments		<u>8,608,278</u>	<u>124,730</u>	<u>(28,260)</u>	<u>0</u>	<u>8,704,748</u>
Interest income, net after provisions		14,962,812	(92,880)	210,653	119,227	15,199,812
Other income, net		7,373,371	696,124	1,567,088	80,100	9,716,683
General and administrative expenses		<u>19,319,401</u>	<u>284,364</u>	<u>742,635</u>	<u>(37,500)</u>	<u>20,308,900</u>
Income before income tax		3,016,782	318,880	1,035,106	236,827	4,607,595
Less: Income tax		<u>46,215</u>	<u>(28,243)</u>	<u>(184,861)</u>	<u>0</u>	<u>(166,889)</u>
Net Income		<u>3,062,997</u>	<u>290,637</u>	<u>850,245</u>	<u>236,827</u>	<u>4,440,706</u>

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(23) Regulatory Aspects

As of March 31, 2022, 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.

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 March 31, 2022:

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Loans</u>	<u>Reserves</u>	<u>Loans</u>	<u>Reserves</u>
Normal	2,865,101,041	0	2,873,403,880	0
Special mention	299,146,414	23,972,699	344,812,801	25,092,566
Substandard	210,238,460	30,619,618	90,775,606	11,750,662
Doubtful	42,168,096	9,840,281	37,770,662	12,927,121
Loss	<u>44,264,511</u>	<u>30,599,193</u>	<u>52,764,772</u>	<u>24,769,034</u>
Gross amount	<u>3,460,918,522</u>	<u>95,031,791</u>	<u>3,399,527,721</u>	<u>74,539,383</u>

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 March 31, 2022, the classification of the amortized cost loan portfolio by maturity profile based on Rule No. 4-2013.

<u>March 31, 2022</u>		
<u>Past due</u>	<u>Non-performing loans</u>	<u>Total</u>
<u>65,883,724</u>	<u>59,991,416</u>	<u>125,875,140</u>
<u>December 31, 2021</u>		
<u>Past due</u>	<u>Non-performing loans</u>	<u>Total</u>
<u>46,433,353</u>	<u>74,999,298</u>	<u>121,432,651</u>

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:

- For consumer and corporate loans; if payment is in arrears for more than 90 days; and
- For residential mortgage loans, if payments is in arrears for more than 120 days.

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(24) 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 March 31, 2022, classified according 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 IFRS 9:

	March 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Modified special mention category loans				
Modified Loans:				
Modified Normal	10,055	70,511	0	80,566
Modified Special Mention	0	373,015	0	373,015
Modified Substandard	63,954,340	179,069,516	25,159,463	268,183,319
Modified Doubtful (1)	17,489,853	66,980,737	25,950,375	110,420,965
Modified Loss (2)	<u>120,000</u>	<u>59,068</u>	<u>10,945,329</u>	<u>11,124,397</u>
Total modified loans	<u>81,574,248</u>	<u>246,552,847</u>	<u>62,055,167</u>	<u>390,182,262</u>
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	3,119,238	1,128,799	10,062	4,258,099
(-) Modified loans in a different category other than normal and special mention	0	0	0	0
(+) Interest and commissions accrued receivable	<u>3,445,507</u>	<u>19,110,958</u>	<u>4,082,476</u>	<u>26,638,941</u>
Total portfolio subject to provisions of Rule No. 6-2021	<u>81,900,517</u>	<u>264,535,006</u>	<u>66,127,581</u>	<u>412,563,104</u>
Provisions:				
IFRS 9 provision	(522,268)	(14,850,329)	(19,874,032)	(35,246,629)
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				<u>(35,246,629)</u>

- (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 commercial clients, with good credit references and credit payments, but to date the restructuring has not been formalized.

	December 31, 2021			Total
	Stage 1	Stage 2	Stage 3	
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)	<u>8,003,705</u>	<u>18,474,336</u>	<u>11,000,197</u>	<u>37,478,238</u>
Total modified loans	<u>236,663,352</u>	<u>443,505,839</u>	<u>59,301,721</u>	<u>739,470,912</u>
(-) 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	<u>10,134,642</u>	<u>30,600,277</u>	<u>536,424</u>	<u>41,271,343</u>
Total portfolio subject to provisions of Rule No. 6-2021	<u>242,350,853</u>	<u>472,545,015</u>	<u>59,834,011</u>	<u>774,729,879</u>
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				<u>(42,180,172)</u>

- (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 commercial clients, with good credit references and credit payments, but to date the restructuring has not been formalized.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(24) Regulatory Aspects, continued

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 March 31, 2022 the Bank does not maintain provisions as per Rule No. 2-2021.

As explained in Note 5 on the effects of COVID-19, as of March 31, 2022, 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, 2021 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.

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

	<u>March 31, 2022</u>	<u>Up 90 days</u>	<u>Between 91 to 120 days</u>	<u>Between 121 and 180 days</u>	<u>Between 181 and 270 days</u>
Consumer loans	96.70%	1.71%	0.33%	1.26%	
Corporate loans	96.77%	0.00%	0.11%	3.11%	

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

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(24) Regulatory Aspects, continued

As of March 31, 2022, the Bank established a capital reserve of \$5,102,687 (December 31, 2021 \$4,739,677), in compliance with Rule No.11-2019.

As of March 31, 2022, 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 March 31, 2022. These percentages represent the following amounts:

	March 31, 2022	December 31, 2021
1.25%	<u>28,207,058</u>	<u>25,676,262</u>
2.50%	<u>56,414,115</u>	<u>51,352,525</u>

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

	March 31, 2022	December 31, 2020
Multibank Inc.	56,630,024	56,630,024
MB Creditos, S. A. and Subsidiaries	<u>21,314</u>	<u>21,314</u>
	<u>56,651,338</u>	<u>56,651,338</u>

- *Capital Management*

Management considers that, as of March 31, 2022 and December 31, 2021, 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.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(24) 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:

	March 31, 2022	December 31, 2021
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	180,815,162	177,199,706
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Loss on securities at fair value through other comprehensive income and others	(56,958,569)	(23,458,043)
Employee benefits	(44,659)	(44,659)
Deferred tax – tax loss carryforward	(3,163,376)	(3,374,267)
Other intangible assets	(9,047,186)	(9,784,720)
Total of Common Tier 1 Capital	<u>295,272,161</u>	<u>324,208,805</u>
Dynamic Provision	<u>56,651,338</u>	<u>56,651,338</u>
Total Regulatory Capital Funds	<u>351,923,499</u>	<u>380,860,143</u>
Credit Risk Weighted Assets, Net of Deductions	2,803,321,901	2,739,754,039
Weighted Assets by Operational Risk (Rule No. 11-2018)	<u>110,678,871</u>	<u>122,203,774</u>
Total risk-weighted assets	<u>2,914,000,772</u>	<u>2,861,957,813</u>
Ratios:		
Capital Adequacy Ratio	12.08%	13.31%
Common Tier 1 Capital Ratio	10.13%	11.33%
Tier 1 Capital Ratio	10.13%	11.33%
Leverage Ratio	6.43%	7.09%

- *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 March 31, 2022 was 47.55% (December 31, 2021: 46.91%).

- *Foreclosed Assets*

As of March 31, 2022, the Bank constituted a reserve for foreclosed properties amounting to \$3,993,795, (December 31, 2021: \$3,658,701), as an equity item that is allocated from undistributed profits.

- *Insurance Reserve*

As of March 31, 2022, it presents a reserve of \$6,089,111 (December 31, 2021: \$6,008,680).

(25) Subsequent Events

As of March 31, 2022, there were no subsequent events that require recognition or disclosure in these condensed consolidated interim financial statements.