BANCO INTERNACIONAL DE COSTA RICA, S. A.
AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2020

(With Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Table of Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Banco Internacional de Costa Rica, S.A.

Opinion

We have audited the accompanying consolidated financial statements of Banco Internacional de Costa Rica, S.A. and Subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated income statements, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Loss allowance for loan
See Notes 3, 4, 5, and 8 to the consolidated financial statements

Key Audit Matter	How the key matter was addressed in our audit
The loss allowance for loans is considered one of the most significant matters because it requires the use of judgments and subjective assumptions made by management in the construction of the expected credit loss ("ECL") model. The gross loan portfolio represents 80% of the Bank's total assets. The loss allowance for loans comprises the ECL as a result of the loan rating model and the mechanism used to determine the loans' probability of default according to the impairment stage assigned. The model to estimate the ECL is determined according to the grouping of loans with similar credit risk characteristics. The methodology contains estimates of the probability of default of payment, loss given default, forward-looking and exposition at default. The evaluation of whether or not there has been a significant increase in the credit risk of the loans involves the application of important judgments in the methodology. This constitutes a challenge from an audit perspective, due to the complexity in estimating the components used to calculate and apply management's judgment.	Our audit procedures, considering the use of specialists, included: • Evaluating the key controls over delinquency calculations, internal customer risk ratings, accuracy review of customer and model information, and the methodologies used. • Testing whether contractual cash flows of corporate loans at amortized cost represent solely payments of principal and interest (SPPI). • For a sample of corporate loans, classified by type of activity or industry, and debtors with changes in risk classification based on quantitative and qualitative factors, the respective credit files were inspected, including the financial information of the debtors, the values of guarantees, determined by expert appraisers, that support credit operations and other factors that could represent an event that causes losses, to determine the reasonableness of the credit risk rating assigned by the risk officers. • Assessing the Bank's ECL methodologies to determine whether they complied with the requirements outlined in IFRS 9 Financial Instruments. This was achieved through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance. • Performing an independent assessment of the inputs used in the Corporate Banking methodologies, and recalculating according to the estimation model of ECL for the mentioned methodology. • Assessing management's applied judgments on assumptions related to the current economic conditions and the considerations on the forward-looking assessment that may change the ECL level, based on our experience and industry knowledge.

Other Information

Management is responsible for the other information. The other information comprises the contents of the Annual Report but does not include the consolidated financial statements and our corresponding audit report. The Annual Report is expected to be made available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with corporate governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Alexis Muñoz Giroldi.

KPMG (SIGNED)

Panama, Republic of Panama
March 3, 2021

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2020

(Stated in Dollars of United States of America)

Assets	**Note**	**2020**	**2019**
Cash		1,277,676	1,122,105
Deposits in bank:			
Demand deposits in local banks		18,830,228	21,639,389
Demand deposits in foreign banks		148,192,936	142,121,483
Time deposits in local banks		74,382,166	69,936,242
Time deposits in foreign banks		5,000,094	5,000,356
Total deposits in banks at amortized cost		246,405,424	238,697,470
Total cash and deposits in banks at amortized cost	6	247,683,100	239,819,575
Investments securities	7	58,233,915	37,282,812
Interest receivable of investments securities		338,290	108,989
Loans:	8	1,488,384,933	1,630,131,043
Less: Allowance for credit losses	5	24,652,556	20,407,208
Unearned interest and commissions		191,038	354,078
Loans at amortized cost		1,463,541,339	1,609,369,757
Properties, equipment, improvements and right of use assets, net	9	16,780,871	18,204,987
Customer liabilities on acceptances		3,604,865	15,028,864
Intagible assets, net	10	4,265,856	4,420,703
Deferred income tax	11	1,306,226	2,269,835
Other assets	12	64,125,837	57,710,155
Total assets		1,859,880,299	1,984,215,677

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

Liabilities and Equity	Note	2020	2019
Liabitilies:			
Deposits from customers:			
Demand - local		23,597,611	26,474,259
Demand - foreign		94,680,885	83,666,531
Savings		6,873,054	2,651,373
Time - local		259,258,310	301,907,200
Time - foreign		349,520,247	340,403,550
Interbanks time deposits			
Locals		84,878,746	79,584,213
Foreign		98,188,194	57,150,342
Total deposits		916,997,047	891,837,468
Borrowings	13	524,694,287	682,243,894
Debt issued	14	151,727,216	135,296,244
Money orders, cashier checks and certificates		197,881	885,833
Lease liabilities	18	2,467,831	3,139,448
Obligations for clients acceptance		3,604,865	15,028,864
Other liabilities	15	20,949,076	18,991,870
Total liabilities		1,620,638,203	1,747,423,621
Equity			
Common shares	17	132,787,000	132,787,000
Capital reserve		150,000	150,000
Regulatory reserve	26	73,926,077	59,396,541
Fair value reserve		124,917	343,002
Retained earnigs		32,254,102	44,115,513
Total equity		239,242,096	236,792,056
Commitments and contigencies	19		
Total liabilities and equity		1,859,880,299	1,984,215,677

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Income Statement

For the year ended December 31, 2020

(Stated in Dollars of United States of America)

	Note	2020	2019
Interest income:			
Interest on:			
Loans	22	97,259,075	110,421,178
Deposits in banks		738,815	2,781,811
Investment securities		2,695,940	1,800,986
Total interest income		100,693,830	115,003,975
Interest expense			
Deposits	22	31,552,628	31,734,641
Borrowings		24,045,511	35,392,454
Debt issued		7,082,802	6,097,104
Total interest expense		62,680,941	73,224,199
Net income on interests, before impairment losses		38,012,889	41,779,776
Impairment losses on loans	8	(7,756,029)	(5,050,000)
Impairment losses (reverse) on deposits in bank		(30,064)	34,754
Impairment losses (reverse) on securities losses		(93,663)	34,516
Impairment losses on assets held for sale		0	(343,840)
Net income on interests, after impairment losses		30,133,133	36,455,206
Income (expense) for banking services and others			
Other commissions	20	3,467,156	3,225,807
Net gain realized on investments	7	59,440	405,377
Fiduciary services		571,510	729,304
Commission expenses	21	(788,614)	(797,783)
Other income	20	769,027	2,276,022
Total income for banking services and other, net		4,078,519	5,838,727
General and administrative expense			
Salaries and other personnel expenses	21	16,175,380	16,166,390
Rent		412,921	406,855
Advertising and promotion		101,677	163,646
Fees and professional services		2,708,606	2,478,216
Depreciation	9	1,594,053	1,731,423
Amortizations of intangibles assets	10	1,328,262	1,431,548
Others	21	7,220,039	7,522,583
Total general and administrative expenses		29,540,938	29,900,661
Income before income tax expense		4,670,714	12,393,272
Income tax expense, net	11	(1,665,382)	(740,430)
Net income		3,005,332	11,652,842

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

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

(Stated in Dollars of United States of America)

	Note	2020	2019
Net income of the year		3,005,332	11,652,842
Other comprehensive income (losses):			
Items that are or may be reclassified to income statement			
Fair value reserve of investments in securities:			
Reclassifications to income for sales of securities	7	(59,440)	(405,377)
Net changes in the fair values of securities		(158,645)	2,242,999
Other comprehensive (losses) income, net		(218,085)	1,837,622
Total comprehensive income of the year		2,787,247	13,490,464

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

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(Sated in Dollars of United States of America)

	Common Shares	Capital Reserve	Regulatory Reserve	Fair Value Reserve	Retained Earnings	Total
Balance as of January 1, 2019	132,787,000	150,000	50,705,782	(1,494,620)	41,611,142	223,759,304
Net income	0	0	0	0	11,652,842	11,652,842
Other comprehensive income						
Other comprehensive income, net	0	0	0	1,837,622	0	1,837,622
Total comprehensive income of the year	0	0	0	1,837,622	0	1,837,622
Other movements in equity						
Specific regulatory allowance of loans	0	0	8,690,759	0	(8,690,759)	0
Total other movements in equity	0	0	8,690,759	0	(8,690,759)	0
Transactions with the shareholders						
Complementary tax	0	0	0	0	(457,712)	(457,712)
Balance as of December 31, 2019	132,787,000	150,000	59,396,541	343,002	44,115,513	236,792,056
Net income	0	0	0	0	3,005,332	3,005,332
Other comprehensive income						
Other comprehensive income, net	0	0	0	(218,085)	0	(218,085)
Total comprehensive income of the year	0	0	0	(218,085)	3,005,332	2,787,247
Other movements in equity						
Specific regulatory allowance of loans	0	0	14,529,536	0	(14,529,536)	0
Total other movements in equity	0	0	14,529,536	0	(14,529,536)	0
Transactions with the shareholders						
Complementary tax	0	0	0	0	(337,207)	(337,207)
Balance as of December 31, 2020	132,787,000	150,000	73,926,077	124,917	32,254,102	239,242,096

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

BANCO INTERNACIONAL DE COSTA RICA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(Stated in Dollars of United States of America)

	Note	2020	2019
Cash flows for operating activities			
Net income		3,005,332	11,652,842
Adjusments to reconcile the net income with the cash net used in operating activities:			
Impairment losses on loans		7,756,029	5,050,000
Impairment losses on bank deposits, securities and assets held for sale		123,727	274,570
Depreciation		1,594,053	1,731,423
Net gain on securities		(59,440)	(405,377)
Net gain sale of foreclosed assets		(40,150)	(1,183,407)
Amortization of intangible assets		1,328,262	1,431,548
Income tax		1,665,382	740,430
Income on interests and commissions		(100,693,830)	(115,003,975)
Interest expenses		62,680,941	73,224,199
Net changes in operating assets and liabilities:			
Loans		119,200,044	(48,134,728)
Deposits		25,988,381	31,249,014
Other assets		5,878,387	(2,805,903)
Other liabilities		(11,282,094)	(6,115,568)
Income tax paid		(661,760)	(1,156,668)
Interests received		98,308,503	114,837,994
Interests paid		(68,018,746)	(71,908,660)
Net cash (used in) provided by operating activities		146,773,021	(6,522,266)
Cash flows from investing activities			
Purchase of invesment securities at FVOCI		(54,390,823)	(45,302,615)
Proceed from the sales of securities at FVOCI		9,065,500	32,305,773
Redemptions and maturity of securities at FVOCI		44,400,000	20,050,000
Redemptions, amortizations and maturities at amortized cost		868,220	0
Acquisition of properties and equipment		(145,751)	(559,561)
Acquisition of intangible assets		(1,173,415)	(475,950)
Sale of properties and equipment		109,503	6,885,000
Net cash (used in) provided by the investing activities		(1,266,766)	12,902,647
Cash flows from financing activities			
Payments of borrowings and debt issued		(695,683,365)	(861,461,292)
Product of borrowings and debt issued		559,073,733	877,820,875
Leases payments		(671,617)	(634,272)
Complementary tax paid		(337,207)	(457,712)
Net cash (used in) provided by financing activities		(137,618,456)	15,267,599
Net increase in cash and cash equivalents		7,887,799	21,647,980
Cash and cash equivalents at beginning of the year		239,787,589	218,139,609
Cash and cash equivalents at the end of the year	6	247,675,388	239,787,589

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

(1) General Information

Banco Internacional de Costa Rica, S. A. is incorporated under the laws of the Republic of Panama since 1976, and operates under a general license granted by the Superintendence of Banks, to carry out banking business either in Panama or abroad. Banco Internacional de Costa Rica, S. A. and Subsidiaries (hereinafter the "Bank") is owned by Banco de Costa Rica (51%) and Banco Nacional de Costa Rica (49%), two-state banks domiciled in the Republic of Costa Rica.

The following is a description of the consolidated subsidiaries of Banco Internacional de Costa Rica, S. A.:

Entity	Nature	Country of Incorporation	Controlling Interest 2020	Controlling Interest 2019
Bicsa Factoring, S. A. and Subsidiary	Financial Leasing, Loans and Factoring	Panama	100%	100%
BICSA Capital, S. A.	Security House and Stock Exchange	Panama	100%	100%
BICSA Fiduciaria, S. A.	Trust business	Costa Rica	100%	NA

- Bicsa Factoring, S. A. and Subsidiary is dedicated to granting financing through financial leases, commercial loans and purchase invoices. The financial leasing operations in Panama are regulated by the Financial Companies Directorate of the Ministry of Commerce and Industries according to the legislation established in Law No.7 of June 10, 1990. At the same time, it has the subsidiary Bicsa Leasing, S.A., a company incorporated under the laws of Costa Rica dedicated to granting financial leases in Costa Rica.
- BICSA Capital, S. A. is dedicated to carrying out activities related to the securities house and as a Stock Exchange. On October 29, 2012, the Superintendence of the Market Securities through Resolution No. SMV-363-2012 granted the securities house license to BICSA Capital, S. A. The securities houses are regulated by the Superintendence of Securities Market, according to the legislation established in Decree-Law No.1 of July 8, 1999, reformed by Law No.67 of September 1, 2011; as well as Resolutions and Agreements. As of July 2, 2014, the Company received approval from the Stock Exchange to operate as an Associated Stock Exchange and, as of May 9, 2017, obtained the right to operate the Stock Exchange as a full member.
- Bicsa Fiduciaria, S.A., is a company incorporated under the laws of Costa Rica, dedicated to the administration of resources through trusts. Which was incorporated on July 1, 2020 and as of December 31, 2020 does not maintain operations.

The Bank maintains an Agency in Miami, Florida, United States of America, which began operations on September 1, 1983, under license from the International Banking Agency granted by the Office of the Comptroller and Commissioner of Banking of the State of Florida, United States from America.

(1) General Information, continued

The Bank has a network of representative offices in the following countries: Costa Rica, Guatemala, Nicaragua, and El Salvador.

The main office of the Bank is located in the BICSA Financial Center Building, No.50 Floor, Aquilino de la Guardia Street, and Balboa Avenue, Panama City, Republic of Panama

(2) Basis of Preparation

(a) Declaration of Compliance

These consolidated financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2021.

(b) Basis of Measurement

These consolidated financial statements have been prepared based on historical cost or amortized cost, except for investments in securities at fair value through other comprehensive income and foreclosed assets for sale, which are measured at fair value and the lower of the carrying amount and the estimated realizable value less costs to sale, respectively.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in dollars (US$) of the United States of America. The Republic of Panama does not issue its own paper currency and, instead, the US dollar (US$) is used as legal tender, which is considered the functional currency of the Bank.

(d) New Standards and Amendments No Adopted by the Bank

As of the date of the consolidated financial statements, there are standards, modifications and interpretations which are not effective for the period ended December 31, 2020; therefore, it has not been applied in the preparation of these consolidated financial statements. Among the modifications are:

(a) Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37).
(b) Interest Rate Benchmark Reform – Phase 2 (LIBOR)
(c) Reference to the Conceptual Framework (amendments to IFRS 3).
(d) Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)
(e) Annual Improvements to IFRS Standards 2018–2020.
(f) Classification of Liabilities as Current or Non-current (amendments to IAS 1).

In management’s opinion, these new standards and interpretations are not expected to have a significant impact on the Bank’s consolidated financial statements.

(3) Summary of Significant Accounting Policies

The significant accounting policies adopted by the Bank in the preparation of the consolidated financial statements are detailed below:

(a) Consolidation Basis

Balances and Transactions Eliminated in Consolidation

The consolidated financial statements include the assets, liabilities and income statements of Banco Internacional de Costa Rica, S. A. (BICSA), with its Agency in Miami, Florida - United States of America, and its wholly-owned subsidiaries Bicsa Factoring, S.A. and BICSA Capital, S. A. All balances and significant transactions between companies have been eliminated in consolidation.

(b) Subsidiaries

The Bank controls a subsidiary when it is exposed, or is entitled to, variable returns from its involvement in the subsidiary and has the ability to influence those returns through its power over it. The Bank reassesses whether it controls an investee when the facts and circumstances indicate the existence of changes in one or more of the control elements.

The consolidated financial statements of the subsidiaries, described in Note 1, are included in the consolidated financial statements from the date on which the control begins until the date on which the control ceases. The Bank reassesses whether it controls an investee when the facts and circumstances indicate the existence of changes in one or more of the control elements.

(c) Investment Companies and Separate Vehicles

The Bank manages and administers assets held in trusts and other investment vehicles in support of investors. The consolidated financial statements of these entities are not part of these consolidated financial statements.

(d) Transactions in Foreign Currency

Assets and liabilities held in foreign currency are translated into the functional currency at the exchange rate at the date of the consolidated statement of financial position, except for those transactions with contractually fixed exchange rates agreed. Transactions in foreign currency are translated at the exchange rates at the dates of the transactions. Gains or losses from translation of foreign currency are reflected in other income or other expense accounts in the consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate on the date of the transaction. Financial instruments measured at fair value are translated at the spot exchange rate on the date on which the fair value was determined. Gains or losses resulting from the translation process are recognized in profit or loss, except for the financial instruments designated as hedge instruments.

(3) Summary of Significant Accounting Policies, continued

(e) Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash equivalents include demand deposits and time deposits in banks with original maturities of three months or less.

Financial Instruments

Initial Recognition and Measurement

The Bank initially recognizes loans and receivables, securities, deposits, debt instruments issued and financing on the date which they are originated.

The Bank measures financial assets or financial liabilities initially at their fair value more or less, in the case of a financial asset or financial liability that is not accounted at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability.

Classification

The Bank classifies financial assets at amortized cost (CA), or at fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset.

<u>Financial assets at amortized cost (AC)</u>: the initial recognition, the financial assets are measured at amortized cost and are not designated at fair value through profit or loss, if it meet with the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

<u>Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)</u>

Financial assets are measured at fair value through other comprehensive income and are not designated at fair value through profit or loss if it meet with the following conditions:

- The asset is held within a business model whose objective is to collect the contractual cash flows and sell these financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

During the initial recognition of securities in equity instruments not held for trading, the Bank may irrevocably choose to recognize subsequent changes in fair value as part of other comprehensive income. This choice must be made on an instrument-by-instrument basis. All other financial assets are measured at fair value through profit or loss.

(3) Summary of Significant Accounting Policies, continued

Interest income on these financial assets are included in "interest income" using the effective interest rate method.

Business model evaluation

The Bank makes an evaluation of the objectives of the business models in which the different financial assets are maintained at a portfolio level because this reflects the best way, how the business is managed and how the information is provided to management. The information considered includes:

- The policies and objectives indicated for each portfolio of financial assets and the operation of those policies in practice. These include whether management's strategy focuses on collecting only capital and interest payments, maintaining a specific interest rate profile or coordinating the duration of financial assets with the liabilities that are financing them or the expected cash outflows, or realize cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank's management

- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activities. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Business model whose objective is to maintain the assets to obtain the contractual cash flows: A portfolio of financial assets is managed with the objective of obtaining cash flows through principal and interest payments throughout the life of the instrument, even when the sales of financial assets take place or are expected to occur in the future.

Business model whose objective is achieved obtaining through the contractual cash flows and the sale of financial assets: In this type of business model there are different objectives that can be seen framed, for example, an objective to manage the daily liquidity needs, maintain a specific interest performance profile or coordinate the duration of financial assets along with liabilities with that these assets are being financed.

(3) Summary of Significant Accounting Policies, continued

In comparison with the business model in which the goal is to maintain financial assets to collect cash flows through the cash flow of principal and interest, this business model usually involves higher frequency and sales volume, without the need to have a frequency threshold or defined value, since sales and collection of contractual flows are combined in a way that allows achieving the objective of the business model.

Change of business model

Financial assets will not be reclassified after initial recognition, except in the period in which the Bank changes its business model.

When management changes its business model, all affected assets must be reclassified prospectively from the date of reclassification and the previously recognized gains, losses or interests, including profits or losses due to impairment of value, will not be restated.

Evaluation of whether contractual cash flows are solely payments of principal and interest (SPPI)

The purpose of this evaluation, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as the consideration of the time value of money and the credit risk associated with the principal amount outstanding during a particular time period and for other basic lending risk and cost, as well as the profit margin.

When evaluating whether the contractual cash flows are solely payment of principal and interest, the Bank considers the contractual terms of the instrument. This evaluation considers, among others:

(a) Contingent events that would change the amount and timing of cash flows.
(b) Leverage features.
(c) Prepayment and extension terms.
(d) Terms that limit the Bank’s claim to cash flows from specified assets.
(e) Features that modify consideration of the time value of money.

The loans have a contractual interest rate based on a duration that does not exceed the remaining life of the instrument. In the vast majority of the Bank's operations, a periodic restoration of interest rates is not contemplated and, in the event of such an operation, it is based on the evaluation of credit risk, and in the currency in which it is denominated the asset, validating that the period in which the interest rate is established corresponds to its validity. In these cases, the Bank will evaluate if the discretionary characteristic is consistent with the criterion to collect cash flows through the cash flow of capital and interest only, considering a number of factors that include whether:

- Debtors are in condition to prepay loans without significant penalties;
- Competitive market factors ensure that interest rates are consistent among banks;
- Any regulatory protection rule put in favor of customers.

(3) Summary of Significant Accounting Policies, continued

All consumer and commercial loans at fixed rates contain conditions for prepayment.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated with a premium or discount of its nominal contractual amount and the prepaid amount substantially represents the contractual amount at the same time plus the interest accrued contractually, but not paid, which may include reasonable compensation for early termination, and the fair value of the prepaid feature is insignificant upon initial recognition.

Impairment of financial assets

The Bank recognizes allowance for expected credit loss (ECL) in the following financial instruments that are not measured at fair value through profit or loss:

- Loans at amortized cost;
- Investment securities measured at fair value through other comprehensive income (FVOCI);
- Lease receivables;
- Irrevocable loan commitments issued; and
- Irrevocable financial guarantee contracts issued.

Impairment losses on equity instruments securities are not recognized.

Impairment losses are determined using the methodology that applies the concept of expected credit loss (ECL). The expected losses are based on the possibility of potential future cash short falls, which are based on potential default events of the debtor.

The expected losses of a portfolio are calculated based on following risk parameters:
Probability of Default (PD); Severity or Loss Given Default (LGD) and Exposure at Default (EAD).

This expected loss is calculated using risk parameters estimated with internal models based on the Bank's historical information.

IFRS 9 determines the loss allowance in a stepped manner depending on the stage of the level of risk that the financial instrument experiences.

IFRS 9 establishes a detailed credit loss assessment in accordance with the inherent credit risk of the instruments. In this way, an evaluation of the credit risk profile of the instrument will determine its classification in a determined stage and consequently a specific ECL estimation model.

(3) Summary of Significant Accounting Policies, continued

The model based on expected loss calculated by the Bank classifies financial assets in a pattern of impairment in stages. In this way, three "stages" of risk are differentiated:

Stage 1: (12-month PCE (no impairment)) In the first "stage”, there are those operations that do not show a significant increase in credit risk since the initial recognition.

Stage 2: (PCE during lifetime (not impaired)) In this stage, the Bank differentiates those operations whose risk has a significant increase at the reporting date with respect to their initial recognition.

Stage 3: (PCE over lifetime (impaired)) In this stage the operations that have objective evidence of impairment are included. This concept is aligned both with the definitions of non- compliance that the Bank's risk management follows, as well as with the definition of regulatory noncompliance. Additionally, the Bank considers as default those customers whose classification in the Superintendence of Banks of Panama is greater than or equal to the subnormal category.

Taking into consideration the classification of financial assets according to the stages described, the following components are used for the establishment of provisions:

Stage 1: Expected losses to 12 months for the Loss given Default due to the exposure at default.

Stage 2: Expected losses according to the remaining term of the operation due to the Loss given Default due to exposure at default.

Stage 3: It is based on an evaluation of the exposures on a case-by-case basis. The expected loss calculated by comparing the present value of the expected future cash flows, discounted at the effective interest loan rate or the fair value of the loan guarantee minus the costs for sale, against its current carrying amount and the amount of any loss is recognized as a loss allowance in the consolidated income statement.

The Bank has defined that the measurement of the impairment of the credit portfolio can be done through a collective or individual assessment according to the amount and characteristics of the credit.

The measurement of the impairment makes through collective and individual evaluation models, with sufficient sophistication required for each portfolio; collective models include parameters of probability of default at 12 months, lifetime, loss given default and exposure. The individual analysis methodology is applied in significant exposures and includes the evaluation of weighted loss scenarios, taking into account the macroeconomic expectations and the particular conditions of each debtor.

(3) Summary of Significant Accounting Policies, continued

- Individual methodology
  The Bank evaluates the loans classified as default by analyzing the credit profile of each debtor, the guarantees granted financial information, the credit behavior of the client and the sector. Significant financial assets are considered unfulfilled when, based on current or past information and events, it is probable that the Bank will not be able to pay all the amounts described in the original contract, including the interest and commissions agreed in the contract. When a significant financial asset has been identified as default, the amount of the loss is measured as the weighted present value of the expected cash flows under three macroeconomic scenarios with an expected probability of occurrence.

- Collective methodology
  For defaulted loans that are not considered individually significant; when it is determined that the fundamental source of collection of the loan is a guarantee, the amount of the loss is estimated as the net present value of the expected value of the collateral. This is affected by multiple macroeconomic scenarios with an expected probability of occurrence that results in a weighted expected loss.

  For non-defaulted loans and default loans that are not considered individually significant or that the fundamental source of collections is not a guarantee, an evaluation is carried out collectively, grouping portfolios of financial assets with similar characteristics. This expected loss model incorporates statistical methodologies that allow identifying the significant increase in credit risk (SICR) throughout the life of an instrument, prior to the identification of objective evidence of impairment (OED).

- Measurement of expected credit loss
  To estimate the reserves under the collective methodology, the following formula is used:

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

  - The quantification of the expected credit loss takes into account the following factor: probability of default (PD), which is the estimated probability of occurrence of a default in the instrument.

IFRS 9 proposes the specification of this parameter and its application discriminated according to the risk status of the instrument. These stages are summarized as follow:

- Stage 1: is the estimated probability of occurrence of a breach in the next 12 months of the instrument's life as of the date of the analysis. The Bank according to the standard defines its use for the healthy portfolio that does not present a significant increase in risk or any evidence of impairment. To estimate the probability of default for 12 months, the Bank uses traditional techniques such as logistic regression, modeling the behavior of the portfolio by the level of risk for each of the segments.

(3) Summary of Significant Accounting Policies, continued

- Stage 2: is the estimated probability of occurrence of a cash flow short falls over the lifetime of an instrument, being dependent on the conditions of the specific product to be analyzed. The Bank according to the standard defines the use of this stage for a portfolio with a significant increase in credit risk. The Bank estimates this factor through survival models, which provide statistical analysis to quantify the survival rate of a portfolio for a given period.

- Stage 3: customers evaluated by the collective methodology have a probability of default of 100% associated.

Loss given default (LGD): is the percentage of exposure that the Bank ultimately expects to lose in the event of a default in a financial instrument. The general formulation for the calculation of the LGD is = 1-% of recovery, where the percentage of recovery refers to the sum of the cash flows received from the operation discounted at the effective rate of the obligation on the date of analysis on the total exposure at the time of default.

Exposure at default (EAD): is the exposed value of the asset valued at amortized cost (includes the balance of capital, interest and other receivables). In the case of rotating products and have an available undrawn loan that is likely to be used in its entirety, the estimation of the (EAD) considers the use of the risk of the conversion factor (RCF), to find a relationship regarding the use and the unused component of the instrument.

Significant increase in credit risk
The Bank determines whether the credit risk of a financial asset has increased significantly since initial recognition, considering reasonable and supportable information that is relevant and available without cost or disproportionate effort, including information and analysis of a quantitative nature and qualitative based on historical experience and credit expert assessment including forward looking information.

When a financial instrument has a low credit risk at the reporting date, the entity can assume that such credit risk has not been significantly increased since the initial recognition. The above occurs when the financial instrument has a low default risk, the borrower has a strong ability to meet its cash flow obligations through the payment of principal and interest in the near term and adverse changes in economic and business conditions in the long term can be reduced, but not necessarily, the ability of the borrower to satisfy its cash flow obligations.

The portfolio classified in stage 2 will include those instruments that comply with the corporate definition of a significant increase in risk. To establish whether an asset presents a significant increase in credit risk since the initial recognition, an evaluation of quantitative and qualitative factors is carried out, these factors are:

- Assets that have a default of more than 30 days, except for mortgage portfolios, where it is considered a default limit at more than 60 days.

(3) Summary of Significant Accounting Policies, continued

- Assets restructured by risks, where the customer is experiencing financial difficulties.
- Clients in the observation list (Watch List) with medium risk level.
- Instruments with an increase in credit risk since initial recognition through the identification of a threshold in the change of the probability of default in the life time of the instrument.
- In addition, the Bank reviews every six months if there are collective criteria for the migration of a group of clients to stage 2.
- Definition of default.

The portfolio classified in stage 3 will include those instruments that comply with the corporate definition of default since initial recognition.

An asset is considered to be in default when it has any of the following characteristics:

- Customer is more than 90 days past due in any of their obligations, except for the mortgage portfolio, where it is considered default if have more than 180 days past due.
- Clients with at least one instrument written off.
- Clients in special states of restructuring law or business reorganization and insolvency agreements.
- Clients on watch list with high risk level.
- Qualified customers in default category according to the internal rating models.

Forward Looking Information

The Bank has incorporated macroeconomic scenarios in the calculation of the expected loss to reflect the prospective effect. The inclusion of macroeconomic conditions in the models of expected loss is made from methodologies that correlate the historical behavior of the portfolio with certain economic variables. The Bank has made the projection of three macro scenarios (base, adverse and optimistic).

Each scenario has a plausible probability of occurrence in order to evaluate the best estimate of the expected credit loss under possible future economic conditions. The Bank has carried out statistical analyzes in which it has determined that the monthly economic activity index (IMAE) is the macroeconomic variable that has the highest correlation with the levels of the Bank's overdue portfolio.

In order to incorporate forward-looking information in the estimates, in line with the requirements of IFRS 9 to consider a range of possible results to obtain an unbiased value, the Bank has decided to adjust the estimates based on the incorporation of three different macroeconomic scenarios: one base, one optimistic and one adverse.

In this regard, the base scenario constitutes the expected scenario, with the highest probability of occurrence (70%). On the other hand, a more pessimistic projection of economic activity is included in the adverse scenario (with a 20% probability of occurrence). Likewise, it is considered a slightly optimistic scenario (with a probability of occurrence of 10%).

(3) Summary of Significant Accounting Policies, continued

Below are the projected IMAE values for each scenario and region, used within the estimates:

	Projection Evolution IMAE 2021		
Region	**Adverse Scenario**	**Base Scenario**	**Optimistic Scenario**
Panama	-12.00%	10.80%	-7.00%
Costa Rica	7.00%	-5.50%	-0.04%

The following table shows the estimated impact on the loss allowance for loans, caused by supposed increases or decreases of 1% in the IMAE:

	Increase	**Decrease**
As of Dicember 31, 2020	(1,392,658)	(416,214)
As of December 31, 2019	(304,242)	409,791

Impaired financial assets

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

- Significant financial difficulty of the borrower or issuer;
- Covenant breach such as a default or expiration event;
- The borrower's lender, for economic or contractual reasons related to the borrower's financial difficulties, has granted the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security due to financial difficulties of the issuer;
- The purchase of a financial asset at a great discount that reflects the credit losses incurred.

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

(3) Summary of Significant Accounting Policies, continued

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

Write-offs

The Bank determines the write-offs of the loan groups that are uncollectible. This determination is made after an analysis of the financial conditions made since the last payment of the obligation, and when it is determined that the guarantee is not sufficient for the full payment of the granted facility. The write-offs are previously analyzed by the Committee of Special Assets and must be approved by the Board of Directors.

Financial assets that are written-off are subject to recovery procedures by the Bank in order to comply with the Bank's policies for the recovery of amounts owed by clients.

Financial liabilities

The Bank classifies all financial liabilities according of their subsequent measurement at amortized cost.

Derecognition of financial assets and liabilities

A financial asset is partially or totally derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive the cash flows of the asset and has neither transferred nor substantially retained the risks and benefits of the asset, but control of the asset has been transferred.
- The Bank maintains the right to receive the cash flows but has assumed an obligation to pay the cash flows received in full and without material delay to a third party under a “pass-through” agreement.”.
- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, and neither the risks and benefits of the asset have been substantially transferred or retained, nor has control of the asset been transferred, the asset is recognized to the extent that the Bank's participation in the asset continues.

Upon derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount assigned to the portion of the derecognized asset) and the sum of (i) the consideration received (including any new assets obtained less any new liabilities assumed) and (ii) any accumulated profit or loss that has been recognized in other comprehensive income, is recognized in the consolidated income statement.

(3) Summary of Significant Accounting Policies, continued

The Bank carries out operations through which it transfers assets recognized in its consolidated statement of financial position but retains all or substantially all the risks and benefits of the transferred asset or part of them. In such cases, the transferred assets are not derecognized.

Financial liability

A financial liability is derecognized when the obligation expires, in accordance of the responsibility, when the obligation specified in the contract has been paid or canceled or has expired.

Modification of financial assets and liabilities

When a financial asset is modified, the Bank verifies if this modification results in a derecognition. The modification results in a derecognition when the new terms are significantly different from the original contractual terms, the Bank considers the following:

- Qualitative factors such as cash flows after modification are no longer SPPI, currency exchange or counterparty change, the extent of the change in interest rate, maturity, payment agreements. If they do not clearly identify a major modification, then;

- A quantitative valuation is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

- If the cash flows of the modified asset recognized at amortized cost are not substantially different, the modification will not result in the derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes in profit and loss the adjustment of the gross carrying amount as a gain or loss due to modification. If such modification is made due to the debtor's financial difficulties, then the gain or loss is presented as interest income.

Restructured or Renegotiated Loans

Restructured loans are those that have been restructured due to a deterioration in the debtor’s financial condition, and where the Bank considers granting a change in the credit parameters. These loans, once they are restructured, remain in the assigned category, regardless of whether the debtor presents any improvement in their condition after the restructuring. Once a loan has been restructured, it is concluded that it has had a significant increase in credit risk.

(3) Summary of Significant Accounting Policies, continued

Presentation of the loss allowance for expected credit loss in the consolidated statement of financial position

Loss allowances for expected credit loss are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as part of the loss allowance for credit on loans;
- Debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognized in the fair value reserve on equity.

Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and generally originated by providing funds to a debtor as a loan. Loans are presented at their principal value pending collection, less interest and commissions not earned and the reserve for loan losses. Unearned interest and commissions are recognized as income over the life of the loans using the effective interest method.

Financial leases mainly consist of leases of equipment and vehicles, which are reported as part of the loan portfolio at the present value of the lease. The difference between the gross carrying amount receivable and the present value of the amount receivable is recognized as income for unearned interest, which is amortized to income from operations using a method that reflects a periodic rate of return.

The factoring consists of the purchase of invoices, which are presented at their principal value pending collection. These invoices receivable reflect the present value of the contract. The Bank is dedicated to the financing of invoices, whose source of repayment comes from a credit of the invoice issuers, these products ranges between 30 and 180 days.

Compensation of Financial Assets and Liabilities

Assets and liabilities are offset and presented in their net amount in the consolidated statement of financial position only when there is a legally recognized right to offset the amounts recognized and there is an intention to settle in net terms or, realize the asset and settle the liability simultaneously.

Fair Value Measurement

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, in the most advantageous market at which the Bank has access at the moment. The fair value of a liability reflects the effect of the down credit risk.

(3) Summary of Significant Accounting Policies, continued

When applicable, the Bank measures the fair value of an instrument using a quoted price in an active market for that instrument. A market is considered as active if the transactions of these instruments take place frequently and with sufficient volume to provide information to provide prices on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique chosen incorporates all the factors that the market participants would take into account when setting the price of a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

The fair value of a demand deposit is not less than the amount payable when it becomes due, discounted from the first date in which payment may be required. The Bank recognizes transfers between levels of the fair value hierarchy at the end of the period during which the change occurred.

Properties, Equipment and Improvements

The properties, equipment and improvements include land, buildings, furniture, vehicles and improvements used by branches and offices. All properties and equipment are stated at historical cost less accumulated depreciation, amortization and any impairment losses if exist. The historical cost includes the expense that is directly attributable to the acquisition of the goods.

Subsequent costs are included in the book value of the asset or recognized as a separate asset, as appropriate, only when the Bank is likely to obtain the future economic benefits associated with the asset and the cost of the asset can be measured reliably. The costs considered as repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

The depreciation and amortization expenses of property and equipment are charged to current operations using the straight-line method considering the useful life of the assets, except for the land, which is not depreciated. The useful life of the assets is summarized as follows:

Buildings	40-50 years
Buildings improvements	5-35 years
Furniture and equipment	3-5 years
Software and licenses	3-15 years

The useful life is reviewed, and adjusted if appropriate, on each date of the consolidated statement of financial position.

(3) Summary of Significant Accounting Policies, continued

Intangibles Assets

Licenses and Programs

Licenses and programs acquired separately are presented at historical cost. Licenses and programs have a defined useful life, which is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses and programs over their estimated useful lives between 3 to 15 years. Licenses acquired from computer programs are capitalized based on the costs incurred to acquire and be able to use the specific software.

Non-current Assets Held for Sale

Non-current assets held for sale are recognized at the lowest value between the book value of the unpaid loans or the realizable market value of the properties, net of cost to sale costs. The Bank maintains an allowance for losses against any significant impairment affecting the properties not sold. The impairment loss is recognized in the consolidated income statement.

Impairment of Non-Financial Assets

The amounts of the Bank's non-financial assets are reviewed at each date of the consolidated statement of financial position to determine whether there is an impairment in their value. If such impairment exists, the recoverable value of the asset is estimated and an impairment loss is recognized equal to the difference between the book value of the asset and its estimated recovery value. The recoverable value is the highest between the fair value of an asset less cost to sale and its value in use. The impairment loss in the value of an asset is recognized as an expense in the consolidated income statement.

Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements are short-term financing transactions with securities guarantees, in which the Bank has the obligation to repurchase the securities sold at a future date and at a specific price. The difference between the sale price and the future repurchase value is recognized as interest expense under the effective interest rate method.

Income Tax

The estimated income tax is the tax payable over the taxable income of the year, using the effective tax rates on the date of the consolidated statement of financial position and any other adjustment of the income tax of previous years.

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred taxes are valued at the tax rates expected to be applied to temporary differences when they are reversed, based on laws that have been approved or are about to be approved as of the date of the consolidated statement of financial position.

A deferred tax asset is recognized to the extent that future taxable income is likely to be available at the time the temporary difference can be used. Deferred tax assets are reviewed on each date of the consolidated statement of financial position and are reduced to the extent that related tax benefits are unlikely to be realized.

(3) Summary of Significant Accounting Policies, continued

Customer Deposits, Obligations and Loans

Deposits, obligations and loans are initially measured at fair value. Subsequently, they are measured at amortized cost.

Financial Guarantees

The financial guarantees issued are contracts that require the Bank to make specific payments on behalf of its clients, to reimburse the beneficiary of the guarantee, in case the client does not comply with the payment on the agreed date, according to the terms and conditions of the contract. Liabilities for financial guarantees are initially recognized at fair value, this initial value is amortized for the duration of the financial guarantee. Subsequently, the guarantee is recognized at the higher of the amortized amount and the loss allowance amount for expected credit loss. Financial guarantees are included in the consolidated statement of financial position under other liabilities.

Retirement Savings Plan

The Bank's contributions to the retirement savings plan are recognized in the expense of salaries and other personnel expenses in the consolidated income statement in the annual period in which the Bank is making the contributions. This plan is considered as defined contributions where the Bank's responsibility corresponds only to the contribution made and actuarial study is not required.

Revenues

The Bank classified ordinary revenue from contracts with customers in categories that show how the nature, amount, timing and uncertainty of income and cash flows are affected by economic factors.

Revenues are classified into the following categories:
Banking services: Banking services are related to commissions from digital or physical channels, once the client makes a transaction. The performance obligation is met once the service is delivered to the beneficiary and the commission is charged to the customer, which is a fixed amount. The commitment is fulfilled during the entire term of the contract with the client.

Interest Income and Expense

Interest income and expenses are recognized in the consolidated income statement for all financial instruments presented at amortized cost and fair value through other comprehensive income using the effective interest rate method.

The “effective interest rate” is the rate that exactly discounts the estimated future cash payments or collections over the expected life of the financial instrument to:

- The gross carrying amount impact of the financial asset; or
- The amortized cost of the financial liability.

(3) Summary of Significant Accounting Policies, continued

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all the contractual terms of the financial instrument, but not the expected credit loss.

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

(a) Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less payments to principal, plus or minus the accumulated amortization using the effective interest method of any difference between the Initial amount at maturity and, for financial assets, adjusted for any expected credit loss.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance for expected credit loss.

(a) Calculation of interest income and expenses

When calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset has no credit impairment) or to the amortized cost of the liability.

However, for financial assets that present credit impairment after their initial recognition, interest income is calculated applying the effective interest rate on the amortized cost of the financial asset. If the asset no longer has credit impairment, then the interest income calculation reverts to the asset's gross carrying amount.

For financial assets with credit impairment at initial recognition, interest income is calculated by applying the effective interest rates adjusted to the amortized cost of the asset.

The calculation of interest income is not calculated on a gross basis, even if the credit risk of the asset improves.

(b) Presentation

Interest income and expenses presented in the consolidated income statement and in the consolidated statement of comprehensive income include:

- Interest on trading assets and financial assets and financial liabilities at fair value through profit or loss;
- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest rate basis;
- Interest on debt instruments measured at fair value through other comprehensive income calculated on an effective interest basis;

(3) Summary of Significant Accounting Policies, continued

Interest income and expenses on all trading assets and liabilities are considered incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net income.

Income from Commissions

Fees and commissions on loans, letters of credit and other banking services are recognized as income under the effective interest rate method during the life of the loan.

Commission income related to the management of trusts is registered under the accumulation method. Loan commissions are included as commission income on loans in the consolidated income statement.

Dividend Income

Dividend are recognized in the consolidated income statement when the entity has the rights to receive the established payment.

Segment Information

A business segment is a component of the Bank, whose operating results are reviewed regularly by the General Management to make decisions about the resources that will be assigned to the segment and evaluate its performance, and for which it is available financial information for this purpose.

Trust Operations

Assets held in trusts or as fiduciary are not considered part of the Bank, and therefore, such assets and their corresponding income are not included in these consolidated financial statements. It is the Bank's obligation to administer the resources of the trusts in accordance with the contracts and independently of their equity.

The Bank charges a commission for the fiduciary administration of the funds in trusts, which is paid by the trustees based on the amount that the trusts maintain or according to agreements between the parties. These commissions are recognized as income according to the terms of the trust agreements either monthly, quarterly or annually on an accrual basis.

Leases

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payment made on the commencent date, plus the initial direct costs incurred and an estimate of the costs to dismantle and eliminate the underlying asset or to restore the underlying asset or the site where it is located, less leasing incentives received.

(3) Summary of Significant Accounting Policies, continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful-life period of the right-of-use asset or the end of the lease term, whichever comes first. The estimated useful lives of right-of-use assets are determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and is adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the incremental rate of the Bank's indebtedness. The Bank uses its incremental debt rate as the discount rate.

(4) Use of Estimates and Critical Judgments

For the preparation of the consolidated financial statements of the Bank, the Administration is required to make judgments and estimates, which affect the application of the accounting policies and the amounts of the assets, liabilities, income and expenses presented.

The estimates and assumptions used are reviewed continuously and under the assumption of going concern basis. Changes in accounting estimates are recognized in the period in which the estimate is modified if the change affects only that period, or to the period of the revision and subsequent periods if it affects current and future periods.

The measurement of the loss allowance for expected credit loss for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

Several important judgments are also required when applying the accounting requirements to measure the ECL, such as:

(1) Determination of the criteria for a significant increase in credit risk.
(2) Choice of models and appropriate assumptions for ECL measurement.
(3) Establish the number and relative weights forward looking scenarios for each type of product and the associated ECL, and
(4) Establishment of similar financial asset groups for the purposes of measuring ECL.

The Bank has carried out a sensitivity analysis to measure the impact that the ECL could have. As of December 31, 2020, the variation of 1% on the rate of loss of credits, would generate in an increase in the loss allowance for credit of 5.94%; US$1,463,479 (2019: 8.01%; US$1,634,873).

(5) Risk Management of Financial Instruments

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or a capital instrument in another entity. The Bank's activities are mainly related to the use of financial instruments, and as such, the consolidated statement of financial position consists mainly of financial instruments.

The Board of Directors of the Bank is responsible for establishing and monitoring the risk management policies of financial instruments. To this purpose, the Bank's Administration has established certain Committees to monitor and periodically follow up the risks to which the Bank is exposed. Among these Committees are the following:

- Audit Committee
- Credit Committee
- Assets and Liabilities Committee
- Risk Committee
- Compliance Committee

In addition, the Bank is subject to the regulations of the Superintendence of Banks of Panama and the Superintendence of the Securities Market, in regards concentrations of risks, liquidity and capitalization, among others.

The Internal Audit Department reviews and validates compliance with the policies and other methodologies defined by the Bank's Management, from an independent perspective, reasonably assuring that these are in accordance with existing regulations while adding value and improving the operations of the organization, from a risk management perspective, control and corporate governance, presenting the results of its work to the Audit Committee of the Board of Directors, which monitors the compliance of the General Management with the guidelines established by the Board of Directors of the Bank, and its Assembly of Shareholders.

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

Credit Risk

It is the risk that the debtor, issuer or counterparty of a financial asset owned by the Bank does not comply fully and on time, with any payment that it had to make to the Bank in accordance with the terms and conditions agreed upon at the time the Bank acquired or originated the respective financial asset.

The Bank structures acceptable credit risk levels through the establishment of limits on the amount of risk accepted in relation to a single borrower, or group of borrowers, and geographic segment. These credits are constantly controlled and subject to periodic review.

Exposure to credit risk is managed through a periodic analysis of the ability of potential borrowers or borrowers to determine their ability to pay principal and interest and restructure such limits when appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, corporate and personal collateral.

(5) Risk Management of Financial Instruments, continued

Credit management is carried out under policies clearly defined by the Board of Directors, reviewed, and modified periodically in accordance with changes and expectations of the markets in which it acts, regulations and other factors to be considered in the formulation of these policies.

The Bank has a series of credit reports in operation to evaluate the performance of its portfolio, the loss allowances requirements and specially to anticipate events that may affect the condition of its debtors in the future.

The following table shows the loans classified in the different stages of risk consideration:

		2020		
Classification	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
Loans at Amortized Cost				
Grade 1: Normal or low risk	1,149,693,246	143,617,094	0	1,293,310,340
Grade 2: Special mention	0	89,160,172	0	89,160,172
Grade 3: Sub-standard	0	0	30,860,248	30,860,248
Grade 4: Doubtful	0	0	1,900,247	1,900,247
Grade 5: Unrecoverable	0	0	28,041,646	28,041,646
Total	1,149,693,246	232,777,266	60,802,141	1,443,272,653
Loss allowance	(5,456,073)	(4,234,826)	(13,654,634)	(23,345,533)
Subtotal	1,144,237,173	228,542,440	47,147,507	1,419,927,120
Unearned interests and commissions				(191,038)
Total net				1,419,736,082
Finance leases				
Grade 1: Normal or low risk	41,500,896	1,336,918	0	42,837,814
Grade 2: Special mention	0	1,870,659	0	1,870,659
Grade 3: Sub-standard	0	0	8,996	8,996
Grade 5: Unrecoverable	0	0	394,811	394,811
Total	41,500,896	3,207,577	403,807	45,112,280
Loss allowance	(327,525)	(52,098)	(265,836)	(645,459)
Total net	41,173,371	3,155,479	137,971	44,466,821
Contingencies				
Grade 1: Normal or low risk	196,069,684	0	0	196,069,684
Grade 2: Special mention	0	0	306,388	306,388
Grade 4: Doubtful	0	0	316,343	316,343
Total	196,069,684	0	622,731	196,692,415
Loss allowance	(528,165)	(49,677)	(83,722)	(661,564)
Total net	195,541,519	(49,677)	539,009	196,030,851
Securities measured at fair value through other comprehensive income				
Grade 1: Normal or low risk	38,049,490	0	0	38,049,490
Total	38,049,490	0	0	38,049,490
Loss allowance	(100,718)	0	0	(100,718)
Investment securities at amortized cost				
Grade 1: Normal or low risk	20,223,386	0	0	20,223,386
Loss allowance	(38,961)	0	0	(38,961)
Total net	20,184,425	0	0	20,184,425
Deposits in banks at amortized cost				
Grade 1: Normal or low risk	246,530,876	0	0	246,530,876
Loss allowance	(125,452)	0	0	(125,452)
Total net	246,405,424	0	0	246,405,424

(1) Expected credit loss over the next 12 months.
(2) Expected credit loss during the life time (not impaired).
(3) Expected credit loss during the life time (impaired) individually assessed

(5) Risk Management of Financial Instruments, continued

	2019			
Classification	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
Loans at Amortized Cost				
Grade 1: Normal or low risk	1,473,814,423	0	0	1,473,814,423
Grade 2: Special mention	0	75,314,564	0	75,314,564
Grade 3: Sub-standard	0	0	28,590,468	28,590,468
Grade 4: Doubtful	0	0	6,364,569	6,364,569
Grade 5: Unrecoverable	0	0	15,647,598	15,647,598
Total	1,473,814,423	75,314,564	50,602,635	1,599,731,622
Loss allowance	(6,691,251)	(1,728,730)	(10,995,839)	(19,415,820)
Subtotal	1,467,123,172	73,585,834	39,606,796	1,580,315,802
Unearned interests and commissions				(354,078)
Total net				1,579,961,724
Finance leases				
Grade 1: Normal or low risk	28,712,011	0	0	28,712,011
Grade 2: Special mention	0	1,231,695	0	1,231,695
Grade 3: Sub-standard	0	0	39,252	39,252
Grade 5: Unrecoverable	0	0	416,463	416,463
Total	28,712,011	1,231,695	455,715	30,399,421
Loss allowance	(307,368)	(23,942)	(234,268)	(565,578)
Total net	28,404,643	1,207,753	221,447	29,833,843
Contingencies				
Grade 1: Normal or low risk	161,755,720	0	0	161,755,720
Grade 2: Special mention	0	426,863	0	426,863
Grade 4: Doubtful	0	0	300,000	300,000
Total	161,755,720	426,863	300,000	162,482,583
Loss allowance	(316,989)	(41,442)	(67,379)	(425,810)
Total net	161,438,731	385,421	232,621	162,056,773
Securities measured at fair value through other comprehensive income				
Grade 1: Normal or low risk	37,282,812	0	0	37,282,812
Total	37,282,812	0	0	37,282,812
Loss allowance	(46,016)	0	0	(46,016)
Deposits in banks at amortized cost				
Grade 1: Normal or low risk	238,792,858	0	0	238,792,858
Total	238,792,858	0	0	238,792,858
Loss allowance	(95,388)	0	0	(95,388)
Total net	238,697,470	0	0	238,697,470

The loss allowance of securities at fair value through other comprehensive income is not recognized in the consolidated statement of financial position because the book value of debt securities (FVOCI) is their fair value. However, this loss allowance is recognized in the fair value reserve of securities under the heading of equity in the consolidated financial statements of financial position.

The loss allowance of contingencies is included within the loss allowance of loans.

(5) Risk Management of Financial Instruments, continued

The movement of the loss allowance for impairment of financial instruments is presented below:

	Loan and contingencies 2020			
	Stage (1)	**Stage (2)**	**Stage (3)**	**Total**
Balance at the beginning of the year	7,315,608	1,794,114	11,297,486	20,407,208
Transferred to stage 1	(590,746)	570,616	20,130	0
Transferred to stage 2	120,814	(185,102)	64,288	0
Net remeasurement of the loss allowance for expected credit loss	(744,358)	1,205,656	6,895,910	7,357,208
New loans originated	3,395,701	1,362,661	2,505,573	7,263,935
Derecognized loans	(3,185,256)	(411,344)	(3,268,514)	(6,865,114)
Recovery of written-off loans	0	0	621,282	621,282
Write-off loans	0	0	(4,131,963)	(4,131,963)
Balance at the end of the year	6,311,763	4,336,601	14,004,192	24,652,556

	2020	
Investment securities measured at fair value through other comprehensive income	**Stage 1**	**Total**
Balance at the beginning of the year	46,016	46,016
Net remeasurement	54,702	54,702
Balance at the end of the year	100,718	100,718

Investment Securities at amortized cost	**Stage 1**	**Total**
Balance at the beginning of the year	0	0
Net remeasurement	38,961	38,961
Balance at the end of the year	38,961	38,961

	2020	
Deposits in Banks at Amortized Cost	**Stage 1**	**Total**
Balance at the beginning of the year	95,388	95,388
Net remeasurement	30,064	30,064
Balance at the end of the year	125,452	125,452

(5) Risk Management of Financial Instruments, continued

	Loan and contingencies 2019			
	Stage (1)	Stage (2)	Stage (3)	Total
Balance at the beginning of the year	10,131,230	1,444,881	9,209,726	20,785,837
Transferred to stage 1	2,170	(2,170)	0	0
Transferred to stage 2	(828,639)	828,639	0	0
Transferred to stage 3	0	(9,089,066)	9,089,066	0
Net remeasurement of the loss allowance for expected credit loss	(1,690,523)	8,001,421	(167,580)	6,143,318
New loans originated	3,960,452	1,015,667	850,175	5,826,294
Derecognized loans	(4,259,082)	(405,258)	(2,255,272)	(6,919,612)
Recovery of written-off loans	0	0	437,985	437,985
Write-off loans	0	0	(5,866,614)	(5,866,614)
Balance at the end of the year	7,315,608	1,794,114	11,297,486	20,407,208

Investment securities measured at fair value through other comprehensive income	2019 Stage 1	Total
Balance at the beginning of the year	80,532	80,532
Net remeasurement	(34,516)	(34,516)
Balance at the end of the year	46,016	46,016

Deposits in Banks at Amortized Cost	2019 Stage 1	Total
Balance at the beginning of the year	130,142	130,142
Net remeasurement	(34,754)	(34,754)
Balance at the end of the year	95,388	95,388

(1) Expected credit loss over the next 12 months.
(2) Expected credit loss during the life time (not impaired).
(3) Expected credit loss during the life time (impaired) individually assessed

The factors with the highest risk exposure and information on impaired assets, and the premises used for these disclosures are as follows:

Deterioration in loans and investments in debt securities

The Administration determines if there is objective evidence of deterioration in the loans, based on the following criteria established by the Bank:

- Breach of contract in the payment of principal or interest;
- Cash flow with difficulties experienced by the borrower;
- Non-compliance with the agreed terms and conditions;
- Initiation of a bankruptcy proceeding;
- Deterioration of the competitive position of the borrower; and
- Deterioration in the value of the collateral.

(5) Risk Management of Financial Instruments, continued

Past due but no impaired

Loans and investments that have a level of guarantees and / or sources of payment sufficient to cover the outstanding of the principal loan or investment are considered past due without impairment.

Deposits Placed in Banks

The Bank maintains deposits placed with other banks for US$246,405,124 (2019: US$238,697,470). The placed deposits are held in financial institutions applying the limits established in the counterparty risk policy according to their credit risk rating.

	2020	**2019**
Investment Grade (BBB to AAA)	246,405,124	238,697,470

Guarantees and their Financial Effect

The Bank has guarantees to reduce credit risk, to ensure the collection of its financial assets exposed to credit risk. The table below presents the main types of guarantees taken with respect to different types of financial assets.

	2020	**2019**
Movable mortgages guarantees	183,016,723	156,197,782
Real estate mortgage guarantees	538,787,770	563,015,303
Deposits pledged in the Bank	85,311,942	74,815,430
Deposits pledged in other banks	210,000	3,024,353
Collateral guarantees	203,191,481	209,740,828
Other guarantees	0	3,993,896
	1,010,517,916	1,010,787,592

	% of Exposure that is subject to guarantee requirements		
	2020	**2019**	**Type of guarantee**
Loans	68.38%	62.33%	Cash, mortgage and others

Residential Mortgage Loans

Below are the credit exposures of consumer mortgage loans by loan-to-value ratio (LTV). The loan value or "loan to value" (LTV) is a mathematical equation that measures the relationship between what is lent and the value of the property that will be the object (and guarantee) of the loan. The gross amounts do not include any allowance for impairment. The valuation of the guarantee assets does not include all the adjustments for obtaining and selling the guarantee. The value of the guarantee of the consumer mortgage loans is based on the value of the guarantee at the date of disbursement and is generally not updated, except when the credit risk of a loan deteriorates significantly :

	2020	**2019**
Residential mortgage loans:		
Less than 50%	302,487	315,211
51–70%	445,703	89,979
71–90%	3,010,055	3,277,789
91–100%	855,214	554,042
	4,613,459	4,237,021

(5) Risk Management of Financial Instruments, continued

Concentration of Credit Risk

The Bank follows up the concentration of credit risk by sector and geographical location. The analysis of the concentration of credit risks at the date of the consolidated statement of financial position is as follows:

	Loans		Deposits in banks	
	2020	2019	2020	2019
Book value, gross	1,488,384,933	1,630,131,043	246,530,876	238,792,858
Concentration by sector:				
Corporations	1,108,066,613	1,188,250,378	0	0
Individuals	9,292,901	7,154,210	0	0
Banks and financial entities	338,895,451	391,976,823	246,523,164	238,760,872
Public and governmental entities	21,601,409	34,401,373	0	0
Plus: Interest receivable	10,528,559	8,348,259	7,712	31,986
Less: Loss allowance	(24,652,556)	(20,407,208)	(125,452)	(95,388)
Unearned interest and commissions	(191,038)	(354,078)	0	0
	1,463,541,339	1,609,369,757	246,405,424	238,697,470
Geographical concentration:				
Costa Rica	582,231,267	704,673,360	8,653,135	6,672,763
Panama	463,351,344	436,481,651	93,313,517	91,622,551
Central America and Mexico	230,140,130	263,036,545	1,637,880	1,296,055
Caribbean	9,905,541	5,328,032	0	0
United States of America	48,454,837	41,794,262	141,910,623	138,743,153
South America	121,721,814	137,748,991	0	0
Europe	20,436,243	27,457,858	1,007,927	426,350
Asia	1,615,198	5,262,085	0	0
Plus: Interest receivable	10,528,559	8,348,259	7,712	31,986
Less: Loss allowance	(24,652,556)	(20,407,208)	(125,452)	(95,388)
Plus: Unearned interest and commissions	(191,038)	(354,078)	0	0
	1,463,541,339	1,609,369,757	246,405,424	238,697,470

	Investment in securities		Contingencies	
	2020	2019	2020	2019
Book value	58,611,166	37,391,801	196,692,415	162,482,583
Concentration by sector:				
Banks and financial entities	20,507,883	15,901,881	139,305,329	109,042,156
Corporations	32,803,154	11,923,309	56,051,323	52,073,682
Public and governmental entities	4,961,839	9,457,622	1,275,763	1,306,746
Individuals	0	0	60,000	60,000
Less: Loss allowance	(38,961)	0	(661,564)	(425,810)
Plus: Unearned interest and commissions	338,290	108,989	0	0
	58,572,205	37,391,801	196,030,851	162,056,773
Geographical concentration:				
Costa Rica	1,926,980	0	19,830,561	20,977,718
Panama	52,255,824	30,282,162	129,921,169	92,365,550
Central America and Mexico	0	0	14,326,477	9,583,189
United States of America	2,058,407	0		0
South America	0	0	7,111,259	16,303,904
Europe	2,031,665	0	25,502,949	23,252,222
Others	0	7,000,650	0	0
Less: Loss allowance	(38,961)	0	(661,564)	(425,810)
Plus: Unearned interest and commissions	338,290	108,989	0	0
	58,572,205	37,391,801	196,030,851	162,056,773

(5) Risk Management of Financial Instruments, continued

The geographical concentrations of loans are based on the location of the debtor. As for the geographical concentration for investments, it is based on the location of the issuer of the investment.

Liquidity Risk

Liquidity risk is defined as the inability of the Bank to meet all its obligations due to, among others, an unexpected withdrawal of funds contributed by creditors or customers, the deterioration of the quality of the loan portfolio, the reduction in the value of investments, excessive concentration of liabilities in a particular source, mismatch between assets and liabilities, lack of liquidity of assets, or financing of long-term assets with short-term liabilities. The Bank manages its liquid resources to honor its liabilities upon maturity in normal conditions.

Liquidity is monitored daily by the Bank's treasury and periodically by the risk unit.

The Assets and Liabilities Committee is responsible for the management and monitoring of the liquidity position, in order to ensure the Bank's capacity to respond, without great difficulty, to non-preliminary withdrawals of deposits or unscheduled needs in the placement of loans.

The General Management and the Assets and Liabilities Committee periodically monitor the liquidity position by analyzing the maturity structure, stability of deposits by type of client, sensitivity analysis raising exercises and compliance with minimum standards established in the regulations and corporate policies.

Simulations are carried out that consist of stress tests that are developed in different scenarios contemplating normal or more severe conditions to determine the Bank's capacity to face such crisis scenarios with the available liquidity levels.

Contingency plans are defined to react to changes in market liquidity levels and unforeseen situations that could affect the liquidity position.

All liquidity management policies and procedures are subject to review by the Assets and Liabilities Committee (ALCO) and approval of the Board of Directors.

Exposure to Liquidity Risk

The Banking Regulation in Panama requires that general license banks maintain a minimum balance of liquid assets at all times, as defined in SBP Agreement 4-2008 of the Superintendency of Banks of Panama, not less than 30% of their deposits, however, as a result of the strict liquidity policies for the coverage of its liabilities operations, the Bank's liquidity based on this standard as of December 31, 2020 was 59.87% (2019: 64.96%).

(5) Risk Management of Financial Instruments, continued

The legal liquidity ratios corresponding to the margin of liquid assets over the deposits received from Bank customers at the date of the consolidated financial statements are detailed below:

	2020	2019
At December 31	59.87%	64.96%
Average of the year	63.65%	57.19%
Maximum of the year	81.34%	65.60%
Minimum of the year	53.01%	46.44%

The following table shows the undiscounted cash flows of the Bank's financial assets and liabilities, and contingencies for credit risks outside the consolidated statement of financial position based on their closest possible maturity. The expected cash flows of these instruments can vary significantly from these analyzes.

2020	Book Value	Gross Nominal Amount Inflows/(Outflows)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Liabilities						
Deposits	916,997,047	(935,779,043)	(761,255,285)	(146,757,740)	(27,766,018)	0
Financing received	524,694,287	(556,376,109)	(270,014,933)	(184,674,445)	(51,544,264)	(50,142,467)
Debt issued	151,727,216	(158,832,752)	(121,905,724)	(30,304,441)	(6,622,587)	0
Total Liabilities	1,593,418,550	(1,650,987,904)	(1,153,175,942)	(361,736,626)	(85,932,869)	(50,142,467)
Contingencies	0	(196,692,415)	(196,692,415)	0	0	0
Total	1,593,418,550	(1,847,680,319)	(1,349,868,357)	(361,736,626)	(85,932,869)	(50,142,467)

Assets	Book Value	Gross Nominal Amount Inflows/(Outflows)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Cash	1,277,676	1,277,676	1,277,676	0	0	0
Demand deposits in banks	167,023,164	167,023,164	167,023,164	0	0	0
Time deposits in banks	79,382,260	79,500,000	79,500,000	0	0	0
Investments in securities	58,233,915	70,363,799	25,435,721	3,489,869	4,295,771	37,142,438
Loans, net	1,463,541,339	1,732,191,604	763,508,508	225,822,783	172,472,766	570,387,547
Total	1,769,458,354	2,050,356,243	1,036,745,069	229,312,652	176,768,537	607,529,985

2019	Book Value	Gross Nominal Amount Inflows/(Outflows)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Liabilities						
Deposits	891,837,468	(916,312,822)	(699,244,047)	(188,981,420)	(28,087,355)	0
Financing received	682,243,894	(723,030,786)	(472,293,537)	(152,254,257)	(61,624,144)	(36,858,848)
Debt issued	135,296,244	(146,474,582)	(58,203,421)	(78,296,953)	(9,974,208)	0
Total Liabilities	1,709,377,606	(1,785,818,190)	(1,229,741,005)	(419,532,630)	(99,685,707)	(36,858,848)
Contingencies	0	(162,482,583)	(162,482,583)	0	0	0
Total	1,709,377,606	(1,948,300,773)	(1,392,223,588)	(419,532,630)	(99,685,707)	(36,858,848)

Assets	Book Value	Gross Nominal Amount Inflows/(Outflows)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Cash	1,122,105	1,122,105	1,122,105	0	0	0
Demand deposits in banks	163,760,872	163,760,872	163,760,872	0	0	0
Time deposits in banks	74,936,598	75,025,872	75,025,872	0	0	0
Investments in securities	37,282,812	42,252,959	21,322,563	4,139,403	511,007	16,279,986
Loans, net	1,609,369,757	1,915,646,597	857,864,392	247,870,243	186,650,138	623,261,824
Total	1,886,472,144	2,197,808,405	1,119,095,804	252,009,646	187,161,145	639,541,810

(5) Risk Management of Financial Instruments, continued

The table below shows the Bank's assets available as collateral or guarantee in relation to any financial liability or other commitment. Those available represent those assets that in the future can be used as collateral for future financing:

2020	**Available as Collateral**	**Total**
Deposits in banks at amortized cost	246,405,424	246,405,424
Investments in securities	58,233,915	58,233,915
Loans, gross	1,488,384,933	1,488,384,933
	1,793,024,272	1,793,024,272

2019	**Available as Collateral**	**Total**
Deposits in banks at amortized cost	238,697,470	238,697,470
Investments in securities	37,282,812	37,282,812
Loans, gross	1,630,131,043	1,630,131,043
	1,906,111,325	1,906,111,325

The Bank does not keep assets pledged as collateral.

Market Risk

The risk that the value of a financial asset of the Bank will be reduced due to changes in interest rates, currency exchange rates, equity prices, and other financial variables, as well as the reaction of market participants to political and economic events, both to latent losses and to potential profits. The objectives of market risk management are to identify, measure, manage and monitor risk exposures, and to keep them within acceptable parameters by optimizing the return for risk.

The risk management policies establish monitoring controls of the exposures taken, which have compliance with a set of limits, such as: by financial instrument; limits with respect to the maximum amount of loss from which the closing of the positions is required; and the requirement that, except for the approval of the Board of Directors, substantially all assets and liabilities have to be denominated in United States Dollars.

The Bank's Board of Directors, through the Risk Committee, evaluates and monitors market risk; This is carried out by holding meetings and receiving periodic reports from the Corporate Risk Management, a unit whose responds directly to aforementioned Committee.

Measurement of Market Risk:

The Bank's investment policies are subject to compliance with limits for the total amount of the investment portfolio, individual limits by type of asset, by institution, by issuer and / or issuance and maximum terms.

(5) Risk Management of Financial Instruments, continued

In addition, the Bank has established maximum limits for losses due to market risk in its investment portfolio that may be the product of movements in interest rates, credit risk and fluctuations in the market values of investments. The policies and structure of exposure limits for investments included in the Investment Manual are established and approved by the Bank's Board of Directors based on the recommendations of the Committee of Assets and Liabilities (ALCO) and Risk; they take into consideration the portfolio and the assets that comprise it.

The main tool used by the Bank to measure and control exposure to market risk is the "Value at Risk" (VaR - Value at Risk) measurement tool; Its function is to determine the estimated loss that may arise within a certain period of time, which is called horizon time, which can be influenced by the adverse market movements, hence a specific probability is determined which it would be the level of confidence ("confident level") that is used within the VaR calculation.

The VaR model used by the Bank is based on a 95% confidence level. The VaR evaluation model is executed by performing at least 10,000 iterations, in the Monte Carlo simulation method. Additionally, "Stress Testings" are carried out in order to evaluate the potential losses in case of extreme conditions. Standardized scenarios have been developed that are carried out periodically, so that you can always compare how the portfolios behave.

Although the VaR model is an important tool in the measurement of market risks, the premises used for this model have some limitations that we indicate below:

- The waiting period assumes that some positions may be covered or disposed of within that period, which it considers a real estimate in many cases, but may not consider cases in which a severe illiquidity in the market may occur for a long time.

- The indicated confidence level range may not reflect the losses that may occur around that level. In general, this model uses a percentage in such a way that the probability of losses could not exceed the VaR value.

- The use of historical information is the basis for determining the range of future results, since it could not possibly cover possible scenarios, especially those of a particular nature.

- The measurement of the VaR depends on the results that the Bank maintains and the volatility of the market prices; additionally, the VaR for positions that have not changed, is reduced if the volatility of market prices falls, and vice versa.

- The Bank's actual exposure would be the VaR of securities measured at fair value through other comprehensive income (FVOCI).

(5) Risk Management of Financial Instruments, continued

- The use of the Value at Risk (VaR) metric comes to represent in a single figure the maximum expected loss with a given level of confidence (95%) and a defined time interval that a portfolio can record (at 21 days). This methodology is valid only under normal market conditions, since in cases where financial markets experience moments of crisis and / or turbulence, the expected loss would be defined by simulations of stress tests. In order to better measure the risk of the total portfolio, the VaR analysis is done for instruments measured at fair value through other comprehensive profits (FVOCI).

	2020	**2019**
VaR investments at FVOCI	188,973	22,673

The internal methodology includes the historical record of the prices of the securities that are in the portfolio. The correlations between the different investments are determined and 10,000 iterations are made of the different values that the portfolio can have both 1 day and 21 days. The 5th percentile of those values is determined as VaR of the portfolio.

Below, the composition and analysis of each of the market risk types are presented in detail:

- *Interest rate risk of cash flow and fair value:*
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in the interest rates of market.

  In order to mitigate this risk, the Bank constantly monitors its assets and liabilities using the following tools:

  - Measurement of sensitivity gaps
    Assets and liabilities sensitive to interest rates are distributed in predefined time bands, for which expected gaps in sensitivity are calculated.

  - Financial margin sensitivity
    The variation in the sensitivity of the financial margin is estimated based on the difference in durations of assets and liabilities considering only those interest rates. The impact on net interest income is summarized below: sensitive transactions at a rate that mature or depreciate within one year, and the change in the financial margin is measured against a parallel variation of + or - 1%. This indicator is expressed in absolute values.

  - Sensitivity of equity margin
    Measures the impact of a parallel change in the interest rate + 0 - 1% on the present value of equity. The report is based on the difference in modified durations of the asset and liability rate sensitive, weighted by the respective present values. This indicator is expressed in absolute values and as a percentage of the adequacy of capital or technical equity.

(5) Risk Management of Financial Instruments, continued

The base analysis carried out by the administration is to determine the impact of increases or decreases of 50 and 100 basis points (bp) in interest rates.

The impact on net interest income is summarized below:

Sensibility on projected net income interests:

2020	50pb increase	100pb increase	50pb decrease	100pb decrease
As of December 31	164,961	329,922	(164,961)	(329,922)
Average of the year	261,623	523,246	(261,623)	(523,246)
Maximum of the year	458,843	917,687	(458,843)	(917,687)
Minimum of the year	34,105	68,211	(34,105)	(68,211)

2019	50pb increase	100pb increase	50pb decrease	100pb decrease
As of December 31	204,037	408,073	(204,037)	(408,073)
Average of the year	326,452	652,903	(326,452)	(652,903)
Maximum of the year	537,803	1,075,606	(537,803)	(1,075,606)
Minimum of the year	111,733	223,466	(111,733)	(223,466)

Sensibility on net equity of related rate movements:

2020	50pb increase	100pb increase	50pb decrease	100pb decrease
As of December 31	(3,324,414)	(6,377,995)	3,611,713	7,530,025
Average of the year	(3,700,215)	(7,103,149)	4,012,886	8,362,115
Maximum of the year	(2,897,605)	(5,522,412)	7,384,739	15,166,894
Minimum of the year	(7,043,765)	(13,731,833)	3,187,073	6,683,427

2019	50pb increase	100pb increase	50pb decrease	100pb decrease
As of December 31	(2,841,107)	(5,408,290)	3,131,803	6,574,589
Average of the year	(2,829,138)	(5,378,602)	3,126,543	6,571,161
Maximum of the year	(2,035,050)	(3,811,624)	3,549,546	7,424,502
Minimum of the year	(3,245,607)	(6,204,228)	2,310,225	4,916,200

Exchange Rate Risk

The risk that the value of a financial instrument fluctuates as a result of changes in the exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For the purposes of accounting standards, this risk does not come from financial instruments that are not monetary items, nor from financial instruments denominated in the functional currency. The Bank does not have significant own positions in foreign currencies; it only maintains operating accounts to meet the demands of its customers.

(5) Risk Management of Financial Instruments, continued

The following table details the currency exposure of the Bank:

2020	Colons, expressed in US$	Euros, expressed in US$	Japanese Yen, expressed in US$	Pound Sterling, expressed in US$	Other currencies expressed in US$	Total
Exchange rate	**617.30**	**1.226**	**103.65**	**1.3510**		
Assets						
Cash and cash equivalents	116,986	1,007,927	82	27,832	11,338	1,164,165
Total assets	116,986	1,007,927	82	27,832	11,338	1,164,165
Liabilities						
Demand deposits	0	927,905	0	0	0	927,905
Total liabilities	0	927,905	0	0	0	927,905
Net position	116,986	80,022	82	27,832	11,338	236,260

2019	Colons, expressed in US$	Euros, expressed in US$	Japanese Yen, expressed in US$	Pound Sterling, expressed in US$	Other currencies expressed in US$	Total
Exchange rate	**570.09**	**1.118**	**109.41**	**1.3085**		
Assets						
Cash and cash equivalents	114,652	426,350	689	29,997	22,041	593,729
Total assets	114,652	426,350	689	29,997	22,041	593,729
Liabilities						
Demand deposits	0	351,346	0	0	0	351,346
Total liabilities	0	351,346	0	0	0	351,346
Net position	114,652	75,004	689	29,997	22,041	242,383

Other currencies include Swiss Francs, Guatemala Quetzal, Canadian Dollar and Nicaraguan Cordoba.

Interest Rate Risk

The risk of reducing the value of financial assets in interest rates, quoted prices and other variables that affect the value of these assets in the market.

The Bank has limited exposure to losses as a result of an adequate financial structure with respect to interest rates and a conservative investment policy.

For the evaluation and control of each unit, the Bank has an Assets and Liabilities Committee that, under policies defined by the Board of Directors, is responsible for monthly analyzing the sensitivity to variations in interest rates, determining the balance structure, the term of the different items and investment strategies.

(5) Risk Management of Financial Instruments, continued

The Bank's exposure to interest rate risks is presented below. The assets and liabilities of the Bank are included in the table at their book value, classified by category, whichever occurs first between the new contractual rate fixation or due dates. The assets and liabilities presented do not include accrued interest receivable or payable, for which reason their figures differ with those presented in the consolidated statement of financial position.

2020	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Without maturity	Total
Assets						
Time deposits in banks	79,374,548	0	0	0	0	79,374,548
Securities measured at fair value through other comprehensive income	24,246,758	2,459,146	0	11,343,586	77,775	38,127,265
Investment securities at amortized cost	899,878	738,825	3,416,302	15,129,420	0	20,184,425
Loans	1,285,986,137	40,071,028	41,785,065	110,014,144	0	1,477,856,374
Total assets	1,390,507,321	43,268,999	45,201,367	136,487,150	77,775	1,615,642,612
Liabilities						
Saving deposits	6,873,054	0	0	0		6,873,054
Time deposits	628,870,036	133,085,930	24,156,703	75,000	0	786,187,669
Borrowings and debt issuance	385,709,240	198,791,667	49,296,889	37,500,000	0	671,297,796
Total liabilities	1,021,452,330	331,877,597	73,453,592	37,575,000	0	1,464,358,519
Total interest rate sensitivity	369,054,991	(288,608,598)	(28,252,225)	98,912,150	77,775	151,284,093

2019	Up yo 1 year	1 to 3 years	3 to 5 years	Over 5 Years	without caducity	Total
Assets						
Time deposits in banks	75,000,000	0	0	0	0	75,000,000
Investments in securities	20,934,945	3,989,626	511,007	11,847,234	76,075	37,258,887
Loans	1,382,054,836	54,341,915	31,494,484	153,891,549	0	1,621,782,784
Total assets	1,477,989,781	58,331,541	32,005,491	165,783,783	76,075	1,734,041,671
Liabilities						
Saving deposits	2,651,373	0	0	0	0	2,651,373
Time deposits	75,341	0	0	0	0	75,341
Borrowings and debt issuance	577,422,072	169,555,873	25,471,639	109,091	0	772,558,675
Total liabilities	521,858,720	201,764,819	48,783,889	35,500,000	0	807,907,428
	1,101,932,165	371,320,692	74,255,528	35,609,091	0	1,583,117,476
Total interest rate sensitivity	376,057,616	(312,989,151)	(42,250,037)	130,174,692	0	151,024,195

Price Risk

Is the risk that the value of a financial instrument fluctuates as a result of changes in market prices, regardless of whether they are caused by specific factors related to the particular instrument or its issuer, or by factors that affect all securities negotiated in the market.

The Bank is exposed to the price risk of instruments classified at fair value through other comprehensive income (FVOCI). To manage the price risk derived from these investments, the Bank diversifies its portfolio, based on the established limits.

(5) Risk Management of Financial Instruments, continued

Operational Risk

Operational risk is the risk of potential losses, direct or indirect, related to the Bank's processes, personnel, technology and infrastructures, and external factors that are not related to credit, market and liquidity risks, such as that come from legal and regulatory requirements and the behavior of generally accepted corporate standards.

The Bank pays special attention to the risks associated with operational process failures due to errors, or deviation from procedures or inappropriate behavior of personnel; improper or malfunctioning of technological systems or external factors that could compromise the continuity and proper functioning of the Bank's operations. Periodic reviews and audits of the operating procedures are carried out regularly to strengthen efficiency and control, and to neutralize identified weaknesses. The corresponding manuals are updated at least once a year.

Maintenance programs and adequate contingency plans are maintained for business continuity, including different technological applications.

In addition to officials dedicated to technological safety, this area has external consultants and the main shareholder to limit the possibility that technological facilities may be used improperly by unauthorized personnel or third parties.

The Bank has an internal control system whose operation is followed by the Bank's Internal Audit Staff and the main shareholder. The Audit Committee and the Board of Directors follow up on the implementation of the recommendations made by those instances and by the regulatory authorities.

The Operational Risk Management model includes the following points:

- Identification and evaluation of risks
- Report of events of losses and incidents
- Definition of mitigates actions
- Timely follow-up of the implementation of action plans defined by the areas
- Evaluation of the level of operational risk in new Bank initiatives, products and / or services and significant improvements in processes
- Periodic trainings with the areas

The different areas that participate together for the optimal management of operational risk are:

- Operational Risk Management Unit
- Information Technology Risk Management Unit
- Business Continuity
- Information Security Management Unit

(5) Risk Management of Financial Instruments, continued

As part of the Corporate Governance model, the strategy, work methodology and monitoring of the action plans defined for the events and risks assessed as critical and high are reported to the Risk Committee of the Board of Directors.

The Internal Audit Department reviews and validates compliance with the defined policies and methodologies and that these are in accordance with the existing regulation, the results of this review are presented to the Audit Committee of the Board of Directors.

Capital Management

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

The Bank analyzes its regulatory capital considering the two pillars of capital, in accordance with the interpretation of the Basel 1 Management Agreement and which is applied in the rules of the Superintendence of Banks of Panama based on Agreements No.001-2015 and No.003-2016.

The market risk strategy used by the Bank to calculate its capital requirements covers the general market risks of the Bank's operations, as well as the specific risks of open positions in currencies and debts and investments in shares included in the risk portfolio. The assets are measured according to specific credit risk categories, with a percentage of risk being assigned according to the amount of capital needed to cover the aforementioned risks. Ten categories to measure the risks are applied (0%, 10%, 20%, 35%, 50%, 100%, 125%, 150%, 200% and 250%).

Primary Capital (Pillar 1): It includes capital paid in shares, declared reserves, retained earnings, where capital paid in shares is understood to be that represented by common shares issued and fully paid. The declared reserves are those identified as such by the Bank from accumulated earnings on their books to strengthen their financial situation.

The retained earnings are the undistributed profits of the period and the undistributed profits corresponding to previous periods.

Secondary Capital (Pillar 2): it includes the hybrid capital and debt instruments, the subordinated debt at term, the general reserves for losses and the undeclared reserves. As of December 31, 2020, the Bank does not maintain secondary capital.

(5) Risk Management of Financial Instruments, continued

The calculation of the amount of the capital funds of a general license bank must take into account the deductions, which will be made quarterly, and which are indicated below:

- The unconsolidated capital assigned to the agency abroad.
- The unconsolidated paid-in capital of the Bank's subsidiaries
- The paid-in capital of non-banking subsidiaries. The deduction will include the balances recognized in the asset for the highest value paid - with respect to book value - in permanent investments in companies in the country and abroad.
- Asset items corresponding to expenses or other items, which under the International Financial Reporting Standards on valuations or various forms of unrecognized losses, and also the losses experienced at any time during the year.

The capital funds of a general license bank may not be less than 8% of its weighted assets according to their risks. For these purposes, the assets must be considered net of their respective allowances and with the weights indicated in the Superintendence Agreement. There have been no material changes in the management of the Bank's capital during the period of the consolidated financial statements issued as of December 31, 2020. The Bank maintains a regulatory capital position that is composed as follows for the period ended December 31, 2020 and 2019, which is detailed as follows:

	2020	**2019**
Primary Capital (Pillar 1)		
Common shares	132,787,000	132,787,000
Capital reserve	150,000	150,000
Retained earnings	32,254,102	44,115,513
Fair value reserve	124,917	343,002
Intangible assets	(4,265,856)	(4,420,703)
Deferred tax assets	(1,306,226)	(2,269,835)
Total primary capital	159,743,937	170,704,977
Dynamic reserve of loans	33,954,976	32,956,073
Total regulatory capital funds	193,698,913	203,661,050
Total assets weighted by operational risk (Agreement 11-2018)	38,117,094	44,648,607
Total credit risk weighted assets net of deductions (Agreement 3-2016)	1,479,425,232	1,633,204,092

Indicators		**Minimum**		**Minimum**
Total of Pillar 1 comprises a percentage of weighted based risk asset	12.76%	8%	12.14%	8%
Leverage ratio	8.54%	3%	8.62%	3%

(6) Cash and cash equivalents

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

	2020	2019
Cash	1,277,676	1,122,105
Demand deposits in banks	167,023,164	163,760,872
Time deposits in banks	79,500,000	75,000,000
	247,800,840	239,882,977
Less:		
Loss allowance on placed deposits	(125,452)	(95,388)
Cash and cash equivalents	247,675,388	239,787,589

Interest receivables from bank deposits as of December 31, 2020 are US$7,712 (2019: US$31,986).

(7) Investment securities

Investments in securities and other financial assets classified as fair value through other comprehensive income (FVOCI) and detailed below:

	2020	2019
Private debt	33,009,876	27,749,115
Governmental debt	4,961,839	9,457,622
Equity securities	77,775	76,075
	38,049,490	37,282,812

Interest receivables from investment securities as of December 31, 2020 are US$338,290 (2019: US$108,989).

The invesment measured at fair value through OCI maintain a loss allowance for impairment of US$100,718 (2019: US$46,016) which is not recognized in the consolidated statement of financial position because the book value of investment values at fair value through other comprehensive income is its fair value. This allowance is presented within the consolidated statement of changes in equity within the fair value reserve account.

The movements of the investments FVOCI is as follows:

	2020	2019
Balance at the beginning of the year	37,282,812	42,095,971
Purchases	54,390,823	45,302,615
Sales	(9,065,500)	(32,305,773)
Redemptions and maturities	(44,400,000)	(20,050,000)
Net change in fair value	(158,645)	2,242,999
Balance at the end of the year	38,049,490	37,282,812

(7) Investment Securities, continued

As of December 31, 2020, the Bank sold securities for US$,9,065,500 resulting in a net realized gain of US$59,440, which is included in the consolidated income statement. Additionally, the Bank presents unrealized losses for the securities at fair value through other comprehensive income of US$24,199 (2019: unrealized losses US$296,986) which are presented in equity, together with the impairment loss of US$100,718 (2019: US$46,016).

Investments in securities and other financial assets classified at amortized cost are detailed below:

	2020
Debt securities - private	20,223,386
Allowance for investments at amortized cost	(38,961)
	20,184,425

The movement of investments at amortized cost is as follows:

	2020
Balance at the beginning of the year	0
Reclassifications	21,091,606
Amortizations	(868,220)
Allowance for investments at amortized cost	(38,961)
Balance at the end of the year	20,184,425

(8) Loans

The detail of the loan portfolio by economic activity is as follows:

	2020	**2019**
Industrial	316,654,506	382,222,062
Commercial	376,571,840	372,075,064
Banks and financial institutions	338,895,451	391,976,823
Services	268,081,405	306,907,802
Infrastructure and construction	105,326,065	110,408,996
Agriculture	59,787,130	46,137,917
Livestock	3,247,076	4,899,910
Consumer	9,292,901	7,154,210
Plus: Interest receivable	10,528,559	8,348,259
Less: Loss allowance	(24,652,556)	(20,407,208)
Less: Unearned interests and commissions	(191,038)	(354,078)
	1,463,541,339	1,609,369,757

As of December 31, 2020, the loan portfolio guaranteed with cash amounted to US$85,521,942 (2019: US$77,839,784)

(8) Loans, continued

The loan portfolio includes financial leases whose maturity profile is presented below:

	2020	2019
Less than 1 year	261,505	305,024
From 1 to 5 years	34,422,351	21,487,079
Over 5 years	10,428,424	8,607,318
Total gross payments	45,112,280	30,399,421
Less: Loss allowance	(191,038)	(565,578)
Total financial leases, net	44,921,242	29,833,843

(9) Property, Equipment, Improvements and Right of Use Assets

Properties, equipment, improvements and right of use assets are summarized below:

2020	Land	Building	Vehicles	Furniture and Equipment	Computer Equipment	Improvements to Premises	Right of Use Assets	Work in Progress	Total
Cost									
At the beginning of the year	782,900	12,461,515	95,950	1,690,133	3,040,247	5,288,206	3,773,722	0	27,132,673
Additions	0	0	0	35,888	109,863	0	26,615	0	172,366
Sales and disposals	0	0	0	(28,752)	(120,901)	0	0	0	(149,653)
At the end of the year	782,900	12,461,515	95,950	1,697,269	3,029,209	5,288,206	3,800,337	0	27,155,386
Accumulated depreciation and amortization									
At the beginning of the year	0	1,723,399	79,006	1,534,284	2,613,254	2,198,060	779,683	0	8,927,686
Expenses of the year	0	235,743	8,150	51,574	195,569	326,210	776,807	0	1,594,053
Sales and disposals	0	0	0	(28,697)	(118,527)	0	0	0	(147,224)
At the end of the year	0	1,959,142	87,156	1,557,161	2,690,296	2,524,270	1,556,490	0	10,374,515
Net balance	782,900	10,502,373	8,794	140,108	338,913	2,763,936	2,243,847	0	16,780,871

2019	Land	Building	Vehicles	Furniture and Equipment	Computer Equipment	Improvements to Premises	Right of Use Assets	Work in Progress	Total
Cost									
At the beginning of the year	782,900	12,461,515	120,950	1,618,696	4,787,593	5,167,755	0	120,451	25,059,860
Additions	0	0	0	77,704	312,792	120,451	0	48,614	559,561
Effect of adoption of IFRS 16	0	0	0	0	0	0	3,773,722	0	3,773,722
Sales and disposals	0	0	(25,000)	(6,267)	(2,060,138)	0	0	(169,065)	(2,260,470)
At the end of the year	782,900	12,461,515	95,950	1,690,133	3,040,247	5,288,206	3,773,722	0	27,132,673
Accumulated depreciation and amortization									
At the beginning of the year	0	1,487,656	90,856	1,469,077	4,336,130	1,873,471	0	0	9,257,190
Expenses of the year	0	235,743	8,150	71,463	311,795	324,589	779,683	0	1,731,423
Sales and disposals	0	0	(20,000)	(6,256)	(2,034,671)	0	0	0	(2,060,927)
At the end of the year	0	1,723,399	79,006	1,534,284	2,613,254	2,198,060	779,683	0	8,927,686
Net balance	782,900	10,738,116	16,944	155,849	426,993	3,090,146	2,994,039	0	18,204,987

(10) Intangible Assets

The movements of licenses and software is as follows:

	2020	2019
Balance at beginning of the year	4,420,703	5,409,947
Additions	1,173,415	475,950
Disposals	0	(33,646)
Amortization of the year	(1,328,262)	(1,431,548)
Net balance at the end of the year	4,265,856	4,420,703

(10) Intangible Assets, continued

The useful life of these assets has been estimated by the Administration in 3 years and for the new modules of SAP licenses from 5 to 15 years.

2020

Description	Useful Life	Gross Amount	Accumulated Amortization	Book Value
Licenses and software	5 - 15 years	8,956,927	(5,101,927)	3,855,000
Licenses and software	3 years	3,663,502	(3,252,646)	410,856
		12,620,429	(8,354,573)	4,265,856

2019

Description	Useful Life	Gross Amount	Accumulated Amortization	Book Value
Licenses and software	5 - 15 years	7,919,113	(4,119,051)	3,800,062
Licenses and software	3 years	3,527,899	(2,907,258)	620,641
		11,447,012	(7,026,309)	4,420,703

(11) Taxes

Miami

For purposes of determining taxable income, income not effectively related to transactions or business conducted in the United States of America is not subject to income tax and interest expense is calculated based on the cost of obligations denominated in US dollars.

According to current tax legislation, the tax rate for 2020 and December 2019 in Miami is 21%, respectively; however, there are other factors that affect the calculation of the tax rate.

Panama

The income tax returns of companies incorporated in the Republic of Panama are subject to review by the tax authorities for the last three years, including the year ended December 31, 2020, in accordance with current tax regulations.

In accordance with current Panamanian tax legislation, companies are exempt from paying income tax on profits from foreign sources. They are also exempt from paying income tax on, interest earned on term deposits in local banks, interest earned on Panamanian State securities, and investments in securities issued through the Panama Stock Exchange.

In Official Gazette No. 26489-A, referring to Law No. 8 of March 15, 2010, which modifies the general rates of Income Tax (IRS). For financial institutions, the current rate is 25% as of January 1, 2014.

(11) Taxes, continued

Through Law No. 8 of March 15, 2010, the method called Alternative Calculation of Income Tax (CAIR) is eliminated and replaces it with the presumed taxation of Income Tax , forcing all legal persons who earn income in excess of one million five hundred thousand balboas (US$1,500,000) to be determined as the tax base., the sum that is greater between: (a) the net taxable income calculated by the traditional method established in the Tax Code and (b) the net taxable income that results from applying to total taxable income, four point sixty-seven percent (4.67%).

The aforementioned Law No. 8, has a mechanism for the request for non-application of the CAIR for the purpose of paying their income taxes according to the traditional method, for the period ended December 31, 2020. Notwithstanding the foregoing, the fact that the DGI receives the request for non-application from CAIR does not imply acceptance of the request by the entity.

The DGI has a term of (3) three months, counted from the date in which the request for non-application of the CAIR is presented to rule; once this term has expired without an administrative act having been issued related to the appeal presented, it shall be understood that aforementioned request has been admitted and, therefore, the income tax payable to the National Treasury will be, definitively, that determined in accordance with the traditional method.

The Bank determined that it was not necessary to register the amount of the Alternative Calculation of Income Tax (CAIR) because it presented a fiscal loss for the year 2020, for which it will proceed to the request not to present the CAIR before the DGI . The following is the tax calculation under the CAIR method:

CAIR method - applicable in the year ended December 31, 2020 and 2019 (BICSA-Panama)	**2020**	**2019**
Taxable income (tax purposes)	22,338,681	22,853,448
Taxable income determination (4.67%)	1,043,216	1,067,256
Total income tax (rate 25%)	260,804	266,814

Consolidated

In accordance with current tax regulations, the income tax statements of the Bank, its agency and its subsidiaries are subject to review by the tax authorities of each of these jurisdictions, for the following years:

Panama	For the last three years
Miami (U.S.A.)	For the last three years

The income tax expense is as follows:

	2020	**2019**
Estimated income tax	653,438	1,154,737
Deferred income taxes	1,011,944	(414,307)
Total income tax expense	1,665,382	740,430

(11) Taxes, continued

For the year 2020 and 2019, the reconciliation of financial profit before income tax and net taxable income (traditional method) is presented for the subsidiaries BICSA Capital and BICSA Factoring.

	2020	**2019**
Financial profit before income tax	2,396,222	2,771,811
Foreign income, exempt and not taxable, net	(185,985)	(395,734)
Non-deductible costs and expenses	403,515	1,163,923
Taxable net income	2,613,752	3,540,000
Income tax expense in Panama	653,438	885,000
Miami income tax in Miami (U.S.A.)	0	2,923
Total estimated income tax	653,438	887,923

Below is the calculation of the effective rate of income tax:

	2020	**2019**
Net income before income tax	4,670,714	12,393,272
Income tax expense	1,665,382	740,430
Effective rate of income tax	35.66%	5.97%

The deferred income tax asset recognized is detailed below:

	2020	**2019**
Deferred income tax - asset:		
Loss allowance for loan and accounts receivable	1,306,226	2,269,835

The Administration made its deferred tax estimates using the tax rates that are expected to be applied to temporary differences when they are reversed.

Deferred tax assets are recognized based on non-deductible tax differences considering their past operations and projected taxable profits, which are influenced by management's estimates.

Based on current and projected results, management believes that there will be enough taxable income to absorb the deferred income tax detailed above. The deferred tax liability is recognized based on taxable tax differences on earnings payable in future periods.

(12) Other Assets

Other assets are presented below:

	2020	2019
Advance borrowing for letter of credit	1,502,927	642,678
Severance fund	1,261,247	1,177,340
Other accounts receivable to clients	3,392,483	1,951,864
Prepaid expenses	2,064,619	1,712,309
Project development in process	1,065,578	1,474,111
Assets received in payment of obligations	31,792,938	16,582,646
Assets with right of collection in process of being repossessed	18,232,725	29,545,766
Available-for-sale properties	370,421	370,421
Others	4,442,899	4,253,020
	64,125,837	57,710,155

(13) Borrowings

A detail of borrowings is as follows:

Creditor	Maturity	Book Value 2020	2019
Atlantic Forfaiting	Various until December 2020	0	995,498
Bac Florida Bank	Various until April 2021	10,948,113	2,986,495
Banco Centroamericano de Integración Económica (BCIE)	Various until September 2025	25,877,358	56,634,530
Banco de Crédito e Inversiones	March 2021	3,981,132	4,745,151
Banco Latinoamericano de Comercio Exterior, S. A. (BLADEX)	Various until June 2021	20,900,943	39,819,938
Bank of America	Various until march 2021	7,886,197	18,185,198
Banque Cantonale Vaudoise	March 2021	9,767,420	9,767,879
Banco Santander London	July 2020	0	9,575,785
Calvert Imparct Capital	October 2023	9,952,830	9,954,985
Cargill Financial Services, Intl.	Various until January 2023	49,764,150	40,875,521
Caixa Bank	March 2021	8,957,547	0
Cobank	Various until December 2021	43,020,061	72,396,091
Credit Commodity Corp	Various until December 2021	45,502,975	45,517,773
Credit Suisse	July 2022	82,110,847	99,549,846
DEG	November 2025	35,456,957	21,776,529
Deutsche Bank A.G. NY	Various until June 2020	0	66,326,435
Eco Business Fund	Various until December 2024	21,453,878	27,763,346
KGI	March 2021	18,877,123	0
London Forfaiting	November 2020	0	3,484,245
Proparco	January 2028	37,323,112	25,385,211
Sumitomo Mitsui Banking	Various until April 2020	0	45,295,180
UBS	March 2021	27,747,375	9,582,261
Unicredit Group	March 2021	1,398,781	2,798,166
Wells Fargo Bank, N.A.	Various until June 2021	29,858,490	46,788,428
Zurcher Kantonalbank	Various until April 2021	28,928,507	12,518,937
Plus: Interest payable		4,980,491	9,520,466
		524,694,287	682,243,894

As of December 31, 2020, the Bank does not have guaranteed obligations with investments in securities. Annual interest rates for financing received as of December 31, 2020 ranged between 0.51% and 5.74% (2019: 2.12% and 6.21%).

(13) Borrowings, continued

In the context of the consolidated financial statements, the Bank is in compliance with the covenants agreed in credit facilities contracts, which include financial liquidity conditions (ratio of liquid assets, deposits, regulatory liquidity percentage), asset quality (percentage of gross delinquency, allowance coverage, percentage of portfolio in special mention) and capitalization (equity vulnerability or open risk, percentage of large exposures, capital adequacy).

(14) Debt Issued

Through the Resolution of the Superintendence of the Securities Market CNV No.246-08 of August 5, 2008, Public Offer of Corporate Bonds with a nominal value of up to one hundred million dollars (US$100,000,000), issued in a global manner, is made, rotating, nominative, registered and without coupons, in denominations of one thousand dollars (US$1,000). The bonds will be backed by the general credit of Banco Internacional de Costa Rica, S. A. and they may be redeemed in advance at the option of the Issuer, two (2) years after the issuance date.

Likewise, through Resolution of the National Securities Commission of Panama CNV No.68-09 of March 3, 2009, public offerings of Negotiable Commercial Papers (NCPs) with a nominal value of up to one hundred million dollars (US$100,000,000), issued in global manner, rotating, nominative, registered and without coupons, denominations of one thousand dollars (US$1,000). The NCPs will be backed by the general credit of Banco Internacional de Costa Rica, S. A. and they cannot be redeemed in advance by the Issuer.

In 2014, through the Resolution of the Superintendence of the Securities Market SMV No.372-14 of August 14, 2014, a public offering of Corporate Bonds was made with a nominal value of up to two hundred million dollars (US$200,000,000), issued globally, rotating, nominative, registered and without coupons, in denominations of one thousand dollars (US$1,000). The bonds will be backed by the general credit of Banco Internacional de Costa Rica, S. A. and they may be redeemed in advance at the option of the Issuer, two (2) years after the issuance date.

The Bank maintained bonds and NCPs, as follows:

Corporate Bonds Resolution	Date	Series	Issuer Rating Agency	Calification	Maturity	2020	2019
SMV No.372-14	14-Aug-14	C	Fitch Ratings	A-(pan)	19-Nov-21	40,000,000	40,000,000
SMV No.372-14	14-Aug-14	D	Fitch Ratings	A-(pan)	12-Dec-21	4,954,000	4,954,000
SMV No.372-14	14-Aug-14	E	Fitch Ratings	A-(pan)	22-Jan-22	5,000,000	5,000,000
SMV No.372-14	14-Aug-14	F	Fitch Ratings	A-(pan)	24-Feb-22	5,000,000	5,000,000
SMV No.372-14	14-Aug-14	G	Fitch Ratings	A-(pan)	06-May-22	5,000,000	5,000,000
SMV No.372-14	14-Aug-14	I	Fitch Ratings	A-(pan)	06-May-20	0	1,150,000
SMV No.372-14	14-Aug-14	K	Fitch Ratings	A-(pan)	08-May-20	0	1,390,000
SMV No.372-14	14-Aug-14	L	Fitch Ratings	A-(pan)	14-Aug-22	3,000,000	3,000,000
SMV No.372-14	14-Aug-14	M	Fitch Ratings	A-(pan)	14-Jan-23	3,000,000	3,000,000
SMV No.372-14	14-Aug-14	N	Fitch Ratings	A-(pan)	13-Dec-22	3,000,000	3,000,000
SMV No.372-14	14-Aug-14	O	Fitch Ratings	A-(pan)	23-May-22	1,000,000	1,000,000
SMV No.372-14	14-Aug-14	P	Fitch Ratings	A-(pan)	10-Jun-22	1,500,000	1,500,000
SMV No.372-14	14-Aug-14	Q	Fitch Ratings	A-(pan)	03-Jul-22	1,500,000	1,500,000
SMV No.372-14	14-Aug-14	R	Fitch Ratings	A-(pan)	26-Aug-24	5,020,000	5,020,000
SMV No.372-14	14-ago-14	S	Fitch Ratings	A-(pan)	08-may-25	388,000	0
						78,362,000	80,514,000

Continued

(14) Debt issued, continued

Negotiable Commercial Papers Resolution	Date	Serie	Issuer Rating Agency	Calification	Maturity	2020	2019
CNV No. 68-09	03-mar-09	GM	Moody´s Local	EQL 1.pa	24-may-20	0	2,000,000
CNV No. 68-09	03-mar-09	GN	Moody´s Local	EQL 1.pa	11-jun-20	0	3,000,000
CNV No. 68-09	03-mar-09	GR	Moody´s Local	EQL 1.pa	22-jun-20	0	2,000,000
CNV No. 68-09	03-mar-09	GS	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	11-jan-20	0	1,000,000
CNV No. 68-09	03-mar-09	GT	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	18-jan-20	0	5,000,000
CNV No. 68-09	03-mar-09	GU	Moody´s Local	EQL 1.pa	16-jul-20	0	5,000,000
CNV No. 68-09	03-mar-09	GV	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	22-jan-20	0	1,000,000
CNV No. 68-09	03-mar-09	GW	Moody´s Local	EQL 1.pa	08-aug-20	0	1,500,000
CNV No. 68-09	03-mar-09	GX	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	15-feb-20	0	2,500,000
CNV No. 68-09	03-mar-09	GY	Moody´s Local	EQL 1.pa	20-aug-20	0	1,200,000
CNV No. 68-09	03-mar-09	GZ	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	03-apr-20	0	1,045,000
CNV No. 68-09	03-mar-09	HA	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	03-jul-20	0	1,650,000
CNV No. 68-09	03-mar-09	HB	Moody´s Local	EQL 1.pa	09-jun-20	0	2,150,000
CNV No. 68-09	03-mar-09	HC	Moody´s Local	EQL 1.pa	09-nov-20	0	2,000,000
CNV No. 68-09	03-mar-09	HD	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	17-mar-20	0	3,130,000
CNV No. 68-09	03-mar-09	HE	Equilibrium Calificadora de Riesgo, S.A.	EQL 1.pa	24-mar-20	0	1,000,000
CNV No. 68-09	03-mar-09	HF	Moody´s Local	EQL 1.pa	05-apr-20	0	2,000,000
CNV No. 68-09	03-mar-09	HG	Moody´s Local	EQL 1.pa	03-oct-20	0	3,100,000
CNV No. 68-09	03-mar-09	HH	Moody´s Local	EQL 1.pa	18-oct-20	0	1,130,000
CNV No. 68-09	03-mar-09	HI	Moody´s Local	EQL 1.pa	26-apr-20	0	1,000,000
CNV No. 68-09	03-mar-09	HJ	Moody´s Local	EQL 1.pa	26-oct-20	0	1,000,000
CNV No. 68-09	03-mar-09	HK	Moody´s Local	EQL 1.pa	25-may-20	0	1,000,000
CNV No. 68-09	03-mar-09	HL	Moody´s Local	EQL 1.pa	22-nov-20	0	1,000,000
CNV No. 68-09	03-mar-09	HM	Moody´s Local	EQL 1.pa	13-jun-20	0	6,250,000
CNV No. 68-09	03-mar-09	HN	Moody´s Local	EQL 1.pa	10-dec-20	0	1,000,000
CNV No. 68-09	03-mar-09	HO	Moody´s Local	EQL 1.pa	20-jun-20	0	2,015,000
CNV No. 68-09	03-mar-09	HP	Moody´s Local	EQL 1.pa	02-jan-21	1,000,000	0
CNV No. 68-09	03-mar-09	HS	Moody´s Local	EQL 1.pa	11-feb-21	2,050,000	0
CNV No. 68-09	03-mar-09	HU	Moody´s Local	EQL 1.pa	12-feb-21	5,000,000	0
CNV No. 68-09	03-mar-09	HX	Moody´s Local	EQL 1.pa	15-mar-21	1,095,000	0
CNV No. 68-09	03-mar-09	HZ	Moody´s Local	EQL 1.pa	21-mar-21	2,100,000	0
CNV No. 68-09	03-mar-09	IB	Moody´s Local	EQL 1.pa	10-may-21	1,000,000	0
CNV No. 68-09	03-mar-09	ID	Moody´s Local	EQL 1.pa	20-may-21	1,000,000	0
CNV No. 68-09	03-mar-09	II	Moody´s Local	EQL 1.pa	19-jun-21	1,000,000	0
CNV No. 68-09	03-mar-09	IK	Moody´s Local	EQL 1.pa	16-jan-21	2,500,000	0
CNV No. 68-09	03-mar-09	IL	Moody´s Local	EQL 1.pa	15-jul-21	4,110,000	0
CNV No. 68-09	03-mar-09	IM	Moody´s Local	EQL 1.pa	06-feb-21	1,214,000	0
CNV No. 68-09	03-mar-09	IN	Moody´s Local	EQL 1.pa	05-aug-21	215,000	0
CNV No. 68-09	03-mar-09	IO	Moody´s Local	EQL 1.pa	13-feb-21	2,500,000	0
CNV No. 68-09	03-mar-09	IP	Moody´s Local	EQL 1.pa	02-sep-21	2,000,000	0
CNV No. 68-09	03-mar-09	IR	Moody´s Local	EQL 1.pa	06-mar-21	1,720,000	0
CNV No. 68-09	03-mar-09	IS	Moody´s Local	EQL 1.pa	20-mar-21	2,000,000	0
CNV No. 68-09	03-mar-09	IT	Moody´s Local	EQL 1.pa	16-sep-21	1,000,000	0
CNV No. 68-09	03-mar-09	IU	Moody´s Local	EQL 1.pa	20-sep-21	1,000,000	0
CNV No. 68-09	03-mar-09	IV	Moody´s Local	ML 1.pa	03-oct-21	3,100,000	0
CNV No. 68-09	03-mar-09	IW	Moody´s Local	ML 1.pa	17-jan-21	3,000,000	0
CNV No. 68-09	03-mar-09	IX	Moody´s Local	ML 1.pa	24-abr-21	4,520,000	0
CNV No. 68-09	03-mar-09	IY	Moody´s Local	ML 1.pa	21-oct-21	4,436,000	0
CNV No. 68-09	03-mar-09	IZ	Moody´s Local	ML 1.pa	28-apr-21	3,000,000	0
CNV No. 68-09	03-mar-09	JA	Moody´s Local	ML 1.pa	18-nov-21	1,540,000	0
CNV No. 68-09	03-mar-09	JB	Moody´s Local	ML 1.pa	22-may-21	1,000,000	0
CNV No. 68-09	03-mar-09	JC	Moody´s Local	ML 1.pa	21-nov-21	2,500,000	0
CNV No. 68-09	03-mar-09	JD	Moody´s Local	ML 1.pa	25-nov-21	1,122,000	0
CNV No. 68-09	03-mar-09	JE	Moody´s Local	ML 1.pa	05-jun-21	2,500,000	0
CNV No. 68-09	03-mar-09	JF	Moody´s Local	ML 1.pa	05-dec-21	3,000,000	0
CNV No. 68-09	03-mar-09	JG	Moody´s Local	ML 1.pa	10-dec-21	3,000,000	0
CNV No. 68-09	03-mar-09	JH	Moody´s Local	ML 1.pa	06-dec-21	1,000,000	0
CNV No. 68-09	03-mar-09	JI	Moody´s Local	ML 1.pa	19-jun-21	5,000,000	0
CNV No. 68-09	03-mar-09	JJ	Moody´s Local	ML 1.pa	17-dec-21	2,000,000	0
						73,222,000	54,670,000
Total debt issued (Bonds and NCPs)						151,584,000	135,184,000
Plus: Interest payable						143,216	112,244
Total debt issued plus interest						151,727,216	135,296,244

(14) Debt issued, continued

As of December 31, 2020, the annual interest rates for corporate bonds ranged between 5.25% and 6.00% (2019: 4.50% and 6.00%). For Negotiable Commercial Papers, the rates ranged between 3.50% and 4.75% (2019: 3.88% and 4.00%).

(15) Other Liabilities

Other liabilities are as follows:

	2020	2019
Accrued expenses payable	1,830	3,595
Employee benefits and other tax payable	515,984	252,373
Guarantee deposits	229,221	204,065
Outstanding obligations with suppliers	426,014	467,378
Contributions to retirement fund	1,643,232	1,492,593
Accounts payable - various	2,343,452	3,436,295
Provisions for labor benefits	2,201,301	2,299,194
Income tax payable	653,310	1,151,815
Other taxes payable	1,059,627	196,680
Deferred credits	563,838	708,754
Obligations for the purchase and sale of foreign currency	1,524,584	1,341,904
Pending operations to be applied	1,796,956	867,020
Others	7,989,727	6,570,204
	20,949,076	18,991,870

(16) Retirement Saving Plan

The Bank adopted a voluntary savings plan for retirement by defined contributions in which the Bank contributes twice the amount contributed by the employees up to a maximum of 10% of employer contribution of the monthly salaries, with the exception of the Miami Agency that it is up to 6% of employer contribution of monthly salaries. All the employees that work in the Bank participate in the plan and decide to join the benefit. To make withdrawals to the contributions of the plan, the employee must meet at least one of the following conditions, in order to withdraw the contribution made by the Bank in their favor:

(a) To have opted for a retirement;
(b) To have withdrawn from the Bank;
(c) To have suffered total and permanent disability duly certified by the Social Security Fund; or
(d) To have died, in which case it will be delivered for the portion to which the beneficiary is entitled.

The contribution of the Bank and its Subsidiaries to this plan during the period ended December 31, 2020 amounts to US$800,758 (2019: US$780,043). A third party independent of the Bank manages this plan. This expense is included in the consolidated income statement in the caption of salaries and other personnel expenses.

(17) Common Shares

Common shares is as follows:

	2020		2019	
	Quantity of shares	Amount	Quantity of shares	Amount
Authorized and issued shares				
Number of shares at the beginning and the end of the year	13,278,700	132,787,000	13,278,700	132,787,000

The Bank maintains an authorized capital of 13,278,700 shares with a par value of US$10 each.

As of December 31, 2020, the Bank's capital funds represented 12.76% (2019: 12.14%) of the weighted based risk assets calculated according to the management´s interpretation of the Basel Accord I and of the Agreement No.1- 2015 that requires maintaining capital funds of not less than 8% of its assets weighted based on risks.

(18) Leases

The right of use assets is as follows:

	2020	2019
Right of use assets-Estate	2,243,847	2,994,039

Lease liabilities are detailed below:

2020	Interest rate	Various maturities until	Book value	Undiscounted cash flows
Leases - Estates	7.81%	2025	2,467,831	2,497,433
Total lease liabilities			2,467,831	2,497,433

2019	Interest rate	Various maturities until	Book value	Undiscounted cash flows
Leases - Estates	9.32%	2025	3,139,448	3,765,759
Total lease liabilities			3,139,448	3,765,759

(18) Leases, continued

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

	2020	2019
Up to one year	581,262	876,457
From 1 to 3 years	1,101,028	1,660,188
From 3 to 5 years	652,099	983,269
Over 5 years	163,044	245,845
	2,497,433	3,765,759

(19) Commitments and Contingencies

Contingencies

As of December 31, 2020, there are legal claims filed against the Bank and its subsidiaries that, in the opinion of Management and of the Bank's external attorneys, the result of these processes is not expected to have a material adverse effect on the consolidated position, the consolidated performance, or the operations of the Bank.

Commitments

Financial instruments with credit risk out of the consolidated statement of financial position are detailed below:

	2020	2019
“Stand-by” - Letters of credits	102,631,429	59,475,282
Confirmed commercial letters of credit	16,469,072	23,060,922
Guarantees issued	77591,914	79,946,379
	196,692,415	162,482,583

The loss allowance for expected credit loss for these instruments is recognized in the loss allowance of loans (see Note 5). As of December 31, 2020, the established allowance amounted to US$661,564 (2019: US$425,810).

(20) Other Commissions and Other Income

The breakdown of income from other commissions and other income is presented below:

	2020	2019
Other commissions on:		
Letters of credit and document collection	2,001,395	1,776,307
Transfers	601,998	607,222
Demand account services	75,930	86,082
Guarantees and collateral	1,203	8,176
Purchase and sale of foreign currency	234,575	335,972
Commissions on loan structuration	11,366	25,000
Commission of administrative agent	98,000	78,937
Others	442,689	308,111
	3,467,156	3,225,807
Other income:		
For fixed assets sale	40,150	33,395
For sale of foreclosed assets	0	1,183,407
For factoring operations	15,530	25,542
Other income – various	713,347	1,033,678
	769,027	2,276,022

(21) Commission Expenses and Other General and Administrative Expenses

Commission expenses and general and administraties expenses are as follows:

	2020	2019
Commission expense:		
Bank correspondent	340,438	304,434
Other commissions	448,176	493,349
	788,614	797,783
Salaries and other personal expense:		
Salaries	12,075,735	11,818,128
Labor expenses	1,988,742	1,968,574
Employee benefits	1,182,899	1,078,081
Retirement saving plan (Note 16)	800,758	780,043
Training	70,454	138,201
Remuneration for performance	0	314,462
Others	56,792	68,901
	16,175,380	16,166,390
Others general and administrative expenses:		
Administrative expenses of representation offices	188,377	211,314
Travel and transportation	64,835	241,725
Electricity and telephone	781,186	836,614
Technical software services	2,304,421	2,103,663
Repairs and maintenance	911,585	905,631
Taxes	1,565,443	1,428,593
Utilities	44,463	66,724
Communications and mails	87,512	95,676
Insurance	148,340	225,656
Others	1,123,877	1,406,987
	7,220,039	7,522,583

(22) Balances and Transactions with Related Parties

The Bank conducted transactions in the ordinary course of business with related parties such as shareholders, directors and key management personnel. The following were the aggregate balances in relation to significant transactions with related parties:

	Directors and Key Management Personnel		Related Companies	
	2020	**2019**	**2020**	**2019**
Assets:				
Deposits in banks:				
Demand on head office - BCR (1)	0	0	15,821	14,361
Loans-key personnel BICSA	611,727	616,090	0	0
Interest receivable	634	923	0	0

	Directors and Key Management Personnel		Related Companies	
	2020	**2019**	**2020**	**2019**
Deposits received:				
Demand deposits - Key Personal BICSA	307,718	292,667	0	0
Demand deposits – Head Office - BCR (1)	0	0	2,570,622	3,497,185
Demand deposits - Related Party – BNCR (2)	0	0	388,391	381,754
Time Deposit – Key Personal BICSA	1,036,764	311,108	0	0
Time Deposit - Head Office – BCR (1)	0	0	50,960,000	13,460,000
Time Deposit – Relate Party – BNCR (2)	0	0	29,960,000	38,920,000
Interest payable	14,112	3,411	4,101	3,153
Commitments and contingencies:				
Commercial credit letters Head Office-BCR(1)	6,540	6,540	0	0
Commercial credit letters Related Party- BNCR (2)	0	1,176,909	0	0

(1) Bank of Costa Rica (Head Office)
(2) National Costa Rica's Bank – Related party

(22) Balances and Transactions with Related Parties, continued

The following items of income and expenses are included in the aggregate amounts resulting from the related transactions:

	Directors and Key Management Personnel		Related Companies	
	2020	**2019**	**2020**	**2019**
Interest income on:				
Loans – Key Personnel Bicsa	41,121	27,072	0	0
Interest expense on:				
Deposits - Key personal - Bicsa	27,270	12,329	0	0
Deposits – Head Office - BCR (1)	0	0	994,133	134,884
Deposits - Related party - BNCR(2)	0	0	721,395	846,988

General and administrative expenses:	Directors and Key Management Personnel	
	2020	**2019**
Salaries - Key personal Bicsa - Short-term	2,834,374	2,810,438
Director diets - short-term	56,792	68,900
Others general expense - Key personal - Bicsa - long-term	232,238	230,828

(1) Bank of Costa Rica (Head Office)
(2) National Costa Rica's Bank – Related party

(23) Administration of Trust Contracts and Assets under Management

As of December 31, 2020, the Bank had trust contracts under management for client account and risk for US$85,662,096 (2019: US$83,125,602). Considering the nature of these services, the administration considers that there are no significant risks for the Bank.

As of December 31, 2020, the subsidiary BICSA Capital, S. A. maintained cash for US$17,271 (2019: US$5,272) management and investment portfolio at the client's account and risk amounting to a total of US$40,995,452 (2019: US$25,890,066).

(24) Fair Value Measurement on Financial Instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or prices of traders. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that are not frequently traded and that have little availability of price information, fair value is less objective, and its determination requires the use of variable degrees of judgment that depend on liquidity, concentration, uncertainty of factors of the market, the assumptions in the determination of prices and other risks that affect the specific instrument.

The Bank establishes a fair value hierarchy that classifies the input data of valuation techniques used to measure fair value at three levels:

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

(24) Fair Value Measurement on Financial Instruments, continued

- Level 2: input data other than quoted prices included in Level 1, which are observable, either directly (that is, prices) or indirectly (that is, determined based on prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active or other valuation techniques where significant inputs are directly or indirectly observable in a market.

- Level 3: this category includes all the instruments in which the valuation techniques include unobservable inputs and have a significant effect on the valuation of the instrument. This category includes instruments that are valued, based on quoted prices for similar instruments where the assumptions or significant unobservable adjustments reflect the difference between the instruments.

Other valuation techniques include net present value, discounted cash flow models, comparisons with similar instruments for which there are observable market prices, and other valuation models. The assumptions and input data used in valuation techniques include risk-free reference rates, credit spreads, and other assumptions used in estimating discount rates. The objective of using a valuation technique is to estimate the price at which an orderly sale transaction of the asset or transfer of the liability would take place between market participants at the measurement date under current market conditions.

A summary of the carrying amount and the estimated fair value of financial assets and liabilities not measured at fair value on recurring basis in the consolidated statement of financial position is presented below:

	2020			2019		
	Book value	Fair value	Hierarchy level	Book value	Fair value	Hierarchy level
Assets						
Time deposits in banks	79,382,260	79,382,260	3	74,936,598	74,936,598	3
Investment securities at amortized cost	20,184,425	20,172,951	3	0	0	
Loans, net	1,463,541,339	1,443,893,642	3	1,609,369,757	1,594,317,944	3
	1,563,108,024	1,543,448,853		1,684,306,355	1,669,254,542	
Liabilities						
Saving deposits	6,873,054	6,873,054	3	2,651,373	2,651,373	3
Time deposits	791,845,497	789,337,768	3	779,045,305	777,178,283	3
Borrowings	524,694,287	520,186,253	3	682,243,894	673,324,767	3
Debt issued	151,727,216	151,906,332	3	135,296,244	136,066,701	3
	1,475,140,054	1,468,303,407		1,599,236,816	1,589,221,124	

Financial assets of which their book value represents their fair value due to their short-term nature are not disclosed.

(24) Fair Value Measurement on Financial Instruments, continued

The financial instruments measured at fair value on a recurring basis are analyzed below. These instruments are classified in the different levels of fair value hierarchy considering the input data and valuation techniques used.

	2020 Fair Value Measurement		
Description	**Level 1**	**Level 2**	**Total**
Debt - private	6,140,955	26,868,921	33,009,876
Debt - governmental	1,926,980	3,034,859	4,961,839
Equity securities	0	77,775	77,775
	8,067,935	29,981,555	38,049,490

	2019 Fair Value Measurement		
Description	**Level 1**	**Level 2**	**Total**
Debt - private	0	27,749,115	27,749,115
Debt - governmental	0	9,457,622	9,457,622
Equity securities	0	76,075	76,075
	0	37,282,812	37,282,812

For investments in securities that are quoted in active markets, fair value is determined by the reference price of the instrument published on the stock exchange, published in electronic stock market information systems, or provided by price suppliers. When independent prices are not available, the fair values are determined using valuation techniques with reference to observable market data.

The table below describes the valuation techniques and the input data used in the recurring fair value measurements classified within Level 2:

Financial Instrument	Technical Valuation and Input Data Used
Investment securities	The discounted future cash flows method is used. The model used to value fixed income instruments is based on the cash flows of the instruments and their remaining term at the valuation date, the cash flows are discounted using a compound rate of the sum of the following variables: - Market reference rates - Spread of adjustments of market factors - Observable market prices

(24) Fair Value Measurement on Financial Instruments, continued

The table below describes the valuation techniques and the input data used in financial assets and liabilities not measured at fair value classified in the hierarchy of fair value within Level 2:

Financial Instruments	Technical Valuation and Input Data Used
Loans	The fair value for the loans represents the discounted amount of the estimated future cash flows to be received. The cash flows provided are discounted at current market rates to determine their fair value.
Time deposits from clients, borrowings and debt issued.	Discounted cash flows using market interest rates for new term deposits, financing and debt obligations issued with similar remaining maturities.

(25) Segment Information

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

The Bank directs its business management to Corporate Banking and emphasis on Foreign Trade financing, which it carries out both in the local market and abroad; likewise, it maintains a business of discounting invoices (factoring) and financial leasing. The Assets and Liabilities Committee monitors the management by segments, for which it evaluates its performance periodically. For this purpose, the ALCO Committee of the Bank monitors its business management, in the segments presented in the following table:

2020	Local Commercial Banking	Foreign Commercial Banking	Leasing and Factoring Services	Bicsa Miami	Eliminations	Total Consolidated
Interest and commission income	32,098,248	54,051,833	15,446,049	13,064,544	(13,966,844)	100,693,830
Interest expense	(22,101,802)	(36,777,223)	(9,241,189)	(8,527,571)	13,966,844	(62,680,941)
Impairments	(4,251,863)	(5,956,894)	(779,479)	3,108,480	0	(7,879,756)
Other net income	6,657,885	868,068	510,011	450,257	(4,407,702)	4,078,519
General and administrative expenses	(9,309,313)	(12,017,009)	(3,560,016)	(7,244,734)	2,590,134	(29,540,938)
Net income before income tax	3,093,155	168,775	2,375,376	850,976	(1,817,568)	4,670,714
Total assets	808,276,110	862,636,853	208,084,714	319,746,627	(338,864,005)	1,859,880,299
Total liabilities	557,330,238	926,184,587	189,565,132	270,512,719	(322,954,473)	1,620,638,203

2019	Local Commercial Banking	Foreign Commercial Banking	Leasing and Factoring Services	Bicsa Miami	Eliminations	Total Consolidated
Interest and commission income	32,801,712	65,294,415	10,936,128	17,946,056	(11,974,336)	115,003,975
Interest expense	(23,294,686)	(44,896,053)	(5,473,562)	(11,534,234)	11,974,336	(73,224,199)
Impairments	(1,919,038)	(2,536,281)	(901,730)	(108,399)	140,878	(5,324,570)
Other net income	5,790,352	231,134	(106,522)	500,789	(577,026)	5,838,727
General and administrative expenses	(9,855,706)	(12,766,050)	(1,948,752)	(6,170,153)	840,000	(29,900,661)
Net income before income tax	3,522,634	5,327,165	2,505,562	634,059	403,852	12,393,272
Total assets	862,260,713	957,696,388	167,153,964	364,529,294	(367,424,682)	1,984,215,677
Total liabilities	593,135,890	1,040,518,596	150,247,494	317,107,165	(353,585,524)	1,747,423,621

(26) Main Applicable Laws and Regulation

The main laws and regulations applicable in the Republic of Panama are detailed below:

(a) Banking Law

The operations in the Republic of Panama are regulated and supervised by the Superintendence of Banks of Panama, according to the legislation established by Executive Decree No.52 of April 30, 2008, which adopts the unique text of the Decree-Law 9 of February 26, 1998, modified by Decree Law 2 of February 22, 2008, by which the banking regime in Panama is established and the Superintendence of Banks is created and the rules that govern it.

For purposes of compliance with prudential regulations issued by the Superintendence of Banks of Panama, the Bank must prepare a calculation of the credit allowance based on regulatory guidelines. In the event that the regulatory calculation is greater than the respective calculation determined under IFRS, the excess allowance will be recognized in a regulatory reserve of equity. (See specific provisions).

(b) Financial Leasing Law

Operations in Panama are regulated by the Financial Companies Directorate of the Ministry of Commerce and Industries according to the legislation established in Law No.7 of July 10, 1990.

(c) Trust Law

Operations in Panama are regulated by the Superintendence of Banks in accordance with the legislation established in Law No.21 of May 10, 2017.

(d) Securities Stock Exchange Law

Operations in Panama are regulated by the Superintendence of Securities Market in accordance with the legislation established in Decree-Law No.1 of July 8, 1999, reformed by Law No.67 of September 1, 2011.

The operations of the brokers are in the process of adapting to Agreement No.4-2011, modified in certain provisions by means of Agreement No.8-2013, established by the Superintendence of the Securities Market, which indicates that they are obliged to comply with the rules of capital adequacy and their modalities.

(e) Foreclosed Assets

For regulatory purposes, the Superintendence establishes in five (5) years, counting from the date of registration in the Public Registry or the foreclosed asset, the term to dispose of a foreclosed asset for repayment of loans. If after this period the Bank has not sold the foreclosed asset, it must make an independent appraisal of the property to establish if it has decreased in value, applying in that case what is established in the IFRS.

(26) Main Applicable Laws and Regulation, continued

Likewise, the Bank must create an allowance in equity account, through the appropriation in the following order of: a) its retained earnings; and b) profits for the period, to which the following transfers of the value of the foreclosed asset will be made:

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

The aforementioned regulatory allowance will be maintained until the actual transfer of the acquired asset is made and this reserve will not be considered as a regulatory reserve for the purpose of calculating the capital adequacy index. The balance of this allowance is presented in equity for US$5,720,154 (2019: US$2,450,144).

(f) Specific Provisions

The Agreement No.4-2013 indicates that the specific provisions originate from the objective and concrete evidence of impairment. These provisions must be established for credit facilities classified in the categories of risk known as special, subnormal, doubtful, or irrecoverable, both for individual credit facilities and for a group of such facilities.

The Bank must calculate and maintain at all times the amount of the specific provisions determined by the methodology specified in this Agreement, which takes into account the balance outstanding of each credit facility classified in any of the categories subject to the provision, mentioned in the previous paragraph. Furthermore, this takes into account the present value of each guarantee available as a risk mitigant, as established by type of guarantee in this Agreement, and a table with a percentages weighting that applies to the net balance exposed to loss of such credit facilities.

If there is an excess of a specific provision, calculated in accordance with this Agreement, compared with the provision calculated in accordance with IFRS, this excess will be accounted as a regulatory reserve in the equity that increases or decreases with allocations to or from retained earnings. The balance of the regulatory reserves will not be considered as capital funds for the purpose of calculating certain prudential ratios or others ratios mentioned in the Agreement.

The Bank determines it's country risk reserve in accordance with the provisions established in General Resolutions No.7-2018 issued by the Superintendence of Banks of Panama.

(26) Main Applicable Laws and Regulation, continued

Credit Quality Analysis

The Bank uses the same credit risk classification system that the Superintendency of Banks has established for the determination of regulatory allowance.

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

	2020	2019
Restructured loans		
Amount without impairment	47,894,917	36,626,786
Reserve for amount without impairment	(943,140)	(804,072)
Impaired amount	25,323,450	22,366,509
Allowance for impaired amount	(3,364,306)	(7,822,477)
Total, net	68,910,921	50,366,746
Not delinquent or impaired		
Grade 1: Standard or low risk	1,328,715,390	1,495,896,974
Grade 2: Special mention	89,543,030	76,071,765
Subtotal	1,418,258,420	1,571,968,739
Individually impaired		
Grade 3: Sub-standard	29,711,920	27,401,873
Grade 4: Doubtful	1,900,247	6,364,569
Grade 5: Unrecoverable	27,985,787	16,047,603
Subtotal	59,597,954	49,814,045
Plus: Interest receivable	10,528,559	8,348,259
Total	70,126,513	58,162,304
Allowance for impairment		
Collective	10,070,521	9,109,722
Individual	14,582,035	11,297,486
Total impairment allowance	24,652,556	20,407,208

(26) Main Applicable Laws and Regulation, continued

The table below summarizes the classification of the Bank's loan portfolio based on Agreement No.4-2013 issued by the Superintendence of Banks of Panama:

	2020		2019	
	Loans	**Allowance**	**Loans**	**Allowance**
Analysis of individual impairment:				
Special mention	89,543,030	13,241,135	76,071,764	11,572,922
Sub-standard	29,711,920	9,586,024	27,401,873	6,485,235
Doubtful	1,900,247	1,520,198	6,364,569	4,978,159
Unrecoverable	27,985,787	21,473,681	16,047,603	11,747,655
	149,140,984	45,821,038	125,885,809	34,783,971
Country risk allowance	0	6,981,590	0	7,245,738
Contingency allowance	0	6,100,875	0	2,367,823
Collective impairment analysis:				
Normal	1,328,715,391	0	1,495,896,975	0
Total of impairment analysis	1,477,856,375	58,903,503	1,621,782,784	44,397,532
Plus: Interest receivable				
Normal	7,432,765	0	6,629,460	0
Special mention	1,487,800	0	474,494	0
Sub-standard	1,157,324	0	1,227,847	0
Unrecoverable	450,669	0	16,458	0
Total of interest receivable	10,528,558	0	8,348,259	0
Total of loans and allowance	1,488,384,933	58,903,503	1,630,131,043	44,397,532
Less: Total allowance for impairment on IFRS loans	0	24,652,556	0	20,407,208
Total portfolio and regulatory credit allowance	1,488,384,933	34,250,947	1,630,131,043	23,990,324

As of December 31, 2020, loans in non-accrual status amounted to US$43,760,449 (2019: US$35,362,517).

Agreement No.4-2013 defines as delinquent any credit facility that presents an unpaid amount of principal, interest or contractually agreed to expenses, with more than 30 days and up to 90 days past due, from the date established for compliance with the payments.

The Agreement No.4-2013 defines as expired any credit facility whose lack of payment of the contractually agreed amounts is more than 90 days past-due. This term will be computed from the date established for the fulfillment of the payments. Transactions with a single payment at expiration and overdrafts will be considered past due when the length of nonpayment exceeds 30 days from the date on which the payment obligation is established.

(26) Main Applicable Laws and Regulation, continued

The balances of delinquent and past due loans based on Agreement No.4-2013 are summarized below:

	2020			2019	
Delinquent	**Expired**	**Total**	**Delinquent**	**Expired**	**Total**
4,546,713	33,529,318	38,076,031	11,122,091	26,208,033	37,330,124

On the other side, based on Agreement No.8-2014, the recognition of interest income is suspended based on the days of late payment of principal and / or interest and the type of credit operation according to the following:

a) For consumer and business loans, if there is a delay of more than 90 days and
b) For mortgage loans for housing, if there is a delay of more than 120 days.

(g) Dynamic Provision

Agreement No.4-2013 indicates that the dynamic provision is a allowance set up to meet possible future needs for the establishment of specific provisions, which is governed by prudential criteria of banking regulation. The dynamic provision is made on a quarterly basis on the credit facilities that have no specific provision assigned, that is, credit facilities classified in the normal category. This Agreement regulates the methodology for calculating the amount of the dynamic provision, which considers a maximum and minimum percentage restriction applicable to the amount of the provision determined on credit facilities classified in the normal category.

The dynamic provision is an equity component that increases or decreases with allocations from or to retained earnings. The credit balance of this dynamic provision is part of the regulatory capital but does not substitute or compensate the capital adequacy requirements established by the Superintendence.

The following is a summary of the dynamic provision by entities:

	2020	**2019**
Bicsa, S. A.	30,201,402	30,201,402
Bicsa Factoring, S. A.	3,753,574	2,754,671
	33,954,976	32,956,073

(26) Main Applicable Laws and Regulation, continued

The movements of the regulatory reserves is as follows:

2020	**Dynamic Reserve of Loans**	**Specific Allowance of Loans**	**Allowance of modified loans**	**Foreclosed Assets Allowance**	**Total**
Balance as of January 1, 2020	32,956,073	23,990,324	0	2,450,144	59,396,541
Increase	998,903	7,508,177	2,752,446	3,270,010	14,529,536
Balance as of December 31, 2020	33,954,976	31,498,501	2,752,446	5,720,154	73,926,077

2019	**Dynamic Reserve of Loans**	**Specific Allowance of Loans**	**Loan reserve modified**	**Foreclosed Assets Allowance**	**Total**
Balance as of January 1, 2019	32,311,446	17,565,560	0	828,776	50,705,782
Increase	644,627	6,424,764	0	1,621,368	8,690,759
Balance as of December 31, 2019	32,956,073	23,990,324	0	2,450,144	59,396,541

(h) Modified special mention category loans

In accordance with the requirements of Article 4-E of Agreement No. 9-2020 of September 11, 2020 that modifies Agreement No. 2-2020 of March 16, 2020, a detail of the loan portfolio is presented belpow modified special mention category and its respective provisions and regulatory reserves as of December 31, 2020, for BAC International Bank Inc. ("Paren Bank"), classified according to the three-stage model of IFRS 9:

2020 **Modified special mention category loans**	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
modified loans				
Consumer	613,834	20,179	0	634,013
Corporate	55,705,644	124,385,441	0	180,091,085
(-)Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	0	(90,000)	0	(90,000)
(+)Accrued Interest receivable	621,775	3,467,306	0	4,089,081
Total portfolio subject to provisions Agreement No. 9-2020	56,941,253	127,782,926	0	184,724,179
Provisions				
IFRS 9 provision	429,511	2,435,549	0	2,865,060
Generic provision (complement to 1.5%)				0
Regulatory reserve (complement to 3%)				2,752,446
Total provisions and reserve				5,617,506
Excess provision posted				54,476
Total Provision in books				5,671,982

As explained in Note 28 on the effects of COVID-19, as of March 31, 2020, the bank granted an automatic grace period to borrowers affected in their business or personal activities by COVID-19, until June 2020. As of that date, and as a result of an agreement signed between the Government of Panama and the Panama Banking Association, as well as the issuance of moratorium law No. 156, it was extended until December 31, 2020 financial relief to those affected by COVID-19 and who requested it. These financial relief measures consist mainly of granting grace periods for capital and interest to clients whose income has been affected by the pandemic.

(26) Main Applicable Laws and Regulation, continued

As part of the bank's risk management, both individual and collective analysis of the condition of the loans has been developed, including the segmentation of the portfolio in order to identify the employment status or the opening of economic activity of each client and define who will be able to comply with their banking obligations, who will have difficulties in doing so and who will definitely not be able to comply and thus determine if there has been a significant increase in risk and classify said loans according to the corresponding impairment stage. Additionally, different agreements have been reached with leasing clients based on the individual analysis of their ability to generate the cash flows necessary to meet their obligations.

COVID-19 has resulted in a disruption in economic activities that have negatively affected, and are likely to continue to negatively affect the Bank's business, its financial condition, liquidity and results of operations. The bank's cash flows have been significantly reduced as a result of the aforementioned moratoriums, as shown in the following table that details the percentage of the value of the modified special mention loans, including interest, that as of December 31, 2020 did not they present payment in their obligations counted from the last payment.

	2020
	Until 90 days
Individuals	2.94%
Corporate	97.06%

It is important to note that in addition to the modified special mention loans, the Bank has loans that were in the subnormal, doubtful or irrecoverable category and that benefited from the moratorium of Law No. 156 of June 30, 2020. As of June 31, 2020 December 2020, these loans did not present arrears in the agreed payments .

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

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

1. In cases where the IFRS allowance is equal to or greater than the generic allowance of 3% established in this article, the bank will record the corresponding IFRS allowance in the results of the year.

(26) Main Applicable Laws and Regulation, continued

2. In cases where the IFRS allowance is less than the generic allowance of 3% established in this article, the bank will record said IFRS allowance in results and the difference must be recorded in results or in a regulatory reserve in equity, taking into account consideration of the following aspects:
   a. When the IFRS allowance is equal to or greater than 1.5%, the bank must record said IFRS allowance in the income statement. Likewise, the difference to complete the 3% of the generic allowance established in this article must be recorded in a regulatory reserve in equity.
   b. When the IFRS allowance is less than 1.5%, the bank must ensure that this percentage is completed and recorded in the income statement. Likewise, the difference to complete the 3% of the generic allowance established in this article must be recorded in a regulatory reserve in equity.

(27) Supplementary Information for the Consolidated Statements of Cash Flows

The movements of the financing and debt is as follows:

	2020	2019
Balance at the beginning of the year	817,540,138	800,182,496
Debt and financing issued	559,073,733	877,820,875
Debt and financing amortization	(695,683,365)	(861,461,292)
Interest	(4,509,003)	998,059
Balance at the end of the year	676,421,503	817,540,138

(28) Management and impacts of the COVID-19 pandemic

Global effects of the pandemic

On March 11, 2020, the World Health Organization raised the public health emergency situation caused by COVID-19 to an international pandemic. This declaration led most of the governments of the affected countries to take measures in the field of public health that included isolation, confinement and / or quarantine measures to a different degree according to each government, with limitations on the free movement of people, reaching to the closing of borders. Businesses have faced disruptions in supply chains, temporary closures and a reduction in demand, while households have faced unemployment and falling incomes. This situation has caused a recession in the global economy (GDP fall of -3.5%), which especially affects the Latin American and Caribbean region, which suffers a strong contraction in 2020 that is estimated at -7.4% (IMF, October 2020).

(28) Management and impacts of the COVID-19 pandemic, continued

Measures adopted at the banking regulatory level

The evolution of the events has required the adoption of various measures to face an unprecedented and enormous health crisis, both due to the number of people affected, and the economic and social impact that it has generated, at the national level and worldwide. These measures included in the banking regulatory ambit issued the Agreement 2-2020 by the Superintendency of Banks of Panama and subsequent Agreements and Circulars referring to credit risk management and the implementation of economic relief mechanisms for clients affected by the pandemic of the COVID 19 (Agreement 3-2020, Agreement 7-2020, Agreement 9-2020, Circular 294-2020 and Agreement 13-2020).

Among the public financial support measures, Law No. 156 of July 1, 2020 was promulgated, in which the evaluation period of the affected loans is extended until December 31, 2020, and which is extended to all loans granted by banks, cooperatives and finance companies whose debtors have been affected by COVID-19.

Effects of the pandemic on Grupo BICSA

As of December 31, 2020, the amount of moratoriums granted by the BICSA Group reaches an amount of 184.7 million dollars, which represents 12% of the total portfolio and allowance were made to cover the potential effect of macroeconomic deterioration in the credit portfolio according to the entity's expected loss models (see Note 26 - Modified special mention category loans).

Faced with the pandemic situation, Grupo BICSA was forced to respond quickly to critical questions in the operational and financial spheres. In particular, the recalibration and updating of IFRS 9 models is of particular importance as a fundamental task in the current context due to the effect of various factors that in turn have an impact on allowances. These reviews considered adjustments to conventional methodological aspects such as the probability of default (PD), the loss due to default / default (LGD) and the forward-looking adjustment (prospective economic effect of the IFRS 9 Model). The classification criteria in stages have also been revised to incorporate the effects that the COVID-19 environment could bring to customers, in this case it is necessary to define criteria for a significant increase in credit risk (ISRC) based on the risk of the economic sector , the activity within the economic sector and the particular characteristics of each client. Finally, based on the methodology defined taking as a reference the international regulations and the local regulatory context, the Bank defined Post Model Adjustments (Overlays) with general guidelines for the classification process of modified loans in the different stages established by IFRS 9. After applying the aforementioned adjustments, the bank resulted in an increase in its IFRS 9 allowance estimate of $ 1.3 million.

(28) Management and impacts of the COVID-19 pandemic, continued

As of the second quarter of 2020, the Group increased its volume of liquid assets to an average of greater than 63.65% of the Legal Liquidity indicator, doubling the minimum 30% required (see Note 5 - Liquidity Risk). Finally, the Group's solvency level has improved compared to the previous closing ended on December 31, 2019 and remains well above the requirements of the SBP in 12.76% of equity / assets weighted based on risk (see Note 5 - Capital Management). The final magnitude of the impact of the COVID-19 pandemic on the Group's business, financial situation and results will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographies in which the Group operates.