BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Director and Shareholders
BAC International Bank, Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as 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 have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities Related to the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethics 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 Code of Ethics of the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Allowance for loan losses
See notes 3 (c), 4 y 5 to the consolidated financial statements

Key Audit Matter	How the matter was addressed in the audit
The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions, including sensitivity of the impact of the COVID-19 pandemic by the administration, for the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 62% of the Bank's total assets as of December 31, 2020. The allowance for loan losses at amortized cost comprises the ECL as a result of the model of the probability of default on loans according to the impairment stage assigned. The ECL is determined according to the grouping of loans with similar credit risk characteristics. The methodology applied by the model are comprised of estimates of the probability of default, loss due to default, prospective analysis, and exposure to default. The assessment of whether or not a significant increase in the credit risk of loans has been presented entails the application of significant judgments in that model. This constitutes a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of the Bank's judgment.	Our audit procedures, considering the involvement of specialists, included: • Evaluating key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies. • The judgments applied by the Bank on assumptions related to the current conditions of the economy were evaluated, including the impact of Covid-19 in these judgments and the considerations on the prospective analysis that may change the level of ECL, based on our experience and industry knowledge. • For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the assigned credit risk rating. • Assessing the Bank's applied methodologies in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance. • Performing an assessment of the inputs used in the corporate banking, consumer and credit card methodologies and recalculating according to the estimation model of ECL for each of them.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Ricardo A. Carvajal V.

KPMG

Panama, Republic of Panama
February 23, 2021

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31,2020

(In U.S. dollars)

Assets	Note	2020	2019
Cash and cash equivalents		708,652,101	727,125,481
Securities purchased under resale agreements	4, 8	21,227,306	18,149,866
Deposits in banks:			
Demand		4,204,514,164	2,897,212,148
Time deposits		947,502,623	351,664,054
Total deposits in banks		5,152,016,787	3,248,876,202
Total cash, cash equivalents and deposits in banks	7	5,881,896,194	3,994,151,549
Investments at fair value	4, 9	2,898,491,134	2,254,767,064
Loans	4,10	17,174,641,892	16,854,545,506
Allowance for loan losses	4	(669,738,606)	(511,282,839)
Loans at amortized cost		16,504,903,286	16,343,262,667
Property, furniture, equipment and improvements, net	11	558,714,323	614,695,235
Acceptances outstanding		3,328,001	1,968,793
Other accounts receivable	4	243,505,629	242,688,285
Provision for accounts receivable	4	(7,298,489)	(4,931,417)
Goodwill and intangible assets	12	395,122,515	389,783,432
Deferred Income tax	25	57,653,199	44,636,405
Other assets	13	87,559,597	84,086,107
Total assets		26,623,875,389	23,965,108,120

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

Liabilities and Equity	Note	2020	2019
Liabilities:			
Deposits from customers:			
Demand		7,731,573,689	5,971,869,356
Savings		4,221,375,140	3,335,166,545
Time deposits		8,357,780,824	7,927,601,870
Total deposits from customers	14	20,310,729,653	17,234,637,771
Securities sold under repurchase agreements		25,182,261	34,740,578
Financial obligations	15	2,051,356,522	2,334,111,456
Other financial obligations	16	747,253,296	319,415,360
Lease libilities	17	199,689,758	231,563,044
Acceptances outstanding		3,328,001	1,968,793
Income tax payable		58,226,025	60,298,059
Deferred income tax	25	63,280,456	68,435,886
Other liabilities	18	655,661,956	758,786,644
Total liabilities		24,114,707,928	21,043,957,591
Equity:			
Common stock	19	834,708,000	834,708,000
Additional paid in capital		140,897,488	140,897,488
Treasury stock		(5,218,370)	(5,218,370)
Retained earnings		1,645,421,052	1,956,417,802
Regulatory reserves		253,820,612	248,433,502
Other comprehensive losses	20	(360,681,954)	(254,282,553)
Total shareholder equity of the controlling Company		2,508,946,828	2,920,955,869
Non-controlling interest of the Company		220,633	194,660
Total equity		2,509,167,461	2,921,150,529
Commitments and contingencies	26		
Total liabilities and equity		26,623,875,389	23,965,108,120

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Income

For the year ended December 31, 2020

(In U.S. dollars)

	Note	2020	2019
Interest income:			
Deposits in banks		19,061,970	46,671,914
Investments		138,594,822	98,162,901
Loans		1,764,761,871	1,801,899,442
Total interest income		1,922,418,663	1,946,734,257
Interest expense:			
Deposits from customers		511,002,451	480,755,680
Financial obligations		94,869,660	137,581,797
Other financial obligations		49,776,432	20,124,663
Securities sold under repurchase agreements		953,232	2,472,472
Lease libilities		11,056,766	11,913,779
Total interest expense		667,658,541	652,848,391
Interest income, net		1,254,760,122	1,293,885,866
Provision for loan and interest losses	4	450,000,280	379,970,097
Credit risk of investments and interest bearing deposits	4	15,604,497	2,899,559
Provision for account receivable losses	4	2,989,367	1,476,842
Interest income, net after provisions		786,165,978	909,539,368
Other income (expenses):			
Gains in financial instruments, net	21	40,031,036	16,459,219
Service charges	22	390,278,950	474,521,362
Commissions and other fees, net		176,122,441	213,347,088
Gain on foreign currency exchange, net		167,081,116	81,743,805
Impairment of assets held for sale	13	(64,176)	2,336,581
Other income	22	49,912,433	55,680,082
Total other income, net		823,361,800	844,088,137
General and administrative expenses:			
Salaries and employee benefits	23	519,530,335	539,890,442
Depreciation and amortization		117,974,080	114,993,288
Administrative		79,654,232	78,565,571
Occupancy and related expenses		34,489,989	34,064,529
Other operating expenses	24	413,127,157	431,592,300
Total general and administrative expenses		1,164,775,793	1,199,106,130
Income before income tax		444,751,985	554,521,375
Current income tax	25	133,068,382	137,226,843
Deferred income tax	25	(2,873,174)	6,775,203
Net income		314,556,777	410,519,329
Net income attributable to:			
Controlling interest		314,534,416	410,501,132
Non-controlling interest		22,361	18,197
		314,556,777	410,519,329

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

(In U.S. dollars)

	2020	2019
Net income	314,556,777	410,519,329
Other comprehensive results:		
Items that will not be reclassified to the consolidated income statement		
Employee benefits plan - change in actuarial effect	(1,367,250)	(335,009)
Net change in fair value of common stocks	(192,165)	568,600
Items that are or can be reclassified to the consolidated income statement		
Foreign currency translation	(89,905,764)	39,246,031
Valuation for investments FVOCI:		
Net amount transferred to income statement	(32,192,684)	(9,707,184)
Net change in fair value	17,261,353	79,150,377
Other comprehensive results	(106,396,510)	108,922,815
Comprehensive income	208,160,267	519,442,144
Comprehensive income attributable to:		
Controlling interest	208,135,015	519,417,029
Non-controlling interest	25,252	25,115
	208,160,267	519,442,144

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(In U.S. dollars)

	Attributable to the Bank's Controlling Interest								
	Common stock	Additional paid in capital	Treasury stocks	Retained earnings	Regulatory reserves	Other comprehensive losses	Total controlling interest	Non-controlling interest	Total
Balance as of January 1, 2019	834,708,000	140,897,488	(5,218,370)	1,853,737,559	230,621,656	(363,198,450)	2,691,547,883	211,125	2,691,759,008
Net income	0	0	0	410,501,132	0	0	410,501,132	18,197	410,519,329
Other comprehensive results:									
Foreign currency translation	0	0	0	0	0	39,239,766	39,239,766	6,265	39,246,031
Valuation of FVOCI securities:									
Net amount transferred to income statement	0	0	0	0	0	(9,707,184)	(9,707,184)	0	(9,707,184)
Net change in fair value	0	0	0	0	0	79,149,654	79,149,654	723	79,150,377
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(334,939)	(334,939)	(70)	(335,009)
Net change in foreign currency of common stocks	0	0		0	0	568,600	568,600	0	568,600
Total other comprehensive results	0	0	0	0	0	108,915,897	108,915,897	6,918	108,922,815
Total comprehensive results	0	0	0	410,501,132	0	108,915,897	519,417,029	25,115	519,442,144
Other changes in equity:									
Regulatory reserves	0	0	0	(17,811,846)	17,811,846	0	0	0	0
Transactions with the Bank's owners:									
Transactions between the Bank and the non-controlling interest									
Purchase of non-controlling interest	0	0	0	0	0	0	0	(41,580)	(41,580)
Complementary tax	0	0	0	(88,043)	0	0	(88,043)	0	(88,043)
Contributions and distributions:									
Paid dividends	0	0	0	(289,921,000)	0	0	(289,921,000)	0	(289,921,000)
Total transactions with the Bank's owners	0	0	0	(290,009,043)	0	0	(290,009,043)	(41,580)	(290,050,623)
Balance as of December 31, 2019	834,708,000	140,897,488	(5,218,370)	1,956,417,802	248,433,502	(254,282,553)	2,920,955,869	194,660	2,921,150,529
Balance as of January 1, 2020	834,708,000	140,897,488	(5,218,370)	1,956,417,802	248,433,502	(254,282,553)	2,920,955,869	194,660	2,921,150,529
Net income	0	0	0	314,534,416	0	0	314,534,416	22,361	314,556,777
Other comprehensive results:									
Foreign currency translation	0	0	0	0	0	(89,905,145)	(89,905,145)	(619)	(89,905,764)
Valuation of FVOCI securities:									
Net amount transferred to income statement	0	0	0	0	0	(32,192,298)	(32,192,298)	(386)	(32,192,684)
Net change in fair value	0	0	0	0	0	17,258,050	17,258,050	3,303	17,261,353
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(1,367,843)	(1,367,843)	593	(1,367,250)
Net change in foreign currency of common stocks	0	0	0	0	0	(192,165)	(192,165)	0	(192,165)
Total other comprehensive results	0	0	0	0	0	(106,399,401)	(106,399,401)	2,891	(106,396,510)
Total comprehensive results	0	0	0	314,534,416	0	(106,399,401)	208,135,015	25,252	208,160,267
Other changes in equity:									
Regulatory reserves	0	0	0	(5,387,110)	5,387,110	0	0	0	0
Transactions with the Bank's owners:									
Transactions between the Bank and the non-controlling interest									
Adjustment of non-controlling interest	0	0	0	0	0	0	0	4,177	4,177
Complementary tax	0	0	0	(144,056)	0	0	(144,056)	0	(144,056)
Contributions and distributions:									
Declared dividends	0	0	0	(100,000,000)	0	0	(100,000,000)	(161)	(100,000,161)
Paid dividends	0	0	0	(520,000,000)	0	0	(520,000,000)	(3,295)	(520,003,295)
Total transactions with the Bank's owners	0	0	0	(620,144,056)	0	0	(620,144,056)	721	(620,143,335)
Balance as of December 31, 2020	834,708,000	140,897,488	(5,218,370)	1,645,421,052	253,820,612	(360,681,954)	2,508,946,828	220,633	2,509,167,461

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(In U.S. dollars)

	Note	2020	2019
Cash flows from operating activities:			
Net Income		314,556,777	410,519,329
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		81,741,556	78,341,653
Amortization of the right-of-use assets		36,232,524	36,651,635
Provision for loan losses	4	450,000,280	379,970,097
Credit risk of investments and interest bearing deposits	4	15,604,497	2,899,559
Provision for accounts receivable losses		2,989,367	1,476,842
Impairment (reversal) of assets held for sale		64,176	(2,336,581)
Provision (release) for unfunded commitments		(93,411)	(46,688)
Interest income, net		(1,254,760,122)	(1,293,885,866)
Gain on financial instruments, net	16	(40,031,036)	(16,459,219)
Loss on sale and disposal of property and equipment, net		408,468	623,876
Loss on sale and disposal of intangible assets		868,412	443,413
Net gain on sale of assets held for sale		(4,257,632)	(4,607,814)
Dividends on equity securities at FVOCI		(1,997,060)	(1,298,780)
Income tax expense		130,195,208	144,002,046
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		(112,340,058)	(36,370,996)
Investments at fair value		7,417,784	(3,459,836)
Loans		(853,889,574)	(719,815,822)
Securities sold under agreements to repurchase		(7,446,150)	(78,887,084)
Other accounts receivable		(20,657,344)	1,790,905
Other assets		12,991,400	1,558,941
Deposits from costumers		3,799,705,276	1,282,077,685
Other liabilities		(241,178,971)	(106,041,517)
Cash generated by operations:			
Interest received		1,748,957,290	1,898,181,587
Interest paid		(661,431,222)	(652,761,502)
Dividends received		1,997,060	1,298,780
Income tax paid		(132,234,305)	(141,222,665)
Net cash provided by operating activities		3,273,413,190	1,182,641,978
Cash flows from investment activities:			
Proceeds from sale of investments at FVOCI	8	740,222,741	473,527,822
Maturities, and prepayments of investments at FVOCI		1,167,118,557	1,406,403,233
Purchase of investments at FVOCI		(2,584,685,639)	(2,320,074,469)
Purchase of property and equipment		(62,126,889)	(70,244,954)
Proceeds from sale of property and equipment		657,171	632,249
Acquisition of intangible assets		(29,752,491)	(28,854,325)
Proceeds from sale of assets held for sale		19,824,755	22,574,709
Net cash used in investment activities		(748,741,795)	(516,035,735)
Cash flows from financing activities:			
Proceeds from other financial obligations		31,462,204	135,876,342
Payment of other financial obligations		(125,577,249)	(115,311,817)
Proceeds from financial obligations		2,322,401,924	1,666,309,173
Payment of financial obligations		(2,073,977,753)	(2,520,194,365)
Payment of lease liabilities		(39,829,682)	(39,148,908)
Dividends		(730,003,295)	(79,921,000)
Acquisition of non-controlling intetrest		0	(41,580)
Net cash used in financing activities		(615,523,851)	(952,432,155)
Effect of exchange rate fluctuation on cash held		(104,181,662)	80,539,777
Net increase (decrease) in cash and cash equivalents		1,804,965,882	(205,286,135)
Cash and cash equivalents at beginning of the year		3,970,342,813	4,175,628,948
Cash and cash equivalents at the end of the year	7	5,775,308,695	3,970,342,813

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

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(1) Organization

BAC International Bank, Inc. was incorporated as a bank and holding bank on August 25, 1995, in Panama City, Republic of Panama. BAC International Bank, Inc. is owned in a 90.5339% by BAC International Corporation (BIC), 9.4622% by Leasing Bogota, S. A. Panama and 0.0039% by other shareholders. BIC is an indirect subsidiary of Leasing Bogota, S. A. Panama (the Parent Bank). Leasing Bogota, S. A., Panama is wholly owned by Banco de Bogota S. A., an authorized bank in the Republic of Colombia, which is a subsidiary of Grupo Aval Acciones y Valores, S. A.

BAC International Bank, Inc. (the Parent Bank) provides, directly and through its wholly owned subsidiaries, a wide variety of financial services to individuals and institutions, principally in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama.

In August 2020, authorization was received from the Superintendency of Banks of the Republic of Panama to merge the operations of the subsidiary Rudas Hill Financial, Inc. with the Parent Bank. As of the merger date, all the assets, liabilities, rights, obligations, and responsibilities of the merged entity are incorporated into the merging entity (the Parent Bank), therefore, it ceases to exist as a legal entity. This merger process maintains an operational approach, which has no effect on the figures in the consolidated financial statements.

In December 2020, authorization was received from the Superintendency of Banks of the Republic of Panama to merge the operations of the subsidiary Credomatic International Corporation, Inc. with the Parent Bank. As of the merger date, all the assets, liabilities, rights, obligations, and responsibilities of the merged entity are incorporated into the merging entity (the Parent Bank), therefore, it ceases to exist as a legal entity. This merger process maintains an operational approach, which has no effect on the figures in the consolidated financial statements.

The Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to provisions established by Law Decree No. 52, dated April 30, 2008, that adopts the single text of Law Decree No.9 of February 26, 1998, as amended by Legislative Decree No.2 of February 22, 2008, which establishes the Banking regime of the Republic of Panama and creates the Superintendency of Banks and the rules that govern it.

(1) Organization, continued

The Bank owns 100% of the economic interest on the majority of the capital and the results of its subsidiaries. The Bank consolidates directly and indirectly with the following significant entities:

Subsidiary	Core Business	Location	Total voting rights held by BIB
BAC International Bank (Grand Cayman)	Banking	Grand Cayman	100.0000%
BAC Bahamas Bank Limited	Banking	Bahamas	100.0000%
BAC Latam SSC S.A.	Service	Costa Rica	100.0000%
BAC Valores Inc.	Service Broker	Panama	100.0000%
Premier Assets Management Inc.	Mutual funds	Panama	100.0000%
Red Land Bridge Reinsurance Ltd.	Reinsurance	Grand Cayman	100.0000%
Corporacion Latinoamericana de Finanzas S.A.	Holding Company	Panama	100.0000%
Informaciones S.A.	Holding Company	Guatemala	100.0000%
Banco de America Central S.A	Banking	Guatemala	100.0000%
Financiera de Capitales S.A.	Banking Financial	Guatemala	99.9996%
BAC Valores de Guatemala S.A.	Securities Broker	Guatemala	99.9929%
BAC Bank Inc.	Banking	Panama	100.0000%
Credomatic de Guatemala S.A.	Card Industry	Guatemala	100.0000%
Banco de America Central Honduras S.A	Banking	Honduras	99.9776%
Ventas Internacionales S.A.	Card Industry	Honduras	99.9950%
Credomatic de Honduras S.A.	Card Industry	Honduras	99.9950%
Admin. de Fondos de Pensiones y Cesantias BAC	Mutual Funds	Honduras	100.0000%
Inversiones Financieras Banco de America Central S.A.	Holding Company	El Salvador	99.9988%
Banco de America Central S.A.	Banking	El Salvador	99.9999%
Credomatic de El Salvador S.A.	Card Industry	El Salvador	99.9997%
Sistemas Internacionales S.A.	Holding Company	El Salvador	99.9949%
Viajes Credomatic El Salvador S.A	Traver Agency	El Salvador	99.9436%
Corporacion Tenedora BAC COM S.A.	Holding Company	Nicaragua	99.9769%
Banco de America Central S.A.	Banking	Nicaragua	100.0000%
Almacenes Generales de Deposito BAC S.A.	Fiscal Warehouse	Nicaragua	99.9995%
Credito S.A.	Card Industry	Nicaragua	99.6631%
BAC Valores Nicaragua Puesto de Bolsa S.A.	Securities Broker	Nicaragua	99.9946%
Corporacion de Inversiones Credomatic S.A.	Holding Company	Costa Rica	100.0000%
Corporacion Tenedora BAC Credomatic S.A.	Holding Company	Costa Rica	100.0000%
Banco BAC San Jose S.A.	Banking	Costa Rica	100.0000%
BAC San Jose Puesto de Bolsa S.A.	Securities Broker	Costa Rica	100.0000%
BAC San Jose Leasing S.A.	Leasing	Costa Rica	100.0000%
Inmobiliaria Credomatic S.A.	Real Estate	Costa Rica	100.0000%
BAC San Jose Soc. de Fondos de Inversion S.A.	Mutual funds	Costa Rica	100.0000%
BAC San Jose Pensiones S.A.	Mutual funds	Costa Rica	100.0000%
BAC Credomatic Corredora de Seguros S.A.	Insurance	Costa Rica	100.0000%
Credomatic de Costa Rica S.A.	Card Industry	Costa Rica	100.0000%

(2) Basis of Preparation of the Consolidated Financial Statements

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

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

The consolidated financial statements were approved by the Bank´s Board of Directors on February 23, 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following accounts in the consolidated statement of financial position.

- Investments at fair value; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed.

(c) Functional and presentation currency

The items included in the accounts of each of the Bank's subsidiaries are measured using the currency of the main economic environment where the entity operates ("functional currency").

The Bank's consolidated financial statements are presented in U.S.A. dollars, which is also Bank's functional currency. Information presented in U.S.A. dollars is expressed in units, unless otherwise stated.

(d) Use of estimates and judgments

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

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

(3) Summary of Significant Accounting Policies

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

(a) Basis of consolidation

Subsidiaries

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

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

Balances and Transactions Eliminated in the Consolidation

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

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

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

Loss of control

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

(b) Foreign currencies

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

Goodwill and adjustments to fair value resulting from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and, consequently, are converted at the exchange rates in effect on each period closing date.

(3) Summary of Significant Accounting Policies, continued

Subsidiaries of the Bank

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

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

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

(c) Financial assets and liabilities

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

Classification

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

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

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

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

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

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

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

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

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

Business Model Assessment

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

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include, whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;

- How they are evaluated or reported to key management personnel for each Bank subsidiary on portfolio performance.

- The risks that affect the performance of the portfolios (and the financial assets held within) and the way those risks are managed;

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

- The frequency, value and timing of sales in prior fiscal periods, the reasons for those sales and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation, but rather as part of an assessment of how Bank objectives established for managing financial assets is achieved and how cash flows are realized.

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

(3) Summary of Significant Accounting Policies, continued

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

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

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

- Contingent events that will change the amount and timing of cash flows;
- Hedging conditions;
- Prepayment and extension terms;
- Terms that limit the Bank in achieving cash flows for specific assets (e.g. unfunded asset agreements); and
- Terms that change the considerations on the value of money over time (e.g. periodic revision of interest rates).

Interest rates on certain consumer and business loans are based on variable interest rates established at the discretion of the Bank. Variable interest rates are generally established in accordance with the practices of each of the countries where the Bank operates, plus certain additional discretionary points. In these cases, the Bank assess whether the discretionary feature is consistent with the solely principal and interest criteria considering a number of factors that include whether:

- Debtors can prepay the loans without significant penalties;
- Competitive market factors insure that interest rates are consistent between banks; and,
- Any regulatory protection standard in favor of customers in the country requiring banks to treat customers reasonably (e.g. regulated rates).

All fixed rate consumer and corporate loans contain a prepayment condition.

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

(3) Summary of Significant Accounting Policies, continued

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

Impairment of Financial Assets

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

The impairment model applies to the following financial assets that are not measured at FVPL.

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

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

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

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,
- Other financial assets (other than short term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

(3) Summary of Significant Accounting Policies, continued

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

- Assess whether the credit risk has increased significantly from initial recognition; and,
- Incorporate prospective information in the measurement of expected impairment losses.

Measuring ECL

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

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example: the difference between Bank cash flow debt in accordance with the contract and cash flows that the Bank expects to receive);
- Impaired financial assets to the reporting date: the difference between the gross book value and the present value of estimated future cash flows;
- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and
- Financially secured contracts: expected payments to reimburse the holder minus any amount the Bank expects to recover.

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor will fully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if any); or
- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.
- For fixed income financial instruments, the following concepts, among others, are included:
  - Downgrade on the issuer's credit risk rating;
  - Contractual payments are not made on the due date or in the term period stipulated;
  - There is a virtual certainty of default;
  - Issuer is likely to go bankrupt or a bankruptcy petition is filed or similar action;
  - The financial asset stops trading in an active market given its financial difficulties;

(3) Summary of Significant Accounting Policies, continued

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

- Qualitative, e.g. noncompliance with contractual clauses;
- Quantitative, e.g. arrears or non-payment of another obligation from the same issuer to the Bank; and,
- Based on data developed internally and obtained from external sources.

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

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers relevant fair, sustainable information available at no cost or disproportionate effort, including information and quantitative and qualitative analyses based on historical experience and expert assessment of Bank credit risk, including information with future projection.

The Bank identifies if a significant increase in the credit risk has occurred for each exposure by comparing:

- The probability of default (PD) during the remaining life of financial instrument at the closing date, with
- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly from initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For purposes of revolving credit (credit cards, overdrafts, among others), the date when the credit was first delivered may be a long time ago. Changes in the contractual terms of a financial asset may also impact this assessment, as discussed below.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to predict the PD and applying the judgment of a credit expert, the Bank use these grades to identify significant increases in credit risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors varies depending on the type of exposure and the type of borrower.

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

(3) Summary of Significant Accounting Policies, continued

Each exposure is given a credit risk grade upon initial recognition based on information available on the debtor. Exposures are subject to continuous monitoring, that may result in displacement of an exposure to a different credit risk grade.

Generating the Structure of the PD term

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

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

These analyses include identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as in-depth analysis of certain impairment risk factors (for example, loans portfolio charge-offs). For the majority of loans, key economic factors includes growth in gross domestic product, changes in interest rates on the market and unemployment.

The approach used by the Bank to prepare prospective economic information within its assessment is indicated below.

Determine if the credit risk has increased significantly

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

The initial framework is aligned with the internal process of the Bank for credit risk management.

The criteria to determine whether the credit risk has increased significantly varies by portfolio and includes limits based on noncompliance.

The Bank evaluates whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on Bank qualitative modeling, the expected probability of impairment during the remaining life will increase significantly from initial recognition. In determining the credit risk increase, the expected impairment losses in the remaining life is adjusted by changes in expiration.

(3) Summary of Significant Accounting Policies, continued

Under certain circumstances, using the judgment of credit experts, and based on relevant historical information, the Bank determines that an exposure has had a significant increase in credit risk, if particular qualitative factors indicate this and those factors may not be completely captured by periodic quantitative analyses. As a limit, the Bank assumes that a significant credit risk occurs no later than when the asset is in arrears for more than 30 days.

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

- The criteria can identify significant increases in credit risk before an exposure becomes impaired;

- The criteria are inconsistent with the time when the asset is more than 30 days past the due date;

Modified financial assets

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

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

For financial assets modified as part of the Bank's renegotiation policies, the estimation of the PD reflects whether the modifications have improved or restored the ability of the Bank to collect principal and interest and the prior experience of the Bank in similar actions. As part of the process, the Bank evaluates the debtor's payment compliance as compared to the modified terms of the debt and considers several performance indicators for the group of debtors modified.

Generally, restructuring indicators are a relevant factor on increased credit risk. Therefore, a restructured debtor must demonstrate a consistent payment behavior over a period of time before no longer being considered as an impaired loan or that the PI has decreased in such a way that the provision may be reversed and the loan measured for impairment over a term of twelve months after the closing date of the report.

Inputs in Measuring ECL

Key inputs in measuring ECL are usually the structure of terms of the following variables:

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

The foregoing parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect prospective information as described below.

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

EAD represents expected exposure in the event of noncompliance. The Bank derives the EAD from the current exposure of the counterpart and potential changes in the current amount permitted under the terms of the contract, including amortization and prepayments for decreasing and revolving exposures with no commitment to disburse. For loan commitments and financial security, the EAD considers the amount removed, as well as potential future amounts that may be removed or collected under the contract, which are estimated based on historical issues. Finally, for credit cards, due to its relative nature, the Bank determines the EAD by modeling a percentage of historical utilization over approved credit limit.

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

For credit card balances the Bank measures EADs over a longer period than the maximum contractual period, if the contractual ability of the Bank to demand payments and pay off the commitment no withdraw does not limit the Bank's exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or a collection structure and are managed on a collective basis. The Bank may cancel them immediately, but this contractual right is forced in the normal management of the Bank's day to day management, rather only when the Bank finds that there has been increased credit risk for each loan. This longer period will be estimated taking into account the actions for the management of credit risk that the Bank expects to take and that mitigate the EAD. These measures include a reduction in limits and cancellation of loan contracts.

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

- Type of instrument.
- Credit risk rating.
- Guarantees.
- Date of initial recognition.
- Remaining expiration term.
- Geographical location of the debtor.

The above pooling is subject to regular review to ensure that the exposure of a particular Group remains uniform.

(3) Summary of Significant Accounting Policies, continued

Projection of future conditions

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

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

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

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

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

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

The base case represents the most probable. Other scenarios represent a more optimistic or pessimistic outcome. In addition, the Bank uses periodic stress testing to calibrate the determination of these other representative scenarios.

(3) Resumen de las Principales Políticas de Contabilidad, continuación

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, except when there are financial liabilities measured at FVPL.

Recognition, disposal and measurement

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

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

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

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

Offsetting of financial instruments

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

Presentation of provision for PCE in the consolidated statement of position financial

The provision for PCE is presented in the consolidated statement of financial position of the following way:

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

(3) Summary of Significant Accounting Policies, continued

(d) Loans

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

(e) Assets held for sale

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

(f) Recognition of the most significant income and expenses

Interest income and expenses

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

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

Fees and commissions

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

Loyalty programs

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

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

(g) Cash and cash equivalents

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

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

Property, furniture, equipment and improvements are presented at cost, less accumulated depreciation and amortization.

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

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

Category	Years/Base
Buildings	20 - 50
Furniture and equipment	5 - 10
Vehicles	5
Computers	3 - 5
Leasehold improvements	3 - 10

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

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

(3) Summary of Significant Accounting Policies, continued

(i) Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - The Bank has the right to operate the asset; or
  - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

i. As a lessee

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

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

(3) Summary of Significant Accounting Policies, continued

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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

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

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

Short-term leases and leases of low-value assets

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

ii. As a lessor

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

(3) Summary of Significant Accounting Policies, continued

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

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

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

(j) Business combinations and goodwill

The Bank accounts for business combinations using the acquisition method when control is transferred. The consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill is subject to annual impairment tests. Any gain from purchase under very advantageous conditions is immediately recognized in profit or loss. Transaction costs are recorded as an expense when incurred, except if they are related to the issuance of debt or equity instruments.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay the contingent consideration that meets the definition of financial instruments is classified as equity, it should not be measured again, and its subsequent settlement should be accounted for within equity. If not, the other contingent consideration is remeasured at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Non-controlling interests are recorded for the proportional part of fair value of the identifiable assets and liabilities, unless stated otherwise. When the Bank has the corresponding option to settle the purchase of a non-controlling interest through the issue of its own ordinary shares, no financial liability is recorded.

During the measurement period (which is a term of one year from the date of the acquisition), the Bank can, retrospectively, adjust the amounts recognized on the date of acquisition to reflect new information obtained on events and circumstances that existed at that date.

For impairment tests purposes, goodwill acquired in a business combination is, on the acquisition date, assigned to each of the cash-generating unit groups (CGUs) expected to benefit from the combination. The CGUs to which goodwill is assigned will be disaggregated so impairment-testing level reflects the lowest level to which the goodwill is controlled for purposes of internal management.

An impairment loss will be recognized if the carrying amount of the CGU plus the goodwill allocated to it is higher than its recoverable amount, in which case the allocated goodwill will be reduced, and any remaining impairment would be applied to other CGUs' assets.

(3) Summary of Significant Accounting Policies, continued

(k) Intangible assets

Intangible assets represent identifiable non-monetary assets and are acquired separately or through a business combination or are generated internally. The Bank's intangible assets are recognized at cost or at fair value and mainly comprised of relations with the depositors, relations with credit card clients, relations with affiliated businesses, technological programs and trade names.

Cash-generating units to which goodwill has been attributed are periodically assessed for impairment. This assessment is carried out at least annually, or whenever there is evidence of impairment.

The amortization expense of intangible assets is presented in the consolidated statement of income as depreciation and amortization expenses.

Trade names are non-amortizable intangible assets.

(l) Income tax

Tax expense for the year includes current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they refer to items recognized directly in equity.

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

(m) Employee benefits

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

(n) Trust Contracts and Securities Management

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

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

(o) Fair value estimates

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.
- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

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

(3) Summary of Significant Accounting Policies, continued

(p) Segment Reporting

An operating segment corresponds to the group of entities that make up the Banking operation in each of the countries in which the Bank operates. Each operating segment is engaged in business activities from which it may earn income and incur expenses, including income and expenses related to transactions with any of the other components of the Bank. The operating results of each segment are periodically reviewed by the Administration to make decisions about the resources to be assigned to the segment and evaluate its performance.

The results of the segments that are reported to the Administration include elements that are directly attributable to each segment.

(q) Transactions between entities under common control

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

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

(r) New International Financial Reporting Standards ("IFRSs") not yet adopted.

A number of new standards and amendments to standards are effective for annual periods beginning January 1, 2020 and early application is permitted; however, the Bank has not early adopted the new and modified standards when preparing the consolidated financial statements as of December 31, 2020.

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

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

(s) Reform of benchmark interest rates

Any of these developments, and any future initiatives to regulate, reform or change the management of the benchmark, could have adverse consequences for the performance, value and the market of loans, mortgages, securities, derivatives, and other financial instruments whose returns are linked to any benchmark, including those issued, financed or maintained by us or our financial subsidiaries.

(3) Summary of Significant Accounting Policies, continued

Various regulators, industry authorities, and other market participants in the United States and other countries are involved in initiatives to develop, introduce, and encourage the use of alternative rates to replace certain benchmarks. There is no guarantee that these new rates will be accepted or widely used by market participants, or that the characteristics of any of these new rates will be similar or will produce the economic equivalent of the benchmark rates they trying to replace.

The London Interbank Rate (LIBOR) is the most widely referenced interest rate worldwide for derivatives, bonds, loans, and other floating rate instruments; On July 27, 2017, the Executive Director of the Authority UK Financial Conduct Board (the "FCA"), which regulates "LIBOR", announced that the FCA will no longer require banks to submit rates for the calculation of the LIBOR benchmark after 2021. This announcement indicates that the continuation LIBOR on the current basis cannot be guaranteed after this date. Therefore, after 2021 LIBOR may be discontinued. There is a regulator-led push to transition the market from LIBOR and some other benchmark rates to risk-free alternative rates, which are based on overnight transactions. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date and which refer to certain benchmark rates (including LIBOR) as the benchmark rate will be affected. As a result, agencies are moving toward new benchmark rates.

Many unsolved problems remain, such as the timing of the introduction of the new benchmark indices and the transition from a benchmark index to a replacement rate, which could lead to a generalized dislocation in financial markets, generate volatility in the prices of securities, derivatives and other instruments, and repress the activities of the capital markets.

As of December 31, 2020, the Bank used the Libor rate as a reference in most of its financial instruments, as well as derivatives with these characteristics. While some of these outstanding LIBOR-based loans and contracts include alternative benchmark rate support provisions, most of our existing LIBOR-based contracts and products do not include adequate support provisions or support mechanisms and will require modifications to their terms. Additionally, most of our loans, and outstanding LIBOR-based contracts can be difficult to modify due to the requirement that all affected parties' consent to the respective modifications. It is currently not possible to determine to what extent these changes will affect us.

Our transition activities are currently under development and by 2021 are focused on converting existing LIBOR-based contracts to other alternative rates through:

a. Identification of asset and liability operations indexed to the Libor rate in each of our Subsidiaries

b. development of new alternative products linked to a reference rate

c. negotiations with clients and counterparties

d. contract modifications

(3) Summary of Significant Accounting Policies, continued

e. adjustments in information systems

f. modifications of procedures and policies

g. modifications in valuation models

h. the timeline of our work plan depends on a wider acceptance in the market of products that refer to the new alternative reference rates and, on the readiness, and capacity of our clients to adopt the replacement products. We are following the recommended dates for the termination of LIBOR.

(4) Risk Management

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

Classification of financial assets

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

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

2020	Designated FVPL – debt instruments	Designated FVPL - equity instruments	FVOCI - debt instruments	FVOCI - equity instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	0	5,881,896,194	5,881,896,194
Investments at fair value	36,659,323	10,460,656	2,846,309,829	5,061,326	0	2,898,491,134
Loans at amortized costs	0	0	0	0	16,504,903,286	16,504,903,286
Other accounts receivable	0	0	0	0	236,207,140	236,207,140
Total financial assets	36,659,323	10,460,656	2,846,309,829	5,061,326	22,623,006,620	25,521,497,754

2019	Designated FVPL – debt instruments	Designated FVPL - equity instruments	FVOCI - debt instruments	FVOCI - equity instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	0	3,994,151,549	3,994,151,549
Investments at fair value	42,636,461	10,617,681	2,196,184,021	5,328,901	0	2,254,767,064
Loans at amortized costs	0	0	0	0	16,343,262,667	16,343,262,667
Other accounts receivable	0	0	0	0	237,756,868	237,756,868
Total financial assets	42,636,461	10,617,681	2,196,184,021	5,328,901	20,575,171,084	22,829,938,148

As of December 31, 2020, and 2019, all of the financial liabilities held by the Bank are classified at amortized cost.

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

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

(4) Risk Management, continued

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

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

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

(a) Credit Risk

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

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

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

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

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

The Bank has a regional guideline on investments that defines the general profile for the investment portfolio, and establishes two large maximum levels to control the investments' exposure: a limit on country risk and on issuer risk. The country risk limits are set based on an internal qualification scale, and are measured as percentages of the Bank's equity or as absolute amounts. The guideline includes approval schemes and attributions for new limits or increases on existing limits.

(4) Risk Management, continued

Compliance with this guideline is monitored on a daily basis through the Investment Portfolio Management and Control Module (MACCI from Spanish), an internal tool to document the entire investment process, including new approvals, limit increases or decreases, purchases and sales, and also to control exposures by issuer and the use of assigned quotas.

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

Information on the portfolio's quality

Quality of the portfolio of bank deposits and securities under resale agreements

The Bank maintains deposits in banks for $5,152,016,787 as of December 31, 2020 (December 31, 2019: $3,248,876,202). Deposits are maintained at central banks and other financial institutions, most of which have A+ to CCC risk ratings, based on Standard & Poor’s, Moody's, and/or Fitch Ratings. Of total deposits, excluding deposits in central banks, as of December 31, 2020, approximately $16 million did not have a risk rating (December 31, 2019: $43 million).

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

As of December 31, 2020, all securities under resale agreements and bank deposits are up to date on the payment of principal and interest.

Quality of the investments at fair value

The Bank segregates the investment portfolio into investments at FVPL and investments at FVOCI. As of December 31, 2020, investments amounted to $2,898,491,134 (2019: $2,254,767,064).

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

  The following table summarizes investments at FVLP categories:

	2020	2019
Governments and agencies		
B+	0	41,705,042
B	34,950,484	0
Total governments and agencies	34,950,484	41,705,042
Corporates		
BB-	0	152,534
Not rated	1,708,839	778,885
Total corporates	1,708,839	931,419
Total investments at FVPL	36,659,323	42,636,461

(4) Risk Management, continued

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	2020			2019		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AAA	777	0	777	839	0	839
AA+	104,966,369	0	104,966,369	40,134,125	0	40,134,125
BBB+	122,201,022	0	122,201,022	157,338,820	0	157,338,820
BB+ to B-	2,224,418,875	5,041,147	2,229,460,022	1,532,265,685	0	1,532,265,685
Total governments and agencies	2,451,587,043	5,041,147	2,456,628,190	1,729,739,469	0	1,729,739,469
Corporates						
AA	2,021,110	0	2,021,110	2,026,899	0	2,026,899
A-	22,052,737	0	22,052,737	265,829,815	0	265,829,815
BBB+	31,398,868	0	31,398,868	126,367,304	0	126,367,304
BBB	13,958,308	0	13,958,308	0	0	0
BBB-	65,510,433	0	65,510,433	0	0	0
BB+ to CCC+	254,740,183	0	254,740,183	72,220,534	0	72,220,534
Total corporates	389,681,639	0	389,681,639	466,444,552	0	466,444,552
Total	2,841,268,682	5,041,147	2,846,309,829	2,196,184,021	0	2,196,184,021
Allowance for ECL	22,985,969	52,154	23,038,123	8,554,961	0	8,554,961

As of December 31, 2020, investments at FVOCI are current and do not reflect impairment (December 31, 2019: current and do not reflect impairment).

Quality of the loans portfolio

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

(4) Risk Management, continued

The following table presents the loans portfolio and the debts commitments and guarantee according to its risk category, in accordance with the grading used for each stated term:

	Loans			
2020	**12 months ECL**	**Lifetime ECL - credit unimpaired**	**Lifetime ECL - credit impaired**	**Total**
Corporate				
Satisfactory	6,175,054,226	38,261,019	0	6,213,315,245
Special mention	0	460,054,840	0	460,054,840
Sub-standard	0	0	156,231,571	156,231,571
Doubtful	0	0	21,956,529	21,956,529
Loss	0	0	32,159,459	32,159,459
Gross amount	6,175,054,226	498,315,859	210,347,559	6,883,717,644
Allowance for ECL	(35,496,690)	(39,543,177)	(67,399,701)	(142,439,568)
Net amount	6,139,557,536	458,772,682	142,947,858	6,741,278,076
Small Company				
Satisfactory	541,897,558	150,412,045	0	692,309,603
Special mention	645,805	68,678,304	1,645	69,325,754
Sub-standard	0	0	10,260,147	10,260,147
Doubtful	0	0	3,772,996	3,772,996
Loss	0	0	5,851,579	5,851,579
Gross amount	542,543,363	219,090,349	19,886,367	781,520,079
Allowance for ECL	(3,986,402)	(10,672,501)	(4,665,706)	(19,324,609)
Net amount	538,556,961	208,417,848	15,220,661	762,195,470
Mortgage				
Satisfactory	2,459,419,636	674,062,351	0	3,133,481,987
Special mention	3,541,875	231,674,062	0	235,215,937
Sub-standard	0	0	51,728,277	51,728,277
Doubtful	0	0	21,861,149	21,861,149
Loss	0	0	50,215,261	50,215,261
Gross amount	2,462,961,511	905,736,413	123,804,687	3,492,502,611
Allowance for ECL	(8,766,667)	(44,977,797)	(20,644,625)	(74,389,089)
Net amount	2,454,194,844	860,758,616	103,160,062	3,418,113,522
Personal banking				
Satisfactory	1,532,849,622	253,206,198	1,826,937	1,787,882,757
Special mention	3,677,713	88,081,637	4,170,188	95,929,538
Sub-standard	0	0	39,302,846	39,302,846
Doubtful	0	0	10,978,889	10,978,889
Loss	0	0	14,336,978	14,336,978
Gross amount	1,536,527,335	341,287,835	70,615,838	1,948,431,008
Allowance for ECL	(24,465,747)	(42,785,657)	(23,278,706)	(90,530,110)
Net amount	1,512,061,588	298,502,178	47,337,132	1,857,900,898
Vehicles				
Satisfactory	731,515,495	198,285,723	0	929,801,218
Special mention	887,316	51,433,775	0	52,321,091
Sub-standard	0	0	4,379,122	4,379,122
Doubtful	0	0	3,721,072	3,721,072
Loss	0	0	(4,460)	(4,460)
Gross amount	732,402,811	249,719,498	8,095,734	990,218,043
Allowance for ECL	(4,444,380)	(13,362,516)	(2,955,956)	(20,762,852)
Net amount	727,958,431	236,356,982	5,139,778	969,455,191
Credit Card				
Satisfactory	2,152,438,867	348,249,678	3,913,371	2,504,601,916
Special mention	5,155,879	225,572,705	123,343,325	354,071,909
Sub-standard	0	0	11,464,026	11,464,026
Doubtful	115,694	54,037,856	7,779,900	61,933,450
Loss	0	0	146,181,206	146,181,206
Gross amount	2,157,710,440	627,860,239	292,681,828	3,078,252,507
Allowance for ECL	(55,380,552)	(132,742,065)	(134,169,761)	(322,292,378)
Net amount	2,102,329,888	495,118,174	158,512,067	2,755,960,129
Net carrying amount, net of reserve	13,474,659,248	2,557,926,480	472,317,558	16,504,903,286

(4) Risk Management, continued

	Loans			
2019	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	6,161,534,169	1,949,132	0	6,163,483,301
Special mention	0	162,481,618	0	162,481,618
Sub-standard	0	0	103,638,377	103,638,377
Doubtful	0	0	16,319,303	16,319,303
Loss	0	0	29,584,356	29,584,356
Gross amount	6,161,534,169	164,430,750	149,542,036	6,475,506,955
Allowance for ECL	(35,618,255)	(17,012,276)	(41,991,855)	(94,622,386)
Net amount	6,125,915,914	147,418,474	107,550,181	6,380,884,569
Small Company				
Satisfactory	661,905,203	51,974,883	0	713,880,086
Special mention	553,850	38,196,649	0	38,750,499
Sub-standard	0	93,722	8,714,486	8,808,208
Doubtful	0	0	4,857,194	4,857,194
Loss	0	0	3,174,452	3,174,452
Gross amount	662,459,053	90,265,254	16,746,132	769,470,439
Allowance for ECL	(4,568,794)	(6,047,401)	(5,217,866)	(15,834,061)
Net amount	657,890,259	84,217,853	11,528,266	753,636,378
Mortgage				
Satisfactory	2,949,977,462	170,553,924	0	3,120,531,386
Special mention	7,633,982	154,721,529	0	162,355,511
Sub-standard	0	687,503	33,831,760	34,519,263
Doubtful	0	0	35,375,995	35,375,995
Loss	0	0	39,078,065	39,078,065
Gross amount	2,957,611,444	325,962,956	108,285,820	3,391,860,220
Allowance for ECL	(8,070,830)	(16,169,515)	(23,809,469)	(48,049,814)
Net amount	2,949,540,614	309,793,441	84,476,351	3,343,810,406
Personal banking				
Satisfactory	1,807,114,691	70,712,458	1,836,813	1,879,663,962
Special mention	2,389,101	89,434,848	2,693,609	94,517,558
Sub-standard	0	345,873	11,963,044	12,308,917
Doubtful	0	0	13,829,038	13,829,038
Loss	0	15,585	13,982,479	13,998,064
Gross amount	1,809,503,792	160,508,764	44,304,983	2,014,317,539
Allowance for ECL	(37,781,053)	(33,255,645)	(22,741,542)	(93,778,240)
Net amount	1,771,722,739	127,253,119	21,563,441	1,920,539,299
Vehicles				
Satisfactory	836,413,664	53,583,409	0	889,997,073
Special mention	1,944,480	39,423,694	0	41,368,174
Sub-standard	0	75,801	5,419,591	5,495,392
Doubtful	0	0	4,651,370	4,651,370
Loss	0	0	2,211	2,211
Gross amount	838,358,144	93,082,904	10,073,172	941,514,220
Allowance for ECL	(3,458,949)	(6,756,295)	(4,044,239)	(14,259,483)
Net amount	834,899,195	86,326,609	6,028,933	927,254,737
Credit Card				
Satisfactory	2,727,382,917	149,486,781	4,162,675	2,881,032,373
Special mention	11,659,011	80,351,072	96,898,298	188,908,381
Sub-standard	0	0	13,177,012	13,177,012
Doubtful	295,585	47,450,695	7,802,819	55,549,099
Loss	0	0	123,209,268	123,209,268
Gross amount	2,739,337,513	277,288,548	245,250,072	3,261,876,133
Allowance for ECL	(75,472,838)	(64,541,441)	(104,724,576)	(244,738,855)
Net amount	2,663,864,675	212,747,107	140,525,496	3,017,137,278
Net carrying amount, net of reserve	15,003,833,396	967,756,603	371,672,668	16,343,262,667

(4) Risk Management, continued

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

2020	Debt commitments and guarantees 12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	464,313,164	0	0	464,313,164
Special mention	0	5,756,869	0	5,756,869
Sub-standard	0	0	244,760	244,760
Doubtful	0	0	49,995	49,995
Loss	0	0	9,076	9,076
Gross amount	464,313,164	5,756,869	303,831	470,373,864
Allowance for ECL	(220,412)	(52,463)	(68,284)	(341,159)
Net amount	464,092,752	5,704,406	235,547	470,032,705
Small company				
Satisfactory	4,953,992	0	0	4,953,992
Special mention	0	3,240	0	3,240
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
Gross amount	4,953,992	3,240	0	4,957,232
Allowance for ECL	(1,371)	(1)	0	(1,372)
Net amount	4,952,621	3,239	0	4,955,860
Personal banking				
Satisfactory	45,247,544	0	0	45,247,544
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
Gross amount	45,247,544	0	0	45,247,544
Allowance for ECL	(9,050)	0	0	(9,050)
Net amount	45,238,494	0	0	45,238,494
Net carrying amount, net of reserve	514,283,867	5,707,645	235,547	520,227,059

2019	Debt commitments and guarantees 12 months ECL	2020	12 months ECL	2020
Corporate				
Satisfactory	452,671,486	0	0	452,671,486
Special mention	0	1,571,378	0	1,571,378
Sub-standard	0	0	44,071	44,071
Doubtful	0	0	0	0
Loss	0	0	313,981	313,981
Gross amount	452,671,486	1,571,378	358,052	454,600,916
Allowance for ECL	(171,065)	(10,391)	(199,319)	(380,775)
Net amount	452,500,421	1,560,987	158,733	454,220,141
Small company				
Satisfactory	8,500,840	0	0	8,500,840
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	1,116	1,116
Loss	0	0	0	0
Gross amount	8,500,840	0	1,116	8,501,956
Allowance for ECL	(1,545)	0	(2)	(1,547)
Net amount	8,499,295	0	1,114	8,500,409
Personal banking				
Satisfactory	45,087,813	0	0	45,087,813
Special mention	0	0	0	0
Sub-standard	0	0	0	0
Doubtful	0	0	0	0
Loss	0	0	0	0
Gross amount	45,087,813	0	0	45,087,813
Allowance for ECL	(4,509)	0	0	(4,509)
Net amount	45,083,304	0	0	45,083,304
Net carrying amount, net of reserve	506,083,020	1,560,987	159,847	507,803,854

(4) Risk Management, continued

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

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

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

	2020					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	21,227,306	0	21,227,306
Investments in securities at fair value	0	0	0	0	2,882,969,152	2,882,969,152
Loans						
Corporate						
Corporate	3,295,708,035	512,166,041	184,352,809	0	2,754,574,236	6,746,801,121
Corporate leases, net	0	136,916,523	0	0	0	136,916,523
Total corporate	3,295,708,035	649,082,564	184,352,809	0	2,754,574,236	6,883,717,644
Personal Banking and Small company						
Small company						
Small company	467,989,994	0	23,756,316	0	201,386,335	693,132,645
Small company leases, net	0	88,387,434	0	0	0	88,387,434
Total Small company	467,989,994	88,387,434	23,756,316	0	201,386,335	781,520,079
Personal Banking						
Mortgage	3,492,502,611	0	0	0	0	3,492,502,611
Personal	394,252,144	0	40,648,013	0	1,513,530,851	1,948,431,008
Vehicles	0	900,831,896	0	0	0	900,831,896
Personal leases, net of interest	0	89,386,147	0	0	0	89,386,147
Credit cards	0	0	0	0	3,078,252,507	3,078,252,507
Total Personal Banking	3,886,754,755	990,218,043	40,648,013	0	4,591,783,358	9,509,404,169
Total Personal Banking and Small company	4,354,744,749	1,078,605,477	64,404,329	0	4,793,169,693	10,290,924,248
Allowance for ECL	(168,758,453)	(42,777,777)	(73,730)	0	(458,128,646)	(669,738,606)
Total loans	7,481,694,331	1,684,910,264	248,683,408	0	7,089,615,283	16,504,903,286
Commitments and guarantees, net	50,117,622	1,733,690	12,304,402	0	456,071,345	520,227,059

	2019					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	18,149,866	0	18,149,866
Investments in securities at fair value	0	0	0	0	2,238,820,482	2,238,820,482
Loans						
Corporate						
Corporate	2,921,376,524	513,563,338	211,673,118	0	2,711,986,314	6,358,599,294
Corporate leases, net	0	116,907,661	0	0	0	116,907,661
Total corporate	2,921,376,524	630,470,999	211,673,118	0	2,711,986,314	6,475,506,955
Personal Banking and Small company						
Small company						
Small company	417,399,110	0	21,129,863	0	222,585,730	661,114,703
Small company leases, net	0	108,355,736	0	0	0	108,355,736
Total Small company	417,399,110	108,355,736	21,129,863	0	222,585,730	769,470,439
Personal Banking						
Mortgage	3,391,860,220	0	0	0	0	3,391,860,220
Personal	406,120,368	0	45,769,905	0	1,562,427,266	2,014,317,539
Vehicles	0	870,722,757	0	0	0	870,722,757
Personal leases, net of interest	0	70,791,463	0	0	0	70,791,463
Credit cards	0	0	0	0	3,261,876,133	3,261,876,133
Total Personal Banking	3,797,980,588	941,514,220	45,769,905	0	4,824,303,399	9,609,568,112
Total Personal Banking and Small company	4,215,379,698	1,049,869,956	66,899,768	0	5,046,889,129	10,379,038,551
Allowance for ECL	(129,544,875)	(31,483,749)	(56,057)	0	(350,198,158)	(511,282,839)
Total loans	7,007,211,347	1,648,857,206	278,516,829	0	7,408,677,285	16,343,262,667
Commitments and guarantees, net	53,171,462	871,219	16,954,050	0	436,807,123	507,803,854

(4) Risk Management, continued

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

	2020		2019	
	Loans	Covered amount	Loans	Covered amount
Corporates				
Stage 1 y 2	2,855,939,513	2,855,938,964	2,610,540,417	2,610,531,369
Stage 3	142,231,227	142,231,227	120,807,751	120,807,751
Total	2,998,170,740	2,998,170,191	2,731,348,168	2,731,339,120

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

	2020	2019
Property	9,017,893	14,769,068

The Bank's policy is to perform the sale of these assets to cover the balances due. Using non-financial assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the index of loans from the mortgage portfolio to the value of collaterals. LTV is calculated as a percentage of the gross amount of the loan in relation to the value of collaterals. The gross amount of the loan excludes any loss impairment. The value of collaterals for mortgages is based on the original value of the guarantee as of the date of disbursement.

	2020		2019	
LTV Ratio	**Loans**	**Credit and guarantee commitments**	**Loans**	**Credit and guarantee commitments**
Less than 50%	715,586,441	2,889,712	685,319,807	3,481,789
51-70%	1,318,607,440	7,620,111	1,244,385,942	10,826,492
71-80%	1,160,698,058	15,305,134	1,164,119,765	19,530,266
81-90%	272,346,878	18,059,795	274,968,491	11,142,973
91-100%	16,599,212	1,372,792	16,108,858	106,293
More than 100%	8,664,582	0	6,957,357	0
Total	3,492,502,611	45,247,544	3,391,860,220	45,087,813

Impaired loans

LTV Ratio	**2020**	**2019**
Less than 50%	15,934,819	11,552,784
51-70%	37,223,972	33,759,364
71-80%	43,338,306	47,340,280
81-90%	21,985,607	12,878,318
91-100%	3,592,265	2,235,322
More than 100%	1,729,718	519,752
Total	123,804,687	108,285,820

(4) Risk Management, continued

ECL allowance

Projection of future conditions

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

External sector:

External risk	Upside	Central	Downside
Vaccine Application: It is identified as the distribution and effectiveness of the vaccine and its impact on economic growth.	1) Main commercial partners immunize population during the first semester, 2021.	1) Main commercial partners immunize population during the first semester, 2021.	1) Main commercial partners immunize population during the first semester, 2022.
Income from remittances: Migration policy and income from remittances. Honduras, El Salvador, Guatemala and Nicaragua.	2) Change in US immigration policy improves the outlook for income from remittances.	2) Migration policy is maintained, outlook for the growth of remittances remains stable.	3) Migration policy tightens, remittance growth prospect decreases.

The scenarios for each country are detailed below:

Scenario	Scenarios synthesis	Upside	Central	Downside
Guatemala	1. Nominal variables are considered stable, with solid macroeconomic fundamentals, relatively low level of debt and high level of International Monetary Reserves. 2. Main differences in scenarios: they respect the recovery of economic growth, associated with the persistence of the pandemic and the effectiveness of the measures to mitigate it. Downside scenario contemplates the possibility of CPI above BanGuat's target range, considering the recent increase in the CPI and the expected increase in food prices during 2021.	Tax policy measures are effective, improve the outlook for economic growth and mitigate impairment in social gaps. Vaccine is obtained and distributed effectively, approaching immunity during 2021.	Immunization applies to the most vulnerable populations during 2021. There is a gradual improvement in economic activity as the health services response is strengthened and the vaccine is distributed.	Distribution of the ineffective vaccine, deterioration in health indicators, social gaps and political stability.
Honduras	1. Scenarios remain stable in nominal variables, considering the government's tax discipline in accordance with the IMF agreement and the recovery in the external sector (exports and remittances). 2. Main differences in scenarios: recovery of economic growth, associated with the persistence of the pandemic and damage to productivity caused by natural disasters.	Fiscal policy measures are more effective than expected in mitigating the deterioration of social gaps and the economic impact of the pandemic and natural disasters. End of 2021 without the 'la Niña' phenomenon and with less probability of natural disasters. Economic recovery reduces social tensions in the context of the electoral period.	Immunization applies to the most vulnerable populations during 2021. There is a gradual improvement in economic activity as the health services response is strengthened and the vaccine is distributed. Election period generates certain uncertainty that affects economic recovery.	Distribution of the ineffective vaccine, deterioration in health indicators. Deterioration in social gaps and increase in political instability. It contemplates a slight recovery in economic activity compared to 2020.

(4) Risk Management, continued

Scenario	Scenarios synthesis	Upside	Central	Downside
El Salvador	1. Inflation remains stable and low, considering its recent history of weak domestic demand and the lack of monetary policy tools. 2. Main differences in scenarios: recovery of economic growth and interest rates, associated with the persistence of the pandemic and the level of financial stress of the central government.	Government obtains financing to maintain expansionary tax policy during 2021. Obtaining, distribution of vaccine during 2021. Favorable terms of trade and increases in remittance income are maintained.	Immunization applies to the most vulnerable populations during 2021. Financing remains costly for the Government in international financial markets.	Distribution of the ineffective vaccine, deterioration in health indicators. Increase in risk aversion in international financial markets and increase in spreads.
Nicaragua	1. Nominal variables: inflation remains stable. 2. Main differences in scenarios: recovery of economic growth and variation in interest rates. Nicaragua will hold presidential elections in November 2021. Before, it had a GDP contraction in 2018 and 2019, the consequence of a socio-political crisis that has not been overcome. A worsening of the socio-political crisis could lead to lower economic growth and less access for the government to external sources of financing.	The government reestablishes dialogue with the opposition and takes measures to improve investor confidence and the possibility of obtaining external financing.	Dialogue does not advance; however, the socio-political crisis does not worsen. See 2021 without GDP growth.	Upsurge of socio-political crisis; a new contraction in economic growth and less access to financing due to international sanctions.
Costa Rica	1. Inflation remains stable. 2. Main differences in scenarios: recovery of economic growth, exchange rate and interest rates, consequence of the possibility that the deterioration in public finances will continue.	Approval of reforms that show fiscal commitment and that improve the conditions of the Government to obtain financing, including an agreement with the IMF. Strength in health services allows the population to be immunized during the first semester of 2021.	Country approaches immunization during 2021. An agreement is reached with the IMF, however, the commitment only partially restores investor confidence in the face of fiscal challenges. Expansive fiscal policy is limited in 2021.	Political agreements are not reached to reduce the fiscal deficit, uncertainty generates exchange rate pressures and an increase in the demand for loanable funds from the government puts pressure on interest rates.
Panama	1. Inflation and interest rates remain stable. 2. Main differences in scenarios: Panama has historically been the Central American country with the highest rate of economic growth; however, it has had the greatest impact due to the pandemic. There is uncertainty about the speed of recovery, which remained below its historical average in 2018 and 2019.	Economic recovery occurs faster than expected, with effective access and distribution of the vaccine and rapid recovery of sectors that remained inactive, such as construction and commerce. Rapid recovery of main commercial partners and international trade	Immunization applies to the most vulnerable populations during 2021. Panama gradually recovers economic growth, below its historically high level.	Acquisition and distribution of ineffective vaccine, deterioration in health indicators. Slow economic recovery due to greater vulnerability of the Banking system before the moratorium law to help those affected by the pandemic. Slow recovery of investment and consumption.

(4) Risk Management, continued

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

Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
	2020					
Upside	25%	20%	15%	15%	5%	10%
Central	65%	65%	65%	65%	60%	60%
Downside	10%	15%	20%	20%	35%	30%

Scenario probability weighting	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
	2019					
Upside	20%	25%	15%	15%	20%	25%
Central	70%	65%	70%	70%	60%	60%
Downside	10%	10%	15%	15%	20%	15%

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

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

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

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

(4) Risk Management, continued

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

		2020					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Monthly Economic Activity Index	Upside	5.46	4.19	4.25	2.27	3.58	5.54
	Central	3.90	3.42	3.18	0.23	2.32	3.34
	Downside	1.60	1.50	1.54	(2.25)	0.41	1.63
Consumer Price Index	Upside	2.53	2.85	(0.28)	2.39	0.65	(0.58)
	Central	3.26	3.54	0.18	2.69	0.85	(0.16)
	Downside	5.24	3.39	1.18	3.60	1.85	1.21
Exchange Rate	Upside	(1.54)	(0.74)	-	2.35	2.35	-
	Central	(0.12)	0.51	-	2.89	3.69	-
	Downside	1.18	1.38	-	4.09	5.13	-
Local Currency Interest Rate	Upside	(0.50)	(0.56)	-	(1.43)	(0.21)	-
	Central	(0.28)	(0.30)	-	0.03	1.29	-
	Downside	0.03	0.08	-	0.93	1.66	-
Dollars Interest Rate	Upside	(0.50)	(0.18)	(0.06)	(0.95)	(1.28)	(0.16)
	Central	(0.15)	(0.09)	0.44	(0.18)	0.28	(0.02)
	Downside	0.11	0.11	1.15	1.41	1.02	0.16

		2019					
		Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
		%	%	%	%	%	%
Monthly Economic Activity Index	Upside	3.71	4.04	2.80	(1.26)	3.03	4.89
	Central	3.19	2.95	2.40	(3.08)	2.59	3.83
	Downside	2.15	1.98	1.84	(5.61)	1.76	2.97
Consumer Price Index	Upside	3.26	3.34	0.00	3.34	1.76	0.54
	Central	3.53	4.61	0.97	6.58	1.91	0.77
	Downside	3.72	5.07	2.11	8.92	4.04	1.71
Exchange Rate	Upside	(0.95)	0.72	-	2.72	(1.07)	-
	Central	(0.46)	3.34	-	3.01	0.22	-
	Downside	1.54	4.50	-	3.74	3.39	-
Local Currency Interest Rate	Upside	(0.30)	(3.25)	-	(0.99)	(1.81)	-
	Central	(0.03)	(1.45)	-	1.70	(1.58)	-
	Downside	0.26	(0.30)	-	4.93	(0.99)	-
Dollars Interest Rate	Upside	(0.29)	(0.36)	(0.07)	(0.09)	(1.55)	(0.35)
	Central	(0.12)	(0.34)	0.03	1.03	(1.17)	0.08
	Downside	0.34	0.27	0.34	3.12	(0.18)	0.56

Sensitivity of ECL to future economic conditions

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

(4) Risk Management, continued

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

2020	Upside	Central	Downside
Book Value			
Corporate	6,883,717,644	6,883,717,644	6,883,717,644
Small company	781,520,079	781,520,079	781,520,079
Mortgage	3,492,502,611	3,492,502,611	3,492,502,611
Personal banking	1,948,431,008	1,948,431,008	1,948,431,008
Vehicles	990,218,043	990,218,043	990,218,043
Credit card	3,078,252,507	3,078,252,507	3,078,252,507
	17,174,641,892	17,174,641,892	17,174,641,892
ECL Allowance			
Corporate	135,389,794	141,156,705	150,878,041
Small company	16,845,985	35,897,088	58,383,586
Mortgage	63,529,123	136,099,228	216,876,538
Personal banking	83,799,605	173,611,403	271,280,095
Vehicles	18,732,595	39,028,627	61,440,729
Credit card	304,724,086	625,167,995	964,111,249
	623,021,188	1,150,961,046	1,722,970,238
Proportion of assets in Stage 2			
Corporate	7.16%	7.16%	7.16%
Small company	27.12%	27.52%	32.50%
Mortgage	24.75%	25.34%	26.47%
Personal banking	17.00%	17.10%	17.63%
Vehicles	24.15%	24.39%	25.39%
Credit card	20.32%	20.43%	20.56%
	16.08%	16.26%	16.85%

2019	Upside	Central	Downside
Book Value			
Corporate	6,475,506,955	6,475,506,955	6,475,506,955
Small company	769,470,439	769,470,439	769,470,439
Mortgage	3,391,860,220	3,391,860,220	3,391,860,220
Personal banking	2,014,317,539	2,014,317,539	2,014,317,539
Vehicles	941,514,220	941,514,220	941,514,220
Credit card	3,261,876,133	3,261,876,133	3,261,876,133
	16,854,545,506	16,854,545,506	16,854,545,506
ECL Allowance			
Corporate	86,411,296	93,819,741	114,742,964
Small company	15,336,408	15,780,988	16,126,848
Mortgage	47,112,487	48,096,227	50,611,937
Personal banking	91,095,658	93,781,460	97,291,172
Vehicles	13,734,832	14,351,142	15,037,242
Credit card	242,705,884	244,012,603	247,591,486
	496,396,565	509,842,161	541,401,649
Proportion of assets in Stage 2			
Corporate	2.54%	2.54%	2.54%
Small company	10.18%	11.73%	12.11%
Mortgage	8.74%	9.61%	10.30%
Personal banking	7.92%	8.07%	8.87%
Vehicles	8.96%	9.96%	10.63%
Credit card	8.48%	8.49%	8.51%
	6.29%	6.61%	6.90%

(4) Risk Management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of December 31, 2020, of the financial assets' ECL allowance.

	2020				2019			
Deposits in banks	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL – impaired**	**Total**
Balance at beginning of period	85,894	0	0	85,894	21,201	0	0	21,201
Net remeasurement of loss allowance	(85,894)	0	0	(85,894)	(21,201)	0	0	(21,201)
New financial assets originated	611,015	0	0	611,015	85,223	0	0	85,223
Foreign currency translation	(1,481)	0	0	(1,481)	671	0	0	671
Balance at period end	609,534	0	0	609,534	85,894	0	0	85,894

	2020				2019			
Investments at FVOCI	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance at beginning of period	8,554,961	0	0	8,554,961	5,445,181	142,335	0	5,587,516
Transfer from stage 1 to 2	(86,933)	86,933	0	0	0	0	0	0
Net remeasurement of loss allowance	(2,949,368)	(48,656)	0	(2,998,024)	(3,802,214)	(142,335)	0	(3,944,549)
New financial assets originated	18,063,523	13,877	0	18,077,400	6,780,086	0	0	6,780,086
Foreign currency translation	(596,214)	0	0	(596,214)	131,908	0	0	131,908
Balance at period end	22,985,969	52,154	0	23,038,123	8,554,961	0	0	8,554,961

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

	2020				2019			
Loans at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance at beginning of year	164,970,717	143,782,573	202,529,549	511,282,839	176,760,372	149,600,183	157,423,049	483,783,604
Transfer from stage 1 to 2	(100,291,709)	100,291,709	0	0	(12,103,051)	12,103,051	0	0
Transfer from stage 1 to 3	(198,431)	0	198,431	0	(3,962,792)	0	3,962,792	0
Transfer from stage 2 to 3	0	(184,387,144)	184,387,144	0	0	(15,952,342)	15,952,342	0
Transfer from stage 3 to 2	0	60,780,121	(60,780,121)	0	0	4,908,385	(4,908,385)	0
Transfer from stage 2 to 1	157,111,536	(157,111,536)	0	0	25,284,859	(25,284,859)	0	0
Transfer from stage 3 to 1	20,925,635	0	(20,925,635)	0	1,537,467	0	(1,537,467)	0
Net remeasurement of loss allowance	(3,816,968)	167,671,934	185,179,582	349,034,548	(30,121,472)	40,843,940	402,860,205	413,582,673
New financial assets originated	153,948,970	289,945,720	110,025,456	553,920,146	48,268,855	0	0	48,268,855
Net derecognition of financial assets	(260,109,314)	(136,889,664)	(55,955,438)	(452,954,414)	(40,693,519)	(22,435,785)	(18,752,127)	(81,881,431)
Charge-offs	0	0	(379,228,687)	(379,228,687)	0	0	(465,260,357)	(465,260,357)
Recoveries	0	0	96,422,301	96,422,301	0	0	109,871,715	109,871,715
Foreign currency translation	0	0	(8,738,127)	(8,738,127)	0	0	2,917,780	2,917,780
Balance at year end	132,540,438	284,083,713	253,114,455	669,738,606	164,970,719	143,782,573	202,529,547	511,282,839

	2020				2019			
Other accounts receivable	**12 months ECL**	**Lifetime ECL – unimpaired**	**Lifetime ECL – impaired**	**Total**	**12 months ECL**	**Lifetime ECL – unimpaired**	**Lifetime ECL – impaired**	**Total**
Balance at beginning of year	4,931,418	0	0	4,931,418	3,965,454	0	0	3,965,454
Net remeasurement of loss allowance	(1,330,348)	0	0	(1,330,348)	(1,511,396)	0	0	(1,511,396)
New financial assets originated	4,319,715	0	0	4,319,715	2,988,238	0	0	2,988,238
Charge-offs	(1,031,113)	0	0	(1,031,113)	(851,590)	0	0	(851,590)
Recoveries	474,159	0	0	474,159	448,670	0	0	448,670
Foreign currency translation	(65,342)	0	0	(65,342)	(107,958)	0	0	(107,958)
Balance at year end	7,298,489	0	0	7,298,489	4,931,418	0	0	4,931,418

Modified Financial Assets

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

	2020	**2019**
Amortized cost before modification	17,713,607	31,597,006
Net loss due modification	88,406	977,385
Total	17,802,013	32,574,391

(4) Risk Management, continued

Concentration of credit risk

The Bank follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. In regards to investments, they are based on the location of the issuer. The analysis of the concentration of credit risks as of the date of the consolidated financial statements is as follows:

	2020					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVPL
Concentration by sector						
Government	0	0	21,227,306	3,268,721,385	2,456,628,190	34,950,484
Corporate						
Trade	1,612,174,106	71,735,612	0	0	0	0
Real estate	1,450,891,591	16,018,764	0	0	22,683,332	0
Services	1,291,355,863	105,488,981	0	0	13,882,413	0
Food industry	1,030,703,534	23,388,580	0	0	7,676,126	0
General industry	774,108,954	33,450,851	0	0	0	0
Agriculture	460,643,312	6,158,690	0	0	0	0
Hotels and restaurants	385,904,138	1,341,739	0	0	0	0
Financial	222,376,502	147,307,973	0	1,883,295,402	222,935,947	1,708,839
Transportation	205,432,143	16,945,171	0	0	3,351,600	0
Construction	179,526,539	51,969,388	0	0	10,166,209	0
Telecommunication	52,121,041	1,525,347	0	0	2,054,845	0
Energy	0	0	0	0	93,358,835	0
Oil and derivatives	0	0	0	0	7,961,949	0
Personal Banking	9,509,404,169	45,247,544	0	0	5,610,383	0
Allowance for ECL	(669,738,606)	(351,581)	0	0	0	0
Net carrying amount	16,504,903,286	520,227,059	21,227,306	5,152,016,787	2,846,309,829	36,659,323
Geographic location:						
Costa Rica	4,743,379,133	188,846,026	16,708,680	991,176,856	875,984,922	36,659,323
Panama	3,974,348,842	172,176,759	0	200,408,973	332,444,392	0
Guatemala	3,378,177,102	20,379,529	4,518,626	648,779,426	547,796,579	0
Honduras	2,272,446,925	34,844,463	0	920,707,397	333,599,726	0
El Salvador	1,950,888,521	96,780,217	0	477,182,782	267,796,457	0
Nicaragua	855,401,369	7,551,646	0	239,206,299	265,489,324	0
North America	0	0	0	1,636,831,752	183,057,499	0
Europe	0	0	0	37,704,973	0	0
South America	0	0	0	0	38,119,821	0
Others	0	0	0	18,329	2,021,109	0
Allowance for ECL	(669,738,606)	(351,581)	0	0	0	0
Net carrying amount	16,504,903,286	520,227,059	21,227,306	5,152,016,787	2,846,309,829	36,659,323

(4) Risk Management, continued

	2019					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVPL
Concentration by sector						
Government	0	0	18,149,866	2,520,887,441	1,729,739,468	41,705,042
Corporate						
Trade	1,628,348,594	72,785,084	0	0	0	0
Real estate	1,258,683,209	16,775,962	0	0	9,677,273	0
Services	1,223,789,983	129,324,038	0	0	0	0
Food industry	909,930,633	18,445,008	0	0	0	0
General industry	797,740,596	28,075,759	0	0	0	0
Agriculture	524,895,250	8,249,552	0	0	0	0
Hotels and restaurants	317,879,388	2,841,393	0	0	0	0
Financial	234,001,453	130,269,469	0	727,988,761	443,182,245	931,419
Transportation	176,374,973	10,892,182	0	0	0	0
Construction	138,748,943	43,668,016	0	0	13,585,035	0
Telecommunication	34,584,372	1,776,409	0	0	0	0
Personal Banking	9,609,568,112	45,087,813	0	0	0	0
Allowance for ECL	(511,282,839)	(386,831)	0	0	0	0
Net carrying amount	16,343,262,667	507,803,854	18,149,866	3,248,876,202	2,196,184,021	42,636,461
Geographic location:						
Costa Rica	4,768,571,825	187,085,520	5,159,081	847,143,705	872,266,218	42,434,788
Panama	3,987,345,733	158,418,723	0	58,061,724	196,423,956	0
Guatemala	3,275,910,703	10,818,107	12,990,785	450,556,305	400,054,213	201,673
Honduras	2,085,896,304	31,835,080	0	469,083,497	189,589,455	0
El Salvador	1,858,842,606	102,737,415	0	571,610,063	79,293,308	0
Nicaragua	877,978,335	17,295,840	0	250,283,236	24,197,890	0
North America	0	0	0	572,224,193	431,297,157	0
Europe	0	0	0	17,694,882	0	0
South America	0	0	0	0	1,034,926	0
Others	0	0	0	12,218,597	2,026,897	0
Allowance for ECL	(511,282,839)	(386,831)	0	0	0	0
Net carrying amount	16,343,262,667	507,803,854	18,149,866	3,248,876,202	2,196,184,021	42,636,461

Since April 2018, the Republic of Nicaragua has been facing a series of socio-political events that have economic implications that are affecting the development of activities in the productive sectors of the country.

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

(b) Liquidity Risk

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

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

(4) Risk Management, continued

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

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

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

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

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

	% of Liquidity	
	2020	**2019**
As of year end	43.5	36.0
Maximum	47.5	39.0
Average	42.0	36.0
Minimum	32.0	33.0

As of December 31, 2020 and December 31, 2019, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

(4) Risk Management, continued

Quantitative information

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

	2020						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	7,731,574	(7,731,574)	(7,731,574)	0	0	0	0
Savings deposits	4,221,375	(4,221,375)	(4,221,375)	0	0	0	0
Time deposits	8,357,781	(9,032,753)	(732,472)	(1,418,287)	(3,212,776)	(2,977,228)	(691,990)
Securities sold under repurchase agreements	25,182	(25,229)	(21,193)	(2,872)	(1,164)	0	0
Financial obligations	2,051,357	(2,272,658)	(31,625)	(192,387)	(839,574)	(796,557)	(412,515)
Other financial obligations	747,253	(892,211)	(730)	(23,029)	(92,113)	(776,339)	0
Lease Liabilities	199,690	(264,626)	(3,167)	(3,929)	(28,612)	(133,818)	(95,100)
Sub-total liabilities	23,334,212	(24,440,426)	(12,742,136)	(1,640,504)	(4,174,239)	(4,683,942)	(1,199,605)
Commitments and guarantees	57,588	(57,588)	(2,577)	(14,932)	(40,079)	0	0
Acceptances	3,328	(3,328)	(1,100)	(2,212)	(16)	0	0
Total liabilities	23,395,128	(24,501,342)	(12,745,813)	(1,657,648)	(4,214,334)	(4,683,942)	(1,199,605)
Assets							
Cash and cash equivalents	708,652	708,652	708,652	0	0	0	0
Securities purchased under resale agreements	21,227	21,228	15,335	5,893	0	0	0
Deposits in banks	5,152,017	5,164,419	5,023,387	60,826	11,294	45,853	23,059
Investments at FVPL (1)	36,659	45,904	1,754	240	1,364	34,669	7,877
Investments at FVOCI (1)	2,846,310	3,415,355	182,079	334,042	430,195	1,302,575	1,166,464
Loans	16,504,903	21,943,569	2,463,885	2,331,199	2,616,844	6,599,434	7,932,207
Sub-total assets	25,269,768	31,299,127	8,395,092	2,732,200	3,059,697	7,982,531	9,129,607
Acceptances outstanding	3,328	3,328	1,100	2,212	16	0	0
Total assets	25,273,096	31,302,455	8,396,192	2,734,412	3,059,713	7,982,531	9,129,607

(1) Common stocks are excluded

	2019						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	5,971,869	(5,971,869)	(5,971,869)	0	0	0	0
Savings deposits	3,335,167	(3,335,167)	(3,335,167)	0	0	0	0
Time deposits	7,927,602	(8,746,495)	(815,520)	(1,299,917)	(3,062,124)	(2,088,131)	(1,480,803)
Securities sold under repurchase agreements	34,741	(34,765)	(34,765)	0	0	0	0
Financial obligations	2,334,111	(2,565,918)	(120,994)	(263,556)	(846,167)	(859,832)	(475,369)
Other financial obligations	319,415	(339,998)	(1,516)	(33,096)	(103,457)	(201,929)	0
Lease Liabilities	231,563	(264,626)	(3,167)	(3,929)	(28,612)	(133,818)	(95,100)
Sub-total liabilities	20,154,468	(21,258,838)	(10,282,998)	(1,600,498)	(4,040,360)	(3,283,710)	(2,051,272)
Commitments and guarantees	60,116	(60,116)	(5,199)	(12,577)	(42,340)	0	0
Acceptances	1,969	(1,969)	(441)	(445)	(1,083)	0	0
Total liabilities	20,216,553	(21,320,923)	(10,288,638)	(1,613,520)	(4,083,783)	(3,283,710)	(2,051,272)
Assets							
Cash and cash equivalents	727,125	727,125	727,125	0	0	0	0
Securities purchased under resale agreements	18,150	18,150	18,150	0	0	0	0
Deposits in banks	3,248,876	3,249,729	3,209,442	22,786	17,501	0	0
Investments at FVPL (1)	42,636	60,663	784	1,414	18,256	25,906	14,303
Investments at FVOCI (1)	2,196,184	2,532,524	171,036	130,617	446,682	1,256,177	528,012
Loans	16,343,263	22,874,588	2,497,266	2,961,135	2,942,747	6,484,159	7,989,281
Sub-total assets	22,576,234	29,462,779	6,623,803	3,115,952	3,425,186	7,766,242	8,531,596
Acceptances outstanding	1,969	1,969	441	445	1,083	0	0
Total assets	22,578,203	29,464,748	6,624,244	3,116,397	3,426,269	7,766,242	8,531,596

(1) Common stocks are excluded

(4) Risk Management, continued

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

	2020	2019
Cash and cash equivalents	708,652,101	727,125,481
Securities bought under resale agreements	21,227,306	18,149,866
Deposits in central banks	2,926,805,729	2,383,253,646
Deposits due from banks maturing in less than 90 days	2,118,623,559	841,813,820
Deposits due from banks greater than 90 days	106,587,499	23,808,736
Sub-total	5,881,896,194	3,994,151,549
Not committed sovereign debt instruments	2,483,584,433	1,699,930,581
Other credit lines available (1)	2,498,466,399	1,756,600,146
Total liquidity reserve	10,863,947,026	7,450,682,276

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

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

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

2020	**Committed**	**Uncommitted**			
	As Collateral	**Available as Collateral**	**Legal Reserve (1)**	**Other (2)**	**Total**
Cash and cash equivalents	0	0	0	708,652,101	708,652,101
Securities purchased under resale agreements	0	0	21,227,306	0	21,227,306
Deposits due from banks	41,009,616	382,885,194	2,058,375,859	2,669,746,118	5,152,016,787
Investments in securities at fair value	7,994,240	2,496,429,989	0	394,066,905	2,898,491,134
Loans at amortized cost	347,799,909	0	0	16,157,103,377	16,504,903,286
Total assets	396,803,765	2,879,315,183	2,079,603,165	19,929,568,501	25,285,290,614

(1) It represents uncommitted assets, but whose use the Bank considers use to guarantee financing, for legal or other reasons. Committed deposits in banks comprise the legal reserve required by the different jurisdictions in which the Bank operates, and can be used according to the regulation of each country.
(2) It represents assets that are uncommitted for use as collateral.

2019	**Committed**	**Uncommitted**			
	As Collateral	**Available as Collateral**	**Legal Reserve (1)**	**Other (2)**	**Total**
Cash and cash equivalents	0	0	0	727,125,481	727,125,481
Securities purchased under resale agreements	0	0	18,149,866	0	18,149,866
Deposits due from banks	5,621,665	205,658,019	2,120,070,883	917,525,635	3,248,876,202
Investments in securities at fair value	20,247,371	2,091,387,340	50,971,992	92,160,360	2,254,767,063
Loans at amortized cost	352,448,636	0	0	15,990,814,031	16,343,262,667
Total assets	378,317,672	2,297,045,359	2,189,192,741	17,727,625,507	22,592,181,279

(1) It represents uncommitted assets, but whose use the Bank considers use to guarantee financing, for legal or other reasons. Committed deposits in banks comprise the legal reserve required by the different jurisdictions in which the Bank operates, and can be used according to the regulation of each country.
(2) It represents assets that are uncommitted for use as collateral.

(c) Market risk

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

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

(4) Risk Management, continued

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

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

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

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

Exchange risk is measured through the determination of the equity percentage that is not dollarized (also known as monetary position). The main objective of the policy is to establish that the difference between assets denominated in US dollars and liabilities denominated in US dollars is at least equal to equity, which is equivalent to having a 100% dollarized equity. However, due to regulatory restrictions applicable in each country that limit the position in US dollars, the consolidated monetary position may be below this desirable limit.

(4) Risk Management, continued

Quantitative information

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

2020 *Amounts in millions*	**Quetzales**	**Lempiras**	**Cordobas**	**Colones**	**Total**
Cash, cash equivalents and deposits in banks	502	816	126	587	2,031
Investments in securities	450	305	0	243	998
Loans, net	1,773	1,495	71	1,532	4,871
Total assets	2,725	2,616	197	2,362	7,900
Deposits	2,299	2,104	283	2,165	6,851
Obligations	256	193	0	41	490
Total liabilities	2,555	2,297	283	2,206	7,341
Contingencies	0	20	0	34	54
Exchange risk exposure	170	339	(86)	190	613

2019 *Amounts in millions*	**Quetzales**	**Lempiras**	**Cordobas**	**Colones**	**Total**
Cash, cash equivalents and deposits in banks	338	398	127	497	1,360
Investments in securities	368	182	0	228	778
Loans, net	1,703	1,450	56	1,595	4,804
Total assets	2,409	2,030	183	2,320	6,942
Deposits	1,939	1,532	235	2,023	5,729
Obligations	284	198	0	41	523
Total liabilities	2,223	1,730	235	2,064	6,252
Contingencies	0	20	0	38	58
Exchange risk exposure	186	320	(52)	294	748

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

2020	**Without exposure**	**Up to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	708,652,101	0	0	0	708,652,101
Securities purchased under resale agreements	41,248	21,186,058	0	0	21,227,306
Deposits due from banks	2,220,094,322	2,872,292,465	37,700,000	21,930,000	5,152,016,787
Investments in securities at fair value	774,183,315	274,231,172	889,005,378	961,071,269	2,898,491,134
Loans at amortized cost	235,382,409	14,921,107,165	1,092,205,828	256,207,884	16,504,903,286
Total assets	3,938,353,395	18,088,816,860	2,018,911,206	1,239,209,153	25,285,290,614
Deposits	1,208,208,914	15,964,452,357	2,602,089,143	535,979,239	20,310,729,653
Securities sold under resale agreements	17,151	25,165,110	0	0	25,182,261
Financial obligations	8,541,716	1,165,535,184	277,447,741	599,831,881	2,051,356,522
Other financial obligations	4,014,076	73,674,172	669,565,048	0	747,253,296
Total liabilities	1,220,781,857	17,228,826,823	3,549,101,932	1,135,811,120	23,134,521,732
Exposure to interest rate risk	2,717,571,538	859,990,037	(1,530,190,726)	103,398,033	2,150,768,882

(4) Risk Management, continued

2019	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	727,125,481	0	0	0	727,125,481
Securities purchased under resale agreements	19,812	18,130,054	0	0	18,149,866
Deposits due from banks	1,456,281,468	1,792,594,734	0	0	3,248,876,202
Investments in securities at fair value	349,469,191	491,509,922	963,701,319	450,086,632	2,254,767,064
Loans at amortized cost	112,471,917	14,927,862,462	1,117,800,798	185,127,490	16,343,262,667
Total assets	2,645,367,869	17,230,097,172	2,081,502,117	635,214,122	22,592,181,280
Deposits	1,035,609,207	13,302,885,613	1,821,675,970	1,074,466,981	17,234,637,771
Securities sold under resale agreements	57,059	34,683,519	0	0	34,740,578
Financial obligations	11,687,812	1,632,147,766	248,824,380	441,451,498	2,334,111,456
Other financial obligations	2,626,299	124,696,997	192,092,064	0	319,415,360
Total liabilities	1,049,980,377	15,094,413,895	2,262,592,414	1,515,918,479	19,922,905,165
Exposure to interest rate risk	1,595,387,492	2,135,683,277	(181,090,297)	(880,704,357)	2,669,276,115

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

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

(4) Risk Management, continued

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

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
2020	(46,947,630)	46,947,630
Average for the year	(47,161,512)	47,161,512
Maximum for the year	(65,741,852)	65,741,852
Minimum for the year	(30,571,542)	30,571,542
2019	(68,620,770)	68,620,770
Average for the year	(59,678,878)	59,678,878
Maximum for the year	(80,284,343)	80,284,343
Minimum for the year	(41,941,795)	41,941,795
Impact on net income from interests		
2020	60,702,264	(60,702,264)
Average for the year	59,352,117	(59,352,117)
Maximum for the year	62,555,602	(62,555,602)
Minimum for the year	54,541,591	(54,541,591)
2019	62,457,673	(62,457,673)
Average for the year	56,725,165	(56,725,165)
Maximum for the year	62,457,673	(62,457,673)
Minimum for the year	53,085,233	(53,085,233)

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

(d) Operational risk

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

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

(4) Risk Management, continued

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

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

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

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

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

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

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

(5) COVID – 19

Impact of the pandemic of the spread of COVID-19

During the first half of 2020, the Coronavirus (COVID-19) spread all over the world, generating the closure of production and supply chains and interrupting international trade, which is causing a global economic slowdown that is affecting various industries. Global authorities, including those in the countries where the Bank operates, have adopted, among other measures, the temporary closure of establishments and the mandatory preventive confinement of persons in various areas, resulting in employees, suppliers, and customers being unable to carry out their activities normally.

(5) COVID – 19, continued

During the following periods of 2020, this situation has been monitored on a daily basis by the Bank's management to assess the adverse effects that could be generated on the results of operations, the financial situation and the liquidity of the Bank, and take all the appropriate measures to minimize the negative impacts that may arise from this situation during the 2020 financial year and subsequent periods. The Bank continues to have a reasonable expectation that it has adequate resources to continue as a going concern indefinitely.

As of December 31, 2020, the Bank has not defaulted on the principal or interest payments of its financial obligations. As a result of the regulatory responses that Central Banks and Regulatory Entities implemented in most of the countries where the Bank operates, in order to mitigate the macroeconomic and financial impacts generated by the COVID-19 pandemic, there are non-compliance with some commitments contractual, mainly associated with specific financial indicators that have been impacted by such implementations.

As of December 31, 2020, the following issues have been evaluated, which in some cases have generated impacts on the Bank's financial statements and operations and on which, during the period after the date of these financial statements and until the date of issue, continue to be monitored by the administration to address its effects on the Bank's operations and those of its clients.

a) Impairment of financial instruments — Portfolio of receivables, other accounts receivable and other

Financial instruments that are within the scope of the Expected Credit Loss Model (PCE) of IFRS 9 (loans, trade accounts and other accounts receivable, unmeasured debt instruments at fair value through profit or loss, accounts loan receivables, financial guarantees and loan commitments), have been assessed considering the impacts that COVID-19 is having on the PCE by the measures taken by governments in each of the countries and regions where the Bank operates.

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

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

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

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

(5) COVID – 19, continued

- The estimated loss for credits that are assessed individually, resulting from lower recovery of flows taking into account the impact caused by COVID-19.

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

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

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

i. Macroeconomic variables used in the calculation of ECL

		2020					
		Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
		%	**%**	**%**	**%**	**%**	
Monthly Economic Activity Index	Upside	5.46	4.19	4.25	2.27	3.58	5.54
	Central	3.90	3.42	3.18	0.23	2.32	3.34
	Downside	1.60	1.50	1.54	(2.25)	0.41	1.63
Consumer Price Index	Upside	2.53	2.85	(0.28)	2.39	0.65	(0.58)
	Central	3.26	3.54	0.18	2.69	0.85	(0.16)
	Downside	5.24	3.39	1.18	3.60	1.85	1.21
Exchange Rate	Upside	(1.54)	(0.74)	-	2.35	2.35	-
	Central	(0.12)	0.51	-	2.89	3.69	-
	Downside	1.18	1.38	-	4.09	5.13	-
Local Currency Interest Rate	Upside	(0.50)	(0.56)	-	(1.43)	(0.21)	-
	Central	(0.28)	(0.30)	-	0.03	1.29	-
	Downside	0.03	0.08	-	0.93	1.66	-
Dollars Interest Rate	Upside	(0.50)	(0.18)	(0.06)	(0.95)	(1.28)	(0.16)
	Central	(0.15)	(0.09)	0.44	(0.18)	0.28	(0.02)
	Downside	0.11	0.11	1.15	1.41	1.02	0.16

		2019					
		Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
		%	**%**	**%**	**%**	**%**	
Monthly Economic Activity Index	Upside	3.60	3.07	2.78	(2.95)	2.46	4.71
	Central	3.20	2.42	2.44	(4.35)	2.16	3.87
	Downside	2.40	1.84	1.98	(6.25)	1.62	3.22
Consumer Price Index	Upside	3.22	3.60	0.26	4.13	1.97	0.38
	Central	3.49	4.45	1.10	6.71	2.08	0.57
	Downside	3.67	4.76	2.09	8.47	3.63	1.31
Exchange Rate	Upside	(0.93)	1.24	-	3.07	(0.89)	-
	Central	(0.45)	2.88	-	3.29	0.21	-
	Downside	1.52	3.63	-	3.86	2.86	-
Local Currency Interest Rate	Upside	(0.30)	(2.25)	-	(0.34)	(2.19)	-
	Central	(0.04)	(1.08)	-	2.24	(1.98)	-
	Downside	0.24	(0.31)	-	5.18	(1.50)	-
Dollars Interest Rate	Upside	(0.31)	(0.21)	(0.07)	0.78	(1.76)	(0.05)
	Central	(0.15)	(0.19)	0.02	1.70	(1.45)	0.37
	Downside	0.31	0.23	0.29	3.46	(0.63)	0.84

(5) COVID – 19, continued

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

	December 31, 2020					
	Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
Upside	25%	20%	15%	15%	5%	10%
Central	65%	65%	65%	65%	60%	60%
Downside	10%	15%	20%	20%	35%	30%

	December 31, 2019					
	Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
Upside	20%	25%	15%	15%	20%	25%
Central	70%	65%	70%	70%	60%	60%
Downside	10%	10%	15%	15%	20%	15%

The macroeconomic scenarios were adjusted to reflect the impacts of COVID-19 and the weights assigned to each scenario were recalibrated based on the expectations resulting from the information available to date (as well as updating historical information, assumptions related to the severity and duration of the pandemic, speed of recovery of the economy and their respective impact on the market).

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

iii. Impairment allowance balances

	December 31, 2020	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December vs September**	**September vs June**	**June vs March**
Corporate	(142,439,568)	126,555,267	124,883,049	100,329,091	15,884,300	1,672,215	24,553,958
Small Company	(19,324,609)	21,088,591	16,122,053	14,518,349	(1,763,982)	4,966,538	1,603,704
Mortgage	(74,389,089)	56,398,987	45,073,723	47,458,248	17,990,102	11,325,264	(2,384,525)
Personal banking	(90,530,110)	92,770,545	83,088,920	82,040,048	(2,240,435)	9,681,626	1,048,872
Vehicles	(20,762,852)	15,753,153	11,197,175	13,457,726	5,009,700	4,555,978	(2,260,551)
Credit Card	(322,292,378)	309,581,224	241,665,297	231,657,832	12,711,154	67,915,929	10,007,465
Total	(669,738,606)	622,147,767	522,030,217	489,461,294	47,590,839	100,117,550	32,568,923

The table above summarizes the total balance of the provision by portfolio for each quarter of the period ended December 31, 2020. The detail of the movement of the provision, transfers between stages, the impact by refinement of models, among others, is presented in the Note 4.

iv. Loan's Portfolio provision expense

	December 31, 2020	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December vs September**	**September vs June**	**June vs March**
Corporate	19,716,683	2,479,880	28,114,370	9,414,427	17,236,803	(25,634,490)	18,699,943
Small Company	4,511,636	6,437,992	4,746,715	2,889,521	(1,926,356)	1,691,277	1,857,194
Mortgage	22,348,227	16,341,047	3,372,329	6,681,965	6,007,180	12,968,718	(3,309,636)
Personal banking	11,145,288	18,033,155	11,891,668	6,840,276	(6,887,867)	6,141,487	5,051,392
Vehicles	7,811,188	5,003,365	1,902,569	4,095,546	2,807,823	3,100,796	(2,192,977)
Credit Card	65,880,530	85,168,307	58,029,579	47,144,017	(19,287,777)	27,138,728	10,885,562
Total	131,413,552	133,463,746	108,057,230	77,065,752	(2,050,194)	25,406,516	30,991,478

The above table summarizes the impairment provision expense per portfolio for each quarter of the year ended December 31, 2020.

(5) COVID – 19, continued

b) Reliefs to customers

The actions taken or suggested by the governments of the countries in which the Bank operates have promoted the generation of reliefs to customers (companies or individuals) between April and December 2020 in relation to loans or loan agreements in force, which have involved the renegotiation of their terms including, among others, the granting of grace periods, deferment of assessments, extension of deadlines and extension of credit quotas. The following table summarizes the volume of relief granted by portfolio:

	Corporate	Small Company	Mortgage	Personal banking	Vehicles	Credit Card
December 31, 2020						
Amount of credits with relief	3,888	12,077	27,462	81,169	44,042	891,225
% of credit with relief / Total credits	36.03%	54.42%	61.22%	29.32%	53.41%	59.66%

As of December 31, 2020, the impact recognized in results for COVID-19 relief is $2,860,351.

To date, the governments of the countries where the Bank operates have not decreed direct support to banks.

c) Leases from the perspective of the lessee

Between lessors and lessees, since April 2020, processes have been carried out to renegotiate the terms of their lease agreements, as a result of which the lessors have granted the lessees concessions of some kind in connection with the lease payments.

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

Relief mode	Number of relief received	% Relief contracts / Total contracts	Recognized effect on results
Decrease in the fee for a number of months	106	18.03%	294,073

d) Impairment of assets — Capital gains, property, plant and equipment and intangible assets

As of December 31, 2020, no impairment indicators were identified for the Bank's businesses,

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

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

Loan Impairment Losses

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

Fair Value of Financial Instruments

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

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

Impairment of Investments at FVOCI

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

Goodwill Impairment

The Bank will determine whether goodwill is impaired annually or when there is indication of possible impairment.

This requires an estimate of the value in use of CGUs to which the goodwill value is attributed. The estimate of the value in use requires management to consider the expected cash flows from CGUs and also the selection of an appropriate discount rate to calculate the current value of such cash flows.

Income Tax

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

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

liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

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

(7) Cash, Cash Equivalents and Deposits

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

	2020	2019
Cash and cash equivalents	708,652,101	727,125,481
Securities purchased under resale agreements	21,227,306	18,149,866
Deposits in central banks	2,926,805,729	2,383,253,646
Deposits in banks and deposits due in less than 90 days	2,118,623,559	841,813,820
Cash and cash equivalents in the cash flow statement	5,775,308,695	3,970,342,813
Deposits in banks greater than 90 days and pledged	106,587,499	23,808,736
Total cash, cash equivalents and deposits in banks	5,881,896,194	3,994,151,549

(8) Securities Purchased Under Resale Agreements

As of December 31, 2020, securities purchased under resale agreements amounted to $21,227,306 (2019: $18,149,866), which had maturity dates in February 2021 (2019: January 2020) and an interest rate between 1.9% and 2.8% (2019: between 2.6% and 4.6%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to $26,690,737 (2019: $20,186,397).

(9) Investments at Fair Value

As of December 31, 2020, investments at fair value amounted to $2,898,491,134 (2019: $2,254,767,064) are summarized as follows:

(a) Investments at FVPL

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

	2020	2019
Government bonds	34,950,484	41,705,042
Corporate bonds	0	152,534
Mutual funds	1,708,839	778,885
Common stocks	10,460,656	10,617,681
	47,119,979	53,254,142

As of December 31, 2020, securities at FVPL with a carrying amount of $6,163,940 (2019: $15,781,926) are used as collateral for repurchase agreements.

(9) Investments at Fair Value, continued

(b) Investments at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	2020	2019
Governments		
United States of America	104,967,145	55,815,496
Other Governments	2,351,661,045	1,673,923,973
	2,456,628,190	1,729,739,469
Corporate debentures	389,681,639	466,444,552
Common stocks	5,061,326	5,328,901
	2,851,371,155	2,201,512,922

The Bank maintains a portfolio of equity investments issued by the following companies:

Entity	Country	2020	2019
Almacenadora Guatemalteca, S. A.	Guatemala	2,035,798	2,315,547
Latinex Holdings, Inc.	Panama	512,858	501,648
Grupo APC, S. A.	Panama	445,582	445,582
Transacciones y Transferencia, S. A.	Guatemala	307,805	311,603
Otros	Otros	1,759,283	1,754,521
		5,061,326	5,328,901

The Bank conducts annual reviews to validate that the value of these investments has not suffered a permanent impairment for which the value of the investment must be adjusted. As of December 31, the portfolio of common stocks at FVOCI had a variation in the Bank's Other Comprehensive Results of $1,161,354 (2019: $(568,601)). As of December 31, 2020, the Bank received $487,948 for dividends of common stocks at FVOCI (2019: $406,290).

(10) Loans

A breakdown of the loan portfolio by type is as follows:

	2020 Gross amount	2020 Allowance for ECL	2020 Net carrying amount	2019 Gross amount	2019 Allowance for ECL	2019 Net carrying amount
Loans						
Corporate						
Corporate	6,746,801,121	(139,360,107)	6,607,441,014	6,358,599,294	(93,281,117)	6,265,318,177
Corporate leases, net (1)	136,916,523	(3,079,461)	133,837,062	116,907,661	(1,341,269)	115,566,392
Total corporate loans	6,883,717,644	(142,439,568)	6,741,278,076	6,475,506,955	(94,622,386)	6,380,884,569
Personal Banking and Small company						
Small company						
Small company	693,132,645	(17,732,227)	675,400,418	661,114,703	(14,626,589)	646,488,114
Small company leases, net (1)	88,387,434	(1,592,382)	86,795,052	108,355,736	(1,207,472)	107,148,264
Total Small company loans	781,520,079	(19,324,609)	762,195,470	769,470,439	(15,834,061)	753,636,378
Personal Banking						
Mortgage	3,492,502,611	(74,389,089)	3,418,113,522	3,391,860,220	(48,049,814)	3,343,810,406
Personals	1,948,431,008	(90,530,110)	1,857,900,898	2,014,317,539	(93,778,240)	1,920,539,299
Vehicles	900,831,896	(17,285,856)	883,546,040	870,722,757	(12,767,973)	857,954,784
Personal leases, net (1)	89,386,147	(3,476,996)	85,909,151	70,791,463	(1,491,510)	69,299,953
Credit Cards	3,078,252,507	(322,292,378)	2,755,960,129	3,261,876,133	(244,738,855)	3,017,137,278
Total Personal Banking	9,509,404,169	(507,974,429)	9,001,429,740	9,609,568,112	(400,826,392)	9,208,741,720
Total Personal Banking and Small company	10,290,924,248	(527,299,038)	9,763,625,210	10,379,038,551	(416,660,453)	9,962,378,098
Total loans at AC	17,174,641,892	(669,738,606)	16,504,903,286	16,854,545,506	(511,282,839)	16,343,262,667
(1) Total leases, net of interest	314,690,104	(8,148,839)	306,541,265	296,054,860	(4,040,251)	292,014,609

The net value of the financial leases receivable is presented below:

	2020	2019
Minimum lease payments receivable	345,913,658	347,223,635
Less: unearned interest	27,638,235	47,128,346
Minimum lease payments receivable, net	318,275,423	300,095,289
Less: allowance for loss in leases	8,148,839	4,040,251
Less: net deferred commissions	3,585,319	4,040,429
Net value of investment in finance leases	306,541,265	292,014,609

The following table summarizes the minimum lease payments receivable as of December 31, 2020:

Year ended December 31,	
2021	83,428,869
2022	67,646,145
2023	57,102,477
2024	46,806,960
2025 and thereafter	63,290,972
	318,275,423

(11) Property, Furniture, Equipment and Improvements

Property, Equipment and Improvements as of December 31, 2020 and 2019 are detailed as follows:

	2020						
	Land and building	Right-of-use assets	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2020	228,792,388	274,077,289	6,036,417	11,379,287	423,431,330	84,722,112	1,028,438,823
Purchases	4,702,387	11,499,049	12,185,046	1,215,115	42,164,471	1,859,870	73,625,938
Sales and disposals	(2,489,776)	(1,161,958)	(136,465)	(1,344,384)	(23,774,767)	(9,862,319)	(38,769,669)
Transfers	320,448	0	(8,820,976)	0	2,560,556	6,674,394	734,422
Foreign currency translation	(5,547,039)	(26,926,952)	(243,886)	(295,567)	(14,853,574)	(2,890,918)	(50,757,936)
Balance at December 31, 2020	225,778,408	257,487,428	9,020,136	10,954,451	429,528,016	80,503,139	1,013,271,578
Accumulated depreciation:							
Balance at January 1, 2020	48,821,505	36,514,754	0	5,964,868	276,861,526	45,580,935	413,743,588
Depreciation	4,414,112	36,232,524	0	1,572,510	47,790,384	8,470,524	98,480,054
Sales and disposals	(2,489,776)	(1,161,958)	0	(1,109,955)	(23,490,334)	(9,807,864)	(38,059,887)
Transfers	7,390	0	0	0	120,474	(8,762)	119,102
Foreign currency translation	(1,247,828)	(7,307,256)	0	(134,021)	(9,405,498)	(1,630,999)	(19,725,602)
Balance at December 31, 2020	49,505,403	64,278,064	0	6,293,402	291,876,552	42,603,834	454,557,255
Net balance	176,273,005	193,209,364	9,020,136	4,661,049	137,651,464	37,899,305	558,714,323

	2019						
	Land and building	Right-of-use assets	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2019	224,785,259	0	3,142,566	10,420,644	393,221,366	81,384,431	712,954,266
IFRS Adopted	0	249,103,818	0	0	0	0	249,103,818
Purchases	1,479,449	20,405,137	14,318,290	1,891,035	50,842,993	1,713,187	90,650,091
Sales and disposals	(1,051,308)	(1,828,424)	(183,842)	(1,104,260)	(30,985,660)	(8,628,350)	(43,781,844)
Transfers	2,150,381	0	(11,579,661)	0	2,055,942	8,424,352	1,051,014
Foreign currency translation	1,428,607	6,396,758	339,064	171,868	8,296,689	1,828,492	18,461,478
Balance at December 31, 2019	228,792,388	274,077,289	6,036,417	11,379,287	423,431,330	84,722,112	1,028,438,823
Accumulated depreciation:							
Balance at January 1, 2019	45,577,991	0	0	4,912,820	254,120,503	45,981,324	350,592,638
Depreciation	3,867,498	36,651,054	0	1,818,738	48,622,956	7,029,430	97,989,676
Sales and disposals	(704,733)	(374,041)	0	(803,451)	(30,521,861)	(8,522,379)	(40,926,465)
Transfers	(137,198)	0	0	0	1,839	(9,512)	(144,871)
Foreign currency translation	217,947	237,741	0	36,761	4,638,089	1,102,072	6,232,610
Balance at December 31, 2019	48,821,505	36,514,754	0	5,964,868	276,861,526	45,580,935	413,743,588
Net balance	179,970,883	237,562,535	6,036,417	5,414,419	146,569,804	39,141,177	614,695,235

During the year 2020, the Bank made a transfer of other assets to assets for an amount of $615,320 corresponding to land.

During the year 2019, the Bank made a transfer of assets to other assets for an amount of $906,143 corresponding to artworks.

(12) Goodwill and Intangible Assets

Changes in the carrying value of goodwill are as follows:

	2020	2019
Goodwill		
Balance at January 1,	334,768,229	334,238,102
Foreign currency translation	(683,955)	530,127
Balance at year end	334,084,274	334,768,229

As of December 31, 2020 and 2019 no impairment in the cash-generating units has been recorded. The fair value of the cash-generating units exceeds the carrying amount plus goodwill; therefore, no impairment loss was recorded.

(12) Goodwill and Intangible Assets, continued

The recoverable amounts of the CGUs of the Bank have been calculated based on their value in use.

The value in use of the CGUs is determined by discounting the future cash flows expected to be generated from the continuing use of the each unit.

Calculation of value in use is based on the following basic assumptions:

	2020	2019
Discount rate	12.9%	11.1%
Terminal value (growth rate)	3.0%	3.0%

The discount rate after taxes used to discount the dividend flows reflects the specific risks relating to the CGUs and has been estimated taking into account the risk profile of each of the different markets in which the Bank operates.

A 10-year projection was carried out, considering that once this period has passed, the maturity of the businesses and the consequent stabilization of the cash flows will be achieved. Macroeconomic and business assumptions were also used for each of the countries where it operates, in order to reflect the reality that each market provides to all CGUs.

When estimating the terminal value, the normalized flow of funds has been projected in perpetuity, adjusted in accordance with the growth expectations. This projection does not exceed the average long-term growth rate for the economy in each of the countries in which the Bank operates; for this reason, an average annual long-term growth rate of 3.0% was estimated (2019: 3.0%).

The main assumptions described above may change as economic and market conditions change. The Bank estimates that the reasonably possible changes in these assumptions do not affect the recoverable amount of the CGUs or that they decrease below the CGUs carrying values.

The gross balance of the carrying amount and the accumulated amortization for each intangible asset acquired by the Bank subject to amortization as of December 31, 2019 is presented below:

2020	Core deposit intangible	Credit card relationships	Customer relationships	Trade name	Software	Total
Cost:						
Balance at January 1, 2020	23,562,882	8,496,513	12,465,070	1,081,716	118,394,790	164,000,971
Purchases	0	0	0	0	29,752,491	29,752,491
Sales and disposals	0	(7,646,403)	0	0	(7,897,782)	(15,544,185)
Transfers	0	0	0	0	(526,687)	(526,687)
Foreign currency translation	0	(44,719)	(35,568)	(82,728)	(7,342,375)	(7,505,390)
Balance at December 31, 2020	23,562,882	805,391	12,429,502	998,988	132,380,437	170,177,200
Accumulated amortization:						
Balance at January 1, 2020	19,612,050	8,433,642	5,435,884	0	75,504,192	108,985,768
Amortization	1,041,169	28,974	1,275,156	0	17,148,727	19,494,026
Sales and disposals	0	(7,646,403)	0	0	(7,029,367)	(14,675,770)
Foreign currency translation	0	(44,719)	(29,260)	0	(4,591,086)	(4,665,065)
Balance at December 31, 2020	20,653,219	771,494	6,681,780	0	81,032,466	109,138,959
Net balance	2,909,663	33,897	5,747,722	998,988	51,347,971	61,038,241

(12) Goodwill and Intangible Assets, continued

2019	Core deposit intangible	Credit card relationships	Customer relationships	Trade name	Software	Total
Cost:						
Balance at January 1, 2019	23,562,882	8,060,031	12,438,676	1,020,327	97,438,714	142,520,630
Purchases	0	0	0	0	28,854,325	28,854,325
Sales and disposals	0	0	0	0	(12,345,588)	(12,345,588)
Foreign currency translation	0	436,482	26,394	61,389	4,447,339	4,971,604
Balance at December 31, 2019	23,562,882	8,496,513	12,465,070	1,081,716	118,394,790	164,000,971
Accumulated amortization:						
Balance at January 1, 2019	18,212,992	7,955,299	4,143,709	0	67,006,381	97,318,381
Amortization	1,399,058	41,861	1,276,032	0	14,286,662	17,003,613
Sales and disposals	0	0	0	0	(8,740,564)	(8,740,564)
Foreign currency translation	0	436,482	16,143	0	2,951,713	3,404,338
Balance at December 31, 2019	19,612,050	8,433,642	5,435,884	0	75,504,192	108,985,768
Net balance	3,950,832	62,871	7,029,186	1,081,716	42,890,598	55,015,203

None of the intangible assets listed in the table above have residual value.

During the year 2020, the Bank carried out a transfer of intangible assets to property, furniture, equipment and improvements for a net amount of $526,686, corresponding to furniture and equipment (see Note 11).

During the years ended December 31, 2020 and 2019, no impairment losses were recognized.

Remaining life of intangible is presented below:

	Remaining life
Relationships with depositors	12 months
Relationships with credit cards	24 months
Relationships with customers	5 to 72 months

(13) Other Assets

The breakdown of other assets is presented in the table below:

	2020	2019
Asset held for sale, net	22,687,522	26,874,987
Deferred expenses	19,713,591	18,706,446
Asset not available for sale	8,686,092	7,889,366
Security deposits	8,652,300	8,441,430
Uninstaled assets	8,202,680	7,601,229
Non-embossed credit card plastic	7,230,289	6,589,458
Severance fund	3,449,509	2,670,474
Process of clearing house	2,825,868	2,504,021
Derivatives instruments	757,725	0
Others	5,354,021	2,808,696
	87,559,597	84,086,107

During the year 2020, the Bank made a transfer of other assets to assets for an amount of $88,633 corresponding to land (see note 11).

As of December 31, 2019, the Bank transferred from fixed assets to other assets the amount of $906,143 (see note 11).

(13) Other Assets, continued

Assets held for sale, as of December 31, 2020, are detailed below:

	2020	2019
Real estate – less than a year	7,293,632	13,015,831
Real estate – more than a year	15,453,484	17,307,156
Assets held for sale, gross	22,747,116	30,322,987
Allowance	(59,594)	(3,448,000)
Assets held for sale, net	22,687,522	26,874,987

The Bank made sales of assets held for sale for an amount of $19,824,755 (2019: $22,362,959), these gains amount to $4,257,632 (2019: $4,607,814).

The movement of the allowance for assets held for sale is shown below:

	2020	2019
Balance at January 1,	3,448,000	11,456,839
Provision (reversal) charged to expenses	64,176	(2,336,581)
Sales	(3,612,379)	(2,237,371)
Withdrawals	0	(4,610,634)
Transfer to other assets	164,379	1,090,206
Foreign currency translation	(4,582)	85,541
Balance at year end	59,594	3,448,000

(14) Deposits from Customers

Deposits from customers are detailed below:

	2020	2019
Retail customers		
Demand	1,102,830,542	1,116,320,740
Savings	2,771,130,164	2,206,932,400
Time deposits	1,098,832,695	1,125,808,366
Corporate customers		
Demand	6,628,743,147	4,855,548,616
Savings	1,450,244,976	1,128,234,145
Time deposits	7,258,948,129	6,801,793,504
	20,310,729,653	17,234,637,771

As of December 31, 2020, within the fixed-term deposits, the carrying amount of the principal issued by BIB Merchant Voucher Receivables Limited, a special purpose consolidated vehicle (from now on SPV), amounting to $750,000,000, divided into two programs: 1) Series 2017-1 with a balance of $350,000,000 (2019: $350,000,000) and 2) Series 2018-1 with a balance of $400,000,000 (2019: $400,000,000). The origination costs pending amortization of the certificates amounted to $7,051,518 as of December 31, 2020 (2019: $8,092,195). The certificates issued by the vehicle are guaranteed by future cash flows arising from transactions in affiliated businesses in Panama. The certificates issued by the vehicle are guaranteed by future cash flows arising from transactions in affiliated businesses in Panama. Transactions in affiliated businesses are those generated by credit card holders issued by international financial institutions, under the Visa and MasterCard credit programs that are processed by the Bank. The 2017-1 notes pay interest quarterly in January, April, July and October at a fixed rate of 4.08%. Amortization of principal will begin to be paid to the holders, through Citibank N.A., as of January 2021. The notes have an average original duration of 7.0 years. As of December 31, 2020, the weighted average duration of certificates is 3.52 years. The 2018-1 notes pay interest quarterly in January, April, July and October at a fixed rate of 4.18%. The principal repayments will begin to be paid to the holders, through Citibank N.A., as of January 2022. The notes have an average original duration of 7.00 years. As of December 31, 2020, the weighted average duration of the certificates is 4.52 years.

(14) Deposits from Customers, continued

As of December 31, 2020, $395,000,000 (2019: $395,000,000) issued by BIB Central American Card Receivables Limited, a special purpose consolidated vehicle (from now on SPV), is included in the fixed term deposits. The origination costs pending amortization of the certificates amounted to $4,225,121 as of December 31, 2020 (2019: $4,979,598). The certificates issued by the vehicle are guaranteed by future cash flows arising from transactions in affiliated businesses in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Transactions in affiliated merchants are those generated by credit card holders issued by international financial institutions, under the Visa, MasterCard and American Express credit programs that are processed by the Bank. The notes pay interest quarterly in January, April, July and October at a fixed rate of 3.50%. The principal repayments will begin to be paid to the holders, through Citibank N.A., as of October 2023. The notes have an average original duration of 7.00 years. As of December 31, 2020, the weighted average duration of the certificates is 6.25 years.

(15) Financial Obligations

Financial obligations are detailed below:

	2020		
	Interest rate	**Maturities up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	5.80%	2030	631,361,308
Floating rate	1.48% a 11.50%	2031	987,394,530
Payable in quetzales (Guatemala):			
Fixed rate	4.40% a 5.50%	2022	256,113,921
Floating rate	8.51%	2021	667,852
Payable in lempiras (Honduras):			
Fixed rate	3.00% a 15.00%	2045	159,961,239
Payable in colones (Costa Rica):			
Floating rate	3.95% a 8.91%	2031	15,857,672
Total financial obligations at amortized cost			2,051,356,522

	2019		
	Interest rate	**Maturities up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	5.80%	2031	1,094,205,910
Floating rate	2.17% to 12.53%	2030	794,752,483
Payable in quetzales (Guatemala):			
Fixed rate	5.50% to 6.40%	2020	262,376,880
Floating rate	8.99%	2021	1,325,954
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 15.00%	2044	144,231,871
Payable in colones (Costa Rica):			
Floating rate	6.30% to 12.16%	2031	25,530,546
Total financial obligations at amortized cost			2,334,111,456

As of December 31, 2020, the outstanding amount of the principal issued by BIB Central American Card Receivables Limited, a special purpose vehicle (from now on SPV), originated $305,000,000 (2019: $305,000,000). The origination costs pending amortization from the certificates amounted to $14,583,678 as of December 31, 2020 (2019: $17,007,484). Certificates issued by this vehicle are secured by future cash flows from merchant vouchers originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The merchant vouchers are those generated by credit cardholders issued by third-party international financial institutions, under Visa, MasterCard and American Express credit programs, which are processed by the Bank. The certificates pay interest in January, April, July and October at a fixed interest rate of 3.50%. Amortizations to principal will begin in October 2023, through Citibank N.A. The certificates have an average original duration of 7.00 years. As of December 31, 2020, the weighted average duration of the certificates is 6.25 years.

(15) Financial Obligations, continued

As of December 31, 2020, the outstanding amount of the principal issued by BAC San Jose DPR Funding Limited, a consolidated special purpose vehicle (here in after SPV), amounted to $182,000,000 (2019: $64,000,000), divided into two programs: 1) Series 2014-2 with a balance of $32,000,000 (2019: $64,000,000) and 2) Series 2020-1 with a balance of $150,000,000. The origination costs pending amortization from the certificates amounted to $2,761,125 as of December 31, 2020 (2019: $544,035). The notes issued by the SPV are secured by the current and future Diversified Payment Rights denominated in US dollars, originated by a Bank's subsidiary, and sold to the SPV. The 2014-2 notes pay interest quarterly in February, May, August and November at a fixed rate of 3.70%. The notes have an average original duration of 5.58 years. As of December 31, 2020, the weighted average duration of the notes is 5.58 years.

In December 2013, BAC International Bank. Inc., subscribed a subordinated loan (in right of payment to all other ordinary credits) with Grupo AVAL Limited for US$180 million. This operation was canceled in June 2020. The loan was subscribed with quarterly interest payments as of March 2014 and based on a fixed rate of 6.75%. The amortization of the principal was established with a single payment at maturity (June 20, 2021).

The Bank has had no defaults of principal, interest or other contractual clauses concerning its financial obligations.

Based on the merger of the Parent Bank with CIC (more detail in Note 1), the financial obligations of BIB Central American Card Receivables Limited were converted (an SPV, more information in Note 15) to a fixed-term certificate of deposit that is perfected on January 2, 2021. In the case of this conversion, there are no changes in the original conditions of the financial liability, therefore, it is not required to derecognize and record an original financial liability cancellation and recognize a new one.

(16) Other Financial Obligations

The Bank has placed, through its subsidiaries and through the stock markets of El Salvador and Honduras, debt certificates with fixed and variable rates, which are described below:

	2020		2019	
Payable in:	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
US dollars	3.20% a 10.00%	711,764,750	4.75% to 5.85%	262,366,840
Lempiras	7.50% a 9.50%	35,488,546	9.13% to 9.50%	54,422,221
Total of other financial obligations		747,253,296		319,415,360

The Bank has had no defaults of principal, interest or other contractual clauses concerning its other financial obligations.

Through Resolution No. 208-20 of May 14, 2020, issued by the Superintendency of the Securities Market of the Republic of Panama, BAC International Bank is authorized. Inc., to be offered through a Public Offering, Perpetual Subordinated Corporate Bonds convertible into common shares for a nominal value of $700 million. The bonds will be issued in registered form and without coupons, in denominations of $1,000,000 and in integral multiples of $100,000, with no specific expiration or redemption date. The bonds will bear an interest rate of 10% and interest will be paid quarterly, unless the issuer exercises its right not to pay interest. The balance of the perpetual bonds is $520,000,000, and they have been acquired by Grupo AVAL Limited.

(17) Lease Liabilities

Lease liabilities are detailed below:

	2020			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.22%	2033	194,376,173	232,130,108
Payable in quetzales (Guatemala)	3.03% a 5.50%	2029	2,954,276	4,549,001
Payable in lempiras (Honduras)	5.22% a 7.58%	2029	1,340,683	1,710,707
Payable in colones (Costa Rica)	3.96% a 8.02%	2033	1,018,626	1,234,523
Total lease liabilities			199,689,758	239,624,339

	2019			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.22%	2033	224,321,633	255,922,409
Payable in quetzales (Guatemala)	3.03% a 5.55%	2029	4,568,363	5,235,722
Payable in lempiras (Honduras)	7.56% a 7.58%	2029	1,560,263	2,082,349
Payable in colones (Costa Rica)	3.96% a 8.02%	2033	1,112,785	1,385,233
Total lease liabilities			231,563,044	264,625,713

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

	2020	2019
Less than a year	38,465,619	35,707,613
One to two years	36,798,560	37,054,443
Two to three years	34,753,384	34,454,541
Three to four years	32,000,110	32,278,530
Four to five years	27,567,832	30,030,247
More than five years	70,038,834	95,100,339
	239,624,339	264,625,713

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

	2020	2019
Interest on leases	11,056,766	11,913,779
Expense for leases with less than 12 month	4,463,066	0
Expense for leases of low-value assets	6,328,989	7,180,736
	21,848,821	19,094,515

(18) Other Liabilities

The breakdown of other liabilities is presented in the table below:

	2020	2019
Bank draft to be applied	114,710,572	87,222,261
Dividends payable	100,000,000	210,000,000
Employee benefits	70,998,622	68,909,730
Checks issued but not cashed	62,087,069	72,269,244
Collections	55,084,820	66,264,776
Accounts payable to merchants	49,014,493	49,677,487
Loyalty programs	45,159,034	47,823,849
Accounts payable to suppliers	34,181,595	33,680,621
Payments to account receivable to be applied	19,472,438	25,069,498
Commissions payable	17,335,922	10,277,357
Legal contributions to state institutions	11,976,655	11,528,971
Deferred income	11,580,107	9,730,000
Dismantling provision of leasehold properties	9,190,958	9,927,842
Insurance premiums	8,569,584	10,112,376
Withholding tax	7,017,882	4,999,881
Sales tax payable	5,608,125	5,299,231
Other	33,674,080	35,993,520
	655,661,956	758,786,644

(19) Common Stock

As of December 31, 2020, the Bank's authorized stock comprises 850,000 authorized stock and 834,708 issued and outstanding stock and 814 shares in Treasury (2019: 850,000 authorized shares and 834,708 issued and outstanding stock and 814 shares in Treasury) and with a nominal value of $1,000 per share.

(20) Other Comprehensive Results

The following table presents the components and changes in other accumulated comprehensive results as of December 31, 2020 and 2019:

	Conversion of operations in foreign currency	Unrealized (loss) income from securities	ECL for investments at FVOCI	Employee benefits plan – change in actuarial effect	Total Other Accumulated Comprehensive Loss
Balance at January 01, 2019	(354,519,755)	(10,962,638)	4,738,127	(2,454,184)	(363,198,450)
Other (loss) income before reclassifications	39,239,766	77,363,792	2,354,461	(334,938)	118,623,081
Reclassified amounts from other comprehensive loss	0	(9,707,184)	0	0	(9,707,184)
Other net comprehensive (loss) income for the year	39,239,766	67,656,608	2,354,461	(334,938)	108,915,897
Balance at December 31, 2019	(315,279,989)	56,693,970	7,092,588	(2,789,122)	(254,282,553)
Other (loss) income before reclassifications	(89,905,145)	(861,328)	12,262,793	(1,367,843)	(79,871,523)
Reclassified amounts from other comprehensive loss	0	(26,527,878)	0	0	(26,527,878)
Other net comprehensive (loss) income for the year	(89,905,145)	(27,389,206)	12,262,793	(1,367,843)	(106,399,401)
Balance at December 31, 2020	(405,185,134)	29,304,764	19,355,381	(4,156,965)	(360,681,954)

The following table presents the breakdown of other comprehensive results reclassified to the consolidated statement of income for the year ended December 31, 2020:

	Reclassified balance of Other Comprehensive Losses		Line of the Consolidated Statement of Income Affected
	2020	2019	
Available for sale investments			
Unrealized net income from securities	37,896,967	10,463,316	Other income
Income tax	(11,369,089)	(756,132)	Income tax expense
Total reclassifications	26,527,878	9,707,184	

(21) Income from Financial Instruments, Net

Income from financial instruments, net, included in the consolidated statement of income is summarized below:

	2020	2019
Net income from the sale of investments at FVOCI	37,896,967	10,463,316
Net gain from the sale of securities at FVPL	(1,700,953)	3,774,934
Unrealized net gains from securities at FVPL	3,099,697	2,676,609
Net fair value (loss) on derivative financial instruments	735,325	(455,640)
	40,031,036	16,459,219

(22) Other Income (Charge Services)

The charges services segregated according to their nature, are detailed below.

	2020	2019
Consumer and Corporate Banking Services	367,290,489	449,237,632
Asset Management	17,678,619	18,760,816
Investment Banking Services	5,309,842	6,522,914
	390,278,950	474,521,362

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

(22) Other Income (Services Charge), continued

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Personal and Corporate Banking Service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Investment Banking Service	The Bank's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before 31 December, then on termination it is charged the fee for the services performed to date. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.	Revenue from administrative agency services is recognized over time as the services are provided. The amounts to be collected from customers on 31 December are recognized as trade receivables. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Asset Management services	The Bank provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis. In addition, the Bank charges a nonrefundable up-front fee when opening an account.	Revenue from asset management services is recognized over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

(22) Other Income (services charge), continued

Other income included in the consolidated statement of income is summarized below:

	2020	2019
Services to affiliates	22,305,060	17,799,701
Other non-banking commissions	7,687,568	6,578,592
Commercial recoveries	5,288,504	3,509,008
Gain on sale of assets held for sale	4,257,639	4,607,814
Rentals	2,939,516	2,496,172
Other income of associates	1,997,059	754,926
Loans appraisals	175,535	283,957
VISA Stock	0	5,529,340
Other	5,261,552	14,120,572
	49,912,433	55,680,082

(23) Salaries and Other Personnel Expenses

The breakdown of salaries and other personnel expenses is presented below:

	2020	2019
Salaries and other remuneration	349,161,655	351,387,454
Employee benefits	147,751,529	164,979,653
Compensations	20,215,719	17,524,566
Other	2,401,432	5,998,769
	519,530,335	539,890,442

(24) Other Operating Expenses

Other expense included in the consolidated statement of income is summarized below:

	2020	2019
Credit card franchises	75,353,287	85,982,058
Other taxes	70,641,635	49,430,970
Computer software and licenses maintenance	41,819,860	34,676,385
Advertising and marketing	26,213,475	49,874,252
Equipment and vehicle maintenance	26,122,449	24,869,765
Armored services	18,612,381	18,715,177
Guarantee deposits	14,917,674	13,920,855
Bank licenses	14,164,539	13,723,386
Security services	14,071,614	13,402,171
Telephone service	12,271,886	13,535,937
Operational losses	11,505,651	9,012,776
Dedicated lines	11,319,176	11,275,738
Office supplies	6,620,819	7,842,235
Municipal taxes and patents	6,541,078	6,426,169
Postage and courrier	5,375,382	4,273,572
Per diem expenses	4,132,179	9,606,447
Other	53,444,072	65,024,407
	413,127,157	431,592,300

(25) Income Taxes

Income tax expense consists of:

	2020	2019
Current	133,068,382	137,226,843
Deferred	(2,873,174)	6,775,203
	130,195,208	144,002,046

(25) Income Taxes, continued

Income tax expense for the year ended December 31, 2020 was $130,195,208 (2019: $144,002,046), which differed from the amounts computed by applying the current statutory income tax rate to pretax consolidated earnings as a result of the following:

	2020	2019
Computed "expected" income tax expense	111,187,998	138,617,791
Increase (decrease) in income taxes resulting from:		
Nondeductible expenses	68,742,612	62,945,061
Investments in foreign subsidiaries	33,601,538	9,650,562
Foreign income taxes rate differential	2,262,478	(6,084,515)
Tax incentives	(467,437)	(1,065,006)
Changes in uncertain tax positions	(21,326,723)	7,200,627
Exempt and foreign source income	(63,805,258)	(67,262,474)
Income tax expense	130,195,208	144,002,046

Temporary differences between the consolidated financial statements carrying amounts and the tax basis of assets and liabilities that give rise to the deferred tax assets and liabilities as of December 31, 2020 are as follows:

	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Balance at year end	Deferred tax assets	Deferred tax liabilities
Allowance for loan losses	34,712,811	18,350,810	0	53,063,621	57,285,054	(4,221,433)
Accrued expenses	6,444,882	(117,589)	0	6,327,293	7,285,664	(958,371)
Fair value acquisition adjustment	2,152,698	(630,131)	0	1,522,567	2,396,758	(874,191)
IFRS 16 Adoption	1,124,368	4,895,184	0	6,019,552	52,678,975	(46,659,423)
Provision for accounts receivable losses	255,436	(981,230)	0	(725,794)	639,846	(1,365,640)
Unrealized net loss on investments at FVOCI	35,424	0	3,328,567	3,363,991	3,426,035	(62,044)
Net loss from the sale of investments at FVPL	0	149,075	0	149,075	149,075	0
Foreign currency translation	0	(1,812,476)	1,812,476	0	0	0
Credit Risk in investments and IBD	(19,012)	2,222,071	(2,220,418)	(17,359)	(17,359)	0
Investments at cost	(51,007)	16,976	0	(34,031)	0	(34,031)
Deferred loan origination fees and costs	(911,454)	2,202,091	0	1,290,637	3,375,049	(2,084,412)
Net income from the sale of investments at FVPL	(1,181,442)	380,385	0	(801,057)	0	(801,057)
Assets held for sale valuation	(2,061,322)	(286,702)	0	(2,348,024)	678,286	(3,026,310)
Leasing	(3,109,813)	(862,303)	0	(3,972,116)	29,846	(4,001,962)
Employee benefits	(3,710,799)	(237,853)	285,890	(3,662,762)	5,092,132	(8,754,894)
Deferred expenses	(6,528,334)	6,910,221	0	381,887	498,949	(117,062)
Investments in foreign subsidiaries, for undistributed earnings	(10,726,973)	(25,923,029)	6,900,000	(29,750,002)	0	(29,750,002)
Accrued interest receivable	(11,615,824)	449,261	0	(11,166,563)	5,617,564	(16,784,127)
Unrealized net gain on investments at FVOCI	(13,996,618)	0	5,192,535	(8,804,083)	0	(8,804,083)
Net premises and equipment depreciation difference	(14,612,502)	(1,851,587)	0	(16,464,089)	309,862	(16,773,951)
Net deferred tax assets (liabilities)	(23,799,481)	2,873,174	15,299,050	(5,627,257)	139,445,736	(145,072,993)
Tax compensation					(81,792,537)	81,792,537
Total					57,653,199	(63,280,456)

(25) Income Taxes, continued

	2019						
	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Recognized in Equity	Balance at year end	Deferred tax assets	Deferred tax liabilities
Allowance for loan losses	40,235,283	(5,522,472)	0	0	34,712,811	46,688,837	(11,976,026)
Accrued expenses	796,740	5,648,142	0	0	6,444,882	8,937,610	(2,492,728)
Fair value acquisition adjustment	2,736,644	(583,946)	0	0	2,152,698	3,268,334	(1,115,636)
IFRS 16 Adoption	0	1,124,368	0	0	1,124,368	60,820,916	(59,696,548)
Provision for accounts receivable losses	161,957	93,479	0	0	255,436	326,362	(70,926)
Unrealized net loss on investments at FVOCI	2,114,749	0	(2,079,325)	0	35,424	44,537	(9,113)
Net loss from the sale of investments at FVPL	267,489	(267,489)	0	0	0	0	0
Foreign currency translation	0	851,681	(851,681)	0	0	0	0
Credit Risk in investments and IBD	51,368	542,531	(612,911)	0	(19,012)	(19,010)	(2)
Investments at cost	(27,556)	(46,651)	23,200	0	(51,007)	0	(51,007)
Deferred loan origination fees and costs	(2,194,419)	1,282,965	0	0	(911,454)	3,135,472	(4,046,926)
Net income from the sale of investments at FVPL	(389,379)	(792,063)	0	0	(1,181,442)	0	(1,181,442)
Assets held for sale valuation	(635,345)	(1,425,977)	0	0	(2,061,322)	566,379	(2,627,701)
Leasing	(3,305,750)	185,080	0	10,857	(3,109,813)	166,318	(3,276,131)
Employee benefits	(1,251,227)	(2,547,972)	88,400	0	(3,710,799)	4,408,579	(8,119,378)
Deferred expenses	28,278	(6,556,612)	0	0	(6,528,334)	628,276	(7,156,610)
Investments in foreign subsidiaries, for undistributed earnings	(13,638,058)	2,911,085	0	0	(10,726,973)	0	(10,726,973)
Accrued interest receivable	(10,120,121)	(1,495,703)	0	0	(11,615,824)	1,075,464	(12,691,288)
Unrealized net gain on investments at FVOCI	(516,820)	0	(13,479,798)	0	(13,996,618)	0	(13,996,618)
Net premises and equipment depreciation difference	(14,444,365)	(175,649)	0	7,512	(14,612,502)	257,089	(14,869,591)
Net deferred tax assets (liabilities)	(130,532)	(6,775,203)	(16,912,115)	18,369	(23,799,481)	130,305,163	(154,104,644)
Tax compensation						(85,668,758)	85,668,758
Total						44,636,405	(68,435,886)

The Bank's management performed offsetting of the deferred tax assets and liabilities that derive from income tax corresponding to the same tax jurisdiction in the consolidated statement of financial position.

As of December 31, 2020, the Bank has incurred in net operating tax loss carry forwards of $10,557,509 (2019: $10,052,648), which are available to offset future taxable income of the applicable subsidiaries. The net operating losses begin to prescribe in 2030 and through 2036.

As of December 31, 2020, the Bank has not recognized deferred tax assets in the consolidated statement of financial position for such operating losses.

As of December 31, 2020, the Bank has not recognized a deferred income tax liability of approximately $180,631,000 for undistributed earnings from foreign subsidiaries operations, because the Bank believes that $1,403,591,000 of these profits will be reinvested for an indefinite period.

The Bank's earnings are taxed in various jurisdictions. As of December 31, 2020, the Bank had unrecognized tax positions for $18,972,840 (2019: $20,544,008). Interest expense and penalties related to income tax liabilities and recognized as part of income tax expenses for the year ended December 31, 2020 amounted to $2,262,478 (2019: $6,084,515). As of December 31, 2020, total interest and penalties expenses included in other liabilities amounted to $10,028,775 (2019: $8,526,292).

As of December 31, 2020, the Bank maintains an effective tax rate of 29.3% (2019: 26.0%).

The following are the tax jurisdictions in which the Bank and its affiliates operate and the latest tax year subject to examination: United States of America: 2017, Guatemala: 2016, El Salvador: 2017, Honduras: 2015, Nicaragua: 2016, Costa Rica: 2016 and Panama: 2015.

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

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

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

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

As of December 31, 2020, the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately $340 million to $2,349 million (2019: from $346 million to $2,528 million). The unused portion of the total amount available in each country, aggregated approximately from $248 million to $1,757 million (2019: from $240 million to $1,838 million). While these amounts represented the available lines of credit to customers per country, the Bank has experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time.

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

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

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. As of December 31, 2020, outstanding letters of credit and financial guarantees are as follows:

	2020	2019
Stand-by letters of credit	168,464,767	157,397,226
Commercial letters of credit	24,832,416	20,887,930
Financial guarantees	269,693,171	269,789,544
Commitments and guarantees (1)	57,588,286	60,115,985
	520,578,640	508,190,685

(1) Includes commercial and mortgage payment promise letters

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

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2020, are detailed as follows:

	2020	2019
Up to 1 year	451,464,186	426,240,440
Over 1 year	44,282,038	61,062,315
	495,746,224	487,302,755

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover for these guarantees. As of December 31, 2020, the assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to $64,169,327 (2019: $71,014,482).

(27) Disclosures on the Fair Value of Financial Instruments

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

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

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

Financial instruments at fair value

Recurring Fair Value Measurement

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

Securities

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

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

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

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

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

	Other significant observable Assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	2020
Assets			
Investments at FVPL:			
Other governments	34,950,484	0	34,950,484
Mutual funds	1,708,839	0	1,708,839
Common stocks	0	10,460,656	10,460,656
Total investments at FVPL	36,659,323	10,460,656	47,119,979
Investments at FVOCI:			
Governments			
United States of America	104,967,145	0	104,967,145
Other governments	2,351,661,045	0	2,351,661,045
	2,456,628,190	0	2,456,628,190
Corporate debentures	389,681,639	0	389,681,639
Common stocks	958,440	4,102,886	5,061,326
Total investments at FVOCI	2,847,268,269	4,102,886	2,851,371,155
Total assets	2,883,927,592	14,563,542	2,898,491,134

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	2019
Assets			
Investments at FVPL:			
Other governments	41,705,042	0	41,705,042
Corporate debentures	152,534	0	152,534
Mutual funds	778,885	0	778,885
Common stocks	0	10,617,681	10,617,681
Total investments at FVPL	42,636,461	10,617,681	53,254,142
Investments at FVOCI:			
Governments			
United States of America	55,815,496	0	55,815,496
Other governments	1,673,923,973	0	1,673,923,973
	1,729,739,469	0	1,729,739,469
Corporate debentures	466,444,552	0	466,444,552
Common stocks	947,231	4,381,670	5,328,901
Total investments at FVOCI	2,197,131,252	4,381,670	2,201,512,922
Total assets	2,239,767,713	14,999,351	2,254,767,064

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

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

The table below includes the movement of the figures in the consolidated balance sheet (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended December 31, 2020. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable assumptions within the overall fair value measurement.

	Investments	
2020	**Common stocks**	**Total**
Assets		
Fair value at January 01, 2020	10,617,681	10,617,681
Valuation of investments at FVPL	(192,165)	(192,165)
Foreign currency translation	35,140	35,140
Fair value at December 31, 2020	10,460,656	10,460,656

	Investments		
2019	**Common stocks**	**Derivative Financial Instruments**	**Total**
Assets			
Fair value at January 01, 2019	10,072,395	517,888	10,590,283
Valuation of investments at FVPL	0	(517,888)	(517,888)
Valuation of embedded financial derivatives	566,104		566,104
Foreign currency translation	(20,818)	0	(20,818)
Fair value at December 31, 2019	10,617,681	0	10,617,681
Liabilities			
Fair value at January 01, 2019	0	1,778,259	1,778,259
Valuation of embedded financial derivatives	0	(1,778,259)	(1,778,259)
Fair value at December 31, 2019	0	0	0
Total unrealized losses included in the results for the year	0	0	0

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

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

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

A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

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

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

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

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

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

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

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

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

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

Below are described the valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the consolidated balance sheet:

2020	Fair value	Valuation technique	Quantitative information of Level 3 fair values Unobservable assumptions	Range (weighted average)
Common stocks	14,563,542	Discounted cash flows	Increase annual rate	10% - 15%

2019	Fair value	Valuation technique	Quantitative information of Level 3 fair values Unobservable assumptions	Range (weighted average)
Common stocks	14,999,351	Discounted cash flows	Increase annual rate	10% - 15%

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

2020	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets				
Cash and cash equivalents	708,652,101	0	708,652,101	708,652,101
Securities purchased under resale agreements	0	21,227,306	21,227,306	21,227,306
Deposits in banks	0	5,152,016,787	5,152,016,787	5,152,016,787
Loans, excluding financial leases	0	15,562,731,468	15,562,731,468	16,198,362,021
Acceptances outstanding	0	3,328,001	3,328,001	3,328,001
Total financial assets	708,652,101	20,739,303,562	21,447,955,663	22,083,586,216
Financial liabilities				
Deposits	11,952,948,829	8,578,414,855	20,531,363,684	20,310,729,653
Securities sold under repurchase agreements	0	25,182,261	25,182,261	25,182,261
Financial obligations	0	2,097,749,149	2,097,749,149	2,051,356,522
Other financial obligations	0	735,178,245	735,178,245	747,253,296
Acceptances outstanding	0	3,328,001	3,328,001	3,328,001
Total financial liabilities	11,952,948,829	11,439,852,511	23,392,801,340	23,137,849,733

2019	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets				
Cash and cash equivalents	727,125,481	0	727,125,481	727,125,481
Securities purchased under resale agreements	0	18,149,866	18,149,866	18,149,866
Deposits in banks	106,020	3,248,770,182	3,248,876,202	3,248,876,202
Loans, excluding financial leases	0	15,713,221,127	15,713,221,127	16,051,248,058
Acceptances outstanding	0	1,968,793	1,968,793	1,968,793
Total financial assets	727,231,501	18,982,109,968	19,709,341,469	20,047,368,400
Financial liabilities				
Deposits	9,307,035,901	8,118,268,125	17,425,304,026	17,234,637,771
Securities sold under repurchase agreements	0	34,740,578	34,740,578	34,740,578
Financial obligations	0	2,354,737,140	2,354,737,140	2,334,111,456
Other financial obligations	0	305,089,928	305,089,928	319,415,360
Acceptances outstanding	0	1,968,793	1,968,793	1,968,793
Total financial liabilities	9,307,035,901	10,814,804,564	20,121,840,465	19,924,873,958

(28) Administration of Trust Contracts and Securities Custody

As of December 31, 2020, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately $2,969,735,093 (2019: $2,579,673,310).

(29) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. These transactions, according to the internal policies of the Bank, are carried out at market conditions.

The following table shows the balances and transactions with related parties as of December 31, 2020:

	2020 Key personnel and directors	2020 Related parties	2020 Controlling entities	2019 Key personnel and directors	2019 Related parties	2019 Controlling entities
Assets:						
Deposits due from banks	0	60,999,914	0	0	0	0
Interest bearing deposits	0	59,630,000	0	0	0	0
Loans	10,524,733	83,056,257	92,541	10,600,355	76,660,119	7,926
Loans Loss Reserve	(21,843)	(529,489)	0	0	(527,038)	0
Accumulated interest receivable and other accounts receivable	52,623	2,890,999	718,999	41,970	436,094	1,605
	10,555,513	206,047,681	811,540	10,642,325	76,569,175	9,531
Liabilities:						
Demand deposits	9,192,941	22,688,069	818,273	6,535,493	17,523,871	60,628
Term deposits	11,753,293	21,013,431	125,237,695	14,157,887	16,416,399	125,100,000
Financial obligations	0	0	0	0	0	180,000,000
Other financial obligations	0	0	520,000,000	0	0	0
Accumulated interest payable and other liabilities	200,645	100,542,353	2,936,970	272,038	,210,712,976	978,296
	21,146,879	144,243,853	648,992,938	20,965,418	244,653,246	306,138,924

	2020 Key personnel and directors	2020 Related parties	2020 Controlling entities	2019 Key personnel and directors	2019 Related parties	2019 Controlling entities
Interest income and other income	679,247	16,137,497	42,998	824,579	12,728,410	45,329
Interest expense and other operating expenses	504,569	2,435,585	44,711,323	691,035	3,140,417	18,617,995
Key management personnel benefit	16,743,988	0	0	19,535,360	0	0

(30) Segment information

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

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

2020	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama	Others	Elimination	Total
Total Assets	4,871,472,249	2,905,395,390	3,800,949,486	1,539,081,001	7,242,696,512	7,058,277,445	134,733,286	(928,729,980)	26,623,875,389
Total Liabilities	4,330,573,181	2,599,874,784	3,350,498,542	1,191,899,369	6,291,683,793	7,213,282,756	65,625,480	(928,729,977)	24,114,707,928
Consolidated Statements of Income									
Interest Income	351,146,282	210,509,140	321,132,857	109,612,075	592,028,354	376,047,822	31,037	(38,088,904)	1,922,418,663
Interest expense	135,941,283	61,313,355	101,961,724	22,987,444	160,843,558	219,818,569	2,881,512	(38,088,904)	667,658,541
Interest Income, net	215,204,999	149,195,785	219,171,133	86,624,631	431,184,796	156,229,253	(2,850,475)	0	1,254,760,122
Provision for credit risk financial instruments	64,077,184	51,250,336	65,857,691	11,148,569	183,509,754	92,755,426	(4,816)	0	468,594,144
Interest Income, net after provisions	151,127,815	97,945,449	153,313,442	75,476,062	247,675,042	63,473,827	(2,845,659)	0	786,165,978
Other Income, net	111,288,718	53,414,822	107,312,690	63,298,222	371,964,362	77,459,613	208,855,346	(170,231,973)	823,361,800
General and administrative expenses	168,554,275	111,290,283	189,625,253	77,216,385	472,445,003	155,975,473	159,901,094	(170,231,973)	1,164,775,793
Income before income tax	93,862,258	40,069,988	71,000,879	61,557,899	147,194,401	(15,042,033)	46,108,593	0	444,751,985
Less: Income tax	22,007,383	8,807,521	17,751,851	18,241,134	65,766,228	(2,462,446)	83,537	0	130,195,208
Net Income	71,854,875	31,262,467	53,249,028	43,316,765	81,428,173	(12,579,587)	46,025,056	0	314,556,777

(30) Segment Information, continued

2019	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama	Others	Elimination	Total
Total Assets	4,331,978,371	2,720,377,625	3,035,180,510	1,440,866,276	6,765,750,872	6,113,448,054	548,651,205	(991,144,793)	23,965,108,120
Total Liabilities	3,798,771,602	2,407,679,624	2,611,981,000	1,118,707,362	5,656,387,202	6,069,755,902	371,819,692	(991,144,793)	21,043,957,591
Consolidated Statements of Income									
Interest Income	323,429,556	204,951,227	291,348,488	123,484,674	657,399,761	372,141,601	3,806,624	(29,827,674)	1,946,734,257
Interest expense	119,495,710	65,881,406	94,655,600	27,202,149	183,871,933	172,479,071	19,090,196	(29,827,674)	652,848,391
Interest Income, net	203,933,846	139,069,821	196,692,888	96,282,525	473,527,828	199,662,530	(15,283,572)	0	1,293,885,866
Provision credit risk financial instruments	31,597,048	44,450,992	33,041,417	38,252,411	163,802,269	72,345,317	857,044	0	384,346,498
Interest Income, net after provisions	172,336,798	94,618,829	163,651,471	58,030,114	309,725,559	127,317,213	(16,140,616)	0	909,539,368
Other Income, net	119,264,635	62,807,826	116,002,490	75,313,294	365,098,427	100,836,413	139,547,603	(134,782,551)	844,088,137
General and administrative expenses	173,270,646	116,018,583	187,508,182	79,922,547	476,182,650	175,772,071	125,214,002	(134,782,551)	1,199,106,130
Income before income tax	118,330,787	41,408,072	92,145,779	53,420,861	198,641,336	52,381,555	(1,807,015)	0	554,521,375
Less: Income tax	28,759,000	9,698,747	19,439,667	22,084,323	51,236,607	3,945,977	8,837,725	0	144,002,046
Net Income	89,571,787	31,709,325	72,706,112	31,336,538	147,404,729	48,435,578	(10,644,740)	0	410,519,329

(31) Litigations

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

(32) Regulatory Aspects

The Bank's banking operations are subject to various regulatory requirements managed by the government agencies of the countries in which it operates or has a license. Failure to comply with these regulatory requirements can lead to certain mandatory actions and possibly additional discretionary actions by the regulators that, if performed, could have a significant effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework of prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that provide for the quantitative asset measurements and certain elements out of the consolidated balance sheet, in accordance with the regulatory accounting practices. The amounts of capital of the Bank's banking operations and their classification are subject to qualitative judgments by the regulators about their components, risk weightings and other factors.

Management believes that as of December 31, 2020, the Banking operations of the Bank meet all capital adequacy minimum requirements to which they are subject, which varies from 8.00% to 12.00% and other regulatory requirements.

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

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

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

(32) Regulatory Aspects, continued

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

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

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Agreement No. 4-2013, as of December 31, 2020

	2020					
	Satisfactory	**Special Mention**	**Substandad**	**Doubtful**	**Loss**	**Total**
Corporate loans and other loans	6,891,022,017	472,133,775	164,577,345	48,279,268	35,211,434	7,611,223,839
Consumer loans	8,521,403,523	627,646,736	74,752,544	84,732,878	58,822,045	9,367,357,726
Total	15,412,425,540	1,099,780,511	239,329,889	133,012,146	94,033,479	16,978,581,565
Specific reserve	7,797,586	77,612,734	41,917,438	75,415,866	21,047,820	223,791,444

	2019					
	Satisfactory	**Special Mention**	**Substandad**	**Doubtful**	**Loss**	**Total**
Corporate loans and other loans	6,850,698,271	231,147,141	107,235,648	20,574,074	28,958,727	7,238,613,861
Consumer loans	9,002,149,601	314,225,954	88,959,625	96,006,011	48,009,000	9,549,350,191
Total	15,852,847,872	545,373,095	196,195,273	116,580,085	76,967,727	16,787,964,052
Specific reserve	0	53,649,756	38,032,305	57,184,267	19,334,427	168,200,755

Agreement No. 4-2013 defines as default any credit facility that presents any amount not paid, by principal, interest or expenses agreed contractually, with an age of more than 30 days and up to 90 days, from the date established for the compliance with payments.

Agreement No. 4-2013 defines as an overdue any credit facility whose non-payment of contractually agreed amounts is more than 90 days old. This period shall be calculated from the date set for the payment to be made. Transactions with a single payment at maturity and overdrafts will be considered due when the age of the non-payment exceeds 30 days, from the date on which the payment obligation is established.

(32) Regulatory Aspects, continued

As of December 31, 2020, the classification of the amortized cost loan portfolio by maturity profile based on Agreement No. 4-2013:

	2020			
	Current	**Past due**	**Overdue**	**Total**
Corporate loans and other loans	7,493,546,534	29,777,324	87,899,982	7,611,223,840
Consumer loans	8,948,247,972	206,430,143	212,679,610	9,367,357,725
Total	16,441,794,506	236,207,467	300,579,592	16,978,581,565

	Current	**Past due**	**Overdue**	**Total**
Corporate loans and other loans	7,170,902,734	26,651,679	41,059,448	7,238,613,861
Consumer loans	9,111,884,057	222,468,124	214,998,010	9,549,350,191
Total	16,282,786,791	249,119,803	256,057,458	16,787,964,052

Based on Agreement No. 8-2014, for regulatory purposes, interest recognition as income based on the days of arrears in payment to principal and/or interest and the type of credit transaction is suspended operationally as follows:

a) For consumer and business credits, if there is a default of more than 90 days; And
b) For home mortgage loans, if there is a default of more than 120 days.

Total loans from BAC International Bank, Inc. ("Parent Bank"), As of December 31, 2020 in non-interest calculation status amounts to $106,891,233 (2019: $91,740,788). Total unrecognized interest as income on these loans is $7,189,621 (2019: $6,871,500).

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 below modified special mention category and its respective provisions and regulatory reserves as of December 31, 2020, for BAC International Bank Inc. (“Parent Bank”), classified according to the three-stage model of IFRS 9:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Modified special mention category loans				
Modified loans				
Consumer	704,602,015	696,403,528	35,700,304	1,436,705,847
Corporate	309,217,435	55,969,949	309,947	365,497,331
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	(918,254)	(7,780)	0	(926,034)
(+) Accrued Interest receivable	12,731,416	28,480,392	2,705,773	43,917,581
Total portfolio subject to provisions Agreement No. 9-2020	1,025,632,612	780,846,089	38,716,023	1,845,194,725
Provisions				
IFRS 9 provision	38,862,318	44,544,761	11,165,795	94,572,874
Generic provison (1.5%)				0
Regulatory reserve (3%)				0
Total provisions and reserve				**94,572,874**

(32) Regulatory Aspects, continued

As explained in Note 5 on the effects of COVID-19, as of March 31, 2020, the Bank granted an automatic grace period to borrowers affected in their business or personal activities by COVID-19, until June 30, 2020. As of that date, and because of an agreement signed between the Government of Panama and the Banking Association of Panama, as well as the issuance of moratorium law No. 156, 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.

As part of the Bank's risk management, an individual and collective analyzes of the condition of the loans have been developed, including the segmentation of the portfolio in order to identify the employment situation or the opening of economic activity of each client and define who will be able to meet their banking obligations, who will have difficulties in doing so and who will definitely not be able to meet 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 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 because of the moratoriums, as shown in the following table that details the percentage of the value of the modified special mention loans, including interest, which as of December 31, 2020 did not present payment in their installments counted from the last payment of the installment registered at the time of the credit modification:

	Up to 90 days	Between 91 & 120 days	Between 121 & 180 days	Between 181 & 270 days
Personal loans	79.10%	0.37%	0.21%	0.02%
Corporate loans	20.23%	0.04%	0.03%	0.00%

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. The following table shows the amounts of these loans that as of December 31, 2020 do not present payment in their installments counted from the last payment of the contractual installment (in thousands):

	Between 91 & 120 days	Between 121 & 180 days	Between 181 & 270 days	Over 270 days
Personal loans in a high-risk category that availed themselves of Law No. 156	0	0	0	3,354
Corporate loans in a high-risk category that availed themselves of Law No. 156	0	0	0	30,413

(32) Regulatory Aspects, continued

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 other 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 Agreement. On the other hand, these loans modified in 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 category of subnormal, doubtful or irrecoverable will maintain the credit classification that they had at the time of their modification with their respective provision.

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 provision according to IFRS of the modified special mention portfolio and a generic provision equivalent to three percent (3 %) of the gross balance of the modified loan portfolio, including accrued uncollected interest and capitalized expenses; Modified credits guaranteed with deposits pledged in the same bank 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 provision is equal to or greater than the generic provision of 3% established in this article, the Bank will record the corresponding IFRS provision in the results of the year.

2. In cases where the IFRS provision is lower than the generic provision of 3% established in this article, the Bank will record said IFRS provision in results and the difference must be recorded in income or in a regulatory reserve in equity, considering the following aspects:

   a. When the IFRS provision is equal to or greater than 1.5%, the Bank must record said IFRS provision in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

   b. When the IFRS provision is less than 1.5%, the Bank must ensure that complete this percentage and record it in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

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

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

(32) Regulatory Aspects, continued

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

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

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

As of December 31, 2020, the Bank constituted an estate provision of $4,351,528 and $210,450, respectively, pursuant to Agreement No. 11-2019.

As of December 31, 2020, in compliance with the provisions set out in Articles 36 and 38 of Agreement No. 4-2013, the Bank established a dynamic provision with a balance of $245,340,957 (December 31, 2019: $245,340,957), is allocated from retained profits. The credit balance of this dynamic provision is part of the regulatory capital but does not replace or compensate the requirements for the minimum percentage of capital adequacy established by the Superintendency of Banks of Panama.

Agreement No. 4-2013 establishes a dynamic reserve which shall not be less than 1.25%, nor more than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of December 31, 2020. These percentages represent the following amounts:

	2020	2019
1.25%	164,036,957	172,189,504
2.50%	328,073,913	344,379,008

(32) Regulatory Aspects, continued

The following table is the calculation of the dynamic reserve, at the consolidated level:

	2020	2019
Component 1		
Risk – weighted assets (credit facilities – Normal category)	13,122,956,522	13,775,160,334
For alpha coefficient (1.50%)		
Result	196,844,348	206,627,405
Component 2		
Variation (positive) between the current quarter versus the previous risk – weighted assets	185,994	367,849,501
For beta coefficient (5.00%)		
Result	9,300	18,392,475
Less:		
Component 3		
Amount of change in the balance of specific provisions in the quarter	30,894,998	7,448,009
Gross dynamic reserve balance	165,958,650	232,467,889
Plus:		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37 and consolidation effect.	79,382,307	12,873,068
Net dynamic reserve balance	245,340,957	245,340,957

As of December 31, 2020 and December 31, 2019, the Bank did not register an excess regulatory credit reserve based on Agreement No. 4-2013.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets. Management considers that, as of December 31, 2020 and December 31, 2019, the Bank meets all the financial adequacy requirements to which it is subject.

The Bank presents its consolidated capital funds on its risk-weighted assets based on Agreements No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

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

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

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

Agreement No.11-2018, by which new provisions on Operational Risks are issued, began to govern on December 31, 2020.

(32) Regulatory Aspects, continued

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

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

The Bank did not require establishing additional reserves to comply with Agreement 9-2020.

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

	2020	2019
Ordinary Primary Capital (Pilar I)		
Common stocks	834,708,000	834,708,000
Additional paid in capital	140,897,488	140,897,488
Retained earnings	1,645,421,052	1,956,417,802
Non-controlling interest	220,633	194,660
Other Comprehensive losses	(360,681,954)	(254,282,553)
Less: Goodwill	(334,084,273)	(334,768,229)
Less: Intangible assets	(61,038,243)	(55,015,203)
Less: Treasury stock	(5,218,370)	(5,218,370)
Total Ordinary Primary Capital	1,860,224,333	2,282,933,595
Additional Primary Capital		
Perpetual bond issued by the Bank	520,000,000	0
Total Additional Primary Capital	520,000,000	0
Total Primary Capital (Net)	2,380,224,333	2,282,933,595
Secundary Capital (Pilar II)		
Subordinated debt	0	36,000,000
Total Secundary Capital	0	36,000,000
Dynamic Provision	245,340,957	245,551,408
Total Regulatory Capital Fund	2,625,565,290	2,564,485,003
Total Assets Weighted by Net Risk deductions	19,357,544,075	18,567,192,676
Operational Risk Weighted Assets (Agreement No.11-2018)	1,173,070,767	1,252,962,307
Total risk weighted assets	20,530,614,842	19,820,154,983
Ratios:		
Capital Adecuacy Ratio	12.79%	12.94%
Primary Capital Ratio	11.59%	11.52%

(32) Regulatory Aspects, continued

- *Liquidity Ratio*

  The percentage of the liquidity index reported by BAC International Bank, Inc. ("Parent Bank") to the regulatory body, under the parameters of Agreement No. 4-2008, as of December 31, 2020 was 95.00% (December 31, 2019: 76.48%).

- *Assets Held for sale*

  Agreement No. 3-2009 issued by the Superintendency of Banks of Panama, by which the provisions on disposal of property are updated, sets a five (5) years period to dispose of property acquired in settlement of unpaid loans.

  The awarded properties held for sale are recognized at the lowest value between the carrying value of non-cancelled loans or the estimated value of realization of the properties. The agreement provides that the provision of the awarded properties, allocated of the non-distributed profits, is progressively within a range of 10% from the first year of registration up to 90% to the fifth year of award, through the establishment of a heritage reserve. The following is the progressive booking table:

Years	Minimum Reserve Percentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

  As of December 31, 2020, the Bank constituted provision of the awarded properties amounting to 4,128,127, (2019: $2,671,644), as a property item that is allocated from undistributed profits.

- *Financial Bank Act*

  The operations of financial companies in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the laws established in Law No.42 of 23 July 2001.

- *Lease Acts*

  Leasing operations in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the legislation established by the Act No.7 of July 10, 1990.

- *Securities Act*

  The stock market operations in Panama are regulated by the Superintendency of the Securities Market in accordance with the legislation established in Decree Law No.1 of 8 July 1999, reformed by Law No. 67 of September 1, 2011.

(32) Regulatory Aspects, continued

The broker firm's operations are regulated by Agreement No. 4-2011, modified in certain aspects by the Agreements No. 8-2013 and No. 3-2015, issued by the Superintendency of the Securities. The Agreements specifies that broker firms must comply with capital adequacy requirements and its modalities.

(33) Subsequent Events

The Bank has assessed the subsequent events to February 23, 2021 to assess the need for their recognition or disclosure in the accompanying financial statements. Based on this evaluation, we determined that there were no subsequent events which require recognition or disclosure in these consolidated financial statements.