

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Condensed Consolidated Interim  
Financial Statements**

As of September 30, 2022 and for the three-month and  
nine-month periods ended September 30, 2022 and 2021

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

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# **MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

To the Board of Directors and Stockholder of Multibank Inc.

### **Report on the review of the condensed consolidated interim financial statements**

#### *Introduction*

We have reviewed the accompanying September 30, 2022 condensed consolidated interim financial information of Multibank Inc. and subsidiaries ("the Bank") which comprises:

- the condensed consolidated statement of financial position as at September 30, 2022;
- the condensed consolidated statements of profit or loss and other comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2022 and 2021;
- the condensed consolidated statements of changes in equity for the nine-month period ended September 30, 2022 and 2021;
- the condensed consolidated statements of cash flows for the nine-month period ended September 30, 2022 and 2021; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Multibank Inc. and Subsidiaries as of September 30, 2022 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

## Report on Other Legal and Regulatory Requirements

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

- That the direction, execution and supervision of this review engagement has been physically performed in the Panamanian territory.
- The partner that has prepared this independent auditors' report is Rolando Williams.
- The engagement team that has participated in the review to which this report refers, is formed by Rolando Williams, Partner and Wuilliam Guerra, Senior Manager.

KPMG

Panama, Republic of Panama  
December 14, 2022



Rolando Williams  
Partner  
C.P.A. 0028-2007

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Condensed Consolidated Statement of Financial Position**

September 30, 2022 and December 31, 2021

(In U.S. dollars)

<u>Assets</u>	<u>Note</u>	<u>September 30, 2022 (Unaudited)</u>	<u>December 31, 2021</u>
Cash and cash equivalents		22,117,260	21,963,899
Deposits in banks:			
Demand		54,853,912	52,800,755
Time deposits		77,650,553	108,915,705
<b>Total deposits in banks</b>		<u>132,504,465</u>	<u>161,716,460</u>
<b>Total cash, cash equivalents and deposits in banks</b>	4, 7	<u>154,621,725</u>	<u>183,680,359</u>
Investments in securities	4, 8, 19	896,335,308	915,886,007
Derivative financial instruments	14	42,935	254,004
Loans		3,674,648,990	3,497,349,852
Allowance for loan losses		(67,618,950)	(79,132,068)
<b>Loans at amortized cost, net</b>	4, 9, 19	<u>3,607,030,040</u>	<u>3,418,217,784</u>
Property, furniture, equipment and improvements, net		50,747,775	55,190,737
Acceptances outstanding	4	36,430,204	98,842,541
Other accounts receivable	4	127,580,448	123,243,466
Provision for accounts receivable	4	(759,055)	(794,782)
Intangible assets		8,128,803	9,784,721
Deferred income tax	17	28,841,792	30,171,865
Other assets		<u>53,642,860</u>	<u>43,291,323</u>
<b>Total assets</b>		<u><u>4,962,642,835</u></u>	<u><u>4,877,768,025</u></u>

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

<u>Liabilities and Equity</u>	<u>Note</u>	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u>
<b>Liabilities:</b>			
Deposits from customers:			
Demand		325,532,555	365,929,204
Savings		407,926,487	409,781,063
Time deposits		<u>2,220,664,670</u>	<u>2,170,986,203</u>
<b>Total deposits from customers</b>	4, 10, 19	<u>2,954,123,712</u>	<u>2,946,696,470</u>
Securities sold under repurchase agreements		56,108,448	26,189,973
Financial obligations	11	1,093,572,966	918,241,637
Other financial obligations	12	392,961,749	393,918,933
Lease liabilities	13	14,297,058	16,974,135
Derivative financial instruments	14	369,793	5,016,916
Acceptances outstanding	4	36,452,165	98,842,541
Income tax payable		0	240,207
Deferred income tax	17	148,214	335,491
Other liabilities		<u>65,458,359</u>	<u>60,738,860</u>
<b>Total liabilities</b>		<u>4,613,492,464</u>	<u>4,467,195,163</u>
<b>Equity:</b>			
Common stock		183,645,893	183,645,893
Additional paid in capital	15	(152,873)	(152,873)
Retained earnings		188,563,406	177,199,706
Capital reserves		177,769	177,769
Regulatory reserves		78,996,638	71,286,960
Other comprehensive loss		<u>(102,080,462)</u>	<u>(21,584,593)</u>
<b>Total equity</b>		<u>349,150,371</u>	<u>410,572,862</u>
Commitments and contingencies	18		
<b>Total liabilities and equity</b>		<u><u>4,962,642,835</u></u>	<u><u>4,877,768,025</u></u>

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Profit or Loss**

For the three months and nine months period ended September 30, 2022 and 2021

(In U.S. dollars)

	<b>Note</b>	<b>Nine months ended September 30, 2022</b>	<b>Three months ended September 30, 2022</b>	<b>Nine months ended September 30, 2021</b>	<b>Three months ended September 30, 2021</b>
Interest income:					
Deposits in banks		959,493	590,243	289,071	96,589
Investments at fair value		9,173,976	3,308,800	8,932,602	2,885,633
Investments at amortized cost		4,428,034	1,460,996	4,398,705	1,425,746
Loans		172,340,945	58,071,504	159,840,703	54,876,658
<b>Total interest income</b>	22	<u>186,902,448</u>	<u>63,431,543</u>	<u>173,461,081</u>	<u>59,284,626</u>
Interest expense:					
Deposits from customers		65,992,383	22,731,451	70,475,761	23,039,410
Financial obligations		23,103,155	10,055,792	14,227,222	5,121,911
Other financial obligations		12,520,173	3,864,941	13,161,005	4,359,955
Securities sold under repurchase agreements		472,923	197,062	434,886	142,131
Lease liabilities		746,334	237,032	842,604	279,136
<b>Total interest expense</b>	22	<u>102,834,968</u>	<u>37,086,278</u>	<u>99,141,478</u>	<u>32,942,543</u>
<b>Interest income, net</b>		<u>84,067,480</u>	<u>26,345,265</u>	<u>74,319,603</u>	<u>26,342,083</u>
Provision for loan and interest losses	4	24,124,637	4,885,021	30,026,040	9,527,029
Reversal for credit risk of investments and deposits in banks	4	(153,893)	29,873	(254,583)	82,942
(Release) provision for account receivable losses	4	(32,057)	(53,091)	163,336	(30,219)
<b>Interest income, net after provisions</b>		<u>60,128,793</u>	<u>21,483,462</u>	<u>44,384,810</u>	<u>16,762,331</u>
Other income (expenses):					
(Loss) gain on financial instruments, net	16	(1,690,124)	(602,505)	6,530,061	1,341,321
Service charges		12,943,400	4,695,581	10,869,380	3,951,190
Insurance premiums, net		6,865,243	2,444,322	5,566,754	2,291,651
Commissions and other fees, net		3,302,161	1,127,457	2,159,673	837,299
Loss on foreign currency exchange, net		(60,908)	(14,504)	(9,380)	(868)
Impairment of assets held for sale		(424,017)	0	(1,131,037)	(31,889)
Other income		5,431,086	2,065,656	6,228,530	2,355,456
<b>Total other income, net</b>		<u>26,366,841</u>	<u>9,716,007</u>	<u>30,213,981</u>	<u>10,744,160</u>
General and administrative expenses:					
Salaries and employee benefits		34,061,520	11,846,948	32,625,066	11,240,523
Depreciation and amortization		6,403,074	1,913,025	6,405,122	2,494,907
Administrative		3,841,831	1,560,672	3,623,008	1,309,435
Occupancy and related expenses		2,838,593	939,752	2,951,499	914,135
Other operating expenses		16,593,534	5,699,615	16,992,407	6,107,110
<b>Total general and administrative expenses</b>		<u>63,738,552</u>	<u>21,960,012</u>	<u>62,597,102</u>	<u>22,066,110</u>
<b>Income before income tax</b>		22,757,082	9,239,457	12,001,689	5,440,381
Current income tax	17	(1,532,028)	(776,822)	(5,179,653)	(1,878,263)
Deferred income tax	17	(1,128,537)	(69,788)	4,854,332	1,454,763
<b>Net income</b>		<u>20,096,517</u>	<u>8,392,847</u>	<u>11,676,368</u>	<u>5,016,881</u>

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

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)**

For the three months and nine months period ended september 30, 2022 and 2021

(In U.S. dollars)

	Nine months ended September 30, <u>2022</u>	Three months ended September 30, <u>2022</u>	Nine months ended September 30, <u>2021</u>	Three months ended September 30, <u>2021</u>
Net income	20,096,517	8,392,847	11,676,368	5,016,881
<b>Other comprehensive results:</b>				
<b>Items that will not be reclassified to the condensed consolidated income statement</b>				
Employee benefits plan - change in actuarial effect	35,350	0	21,424	0
Deferred tax related on asset revaluation	(2,476)	(624)	(3,840)	(1,075)
<b>Items that are or can be reclassified to the condensed consolidated income statement</b>				
Valuation for investments FVOCI:				
Net amount transferred to income statement	(104,960)	(209,920)	(7,055,718)	(7,055,718)
Net change in fair value	(84,950,538)	(23,031,513)	(13,013,299)	(6,660,328)
Net change in fair value hedges reclassified to profit or loss	4,574,781	1,111,950	1,730,324	8,286,001
Net change in cash flow hedges	0	0	45,445	0
<b>Other comprehensive results</b>	<u>(80,447,843)</u>	<u>(22,130,107)</u>	<u>(18,275,664)</u>	<u>(5,431,120)</u>
<b>Comprehensive loss</b>	<u>(60,351,326)</u>	<u>(13,737,260)</u>	<u>(6,599,296)</u>	<u>(414,239)</u>

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



**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Changes in Equity**

For the nine months period ended September 30, 2022 and 2021

(In U.S. dollars)

	<u>Common shares</u>	<u>Preferred shares</u>	<u>Excess paid in acquisition of non-controlling interests</u>	<u>Retained earnings</u>	<u>Regulatory capital reserve</u>	<u>Regulatory reserves</u>	<u>Other comprehensive losses</u>	<u>Total</u>
<b>Balance as of December 31, 2020</b>	183,645,893	8,000,000	(152,873)	149,790,076	177,769	84,397,821	2,833,840	428,692,526
Loss income	0	0	0	11,676,368	0	0	0	11,676,368
<b>Other comprehensive results</b>								
Valuation for investments FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	(7,055,718)	(7,055,718)
Net change in fair value	0	0	0	0	0	0	(13,013,299)	(13,013,299)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	1,730,324	1,730,324
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	21,424	21,424
Net change in cash flow hedges	0	0	0	0	0	0	45,445	45,445
Deferred tax related to asset revaluation	0	0	0	0	0	0	(3,840)	(3,840)
Transfer to retained earnings due to revaluation of assets	0	0	0	48,026	0	0	(48,026)	0
Total other comprehensive results	0	0	0	48,026	0	0	(18,323,690)	(18,275,664)
Total comprehensive results	0	0	0	11,724,394	0	0	(18,323,690)	(6,599,296)
<b>Other changes in equity</b>								
Regulatory reserves	0	0	0	11,776,424	0	(11,776,424)	0	0
<b>Transactions with the Bank's owners</b>								
Contributions and distributions:								
Declared dividends - preferred shares	0	0	0	(406,444)	0	0	0	(406,444)
Advanced dividend tax	0	0	0	(416,573)	0	0	0	(416,573)
Total transactions with the Bank's owners	0	0	0	(823,017)	0	0	0	(823,017)
<b>Balance as of September 30, 2021</b>	<u>183,645,893</u>	<u>8,000,000</u>	<u>(152,873)</u>	<u>172,467,877</u>	<u>177,769</u>	<u>72,621,397</u>	<u>(15,489,850)</u>	<u>421,270,213</u>
<b>Balance as of December 31, 2021</b>	183,645,893	0	(152,873)	177,199,706	177,769	71,286,960	(21,584,593)	410,572,862
Net income	0	0	0	20,096,517	0	0	0	20,096,517
<b>Other comprehensive results</b>								
Valuation for investments FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	(104,960)	(104,960)
Net change in fair value	0	0	0	0	0	0	(84,950,538)	(84,950,538)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	4,574,781	4,574,781
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	35,350	35,350
Deferred tax related to asset revaluation	0	0	0	0	0	0	(2,476)	(2,476)
Transfer to retained earnings due to revaluation of assets	0	0	0	48,026	0	0	(48,026)	0
Total other comprehensive results	0	0	0	48,026	0	0	(80,495,869)	(80,447,843)
Total comprehensive results	0	0	0	20,144,543	0	0	(80,495,869)	(60,351,326)
<b>Other changes in equity</b>								
Regulatory reserves	0	0	0	(7,709,678)	0	7,709,678	0	0
<b>Transactions with the Bank's owners</b>								
Advanced dividend tax	0	0	0	(1,071,165)	0	0	0	(1,071,165)
Total transactions with the Bank's owners	0	0	0	(1,071,165)	0	0	0	(1,071,165)
<b>Balance as of September 30, 2022</b>	<u>183,645,893</u>	<u>0</u>	<u>(152,873)</u>	<u>188,563,406</u>	<u>177,769</u>	<u>78,996,638</u>	<u>(102,080,462)</u>	<u>349,150,371</u>

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

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Unaudited Condensed Consolidated Statement of Cash Flows**

For the nine months period ended September 30, 2022 and 2021

(In U.S. dollars)

	<u>Note</u>	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
Cash flows from operating activities:			
Net income		20,096,517	11,676,368
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		4,870,038	4,774,195
Amortization of the right-of-use assets		1,533,036	1,630,927
Provision for loan losses	4	24,124,637	30,026,040
Reversal for credit risk of investments and deposits in banks	4	(153,893)	(254,583)
Provision for accounts receivable losses	4	(32,057)	163,336
Impairment of assets held for sale		424,017	1,131,037
Impairment of non financial assets		0	36,087
Provision (reversal) for losses on undisbursed commitments		(14,139)	(30,927)
Interest income, net		(84,067,480)	(74,319,603)
Loss (gain) on financial instruments, net	16	1,690,124	(6,530,061)
Loss on sale and disposal of property and equipment, net		(273,511)	13,133
(Gain) loss on assets held for sale		(895,087)	15,110
Dividends earned on investments in securities		(1,107,689)	(1,220,234)
Income tax expense		2,660,565	325,321
<b>Changes in operating assets and liabilities:</b>			
Deposits with original maturities of 90 days or more		0	10,500,000
Investments at fair value		(4,713,225)	8,001,372
Loans		(238,556,383)	(251,044,267)
Securities sold under agreements to repurchase		30,039,775	28,575,000
Other accounts receivables and other assets		(4,340,651)	(3,403,214)
Other assets		(8,811,056)	(8,747,503)
Deposits from customers		8,563,199	(81,321,334)
Other liabilities		4,783,256	(5,798,951)
<b>Cash generated by operations:</b>			
Interest received		217,331,890	174,979,420
Interest paid		(98,050,573)	(104,539,489)
Dividends received		1,107,689	1,220,234
Income tax paid		(1,772,236)	(5,329,772)
<b>Net cash used in operating activities</b>		<u>(125,563,237)</u>	<u>(269,472,358)</u>
Cash flows from investment activities:			
Proceeds from sale of investments securities		6,800,463	678,250,091
Maturities and prepayments of investments securities		81,156,869	195,473,563
Purchase of investments at securities		(160,988,306)	(767,370,160)
Purchase of property and equipment		(1,991,437)	(2,178,415)
Proceeds from sale of property and equipment		1,426,120	59,821
Acquisition of intangible assets		(1,212,741)	(1,106,200)
Proceeds from sale of intangible assets		226,725	777,197
Proceeds from sale of assets held for sale		5,334,601	909,743
<b>Net cash (used in) provided by investment activities</b>		<u>(69,247,706)</u>	<u>104,815,640</u>
Cash flows from financing activities:			
Payment of other financial obligations		(20,679,000)	(134,847,712)
Proceeds from financial obligations		787,937,555	395,295,201
Payment of financial obligations		(598,950,436)	(122,092,616)
Payment of lease liabilities		(1,501,331)	(802,367)
Dividends paid		0	(406,444)
Advanced dividend tax		(1,071,165)	(416,573)
<b>Net cash provided by financing activities</b>		<u>165,735,623</u>	<u>136,729,489</u>
Decrease in cash and cash equivalents		(29,075,320)	(27,927,229)
Cash and cash equivalents at beginning of the year		176,151,221	182,795,105
<b>Cash and cash equivalents at the end of the period</b>	7	<u>147,075,901</u>	<u>154,867,876</u>

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

# **MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

September 30, 2022

(In U.S. dollars)

### (1) Organization

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

On May 22, 2020, the sale of the shares of the Multi Financial Group, Inc. (Parent Company up to that date), 99.57% by the AVAL Group (based in Colombia), was formalized through its subsidiary Leasing Bogota, S.A. Panama. Leasing Bogota, S.A. Panama is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

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

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

The Bank consolidates directly and indirectly with the following entities:

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

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

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

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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**(1) Organization, continued**

During the month of August 2022, approval of the absorption merger of the subsidiary Orbis Real Estate, Inc. with Multibank Inc. is received by the Superintendency and the registration in the public registry is proceeded for its materialization in the month of September 2022.

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

*(a) Condensed consolidated interim financial statements*

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

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

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

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

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

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

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

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

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

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

These condensed consolidated interim financial statements were authorized for issuance by the Audit Committee and ratified by the Board of Directors on November 8, 2022.

**(c) *Basis of measurement***

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

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

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

**(d) *Functional and presentation currency***

These condensed consolidated interim financial statements are presented in dollars of the United States of America (US), which is the functional currency of the Bank.

**(e) *Use of estimates and judgments***

Preparation of the condensed consolidated interim 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 and liabilities, income 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.

**(3) Summary of Significant Accounting Policies**

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

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management

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

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

<u>September 30, 2022</u>	<u>Designated FVTPL – debt instruments</u>	<u>Designated FVTPL - equity instruments</u>	<u>FVOCI - debt instruments</u>	<u>Amortized cost</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	0	0	0	154,621,725	154,621,725
Investments at fair value	34,212,479	1,848,750	764,521,216	95,752,863	896,335,308
Loans at amortized costs	0	0	0	3,607,030,040	3,607,030,040
Other accounts receivable, net of provision	0	0	0	126,821,393	126,821,393
<b>Total financial assets</b>	<u>34,212,479</u>	<u>1,848,750</u>	<u>764,521,216</u>	<u>3,984,226,021</u>	<u>4,784,808,466</u>

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

As of September 30, 2022, and December 31, 2021, all financial liabilities held by the Bank are classified at amortized cost.

#### (a) Credit Risk

##### ***Information on the portfolio's quality***

###### ***Quality of the portfolio of bank deposits***

The Bank maintains deposits in banks for \$132,504,465 as of September 30, 2022 (December 31, 2021: \$161,716,460). Deposits are maintained at central banks and other financial institutions, most of which have AA to BB risk ratings, (December 31, 2021: AA to BB) based on Standard & Poor's, Moody's, and/or Fitch Ratings. On the total amount of deposits.

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

###### ***Quality of the investment portfolio at fair value***

The Bank segregates the investment portfolio into investments at FVTPL, investments at AC and investments at FVOCI. As of September 30, 2022, investments amounted to \$896,335,308 (December 31, 2021: \$915,886,007).

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

As September 30, 2022, the other assets at FVTPL includes common stocks for \$1,848,750 (December 31, 2021: \$2,018,397) and mutual funds for \$20,813,755 (December 31, 2021: \$21,185,348) which are excluded of the following risk analyzes.

- Investments at FVTPL

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

The following table summarizes investments at FVTPL categories:

	September 30, <u>2022</u>	December 31, <u>2021</u>
<b>Governments and agencies</b>		
BBB	13,388,754	15,799,761
<b>Total governments and agencies</b>	13,388,754	15,799,761
<b>Corporate</b>		
Unrated	9,970	16,112
<b>Total Corporate</b>	<u>9,970</u>	<u>16,112</u>
<b>Total investments at FVTPL</b>	<u>13,398,724</u>	<u>15,815,873</u>

- Investments at FVOCI

The following table summarizes the investments at FVOCI categories:

	September 30, 2022			December 31, 2021		
	<u>12 months ECL</u>	Lifetime ECL - without impairment	Total investments at FVOCI	<u>12 months ECL</u>	Lifetime ECL - without impairment	Total investments at FVOCI
<b>Governments and agencies</b>						
AAA	111,720,414	0	111,720,414	80,443,260	0	80,443,260
AA+	291,695,390	0	291,695,390	323,625,542	0	323,625,542
BBB	256,588,727	0	256,588,727	271,918,014	0	271,918,014
BB+ to B-	<u>10,822,632</u>	<u>5,539,978</u>	<u>16,362,610</u>	<u>7,536,562</u>	<u>7,035,397</u>	<u>14,571,959</u>
<b>Total Governments and agencies</b>	<u>670,827,163</u>	<u>5,539,978</u>	<u>676,367,141</u>	<u>683,523,378</u>	<u>7,035,397</u>	<u>690,558,775</u>
<b>Corporate</b>						
A+	0	0	0	15,059,604	0	15,059,604
AA-	13,626,692	0	13,626,692	0	0	0
BBB+	4,491,685	0	4,491,685	0	0	0
BBB	17,859,146	0	17,859,146	25,888,532	0	25,888,532
BBB-	39,638,080	0	39,638,080	32,853,282	0	32,853,282
BB+ to B	<u>5,173,000</u>	<u>7,365,472</u>	<u>12,538,472</u>	<u>8,552,713</u>	<u>9,047,732</u>	<u>17,600,445</u>
<b>Total Corporate</b>	<u>80,788,603</u>	<u>7,365,472</u>	<u>88,154,075</u>	<u>82,354,131</u>	<u>9,047,732</u>	<u>91,401,863</u>
<b>Total</b>	<u>751,615,766</u>	<u>12,905,450</u>	<u>764,521,216</u>	<u>765,877,509</u>	<u>16,083,129</u>	<u>781,960,638</u>
<b>Allowance for ECL</b>	<u>324,215</u>	<u>848,742</u>	<u>1,172,957</u>	<u>307,966</u>	<u>934,300</u>	<u>1,242,266</u>

Debt instruments measured at FVOCI as of September 30, 2022 and December 31, 2021 they are up to date in their payments.



# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

- Investment in AC

The following table summarizes the AC investment portfolio ratings:

	September 30, 2022			December 31, 2021		
	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>	<u>12 months ECL</u>	<u>Lifetime ECL - without impairment</u>	<u>Total investments at FVOCI</u>
Corporate						
BBB	0	0	0	5,483,230	0	5,483,230
Range BB+ to B-	44,676,352	29,297,601	73,973,953	39,153,685	28,875,030	68,028,715
Unrated	<u>3,507,573</u>	<u>18,271,337</u>	<u>21,778,910</u>	<u>3,578,255</u>	<u>17,815,551</u>	<u>21,393,806</u>
<b>Total Corporate</b>	<u>48,183,925</u>	<u>47,568,938</u>	<u>95,752,863</u>	<u>48,215,170</u>	<u>46,690,581</u>	<u>94,905,751</u>
<b>Total</b>	<u>48,183,925</u>	<u>47,568,938</u>	<u>95,752,863</u>	<u>48,215,170</u>	<u>46,690,581</u>	<u>94,905,751</u>
<b>Allowance for ECL</b>	<u>115,212</u>	<u>2,293,216</u>	<u>2,408,428</u>	<u>180,500</u>	<u>2,312,808</u>	<u>2,493,308</u>

The AC investment as of September 30, 2022 and December 31, 2021 are up to date in their payments.

#### *Quality of the loan portfolio*

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

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk Management, continued**

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

<u>September 30, 2022</u>	<b>12 months ECL</b>	<b>Lifetime ECL - credit unimpaired</b>	<b>Lifetime ECL - credit impaired</b>	<b>Total</b>
<b>Corporate</b>				
Satisfactory	1,515,911,600	18,653,743	0	1,534,565,343
Special mention	0	130,726,145	0	130,726,145
Sub-standard	0	0	169,600,595	169,600,595
Doubtful	0	0	50,847,592	50,847,592
Loss	0	0	46,400,440	46,400,440
<b>Gross amount</b>	<b>1,515,911,600</b>	<b>149,379,888</b>	<b>266,848,627</b>	<b>1,932,140,115</b>
Allowance for ECL	(7,526,001)	(7,888,065)	(27,997,397)	(43,411,463)
<b>Net amount</b>	<b>1,508,385,599</b>	<b>141,491,823</b>	<b>238,851,230</b>	<b>1,888,728,652</b>
<b>Small Company</b>				
Satisfactory	78,807,780	17,058,685	0	95,866,465
Special mention	0	2,456,336	0	2,456,336
Sub-standard	0	0	926,650	926,650
Doubtful	0	0	2,191,720	2,191,720
Loss	0	0	1,708,899	1,708,899
<b>Gross amount</b>	<b>78,807,780</b>	<b>19,515,021</b>	<b>4,827,269</b>	<b>103,150,070</b>
Allowance for ECL	(1,076,890)	(1,201,063)	(1,610,880)	(3,888,833)
<b>Net amount</b>	<b>77,730,890</b>	<b>18,313,958</b>	<b>3,216,389</b>	<b>99,261,237</b>
<b>Mortgage</b>				
Satisfactory	659,926,343	83,419,285	0	743,345,628
Special mention	1,959,226	40,013,907	0	41,973,133
Sub-standard	0	0	3,334,216	3,334,216
Doubtful	0	0	6,844,890	6,844,890
Loss	0	0	5,348,091	5,348,091
<b>Gross amount</b>	<b>661,885,569</b>	<b>123,433,192</b>	<b>15,527,197</b>	<b>800,845,958</b>
Allowance for ECL	(2,249,548)	(4,007,124)	(2,548,375)	(8,805,047)
<b>Net amount</b>	<b>659,636,021</b>	<b>119,426,068</b>	<b>12,978,822</b>	<b>792,040,911</b>
<b>Personal banking</b>				
Satisfactory	458,286,341	12,640,827	0	470,927,168
Special mention	172,972	3,129,631	2,063	3,304,666
Sub-standard	0	0	1,347,736	1,347,736
Doubtful	0	0	1,131,456	1,131,456
Loss	0	0	1,182,659	1,182,659
<b>Gross amount</b>	<b>458,459,313</b>	<b>15,770,458</b>	<b>3,663,914</b>	<b>477,893,685</b>
Allowance for ECL	(2,450,417)	(854,767)	(1,539,725)	(4,844,909)
<b>Net amount</b>	<b>456,008,896</b>	<b>14,915,691</b>	<b>2,124,189</b>	<b>473,048,776</b>
<b>Vehicles</b>				
Satisfactory	276,634,955	10,017,314	0	286,652,269
Special mention	168,551	17,003,772	0	17,172,323
Sub-standard	0	0	610,358	610,358
Doubtful	0	0	534,655	534,655
Loss	0	0	140,408	140,408
<b>Gross amount</b>	<b>276,803,506</b>	<b>27,021,086</b>	<b>1,285,421</b>	<b>305,110,013</b>
Allowance for ECL	(689,426)	(514,817)	(417,250)	(1,621,493)
<b>Net amount</b>	<b>276,114,080</b>	<b>26,506,269</b>	<b>868,171</b>	<b>303,488,520</b>
<b>Credit Card</b>				
Satisfactory	41,085,437	3,847,651	2,322,657	47,255,745
Special mention	0	4,153,971	1,268,129	5,422,100
Doubtful	0	2,158,781	0	2,158,781
Loss	0	0	672,523	672,523
<b>Gross amount</b>	<b>41,085,437</b>	<b>10,160,403</b>	<b>4,263,309</b>	<b>55,509,149</b>
Allowance for ECL	(607,427)	(1,924,807)	(2,514,971)	(5,047,205)
<b>Net amount</b>	<b>40,478,010</b>	<b>8,235,596</b>	<b>1,748,338</b>	<b>50,461,944</b>
<b>Net carrying amount, net of reserve</b>	<b>3,018,353,496</b>	<b>328,889,405</b>	<b>259,787,139</b>	<b>3,607,030,040</b>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

<u>December 31, 2021</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
<b>Corporate</b>				
Satisfactory	1,483,687,153	56,708,078	0	1,540,395,231
Special mention	0	143,407,569	0	143,407,569
Sub-standard	0	0	66,638,019	66,638,019
Doubtful	0	0	30,422,199	30,422,199
Loss	0	0	38,578,029	38,578,029
<b>Gross amount</b>	<u>1,483,687,153</u>	<u>200,115,647</u>	<u>135,638,247</u>	<u>1,819,441,047</u>
Allowance for ECL	(8,114,361)	(9,796,942)	(16,790,707)	(34,702,010)
<b>Net amount</b>	<u>1,475,572,792</u>	<u>190,318,705</u>	<u>118,847,540</u>	<u>1,784,739,037</u>
<b>Small Company</b>				
Satisfactory	48,253,763	33,981,598	0	82,235,361
Special mention	0	1,163,485	0	1,163,485
Sub-standard	0	0	1,984,762	1,984,762
Doubtful	0	0	777,521	777,521
Loss	0	0	1,681,023	1,681,023
<b>Gross amount</b>	<u>48,253,763</u>	<u>35,145,083</u>	<u>4,443,306</u>	<u>87,842,152</u>
Allowance for ECL	(807,250)	(2,364,134)	(1,031,451)	(4,202,835)
<b>Net amount</b>	<u>47,446,513</u>	<u>32,780,949</u>	<u>3,411,855</u>	<u>83,639,317</u>
<b>Mortgage</b>				
Satisfactory	419,453,844	117,048,995	0	536,502,839
Special mention	1,288,474	205,736,350	0	207,024,824
Sub-standard	0	0	2,281,346	2,281,346
Doubtful	0	0	2,803,446	2,803,446
Loss	0	0	7,387,557	7,387,557
<b>Gross amount</b>	<u>420,825,318</u>	<u>322,785,345</u>	<u>12,472,349</u>	<u>756,083,012</u>
Allowance for ECL	(1,098,807)	(13,532,157)	(1,141,575)	(15,772,539)
<b>Net amount</b>	<u>419,726,511</u>	<u>309,253,188</u>	<u>11,330,774</u>	<u>740,310,473</u>
<b>Personal banking</b>				
Satisfactory	403,134,597	35,715,721	2,379	438,852,697
Special mention	35,503	19,108,610	1,563	19,145,676
Sub-standard	0	0	1,131,541	1,131,541
Doubtful	0	0	871,294	871,294
Loss	0	0	2,057,618	2,057,618
<b>Gross amount</b>	<u>403,170,100</u>	<u>54,824,331</u>	<u>4,064,395</u>	<u>462,058,826</u>
Allowance for ECL	(1,694,455)	(4,530,154)	(1,224,119)	(7,448,728)
<b>Net amount</b>	<u>401,475,645</u>	<u>50,294,177</u>	<u>2,840,276</u>	<u>454,610,098</u>
<b>Vehicles</b>				
Satisfactory	165,226,604	64,263,832	0	229,490,436
Special mention	2,169,362	75,816,802	7,369	77,993,533
Sub-standard	0	0	431,736	431,736
Doubtful	0	0	250,215	250,215
Loss	0	0	214,858	214,858
<b>Gross amount</b>	<u>167,395,966</u>	<u>140,080,634</u>	<u>904,178</u>	<u>308,380,778</u>
Allowance for ECL	(818,136)	(4,623,683)	(261,900)	(5,703,719)
<b>Net amount</b>	<u>166,577,830</u>	<u>135,456,951</u>	<u>642,278</u>	<u>302,677,059</u>
<b>Credit Card</b>				
Satisfactory	37,687,426	4,175,427	87,210	41,950,063
Special mention	0	10,012,378	555,830	10,568,208
Doubtful	0	975,873	0	975,873
Loss	0	0	10,049,893	10,049,893
<b>Gross amount</b>	<u>37,687,426</u>	<u>15,163,678</u>	<u>10,692,933</u>	<u>63,544,037</u>
Allowance for ECL	(688,141)	(3,827,881)	(6,786,215)	(11,302,237)
<b>Net amount</b>	<u>36,999,285</u>	<u>11,335,797</u>	<u>3,906,718</u>	<u>52,241,800</u>
<b>Net carrying amount, net of reserve</b>	<u>2,547,798,576</u>	<u>729,439,767</u>	<u>140,979,441</u>	<u>3,418,217,784</u>

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk Management, continued**

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

<u>September 30, 2022</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
<b>Corporate</b>				
Satisfactory	122,735,775	0	0	122,735,775
Special mention	0	0	0	0
Doubtful	0	0	10,000	10,000
<b>Gross amount</b>	<u>122,735,775</u>	<u>0</u>	<u>10,000</u>	<u>122,745,775</u>
Allowance for ECL	(73,558)	0	(498)	(74,056)
<b>Net amount</b>	<u>122,662,217</u>	<u>0</u>	<u>9,502</u>	<u>122,671,719</u>
<b>Small Company</b>				
Satisfactory	376,300	0	0	376,300
<b>Gross amount</b>	<u>376,300</u>	<u>0</u>	<u>0</u>	<u>376,300</u>
Allowance for ECL	(227)	0	0	(227)
<b>Net amount</b>	<u>376,073</u>	<u>0</u>	<u>0</u>	<u>376,073</u>
<b>Personal banking</b>				
Satisfactory	177,686,767	0	217,725	177,904,492
<b>Gross amount</b>	<u>177,686,767</u>	<u>0</u>	<u>217,725</u>	<u>177,904,492</u>
Allowance for ECL	(106,776)	0	(17,969)	(124,745)
<b>Net amount</b>	<u>177,579,991</u>	<u>0</u>	<u>199,756</u>	<u>177,779,747</u>
<b>Net carrying amount, net of reserve</b>	<u>300,618,281</u>	<u>0</u>	<u>209,258</u>	<u>300,827,539</u>
<u>December 31, 2021</u>	<u>12 months ECL</u>	<u>Lifetime ECL - credit unimpaired</u>	<u>Lifetime ECL - credit impaired</u>	<u>Total</u>
<b>Corporate</b>				
Satisfactory	163,286,095	0	0	163,286,095
Special mention	0	130,000	0	130,000
Sub-standard	0	0	10,000	10,000
<b>Gross amount</b>	<u>163,286,095</u>	<u>130,000</u>	<u>10,000</u>	<u>163,426,095</u>
Allowance for ECL	(100,518)	(1,156)	(411)	(102,085)
<b>Net amount</b>	<u>163,185,577</u>	<u>128,844</u>	<u>9,589</u>	<u>163,324,010</u>
<b>Personal banking</b>				
Satisfactory	111,485,330	0	0	111,485,330
<b>Gross amount</b>	<u>111,485,330</u>	<u>0</u>	<u>0</u>	<u>111,485,330</u>
Allowance for ECL	(70,520)	0	0	(70,520)
<b>Net amount</b>	<u>111,414,810</u>	<u>0</u>	<u>0</u>	<u>111,414,810</u>
<b>Net carrying amount, net of reserve</b>	<u>274,600,387</u>	<u>128,844</u>	<u>9,589</u>	<u>274,738,820</u>

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(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.

	<b>September 30, 2022</b>					
	<u>Mortgage</u>	<u>Pledge</u>	<u>Certificates of deposit</u>	<u>Investments in securities</u>	<u>Unsecured</u>	<u>Total</u>
Investments in securities	0	0	0	0	894,486,558	894,486,558
Loans at amortized cost						
<b>Corporate</b>						
Corporate	1,257,322,075	26,559,995	156,269,322		483,669,028	1,923,820,420
Corporate leases, net	0	8,319,695	0	0	0	8,319,695
<b>Total corporate</b>	1,257,322,075	34,879,690	156,269,322	0	483,669,028	1,932,140,115
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company	80,405,526	1,468,825	10,069,807	0	10,927,195	102,871,353
Small company leases, net	0	278,717	0	0	0	278,717
<b>Total Small company</b>	80,405,526	1,747,542	10,069,807	0	10,927,195	103,150,070
<b>Personal Banking</b>						
Mortgage	800,845,958	0	0	0	0	800,845,958
Personal	34,069,352	0	31,086,773	0	412,737,560	477,893,685
Vehicles	0	303,620,010	0	0	0	303,620,010
Personal leases, net of interest	0	1,490,003	0	0	0	1,490,003
Credit cards	0	0	0	0	55,509,149	55,509,149
<b>Total Personal Banking</b>	834,915,310	305,110,013	31,086,773	0	468,246,709	1,639,358,805
<b>Total Personal Banking and Small company</b>	915,320,836	306,857,555	41,156,580	0	479,173,904	1,742,508,875
Allowance for ECL	(46,496,565)	(3,812,086)	(229,313)	0	(17,080,986)	(67,618,950)
<b>Total loans</b>	<u>2,126,146,346</u>	<u>337,925,159</u>	<u>197,196,589</u>	<u>0</u>	<u>945,761,946</u>	<u>3,607,030,040</u>
Credit commitments and financial guarantees	0	416,297	3,825,971	0	296,585,271	300,827,539
	<b>December 31, 2021</b>					
	<u>Mortgage</u>	<u>Pledge</u>	<u>Certificates of deposit</u>	<u>Investments in securities</u>	<u>Unsecured</u>	<u>Total</u>
Investments in securities	0	0	0	0	913,867,611	913,867,611
Loans at amortized cost						
<b>Corporate</b>						
Corporate	1,071,364,843	26,722,744	126,511,670	0	585,725,923	1,810,325,180
Corporate leases, net	0	9,115,867	0	0	0	9,115,867
<b>Total corporate</b>	1,071,364,843	35,838,611	126,511,670	0	585,725,923	1,819,441,047
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company	69,220,958	1,590,688	9,408,398	0	7,189,123	87,409,167
Small company leases, net	0	432,985	0	0	0	432,985
<b>Total Small company</b>	69,220,958	2,023,673	9,408,398	0	7,189,123	87,842,152
<b>Personal Banking</b>						
Mortgage	756,083,012	0	0	0	0	756,083,012
Personal	33,571,704	0	29,464,906	0	399,022,216	462,058,826
Vehicles	303,059	306,042,609	0	0	0	306,345,668
Personal leases, net of interest	0	2,035,110	0	0	0	2,035,110
Credit cards	0	0	0	0	63,544,037	63,544,037
<b>Total Personal Banking</b>	789,957,775	308,077,719	29,464,906	0	462,566,253	1,590,066,653
<b>Total Personal Banking and Small company</b>	859,178,733	310,101,392	38,873,304	0	469,755,376	1,677,908,805
Allowance for ECL	(39,352,018)	(12,010,108)	(269,006)	0	(27,500,936)	(79,132,068)
<b>Total loans</b>	<u>1,891,191,558</u>	<u>333,929,895</u>	<u>165,115,968</u>	<u>0</u>	<u>1,027,980,363</u>	<u>3,418,217,784</u>
Credit commitments and financial guarantees	0	70,509	5,534,152	0	269,134,159	274,738,820

# MULTIBANK INC. AND SUBSIDIARIES

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

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

Corporates	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Loans</u>	<u>Covered amount</u>	<u>Loans</u>	<u>Covered amount</u>
Stage 1 and 2	896,926,167	872,392,878	948,250,268	946,869,372
Stage 3	<u>219,542,151</u>	<u>215,010,849</u>	<u>114,067,753</u>	<u>113,875,255</u>
Total	<u>1,116,468,318</u>	<u>1,087,403,727</u>	<u>1,062,318,021</u>	<u>1,060,744,627</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Property	8,899,194	12,822,489
Vehicles and others	<u>838,619</u>	<u>504,130</u>
Total	<u>9,737,813</u>	<u>13,326,619</u>

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

### ***Residential mortgage loans***

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals. LTV is calculated as a percentage of the loan gross amount with respect to the collateral value. The gross amount of the loan does not include any impairment loss. The collateral value for mortgages is based on the original value of the guarantee at disbursement. The corresponding values are updated based on the requirements of local regulators, new disbursements with the same guarantee, restructuring of the credit or judicial processes that imply execution.

LTV Ratio	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Loans</u>	<u>Credit and guarantee commitments</u>	<u>Loans</u>	<u>Credit and guarantee commitments</u>
Less than 50%	72,322,275	8,052,405	72,934,145	3,585,173
51-70%	156,963,039	4,134,926	153,844,970	2,367,555
71-80%	112,955,615	7,132,234	109,356,701	5,104,018
81-90%	288,953,548	45,367,511	246,553,413	26,202,068
91-100%	162,682,860	110,867,083	167,187,635	73,998,611
More than 100%	<u>6,968,621</u>	<u>2,350,333</u>	<u>6,206,148</u>	<u>227,905</u>
Total	<u>800,845,958</u>	<u>177,904,492</u>	<u>756,083,012</u>	<u>111,485,330</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued *Impaired Loans*

LTV Ratio	September 30, <u>2022</u>	December 31, <u>2021</u>
Less than 50%	1,408,253	1,515,390
51-70%	4,423,513	3,171,909
71-80%	1,702,530	2,209,278
81-90%	3,759,428	2,714,580
91-100%	3,388,237	2,353,320
More than 100%	<u>845,236</u>	<u>507,872</u>
<b>Total</b>	<u>15,527,197</u>	<u>12,472,349</u>

### ***ECL allowance Projection of future conditions***

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

External sector:

External risk	Upside	Base	Downside
<b>Increase in interest rate:</b>	1. Inflationary pressures are gradually reduced in accordance with less tension due to the armed conflict, which reestablishes the price levels of raw materials. With which the adjustment in rates would not be so aggressive.	1. FED gradually increases interest rates starting in the second half of 2022, resulting in tighter international financial condition.	1. Inflation remains persistent and monetary authorities must accelerate their monetary policy adjustment, with more than three increases in Fed rates throughout 2022.

The scenarios for each country are detailed below:

Scenario	Scenarios synthesis	Upside	Base	Downside
Panama	1. PIB growth is expected to be high, although less than the previous quarter, still close to 5% around its historical average, and similar to external references (IMF indicates 5% in 2023).	Panama maintains an optimistic outlook in the social political sphere, with a high-income population and political stability to date.  There is an optimistic fiscal outlook, after having a rapid recovery in economic growth and government income. Fitch upgraded Panama's outlook from negative to stable for this reason.	Inflation in Panama is expected to be the lowest among Central American countries. It is currently highly concentrated in the transportation sector, via imported inflation with higher fuel prices. The forecast remains close to the EIU external forecasts (2022: 4.4% and 2023: 4.3%).	The outlook remains pessimistic with the possibility of further increases in rates to face increases in inflation expectations. Given the persistence of this, it is considered that the probability of this scenario manifesting has increased. Panama starts from a favorable position, with a low risk premium, the best sovereign risk rating, with a recent improvement in outlook, therefore, the impact was determined as low.
Costa Rica	1. Inflation increased rapidly and exceeded the upper limit of the Central Bank's target range. The inflation outlook was increased, which remains above the BCCR's target, however, it gradually decreases during the year.  2. Interest rates were modified in such a way that they contemplate an upward variation, in line with the expectation of normalization of rates at the international level and with the recent increases in the BCCR's monetary policy rate.	In the context of the war between Russia and Ukraine, external demand is expected to weaken and be less favored in terms of exports and tourist receipts, the external impact is modified from very high to high.  Having passed the electoral period improves the political and social perspective, by overcoming the risk of tensions during the period .	Growth prospects were lowered, in line with the lower global growth expectation towards 2023 and the growth forecasts for that year (IMF: 3.1%).	This scenario increased the probability to very likely, in line with the other countries. The impact remains in the medium category; on the one hand, the government remains with high levels of debt, on the other hand, it has managed to improve confidence in the markets, which can be seen in a lower EMBI.

# MULTIBANK INC. AND SUBSIDIARIES

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (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	September 30, 2022	September 30, 2022	December 31, 2021	December 31, 2021
	Panama	Costa Rica	Panama	Costa Rica
Optimistic	25%	20%	25%	20%
Base	65%	70%	60%	65%
Downside	10%	10%	15%	15%

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

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

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

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

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

		September 30, 2022		December 31, 2021	
		Costa Rica	Panama	Costa Rica	Panama
		%	%	%	%
Monthly Economic Activity Index	Optimistic	5.61	7.23	5.97	8.14
	Base	5.37	6.68	4.78	5.28
	Downside	4.91	6.07	4.41	3.68
Consumer Price Index	Optimistic	4.14	2.72	1.58	1.98
	Base	5.24	3.31	2.83	2.58
	Downside	6.96	3.51	3.38	3.36
Exchange Rate	Optimistic	8.16	-	0.70	-
	Base	8.90	-	1.87	-
	Downside	9.42	-	6.43	-
Local Currency Interest Rate	Optimistic	0.51	-	(1.03)	-
	Base	1.24	-	(0.09)	-
	Downside	1.31	-	1.20	-
Dollars Interest Rate	Optimistic	0.38	0.19	(1.04)	0.37
	Base	0.69	0.24	(0.02)	0.83
	Downside	0.95	0.57	1.80	0.87



# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

#### *Sensitivity of ECL to future economic conditions*

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

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

<u>September 30, 2022</u>	<u>Upside</u>	<u>Base</u>	<u>Downside</u>
<b>Book Value</b>			
Corporate	1,932,140,115	1,932,140,115	1,932,140,115
Small company	103,150,070	103,150,070	103,150,070
Mortgage	800,845,958	800,845,958	800,845,958
Personal banking	477,893,685	477,893,685	477,893,685
Vehicles	305,110,013	305,110,013	305,110,013
Credit card	55,509,149	55,509,149	55,509,149
	<u>3,674,648,990</u>	<u>3,674,648,990</u>	<u>3,674,648,990</u>
<b>ECL Allowance</b>			
Corporate	42,684,518	43,509,108	44,467,758
Small company	3,830,535	3,926,640	4,074,332
Mortgage	8,656,436	8,921,707	9,184,881
Personal banking	4,744,294	4,869,702	5,006,655
Vehicles	1,611,722	1,637,258	1,654,671
Credit card	5,017,023	5,053,347	5,074,111
	<u>66,544,528</u>	<u>67,917,762</u>	<u>69,462,408</u>
<b>Proportion of assets in Stage 2</b>			
Corporate	7.49%	7.49%	7.49%
Small company	17.54%	19.08%	19.80%
Mortgage	14.66%	14.90%	15.21%
Personal banking	3.11%	3.11%	3.11%
Vehicles	8.13%	8.13%	8.14%
Credit card	18.30%	18.30%	18.30%
	<b>8.98%</b>	<b>9.07%</b>	<b>9.16%</b>

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk Management, continued**

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

The following table shows a reconciliation of the opening and closing balances of the period as of September 30, 2022, of the financial assets' ECL allowance.

	<u>September 30, 2022</u>				<u>December 31, 2021</u>			
	<u>12 months ECL</u>	<u>Lifetime ECL - unimpaired</u>	<u>Lifetime ECL - impaired</u>	<u>Total</u>	<u>12 months ECL</u>	<u>Lifetime ECL - unimpaired</u>	<u>Lifetime ECL - impaired</u>	<u>Total</u>
<b>Deposits in banks</b>								
Balance as of January 1	9,480	0	0	9,480	5,817	2,131	0	7,948
Transfer from stage 2 to 1	0	0	0	0	2,131	(2,131)	0	0
Provision expense - remeasurement	(3,334)	0	0	(3,334)	(6,786)	0	0	(6,786)
Provision expense - origination	<u>3,630</u>	<u>0</u>	<u>0</u>	<u>3,630</u>	<u>8,318</u>	<u>0</u>	<u>0</u>	<u>8,318</u>
Balance at period end	<u>9,776</u>	<u>0</u>	<u>0</u>	<u>9,776</u>	<u>9,480</u>	<u>0</u>	<u>0</u>	<u>9,480</u>
<b>Investments at FVOCI</b>								
Balance as of January 1	307,966	934,300	0	1,242,266	1,453,667	899,617	0	2,353,284
Transfer from stage 1 to 2	0	0	0	0	(11,877)	11,877	0	0
Transfer from stage 2 to 1	29,856	(29,856)	0	0	11,877	(11,877)	0	0
Provision expense - remeasurement	(193,005)	(55,702)	0	(248,707)	(1,413,545)	(93,289)	0	(1,506,834)
Provision expense - origination	<u>179,398</u>	<u>0</u>	<u>0</u>	<u>179,398</u>	<u>267,844</u>	<u>127,972</u>	<u>0</u>	<u>395,816</u>
Balance at period end	<u>324,215</u>	<u>848,742</u>	<u>0</u>	<u>1,172,957</u>	<u>307,966</u>	<u>934,300</u>	<u>0</u>	<u>1,242,266</u>
<b>Investments at AC</b>								
Balance as of January 1	180,500	2,312,808	0	2,493,308	831,306	857,344	0	1,688,650
Transfer from stage 1 to 2	0	0	0	0	(279,529)	279,529	0	0
Provision expense - remeasurement	(87,338)	(115,787)	0	(203,125)	(438,732)	(200,203)	0	(638,935)
Provision expense - origination	<u>22,050</u>	<u>96,195</u>	<u>0</u>	<u>118,245</u>	<u>67,455</u>	<u>1,376,138</u>	<u>0</u>	<u>1,443,593</u>
Balance at period end	<u>115,212</u>	<u>2,293,216</u>	<u>0</u>	<u>2,408,428</u>	<u>180,500</u>	<u>2,312,808</u>	<u>0</u>	<u>2,493,308</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

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

Loans at AC	September 30, 2022				December 31, 2021			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
<b>Balance as of January 1</b>	13,221,150	38,674,951	27,235,967	79,132,068	12,362,567	22,135,726	15,346,817	49,845,110
Transfer from stage 1 to 2	(2,072,314)	2,072,314	0	0	(3,578,877)	3,578,877	0	0
Transfer from stage 1 to 3	(493,182)	0	493,182	0	(62,081)	0	62,081	0
Transfer from stage 2 to 3	0	(10,524,116)	10,524,116	0	0	(8,014,311)	8,014,311	0
Transfer from stage 3 to 2	0	5,579,230	(5,579,230)	0	0	3,571,368	(3,571,368)	0
Transfer from stage 2 to 1	19,969,475	(19,969,475)	0	0	7,734,140	(7,734,140)	0	0
Transfer from stage 3 to 1	2,128,440	0	(2,128,440)	0	2,968,670	0	(2,968,670)	0
Net remeasurement of loss allowance	(9,008,914)	1,374,114	34,281,898	26,647,098	(1,812,473)	28,064,707	24,874,343	51,126,577
New financial assets originated	6,575,101	6,889,370	20,104,352	33,568,823	8,101,652	8,977,265	8,739,946	25,818,863
Net derecognition of financial assets	(15,720,047)	(7,705,745)	(12,665,492)	(36,091,284)	(12,492,448)	(11,904,541)	(8,833,897)	(33,230,886)
Write-offs	0	0	(74,759,073)	(74,759,073)	0	0	(36,047,652)	(36,047,652)
Recoveries	0	0	39,127,739	39,127,739	0	0	21,621,248	21,621,248
Foreign currency translation	0	0	(6,421)	(6,421)	0	0	(1,192)	(1,192)
<b>Balance at period end</b>	<u>14,599,709</u>	<u>16,390,643</u>	<u>36,628,598</u>	<u>67,618,950</u>	<u>13,221,150</u>	<u>38,674,951</u>	<u>27,235,967</u>	<u>79,132,068</u>

Other accounts receivable	September 30, 2022				December 31, 2021			
	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total	12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Total
<b>Balance as of January 1</b>	794,782	0	0	794,782	1,517,299	0	0	1,517,299
Provision Expense – remeasurement	(32,057)	0	0	(32,057)	(80,930)	0	0	(80,930)
Provision Expense – origination	0	0	0	0	136,055	0	0	136,055
Write-offs	(3,671)	0	0	(3,671)	(874,394)	0	0	(874,394)
Recoveries	0	0	0	0	96,746	0	0	96,746
Foreign currency translation	1	0	0	1	6	0	0	6
<b>Balance at period end</b>	<u>759,055</u>	<u>0</u>	<u>0</u>	<u>759,055</u>	<u>794,782</u>	<u>0</u>	<u>0</u>	<u>794,782</u>

### Modified Financial Assets

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

	September 30, <u>2022</u>	December 31, <u>2021</u>
Amortized cost before modification	4,827,359	570,133
Net los due to modification	<u>0</u>	<u>0</u>
<b>Total</b>	<u>4,827,359</u>	<u>570,133</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

#### *Concentration of credit risk*

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

	September 30, 2022					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
<b>Concentration by sector</b>						
Government	0	0	31,987,194	676,367,141	13,388,754	0
<b>Corporate</b>						
Trade	505,997,072	19,777,440	0	0	0	0
Real estate	127,738,631	0	0	0	18,552,030	2,703,584
Services	166,083,190	4,795,271	0	0	0	3,649,886
General industry	250,165,990	0	0	0	0	0
Construction	548,684,470	1,679,303	0	10,202,979	0	0
Agriculture	277,253,879	22,610,948	0	0	0	0
Hotels and restaurants	50,260,690	0	0	0	0	0
Financial	70,154,401	74,259,114	100,517,271	59,150,676	2,261,725	0
Transportation	22,624,880	0	0	0	0	0
Oil and derivatives	0	0	0	10,412,709	9,970	0
Telecommunication	16,326,982	0	0	0	0	0
Energy	0	0	0	804,665	0	9,874,093
Real estate	0	0	0	7,583,046	0	79,525,300
<b>Personal Banking</b>	1,639,358,805	177,904,491	0	0	0	0
Allowance for ECL	(67,618,950)	(199,028)	0	0	0	0
<b>Net carrying amount</b>	<u>3,607,030,040</u>	<u>300,827,539</u>	<u>132,504,465</u>	<u>764,521,216</u>	<u>34,212,479</u>	<u>95,752,863</u>
<b>Geographic location:</b>						
Panama	3,460,520,689	300,196,567	41,750,826	312,075,315	34,202,509	85,878,770
Costa Rica	12,766,891	0	780,764	16,362,613	0	9,874,093
North America	25,548,306	0	19,785,234	410,954,724	0	0
Europe	466,809	0	35,166,335	0	0	0
South America	113,994,510	830,000	2,649	11,501,872	9,970	0
Asia	0	0	12,014,457	0	0	0
Others	61,351,785	0	23,004,200	13,626,692	0	0
Allowance for ECL	(67,618,950)	(199,028)	0	0	0	0
<b>Net carrying amount</b>	<u>3,607,030,040</u>	<u>300,827,539</u>	<u>132,504,465</u>	<u>764,521,216</u>	<u>34,212,479</u>	<u>95,752,863</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

	December 31, 2021					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
<b>Concentration by sector</b>						
Government	0	0	24,416,910	690,558,775	15,799,761	0
<b>Corporate</b>						
Trade	469,178,975	33,777,900	0	0	0	0
Real estate	144,346,472	0	0	0	18,552,030	3,044,273
Services	138,897,350	10,967,861	0	0	0	4,196,505
General industry	186,567,714	0	0	0	0	0
Construction	529,764,060	5,561,502	0	11,547,630	0	0
Agriculture	286,865,871	12,618,900	0	0	0	0
Hotels and restaurants	49,186,800	0	0	0	0	0
Financial	71,277,207	100,499,932	137,299,550	64,216,236	2,633,318	0
Transportation	0	0	0	13,613,806	16,112	0
Oil and derivatives	22,585,685	0	0	0	0	0
Telecommunication	8,613,065	0	0	0	0	0
Energy	0	0	0	1,046,677	0	9,717,833
Real Estate	0	0	0	977,514	0	77,947,140
<b>Personal Banking</b>	1,590,066,653	111,485,330	0	0	0	0
Allowance for ECL	<u>(79,132,068)</u>	<u>(172,605)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u>3,418,217,784</u>	<u>274,738,820</u>	<u>161,716,460</u>	<u>781,960,638</u>	<u>37,001,221</u>	<u>94,905,751</u>
<b>Geographic location:</b>						
Panama	3,338,662,450	274,161,425	39,731,920	329,741,085	36,985,109	85,187,918
Costa Rica	17,303,276	0	383,757	14,571,963	0	9,717,833
North America	22,983,296	0	25,262,301	408,634,874	0	0
Europe	190,921	0	35,318,273	0	0	0
South America	75,334,472	750,000	11,003,871	13,953,112	16,112	0
Asia	0	0	30,015,369	0	0	0
Others	42,875,437	0	20,000,969	15,059,604	0	0
Allowance for ECL	<u>(79,132,068)</u>	<u>(172,605)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net carrying amount</b>	<u>3,418,217,784</u>	<u>274,738,820</u>	<u>161,716,460</u>	<u>781,960,638</u>	<u>37,001,221</u>	<u>94,905,751</u>

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

#### (b) Liquidity Risk

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

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

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (4) Risk Management, continued

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

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

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

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

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

	<u>% of Liquidity</u>	
	<u>September 30,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
At the end of the period/year	27.3%	31.8%
Maximum for the period/year	38.6%	40.8%
Average for the period/year	30.5%	33.5%
Minimum for the period/year	19.8%	25.2%

As of September 30, 2022, the Banking operations of the Bank comply with the liquidity requirements established by the regulators.

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (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:

September 30, 2022							
<i>Amounts in thousands</i>	Carrying	Total nominal gross amount inflows <u>/(outflows)</u>	Up to 1	From 1 to 3	From 3	From 1 to 5	More than
<u>Liabilities</u>	<u>Amount</u>	<u>/(outflows)</u>	<u>month</u>	<u>months</u>	<u>months to 1</u> <u>year</u>	<u>years</u>	<u>5 years</u>
Demand deposits	325,533	(325,533)	(325,533)	0	0	0	0
Savings deposits	407,926	(407,926)	(407,926)	0	0	0	0
Time deposits	2,220,665	(2,355,379)	(203,881)	(160,077)	(939,702)	(1,048,254)	(3,465)
Securities sold under repurchase agreements	56,108	(56,372)	(40,132)	0	(16,240)	0	0
Financial obligations	1,093,573	(1,124,762)	(55,790)	(113,892)	(553,051)	(385,614)	(16,415)
Other financial obligations	392,962	(395,343)	(31,387)	(322,333)	(19,836)	(21,787)	0
Lease Liabilities	14,297	(15,844)	(213)	(1,059)	(1,249)	(9,917)	(3,406)
<b>Sub-total liabilities</b>	<b>4,511,064</b>	<b>(4,681,159)</b>	<b>(1,064,862)</b>	<b>(597,361)</b>	<b>(1,530,078)</b>	<b>(1,465,572)</b>	<b>(23,286)</b>
Commitments and guarantees	182,076	(182,076)	(2,299)	(9,382)	(15,499)	(154,896)	0
Acceptances	36,452	(36,452)	(23,550)	(2,243)	(10,659)	0	0
<b>Total liabilities</b>	<b>4,729,592</b>	<b>(4,899,687)</b>	<b>(1,090,711)</b>	<b>(608,986)</b>	<b>(1,556,236)</b>	<b>(1,620,468)</b>	<b>(23,286)</b>
<b>Assets</b>							
Cash and cash equivalents	22,117	22,117	22,117	0	0	0	0
Deposits in banks	132,504	133,126	123,037	3,055	1,689	5,345	0
Investments at FVTPL	36,061	42,800	478	16,921	372	1,984	23,045
Investments at FVOCI	764,521	955,627	50,239	5,959	57,059	578,210	264,160
Investments at AC	95,753	128,055	41	17,124	3,066	54,995	52,829
Loans	<u>3,607,030</u>	<u>4,379,842</u>	<u>295,775</u>	<u>308,005</u>	<u>797,611</u>	<u>1,522,346</u>	<u>1,456,105</u>
<b>Sub-total assets</b>	<b>4,657,987</b>	<b>5,661,567</b>	<b>491,687</b>	<b>351,064</b>	<b>859,797</b>	<b>2,162,880</b>	<b>1,796,139</b>
Acceptances outstanding	36,430	36,430	23,528	2,243	10,659	0	0
<b>Total assets</b>	<b>4,694,417</b>	<b>5,697,997</b>	<b>515,215</b>	<b>353,307</b>	<b>870,456</b>	<b>2,162,880</b>	<b>1,796,139</b>
December 31, 2021							
<i>Amounts in thousands</i>	Carrying	Total nominal gross amount inflows <u>/(outflows)</u>	Up to 1	From 1 to 3	From 3	From 1 to 5	More than
<u>Liabilities</u>	<u>Amount</u>	<u>/(outflows)</u>	<u>month</u>	<u>months</u>	<u>months to 1</u> <u>year</u>	<u>years</u>	<u>5 years</u>
Demand deposits	365,929	(365,929)	(365,929)	0	0	0	0
Savings deposits	409,781	(409,781)	(409,781)	0	0	0	0
Time deposits	2,170,986	(2,301,277)	(178,051)	(208,352)	(913,661)	(988,563)	(12,650)
Securities sold under repurchase agreements	26,190	(42,406)	(10,086)	(16,079)	(172)	(16,069)	0
Financial obligations	918,242	(945,347)	(61,285)	(51,084)	(499,443)	(327,222)	(6,313)
Other financial obligations	393,919	(404,313)	(1,158)	(18,078)	(359,437)	(25,639)	0
Lease Liabilities	16,974	(22,874)	(219)	(1,093)	(1,311)	(10,204)	(10,047)
<b>Sub-total liabilities</b>	<b>4,305,020</b>	<b>(4,491,927)</b>	<b>(1,024,739)</b>	<b>(294,772)</b>	<b>(1,774,421)</b>	<b>(1,370,130)</b>	<b>(29,010)</b>
Commitments and guarantees	133,797	(133,797)	(3,369)	(8,563)	(25,582)	(96,283)	0
Acceptances	98,843	(98,843)	0	(3,067)	(95,776)	0	0
<b>Total liabilities</b>	<b>4,537,660</b>	<b>(4,724,567)</b>	<b>(1,028,108)</b>	<b>(306,402)</b>	<b>(1,895,779)</b>	<b>(1,466,413)</b>	<b>(29,010)</b>
<b>Assets</b>							
Cash and cash equivalents	21,964	21,964	21,964	0	0	0	0
Deposits in banks	161,716	162,052	152,229	2,010	1,131	6,682	0
Investments at FVTPL	39,020	17,871	0	121	15,450	0	2,300
Investments at FVOCI	781,961	891,595	6096	2,630	20,894	464,496	397,479
Investments at AC	94,906	130,497	12	653	26,483	46,203	57,146
Loans	<u>3,418,218</u>	<u>4,119,710</u>	<u>318,715</u>	<u>221,969</u>	<u>812,883</u>	<u>1,413,328</u>	<u>1,352,815</u>
<b>Sub-total assets</b>	<b>4,517,784</b>	<b>5,343,689</b>	<b>499,016</b>	<b>227,383</b>	<b>876,841</b>	<b>1,930,709</b>	<b>1,809,740</b>
Acceptances outstanding	98,843	98,843	0	3,067	95,776	0	0
<b>Total assets</b>	<b>4,616,627</b>	<b>5,442,532</b>	<b>499,016</b>	<b>230,450</b>	<b>972,617</b>	<b>1,930,709</b>	<b>1,809,740</b>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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:

	September 30, 2022	December 31, 2021
Cash and cash equivalents	22,117,260	21,963,899
Deposits due from banks maturing in less than 90 days	124,958,641	154,187,651
Deposits due from banks greater than 90 days	<u>7,545,824</u>	<u>7,528,809</u>
<b>Total Cash, cash equivalents and deposits in banks</b>	<b>154,621,725</b>	<b>183,680,359</b>
Not committed sovereign debt instruments	356,684,908	399,421,474
Other credit lines available (1)	<u>301,435,513</u>	<u>673,007,875</u>
<b>Total liquidity reserve</b>	<b><u>812,742,146</u></b>	<b><u>1,256,109,708</u></b>

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

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

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

<u>September 30, 2022</u>	Committed	Uncommitted		Total
	As Collateral	Available as Collateral	Other (2)	
Cash and cash equivalents	0	0	22,117,260	22,117,260
Deposits due from banks	55,522,952	7,545,824	69,435,689	132,504,465
Investments in securities at fair value	344,943,565	356,684,908	98,953,972	800,582,445
Investments in securities at amortized cost	0	0	95,752,863	95,752,863
Loans at amortized cost	<u>4,289,977</u>	<u>0</u>	<u>3,602,740,063</u>	<u>3,607,030,040</u>
<b>Total assets</b>	<b><u>404,756,494</u></b>	<b><u>364,230,732</u></b>	<b><u>3,888,999,847</u></b>	<b><u>4,657,987,073</u></b>

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

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

(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.



## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (4) Risk Management, continued

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

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

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

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

Exchange risk is measured through the determination of the equity percentage that is not dollarized (also known as monetary position). The main objective of the policy is to establish that the difference between assets denominated in US dollars and liabilities denominated in US dollars is at least equal to equity, which is equivalent to having a 100% dollarized equity. However, due to regulatory restrictions applicable in each country that limit the position in US dollars, the consolidated monetary position may be below this desirable limit. The Bank manages this risk for certain operations through the acquisition of hedging derivatives that mitigate the exposure to exchange rate fluctuations (See note 14).

**MULTIBANK INC. AND SUBSIDIARIES**  
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**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(4) Risk Management, continued**

***Quantitative information***

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

<u>September 30, 2022</u>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Other currencies</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	8,200,164	2,924,921	1,256,597	1,059,783	235,042	13,676,507
Investments in securities	19,419	0	0	0	0	19,419
Other accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>268,025</u>	<u>268,025</u>
<b>Total assets</b>	<b>8,219,583</b>	<b>2,924,921</b>	<b>1,256,597</b>	<b>1,059,783</b>	<b>503,067</b>	<b>13,963,951</b>
Deposits	<u>7,998,321</u>	<u>2,915,504</u>	<u>1,248,058</u>	<u>1,053,910</u>	<u>26,428</u>	<u>13,242,221</u>
<b>Total liabilities</b>	<b>7,998,321</b>	<b>2,915,504</b>	<b>1,248,058</b>	<b>1,053,910</b>	<b>26,428</b>	<b>13,242,221</b>
<b>Exchange risk exposure</b>	<u>221,262</u>	<u>9,417</u>	<u>8,539</u>	<u>5,873</u>	<u>476,639</u>	<u>721,730</u>
<u>December 31, 2021</u>	<u>Euro</u>	<u>Sterling pound</u>	<u>Canadian dollar</u>	<u>Swiss franc</u>	<u>Other currencies</u>	<u>Total</u>
Cash, cash equivalents and deposits in banks	9,616,127	5,066,281	1,154,006	1,955,111	234,166	18,025,691
Investments in securities	<u>22,533</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,533</u>
<b>Total assets</b>	<b>9,638,660</b>	<b>5,066,281</b>	<b>1,154,006</b>	<b>1,955,111</b>	<b>234,166</b>	<b>18,048,224</b>
Deposits	<u>9,380,684</u>	<u>5,061,362</u>	<u>1,145,847</u>	<u>1,951,877</u>	<u>30,241</u>	<u>17,570,011</u>
<b>Total liabilities</b>	<b>9,380,684</b>	<b>5,061,362</b>	<b>1,145,847</b>	<b>1,951,877</b>	<b>30,241</b>	<b>17,570,011</b>
<b>Exchange risk exposure</b>	<u>257,976</u>	<u>4,919</u>	<u>8,159</u>	<u>3,234</u>	<u>203,925</u>	<u>478,213</u>

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

<u>September 30, 2022</u>	<u>Without exposure</u>	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Cash and cash equivalents	22,117,260	0	0	0	22,117,260
Deposits due from banks	55,017,940	72,486,525	5,000,000	0	132,504,465
Investments in securities	66,969,532	126,452,019	491,436,610	211,477,147	896,335,308
Loans at amortized cost	<u>69,638,862</u>	<u>2,433,996,157</u>	<u>368,360,550</u>	<u>735,034,471</u>	<u>3,607,030,040</u>
<b>Total assets</b>	<b>213,743,594</b>	<b>2,632,934,701</b>	<b>864,797,160</b>	<b>946,511,618</b>	<b>4,657,987,073</b>
Deposits	313,426,272	1,675,337,641	961,894,799	3,465,000	2,954,123,712
Securities sold under repurchase Agreement	68,673	56,039,775	0	0	56,108,448
Obligations	7,070,669	853,276,214	203,226,083	30,000,000	1,093,572,966
Other obligations	<u>5,441,994</u>	<u>366,098,646</u>	<u>21,421,109</u>	<u>0</u>	<u>392,961,749</u>
<b>Total liabilities</b>	<b>326,007,608</b>	<b>2,950,752,276</b>	<b>1,186,541,991</b>	<b>33,465,000</b>	<b>4,496,766,875</b>
<b>Exchange risk exposure</b>	<u>(112,264,014)</u>	<u>(317,817,575)</u>	<u>(321,744,831)</u>	<u>913,046,618</u>	<u>161,220,198</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

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

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

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

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

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (4) Risk Management, continued

	<u>Increase of 100 bps (1)</u>	<u>Decrease of 100 bps (1)</u>
<b>Impact on equity to interest rate movements</b>		
<b>September 30, 2022</b>		
Average for the period	(97,924,623)	97,924,623
Maximum for the period	(98,495,188)	98,495,188
Minimum for the period	(119,293,496)	119,293,496
	(93,926,009)	93,926,009
<b>December 31, 2021</b>		
Average for the year	(97,039,175)	97,039,175
Maximum for the year	(88,474,355)	88,474,355
Minimum for the year	(80,213,654)	80,213,654
	(97,039,175)	97,039,175
<b>Impact on net income from interests</b>		
<b>September 30, 2022</b>		
Average for the period	5,284,045	(5,284,045)
Maximum for the period	6,343,522	(6,343,522)
Minimum for the period	8,110,897	(8,110,897)
	3,169,392	(3,169,392)
<b>December 31, 2021</b>		
Average for the year	7,571,932	(7,571,932)
Maximum for the year	8,410,796	(8,410,796)
Minimum for the year	9,092,066	(9,092,066)
	7,571,932	(7,571,932)

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

#### (d) *Operating Risk*

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

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

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

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

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (4) Risk Management, continued

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

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

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

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

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

#### (5) COVID – 19

As of September 30, 2022, the Bank has not defaulted on principal or interest payments on its financial obligations. As a result of regulatory responses by regulatory agencies to mitigate the macroeconomic and financial impacts generated by the COVID-19 pandemic, contractual commitments associated with specific financial indicators that may be impacted by such implementations are monitored.

As of September 30, 2022, the following matters have been evaluated, which in some cases have had an impact on the Bank's financial statements and operations and which during the period subsequent to the date of these financial statements and up to the date of issuance of these financial statements, continue to be monitored by management to address their effects on the Bank's operations and those of its customers.

The calculation of expected credit losses for credit risk incorporated from the third quarter of 2022 updates on the forward-looking information projections, in line with the effects of the decisions that the government continues with reference to COVID-19 and considering the high level of uncertainty of these in terms of their intensity and duration. The projection information has been based on the best available information obtained, considering the different geographic areas in which the Bank operates, and taking into account the effects on the segments and portfolios of the different entities, which are exposed to different risks and situations.

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

#### (5) COVID – 19, continued

Considering prospective information based on macroeconomic variables, the Group updated the scenarios used and the probabilities assigned to them at the end of September 30, 2022, with the effects shown in the following two tables:

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

	September 30, 2022		December 31, 2021	
	Costa Rica	Panamá	Costa Rica	Panamá
Upside	20%	25%	20%	25%
Central	70%	65%	65%	60%
Downside	10%	10%	15%	15%

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

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

#### iii. *Impairment allowance balances*

	December 31, 2021	September 30, 2022	Variation September vs December
Corporate	34,702,010	43,411,462	8,709,452
Small and medium company	4,202,835	3,888,832	(314,003)
Mortgage	15,772,538	8,805,047	(6,967,491)
Personal Banking	7,448,728	4,844,910	(2,603,818)
Vehicles	5,703,717	1,621,493	(4,082,224)
Credit Card	11,302,240	5,047,206	(6,255,034)
<b>Total</b>	<b>79,132,068</b>	<b>67,618,950</b>	<b>(11,513,118)</b>

The table above summarizes the total balance of the provision by portfolio for each quarter of the period ended September 30, 2022. The detail of the movement of the provision, transfers between stages, the impact by refinement of models, among others, is presented in the Note 4.

#### iv. *Loan's Portfolio provision expense*

	December 31, 2021	September 30, 2022	Variation September vs December
Corporate	6,909,938	3,575,030	(3,334,908)
Small and medium company	1,924,916	198,481	(1,726,435)
Mortgage	(495,614)	(4,564,349)	(4,068,735)
Personal Banking	2,232,983	1,871,126	(361,857)
Vehicles	370,279	1,092,031	721,752
Credit Card	2,746,009	2,712,697	(33,312)
<b>Total</b>	<b>13,688,511</b>	<b>4,885,016</b>	<b>(8,803,495)</b>

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

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (5) COVID – 19, continued

#### a) Customer relief programs

The actions taken or suggested by the governments of the countries in which the Bank operates have promoted the generation of reliefs to customers (companies or individuals) between April 2020 and June 2021 in relation to loans or loan agreements in force, which have involved the renegotiation of their terms including, among others, the granting of grace periods, payment deferrals, extension of maturity and increase of credit line quotas. The following table summarizes the volume of relief granted by portfolio:

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

The following table summarizes the portfolio volume by current portfolio that was granted relief at the time and that to date had to restructure or refinance its debt:

<u>September 30, 2022</u>	<u>Corporate</u>	<u>Small Company</u>	<u>Mortgage</u>	<u>Personal banking</u>	<u>Vehicles</u>	<u>Credit Card</u>
Amount of credits with relief	1,070	408	3,997	2,542	12,871	5,566
% of credit with relief / Total credits	19.47%	42.50%	43.12%	8.58%	47.34%	35.09%

As of September 30, 2022, the impact recognized in operation results for COVID-19 reliefs is (\$2,097,595) (December 31, 2021 \$10,438,155).

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

#### b) Leases from the lessee's perspective

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

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

<u>Relief mode</u>	<u>Number of relief received</u>	<u>September 30, 2022</u>		<u>Recognized effect on income of</u>	<u>December 31, 2021</u>		<u>Recognized effect on income of</u>
		<u>% Contracts with relief/Total contracts</u>			<u>Number of relief received</u>	<u>% Contracts with relief/Total contracts</u>	
Reduction of the canon for a number of months	170	32.14%		37,604	258	48.96%	2,802

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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### (5) COVID – 19, continued

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

As of September 30, 2022, no indicators of impairment were identified for the Bank's businesses.

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

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

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

### (7) Cash, Cash Equivalents and Deposits

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

	September 30, <u>2022</u>	September 30, <u>2021</u>
Cash and cash equivalents	22,117,260	20,856,474
Deposits in banks and deposits due in less than 90 days	<u>124,958,641</u>	<u>134,011,402</u>
<b>Cash and cash equivalents in the consolidated statement of cash flow</b>	<b>147,075,901</b>	<b>154,867,876</b>
Deposits in banks greater than 90 days and pledged	<u>7,545,824</u>	<u>9,536,933</u>
<b>Total cash, cash equivalents and deposits in banks</b>	<b><u>154,621,725</u></b>	<b><u>164,404,809</u></b>

### (8) Investments in Securities

As of September 30, 2022, investments in securities amounted to \$896,335,308 (December 31, 2021: \$915,886,007) are summarized as follows:

#### (a) *Investments at FVTPL*

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

	September 30, <u>2022</u>	December 31, <u>2021</u>
Government bonds	13,388,754	15,799,761
Corporates bonds	9,970	16,112
Mutual funds	20,813,755	21,185,348
Common stocks	<u>1,848,750</u>	<u>2,018,397</u>
	<b><u>36,061,229</u></b>	<b><u>39,019,618</u></b>



# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (8) Investments in Securities, continued

#### (b) Investment at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	September 30, <u>2022</u>	December 31, <u>2021</u>
Governments:		
United States of America	403,415,804	404,068,803
Other Governments	<u>272,951,337</u>	<u>286,489,972</u>
	676,367,141	690,558,775
Corporate bonds	<u>88,154,075</u>	<u>91,401,863</u>
	<u>764,521,216</u>	<u>781,960,638</u>

#### (c) Investments at AC

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

	September 30, <u>2022</u>	December 31, <u>2021</u>
Corporate bonds	<u>95,752,863</u>	<u>94,905,751</u>
	<u>95,752,863</u>	<u>94,905,751</u>

### (9) Loans

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

	<u>September 30, 2022</u>			<u>December 31, 2021</u>		
	<u>Gross amount</u>	<u>Allowance for ECL</u>	<u>Net carrying amount</u>	<u>Gross amount</u>	<u>Allowance for ECL</u>	<u>Net carrying amount</u>
<b>Loans</b>						
<b>Corporate</b>						
Corporate	1,923,820,420	(43,326,886)	1,880,493,534	1,810,325,180	(34,614,971)	1,775,710,209
Corporate leases, net (1)	<u>8,319,695</u>	<u>(84,577)</u>	<u>8,235,118</u>	<u>9,115,867</u>	<u>(87,039)</u>	<u>9,028,828</u>
<b>Total corporate loans</b>	<u>1,932,140,115</u>	<u>(43,411,463)</u>	<u>1,888,728,652</u>	<u>1,819,441,047</u>	<u>(34,702,010)</u>	<u>1,784,739,037</u>
<b>Personal Banking and Small company</b>						
<b>Small company</b>						
Small company	102,871,353	(3,819,670)	99,051,683	87,409,167	(4,161,596)	83,247,571
Small company leases, net (1)	<u>278,717</u>	<u>(69,163)</u>	<u>209,554</u>	<u>432,985</u>	<u>(41,239)</u>	<u>391,746</u>
<b>Total Small company loans</b>	<u>103,150,070</u>	<u>(3,888,833)</u>	<u>99,261,237</u>	<u>87,842,152</u>	<u>(4,202,835)</u>	<u>83,639,317</u>
<b>Personal Banking</b>						
Mortgage	800,845,958	(8,805,047)	792,040,911	756,083,012	(15,772,539)	740,310,473
Personals	477,893,685	(4,844,909)	473,048,776	462,058,826	(7,448,728)	454,610,098
Vehicles	303,620,010	(1,518,712)	302,101,298	306,345,668	(5,640,949)	300,704,719
Personal leases, net (1)	1,490,003	(102,781)	1,387,222	2,035,110	(62,770)	1,972,340
Credit Cards	<u>55,509,149</u>	<u>(5,047,205)</u>	<u>50,461,944</u>	<u>63,544,037</u>	<u>(11,302,237)</u>	<u>52,241,800</u>
<b>Total Personal Banking</b>	<u>1,639,358,805</u>	<u>(20,318,654)</u>	<u>1,619,040,151</u>	<u>1,590,066,653</u>	<u>(40,227,223)</u>	<u>1,549,839,430</u>
<b>Total Personal Banking and Small company</b>	<u>1,742,508,875</u>	<u>(24,207,487)</u>	<u>1,718,301,388</u>	<u>1,677,908,805</u>	<u>(44,430,058)</u>	<u>1,633,478,747</u>
<b>Total loans at CA</b>	<u>3,674,648,990</u>	<u>(67,618,950)</u>	<u>3,607,030,040</u>	<u>3,497,349,852</u>	<u>(79,132,068)</u>	<u>3,418,217,784</u>
(1) Total leases, net of interest	<u>10,088,415</u>	<u>(256,521)</u>	<u>9,831,894</u>	<u>11,583,962</u>	<u>(191,048)</u>	<u>11,392,914</u>

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (9) Loans, continued

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

	September 30, <u>2022</u>	December 31, <u>2021</u>
Minimum lease payments receivable	11,737,656	13,280,817
Less: unearned interest	<u>1,611,153</u>	<u>1,659,055</u>
Minimum lease payments receivable, net	10,126,503	11,621,762
Less: allowance for loss in leases	256,521	37,800
Less: net deferred commissions	<u>38,088</u>	<u>191,048</u>
Net value of investment in finance leases	<u>9,831,894</u>	<u>11,392,914</u>

The following table summarizes the minimum lease payments receivable as of September 30, 2022:

<u>Year ended December 31:</u>	
2022	332,395
2023	2,244,761
2024	2,035,658
2025	2,690,480
2026 and thereafter	<u>2,823,209</u>
	<u>10,126,503</u>

### (10) Deposits from Customers

Deposits from customers are detailed below:

	September 30, <u>2022</u>	December 31, <u>2021</u>
<b>Retail customers</b>		
Demand	41,199,211	47,729,425
Savings	247,255,321	247,315,181
Time deposits	691,659,433	656,190,263
<b>Corporate customers</b>		
Demand	284,333,344	318,199,779
Savings	160,671,166	162,465,882
Time deposits	<u>1,529,005,237</u>	<u>1,514,795,940</u>
	<u>2,954,123,712</u>	<u>2,946,696,470</u>

### (11) Financial Obligations

Financial obligations are detailed below:

	<u>September 30, 2022</u>		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	1.50% a 5.92%	2022 a 2029	349,490,260
Floating rate	1.90% a 6.39%	2022 a 2029	<u>744,082,706</u>
<b>Total financial obligations at amortized cost</b>			<u>1,093,572,966</u>
	<u>December 31, 2021</u>		
	<u>Interest rate</u>	<u>Maturity up to</u>	<u>Carrying amount</u>
Payable in US dollars:			
Fixed rate	0.67% a 5.92%	2022 a 2026	679,877,867
Floating rate	1.15% a 3.60%	2022 a 2028	<u>238,363,770</u>
<b>Total financial obligations at amortized cost</b>			<u>918,241,637</u>

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

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### (12) Other Financial Obligations

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

	September 30, 2022		December 31, 2021	
	Interest rate	Carrying amount	Interest rate	Carrying amount
<b>Payable in:</b>				
US dollars	2.00% a 5.00%	<u>392,961,749</u>	2.00% a 5.00%	<u>393,918,933</u>
<b>Total of other financial obligations</b>		<u>392,961,749</u>		<u>393,918,933</u>

### (13) Lease Liabilities

Lease liabilities are detailed below:

	September 30, 2022			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.79% - 6.36%	2033	<u>14,297,058</u>	<u>15,844,244</u>
<b>Total lease liabilities</b>			<u>14,297,058</u>	<u>15,844,244</u>

  

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

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

	September 30, 2022	December 31, 2021
Less than a year	2,520,951	2,621,989
One to two years	2,497,515	2,621,989
Two to three years	2,497,515	2,600,110
Three to four years	2,483,692	2,534,473
Four to five years	2,438,182	2,448,044
More than five years	<u>3,406,389</u>	<u>10,047,434</u>
	<u>15,844,244</u>	<u>22,874,039</u>

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

	September 30, 2022	September 30, 2021
Interest on leases	746,334	842,604
Expense for leases with less than 12 months	688,854	759,029
Expense for leases of low-value assets	<u>389,639</u>	<u>584,561</u>
	<u>1,824,827</u>	<u>2,186,194</u>

## MULTIBANK INC. AND SUBSIDIARIES

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### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (14) Derivative Financial Instruments

##### *Fair value hedges of interest rate risk*

As of September 30, 2022, the Bank uses interest rate swap agreements (“interest rate swaps”) to mitigate the interest rate risk of financial assets and liabilities. Such agreements are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, where appropriate.

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

<u>September 30, 2022</u> <u>Type of instrument</u>	<u>Remaining Maturity</u> <u>Nominal Amount</u> <u>Over 1 year</u>	<u>Fair Values</u>	
		<u>Assets</u>	<u>Liabilities</u>
Interest rate swap	<u>20,500,000</u>	<u>0</u>	<u>329,403</u>

<u>December 31, 2021</u> <u>Type of instrument</u>	<u>Remaining Maturity</u> <u>Nominal Amount</u> <u>Over 1 year</u>	<u>Fair Values</u>	
		<u>Assets</u>	<u>Liabilities</u>
Interest rate swap	<u>20,500,000</u>	<u>0</u>	<u>4,765,740</u>

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

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

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

The Bank calculates credit risk adjustments incorporating inputs from credit default swaps (“Credit Default Swaps” or CDS).

##### *Cash flow hedges of the exchange rate risk*

The Bank uses interest rate swap and cross currency swap agreements to reduce the risk of the exchange rate of financial liabilities. These contracts are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, as appropriate. On January 12, 2021, the position held by the Bank was closed.

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**Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(14) Derivative Financial Instruments, continued***Other derivatives*

At September 30, 2022 the Bank uses exchange rate swap contracts (“FX forward”) to reduce the exchange rate risk on exposures of purchase and sale of currency on behalf of the client, for the active position \$42,935 (2021: \$254,004) and liabilities \$40,390 (2021: \$251,176) a natural hedge is applied in the consolidated income statement.

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

	<b>September 30, <u>2022</u></b>	<b>December 31, <u>2021</u></b>
Financial assets at fair value	42,935	254,004
Financial liabilities at fair value	<u>(369,793)</u>	<u>(5,016,916)</u>
Net	<u>(326,858)</u>	<u>(4,762,912)</u>

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

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

**(15) Equity**

	<b>September 30, <u>2022</u></b>	<b>December 31, <u>2021</u></b>
<b><u>Number of Shares</u></b>		
<b>Common shares:</b>		
Authorized shares without par value	<u>50,000,000</u>	<u>50,000,000</u>
Issued and paid-in-shares:		
At beginning of the year	<u>16,862,753</u>	<u>16,862,753</u>
Total issued and outstanding shares, at the end of the period	<u>16,862,753</u>	<u>16,862,753</u>

As of September 30, 2022, the Bank’s subsidiaries have capitalizations of retained earnings of \$17,892,633 (December 31, 2021: \$17,892,633), therefore, these, capitalized earnings are not available for dividend distributions.

**Preferred Shares**

The Bank is authorized to issue 1,500,000 preferred shares with a nominal value of \$100 each. During 2020, the Bank has redeemed the amount of 1,020,000 preferred shares outstanding during the months of August, September and October and during November 2021 there were

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redeemed 80,000 preferred shares outstanding, completing the 100% of the preferred shares authorized and outstanding at that date.

As of September 30, 2022, dividends on preferred shares were declared and paid for a total of \$0 (2021: \$543,444).

<u>Entity</u>	<u>Acquisition Date</u>	<u>Acquired interest</u>	<u>Excess paid</u>	
			<u>September 30, 2022</u>	<u>December 31, 2021</u>
MB Credito, S. A.	Abril 2014	25%	(152,873)	(152,873)
			<u>(152,873)</u>	<u>(152,873)</u>

**(16) Net Gain (Loss) in Financial Instruments**

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

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Net gain on sale of investments at FVOCI	104,960	7,055,718
Unrealized net loss from securities at FVTPL	(1,695,800)	(776,139)
Net gain from sales of securities at FVTPL	39,443	408,610
Net fair value loss on derivative financial instruments	<u>(138,727)</u>	<u>(158,128)</u>
	<u>(1,690,124)</u>	<u>6,530,061</u>

**(17) Income Tax**

The income tax expense is made up of:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Current tax	(1,532,028)	(5,179,653)
Deferred tax	<u>(1,128,537)</u>	<u>4,854,332</u>
	<u>(2,660,565)</u>	<u>(325,321)</u>

Income tax expense for the year ended September 30, 2022 was \$2,660,565 (September 30, 2021: \$325,321), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	<u>September 30, 2022</u>	<u>Percentage %</u>	<u>September 30, 2021</u>	<u>Percentage %</u>
Calculation of "expected" income tax expense	5,689,271	25.00%	3,000,422	25.00%
Increase (decrease) in income tax as a result of				
Non-deductible costs	17,962,177	78.93%	17,335,996	144.45%
Effect of tax losses on subsidiaries	64,332	0.28%	228,335	1.90%
Tax loss carryforwards	(451,427)	(1.98%)	(846,774)	(7.06%)
Foreign exempted and non-taxable income	<u>(20,603,788)</u>	<u>(90.54%)</u>	<u>(19,392,658)</u>	<u>(161.58%)</u>
Income tax expense	<u>2,660,565</u>	<u>11.69%</u>	<u>325,321</u>	<u>2.71%</u>

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### (17) Income Tax, continued

The temporary differences between the amounts of the condensed consolidated interim financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of September 30, 2022, are as follows:

	September 30, 2022					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,370	74	0	2,444	2,444	0
Allowances for loan losses	25,302,620	84,243	0	25,386,863	25,386,863	0
Reserve for loyalty rewards points	99,444	10,594	0	110,038	110,038	0
Reserve for legal risk	1,500	0	0	1,500	1,500	0
Impairment of modified loans	902,477	(378,078)	0	524,399	524,399	0
Employee's benefit plan	14,886	0	(11,783)	3,103	15,973	(12,870)
Investments in local subsidiaries, by undistributed profits	(236,646)	6,295	0	(230,351)	0	(230,351)
Allowance for other accounts receivables	153,834	(1,295)	0	152,539	152,539	0
Properties revaluations	(372,408)	0	(2,476)	(374,884)	0	(374,884)
IFRS 16 leases	588,270	(3,268)	0	585,002	3,653,682	(3,068,680)
Investment properties	(53,023)	0	0	(53,023)	0	(53,023)
Off-balance sheet operations	58,783	(3,535)	0	55,248	55,248	0
Loss carryforward	<u>3,374,267</u>	<u>(843,567)</u>	<u>0</u>	<u>2,530,700</u>	<u>2,530,700</u>	<u>0</u>
<b>Deferred tax asset (liability), net</b>	<u>29,836,374</u>	<u>(1,128,537)</u>	<u>(14,259)</u>	<u>28,693,578</u>	<u>32,433,386</u>	<u>(3,739,808)</u>
<b>Compensation of tax items</b>					<u>(3,591,594)</u>	<u>3,591,594</u>
<b>Total</b>					<u>28,841,792</u>	<u>(148,214)</u>

  

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

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

As of September, 30 2022, the Bank has carry-over of net operating losses of \$10,122,802 (December 31, 2021: \$14,779,633), which are available to offset future taxable income of the subsidiaries as needed. Net operating losses begin to prescribe in 2022, based on annual percentages established by the country's regulation.

Deferred taxes assets have not been recognized for \$1,021,219 (2021: \$918,134) from accumulated tax losses of \$1,685,613 (2021: \$1,282,564) and by portfolio reserve and other accounts receivable for \$1,718,451, because there is not enough evidence that indicates that there will be sufficient future taxable income for the Bank to use the corresponding taxable benefits. These accumulated tax losses expire between 2022 y 2025.

As of September 30, 2022, the Bank maintains an effective tax rate of 11.69% (September 30, 2021: (2.71%)).

# MULTIBANK INC. AND SUBSIDIARIES

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the furthest fiscal year subject to inspection: Costa Rica: 2018 and Panama: 2017.

As of September 30, 2022, the outstanding amounts of letters of credit, financial guarantees and letters of promise to pay are as follows:

	September 30, <u>2022</u>	December 31, <u>2021</u>
Stand-by letters of credit	18,306,904	17,112,010
Commercial letters of credit (1)	13,309,681	11,151,828
Financial guarantees	87,334,420	112,850,236
Loans commitments (promise letters)	<u>182,075,562</u>	<u>133,797,351</u>
	<u>301,026,567</u>	<u>274,911,425</u>

(1) Includes commercial and mortgage payment promise letters

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of September 30, 2022, are detailed as follows

	September 30, <u>2022</u>	December 31, <u>2021</u>
Up to 1 year	125,299,811	102,129,460
Over 1 year	<u>162,417,075</u>	<u>161,630,136</u>
	<u>287,716,886</u>	<u>263,759,596</u>

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other guarantees to cover for these guarantees issued. The assets held as collateral that the Bank can obtain and settle to collect all or part of the amounts paid under these guarantees as of September 30, 2022, amounted to \$4,244,258 (December 31, 2021: \$5,793,278).

### (19) Disclosures on the Fair Value of Financial Instruments

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

<u>September 30, 2022</u>	<u>Level 1</u>	Other significant observable Inputs <u>Level 2</u>	Significant unobservable Inputs <u>Level 3</u>	<u>September 30, 2022</u>
<b>Assets</b>				
Investments at FVTPL:				
Other governments	0	13,388,754	0	13,388,754
Corporates bonds	0	9,970	0	9,970
Mutual funds	0	2,236,725	18,577,030	20,813,755
Common stocks	<u>0</u>	<u>448,494</u>	<u>1,400,256</u>	<u>1,848,750</u>
Total investments at FVTPL	<u>0</u>	<u>16,083,943</u>	<u>19,977,286</u>	<u>36,061,229</u>
Investments at FVOCI:				
Governments:				
United States of America	291,695,390	111,720,414	0	403,415,804
Other governments	<u>0</u>	<u>272,951,337</u>	<u>0</u>	<u>272,951,337</u>
	291,695,390	384,671,751	0	676,367,141
Corporate bonds	<u>336,804</u>	<u>87,817,271</u>	<u>0</u>	<u>88,154,075</u>
Total investments at FVOCI	<u>292,032,194</u>	<u>472,489,022</u>	<u>0</u>	<u>764,521,216</u>
<b>Total Assets</b>	<u>292,032,194</u>	<u>488,572,965</u>	<u>19,977,286</u>	<u>800,582,445</u>



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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Other significant observable Inputs Level 2</u>	<u>Significant unobservable Inputs Level 3</u>	<u>December 31, 2021</u>
<b>Assets</b>				
Investments at FVTPL:				
Other governments	0	0	15,799,761	15,799,761
Corporate debentures	0	16,112	0	16,112
Mutual funds	0	2,608,318	18,577,030	21,185,348
Common stocks	<u>0</u>	<u>424,820</u>	<u>1,593,577</u>	<u>2,018,397</u>
Total investments at FVTPL	<u>0</u>	<u>3,049,250</u>	<u>35,970,368</u>	<u>39,019,618</u>
Investments at FVOCI:				
Governments:				
United States of America	323,625,543	80,443,260	0	404,068,803
Other governments	<u>0</u>	<u>286,489,972</u>	<u>0</u>	<u>286,489,972</u>
	323,625,543	366,933,232	0	690,558,775
Corporate bonds	<u>9,482,848</u>	<u>75,408,229</u>	<u>6,510,786</u>	<u>91,401,863</u>
Total investments at FVOCI	<u>333,108,391</u>	<u>442,341,461</u>	<u>6,510,786</u>	<u>781,960,638</u>
<b>Total assets</b>	<u>333,108,391</u>	<u>445,390,711</u>	<u>42,481,154</u>	<u>820,980,256</u>

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

The table below includes the movement of the figures in the consolidated statement of financial position (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended September 30, 2022. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable inputs within the overall fair value measurement.

<u>September 30, 2022</u>	<u>Investment</u>	
	<u>Common stocks</u>	<u>Total</u>
<b>Assets</b>		
Fair value at January 01, 2022	1,593,577	1,593,577
Valuation of investments at FVTPL	<u>(193,321)</u>	<u>(193,321)</u>
Fair value at September 30, 2022	<u>1,400,256</u>	<u>1,400,256</u>
<u>December 31, 2021</u>	<u>Investments</u>	
	<u>Common stocks</u>	<u>Total</u>
<b>Assets</b>		
Fair value at January 01, 2020	1,685,722	1,685,722
Valuation of investments at FVTPL	<u>(92,145)</u>	<u>(92,145)</u>
Fair value at December 31, 2021	<u>1,593,577</u>	<u>1,593,577</u>

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

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

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

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

	<u>Quantitative information of Level 3 fair values</u>		
	<u>Fair value</u>	<u>Valuation technique</u>	<u>Unobservable assumptions</u>
<u>September 30, 2022</u>			
Common stocks	1,400,256	Quoted prices for similar instruments	Similar instrument quotes
<u>December 31, 2021</u>			
Common stocks	1,593,577	Quoted prices for similar instruments	Similar instrument quotes

# MULTIBANK INC. AND SUBSIDIARIES

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## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

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

	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
<b>September 30, 2022</b>				
<b>Financial assets</b>				
Cash and cash equivalents	0	22,117,260	22,117,260	22,117,260
Deposits in banks	0	132,504,465	132,504,465	132,504,465
Investments at AC	88,508,523	0	88,508,523	95,752,863
Loans, excluding financial leases	0	3,438,130,766	3,438,130,766	3,597,135,669
Acceptances outstanding	0	36,430,204	36,430,204	36,430,204
<b>Total financial assets</b>	<u>88,508,523</u>	<u>3,629,182,695</u>	<u>3,717,691,218</u>	<u>3,883,940,461</u>
<b>Financial liabilities</b>				
Deposits	731,560,768	2,303,287,595	3,034,848,363	2,954,123,712
Securities sold under repurchase agreements	0	56,108,448	56,108,448	56,108,448
Financial obligations	0	1,081,782,057	1,081,782,057	1,093,572,966
Other financial obligations	0	398,274,889	398,274,889	392,961,749
Acceptances outstanding	0	36,452,165	36,452,165	36,452,165
<b>Total financial liabilities</b>	<u>731,560,768</u>	<u>3,875,905,154</u>	<u>4,607,465,922</u>	<u>4,533,219,040</u>
<b>December 31, 2021</b>				
<b>Financial assets</b>				
Cash and cash equivalents	0	21,963,899	21,963,899	21,963,899
Deposits in banks	0	161,716,460	161,716,460	161,716,460
Investments at AC	8,630,858	87,695,127	96,325,985	94,905,751
Loans, excluding financial leases	0	3,186,164,527	3,186,164,527	3,385,928,219
Acceptances outstanding	0	98,842,541	98,842,541	98,842,541
<b>Total financial assets</b>	<u>8,630,858</u>	<u>3,556,382,554</u>	<u>3,565,013,412</u>	<u>3,763,356,870</u>
<b>Financial liabilities</b>				
Deposits	775,710,267	2,209,958,950	2,985,669,217	2,946,696,470
Securities sold under repurchase agreements	0	26,189,973	26,189,973	26,189,973
Financial obligations	0	926,236,798	926,236,798	918,241,637
Other financial obligations	0	393,192,120	393,192,120	393,918,933
Acceptances outstanding	0	98,842,541	98,842,541	98,842,541
<b>Total financial liabilities</b>	<u>775,710,267</u>	<u>3,654,420,382</u>	<u>4,430,130,649</u>	<u>4,383,889,554</u>

### (20) Trust Agreements Administration and Custody of Securities

As of September 30, 2022, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately \$547,036,655 (December 31, 2021: \$562,424,903).

The Bank maintains, within its portfolio of administered trust agreements, a total of \$269,568,193 (December 31, 2021: \$275,496,768), corresponding to investments of the Board of Directors of the Savings & Capitalization Pension System for Public Sector Employees (SIACAP). The administration of SIACAP was awarded to the Multibank/Multi Securities Operating Venture, (The "Administrator") through Service Contract No. 008-2017 published in the Official Gazette No.28379 of October 4, 2017. Some important clauses of this Contract establish the following:

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

# MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

As of September 30, 2022, the Administrator maintains a compliance bond in the amount of \$2,750,000 (December 31, 2021: \$2,750,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

### (21) Related Parties Transactions

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

The following table shows the balances and transactions with related parties as of September 30, 2022:

	September 30, 2022		December 31, 2021	
	Key personnel and directors	Related Parties	Key personnel and directors	Related Parties
Assets:				
Deposits due from banks	0	29,899	0	120,413
ECL deposits due from banks	0	(3,629)	0	0
Interest bearing deposits	0	3,000,000	0	3,000,000
Loans	2,062,540	12,150	1,893,170	10,733
Loans loss reserve	(9,521)	(95)	(7,294)	(7,161)
Accumulated interest receivable and other accounts receivable	<u>2,829</u>	<u>34,288,470</u>	<u>1,170</u>	<u>56,028,164</u>
	<u>2,055,848</u>	<u>37,326,795</u>	<u>1,887,046</u>	<u>59,152,149</u>
Liabilities:				
Demand deposits	1,906,221	1,294,750	2,036,556	19,109,329
Time deposits	1,539,184	207,330,000	1,413,184	189,830,001
Accumulated interest payable and other liabilities	<u>6,776</u>	<u>1,232,180</u>	<u>3,586</u>	<u>1,971,260</u>
	<u>3,452,181</u>	<u>209,856,930</u>	<u>3,453,326</u>	<u>210,910,590</u>

  

	September 30, 2022		September 30, 2021	
	Key personnel and directors	Related Parties	Key personnel and directors	Related Parties
Interest income	<u>42,256</u>	<u>116,719</u>	<u>40,910</u>	<u>290,193</u>
Interest expense and other operating expenses	<u>43,942</u>	<u>9,626,446</u>	<u>30,260</u>	<u>7,869,499</u>
Key management personnel benefit	<u>4,190,593</u>	<u>0</u>	<u>4,098,073</u>	<u>0</u>

### (22) Operating Segments

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

**MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements****(22) Operating Segments, continued**

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

<u>September 30, 2022</u> <i>Amounts in thousands</i>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets	<u>4,944,266</u>	<u>6,556</u>	<u>56,180</u>	<u>(44,359)</u>	<u>4,962,643</u>
Total liabilities	<u>4,573,538</u>	<u>161</u>	<u>17,026</u>	<u>22,767</u>	<u>4,613,492</u>
<b><u>Consolidated of Statement of Profit or Loss</u></b>					
Interest Income	185,812	102	976	12	186,902
Interest expenses	<u>102,838</u>	<u>0</u>	<u>0</u>	<u>(3)</u>	<u>102,835</u>
Interest income, net	82,974	102	976	15	84,067
Provision for credit risk financial instruments	<u>24,024</u>	<u>(51)</u>	<u>(35)</u>	<u>0</u>	<u>23,938</u>
Interest income, net after provisions	58,950	153	1,011	15	60,129
Other income, net	17,708	1,603	6,947	109	26,367
General and administrative expenses	<u>59,927</u>	<u>1,006</u>	<u>2,881</u>	<u>(76)</u>	<u>63,738</u>
Income before income tax	16,731	750	5,077	200	22,758
Less: Income tax	<u>(1,567)</u>	<u>(160)</u>	<u>(934)</u>	<u>0</u>	<u>(2,661)</u>
Net Income	<u>15,164</u>	<u>590</u>	<u>4,143</u>	<u>200</u>	<u>20,097</u>

<u>December 31, 2021</u>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Total assets	<u>4,862,866</u>	<u>5,999</u>	<u>51,309</u>	<u>42,407</u>	<u>4,877,768</u>
Total liabilities	<u>4,430,725</u>	<u>167</u>	<u>14,950</u>	<u>21,352</u>	<u>4,467,195</u>

**September 30, 2021**  
*Amounts in thousands*

<u>September 30, 2021</u> <i>Amounts in thousands</i>	<u>Financial Services</u>	<u>Fund Management</u>	<u>Insurance</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b><u>Consolidated of Statement of Income</u></b>					
Interest Income	172,715	97	656	(6)	173,461
Interest expenses	<u>99,141</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>99,141</u>
Interest income, net	73,574	96	656	(6)	74,320
Provision for credit risk financial instruments	<u>29,827</u>	<u>218</u>	<u>(110)</u>	<u>0</u>	<u>29,935</u>
Interest income, net after provisions	43,747	(122)	765	(6)	44,385
Other income, net	22,722	1,870	5,776	(154)	30,214
General and administrative expenses	<u>58,963</u>	<u>1,093</u>	<u>2,540</u>	<u>0</u>	<u>62,597</u>
Income before income tax	7,506	655	4,001	(160)	12,002
Less: Income tax	<u>516</u>	<u>(80)</u>	<u>(761)</u>	<u>0</u>	<u>(325)</u>
Net Income	<u>8,021</u>	<u>575</u>	<u>3,240</u>	<u>(160)</u>	<u>11,676</u>

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (23) Regulatory Aspects

As of September 30, 2022, the Banking operations of the Bank meet all capital adequacy minimum requirements to which they are subject, which varies from 8.00% and other regulatory requirements.

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Rule No. 4-2013, as of September 30, 2022:

	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Loans</u>	<u>Reserves</u>	<u>Loans</u>	<u>Reserves</u>
Normal	2,904,330,979	0	2,873,403,880	0
Special mention	250,642,629	16,498,064	344,812,801	25,092,566
Substandard	365,185,419	49,652,893	90,775,606	11,750,662
Doubtful	49,651,405	8,529,285	37,770,662	12,927,121
Loss	<u>32,366,613</u>	<u>23,945,592</u>	<u>52,764,772</u>	<u>24,769,034</u>
Gross amount	<u>3,602,177,045</u>	<u>98,625,834</u>	<u>3,399,527,721</u>	<u>74,539,383</u>

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

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

As of September 30, 2022, the classification of the amortized cost loan portfolio by maturity profile based on Rule No. 4-2013.

<u>September 30, 2022</u>		
<u>Past due</u>	<u>Non-performing loans</u>	<u>Total</u>
<u>60,547,672</u>	<u>63,730,453</u>	<u>124,278,125</u>
<u>December 31, 2021</u>		
<u>Past due</u>	<u>Non-performing loans</u>	<u>Total</u>
<u>46,433,353</u>	<u>74,999,298</u>	<u>121,432,651</u>

Based on Rule No. 8-2014, for regulatory purposes, suspension of accrual of interest income is based on days in arrears in payment of principal and/or interest and the type of credit transaction as follows:

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

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**(23) Regulatory Aspects, continued**

*Modified special mention category loans*

In accordance with the requirements of Article 8 of Rule No. 6-2021 of December 22, 2021, a detail of the modified special mention category loan portfolio and their respective provisions and regulatory reserves as of September 30, 2022, classified according to the reporting codes indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021 and classified according to the three-stage model of IFRS 9:

	<b>September 30, 2022</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Modified special mention category loans</b>				
<b>Modified Loans:</b>				
Modified Normal	0	0	0	0
Modified Special Mention	0	0	0	0
Modified Substandard	23,075,721	44,871,871	33,386,901	101,334,493
Modified Doubtful (1)	1,236,000	27,217,006	25,370,809	53,823,815
Modified Loss (2)	<u>0</u>	<u>23,295</u>	<u>18,031,251</u>	<u>18,054,546</u>
Total modified loans	24,311,721	72,112,172	76,788,961	173,212,854
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	3,012,836	60,942	4,846	3,078,624
(-) Modified loans in a different category other than normal and special mention	0	0	0	0
(+) Interest and commissions accrued receivable	<u>1,538,607</u>	<u>2,916,324</u>	<u>3,777,935</u>	<u>8,232,866</u>
Total portfolio subject to provisions of Rule No. 6-2021	<u>22,837,492</u>	<u>74,967,554</u>	<u>80,562,050</u>	<u>178,367,096</u>
<b>Provisions:</b>				
IFRS 9 provision	(217,680)	(3,462,620)	(25,274,806)	(28,955,106)
Generic provision (First component of 1.5%)	0	0	0	0
Regulatory reserve (Difference to complete the 3%)	0	0	0	0
Total provisions and reserves				<u>(28,955,106)</u>

- (1) Modified Doubtful Stage 1 mostly commercial clients, who maintain deferrals in their installments or grace periods and are in negotiation for new terms according to the codifications indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021.
- (2) Modified Loss Stage 1 mostly commercial clients, with good credit references and credit payments, but to date the restructuring has not been formalized.

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

- (1) Modified Doubtful Stage 1 mostly commercial clients, who maintain deferrals in their installments or grace periods and are in negotiation for new terms according to the codifications indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021.
- (2) Modified Loss Stage 1 mostly commercial clients, with good credit references and credit payments, but to date the restructuring has not been formalized.

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (23) Regulatory Aspects, continued

With the rescission of the article 8 of Rule No- 2-2021, the entities will not be able to reverse the provisions previously established (through profit or equity) as of November 2021. As of September 30, 2022 the Bank does not maintain provisions as per Rule No. 2-2021.

As explained in Note 5 on the effects of COVID-19, as of September 30, 2020, the Bank granted an automatic grace period to borrowers affected in their business or personal activities by COVID-19, until September 30, 2020. From that date, and as result of an agreement signed between the government of Panama and the Banking Association of Panama, as well as the issuance of the moratorium Law No.156; the financial relief was extended until December 31, 2021 to those affected by COVID-19 and for those who requested it.

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

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

As of September 30, 2022 are unpaid as of the last installment payment recorded at the time of the loan modification:

	<u>September 30, 2022</u>	<u>Up 90 days</u>	<u>Between 91 to 120 days</u>	<u>Between 121 and 180 days</u>	<u>Between 181 and 270 days</u>
Consumer loans	51.33%	5.70%	11.15%	21.36%	
Corporate loans	75.66%	5.16%	7.31%	5.86%	

  

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

As of September 30, 2022, the Bank established a capital reserve of \$11,232,516 (December 31, 2021 \$4,739,677), in compliance with Rule No.11-2019.



## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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#### (23) Regulatory Aspects, continued

As of September 30, 2022, in compliance with provisions indicated in articles 36 and 38 of Rule No. 4-2013, the Bank established a dynamic provision as an equity item that is assigned from retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but it does not replace or offset the requirements for the minimum capital adequacy percentage established by the Superintendency of Banks of Panama.

Rule No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor greater than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of September 30, 2022. These percentages represent the following amounts:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
1.25%	<u>29,745,909</u>	<u>25,676,262</u>
2.50%	<u>59,491,818</u>	<u>51,352,525</u>

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Multibank Inc.	56,630,024	56,630,024
MB Creditos, S. A. and Subsidiaries	<u>21,368</u>	<u>21,314</u>
	<u>56,651,392</u>	<u>56,651,338</u>

Management considers that, as of September 30, 2022 and December 31, 2021, the Bank meets all the financial adequacy requirements to which it is subject. The Bank presents its consolidated capital funds on its risk-weighted assets based on Rules No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

## MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

#### (23) Regulatory Aspects, continued

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Ordinary Primary Capital</b>		
Common shares	183,645,893	183,645,893
Excess paid in acquisition of non-controlling interests	(152,873)	(152,873)
Retained earnings	188,299,118	177,199,706
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Loss on securities at fair value through other comprehensive income and others	(103,938,759)	(23,458,043)
Employee benefits	(9,309)	(44,659)
Deferred tax –tax loss carryforward	(2,530,700)	(3,374,267)
Other intangible assets	(8,128,803)	(9,784,720)
<b>Total of Common Tier 1 Capital</b>	<u>257,362,336</u>	<u>324,208,805</u>
<b>Dynamic Provision</b>	<u>56,651,392</u>	<u>56,651,338</u>
<b>Total Regulatory Capital Funds</b>	<u>314,013,728</u>	<u>380,860,143</u>
Credit Risk Weighted Assets, Net of Deductions	2,664,334,420	2,739,754,039
Weighted Assets by Market Risk (Rule No. 03-2018)	9,051	0
Weighted Assets by Operational Risk (Rule No. 11-2018)	<u>117,065,837</u>	<u>122,203,774</u>
<b>Total risk-weighted assets</b>	<u>2,781,409,308</u>	<u>2,861,957,813</u>
<b>Ratios:</b>		
Capital Adequacy Ratio	11.29%	13.31%
Common Tier 1 Capital Ratio	9.25%	11.33%
Tier 1 Capital Ratio	9.25%	11.33%
Leverage Ratio	5.49%	7.09%

- *Liquidity Ratio*

The percentage of the liquidity ratio reported by Multibank Inc. (Parent Bank) to the regulatory body, under the parameters of Rule No. 4-2008, as of September 30, 2022 was 46.64% (December 31, 2021: 46.91%).

- *Foreclosed Assets*

As of September 30, 2022, the Bank constituted a reserve for foreclosed properties amounting to \$4,444,329, (December 31, 2021: \$3,658,701), as an equity item that is allocated from undistributed profits.

- *Insurance Reserve*

As of September 30, 2022, it presents a reserve of \$6,234,389 (December 31, 2021: \$6,008,680).

## **MULTIBANK INC. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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#### **(24) Subsequent Events**

##### **Issuance of Subordinated Corporate Bonds October 2022**

Through SMV Resolution No.361-22 of October 21, 2022 issued by the Superintendency of the Panama Stock Market and by the Panama Stock Exchange, they authorize the public offering of Subordinated Corporate Bonds for a value of up to \$100,000,000.

The Bonds are issued in different series in denominations of one thousand balboas, where the maturity term will be determined by the "Issuer" with a term of not less than (5) years from the Liquidation Date. The annual interest rate for the Bonds will be fixed by the "Issuer" (2) business days prior to the issuance of the series. The basis for calculating interest will be 365/360.