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UNICORP BANK OVERSEAS, LTD. NOTICE

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That is the preferred method of communication for **all** correspondence (especially when sending Notices/information which must be sent in Microsoft Word format) to be published in the Gazette.

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The deadline for submitting notices for publication in the principal edition is midday Monday on every week for all commercial and Government notices, in the week of publication.

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June 30, 2020**

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Independent Auditors' Report

To the Board of Directors and Shareholder of
Unicorp Bank Overseas, Ltd.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Unicorp Bank Overseas, Ltd. (the "Bank") as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at June 30, 2020;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the Board of Directors and Shareholder of
Unicorp Bank Overseas, Ltd.
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Responsibilities of management for the financial statements

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

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

Those responsible for the governance of the Bank are responsible for the supervision of the financial information reporting process of the Bank.

Auditor's responsibilities for the audit of the financial statements

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

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

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

To the Board of Directors and Shareholder of
Unicorp Bank Overseas, Ltd.
Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

September 30, 2020
Panama, Republic of Panama

Unicorp Bank Overseas, Ltd.**Statement of Financial Position****June 30, 2020***(Amounts in US Dollars)*

	2020	2019
Assets		
Deposits with banks (Notes 3, 5 and 10)		
Due from banks	3,797,998	4,635,376
Interest bearing deposits with banks	<u>6,150,291</u>	<u>18,501,594</u>
Total deposits with banks	<u>9,948,289</u>	<u>23,136,970</u>
Loans (Notes 3, 6 and 10)	79,668,117	77,101,937
Investment securities, net (Notes 3, 7 and 10)	39,324,835	35,729,021
Investment in associates (Notes 3, 8 and 10)	38,215,354	35,600,370
Computer equipment, net	4,380	6,094
Right-of-use assets (Note 16)	19,039	-
Other assets (Notes 3 and 10)		
Other accounts receivable	1,568,158	1,778,139
Prepaid expenses	<u>59,057</u>	<u>55,348</u>
Total other assets	<u>1,627,215</u>	<u>1,833,487</u>
Total assets	<u><u>168,807,229</u></u>	<u><u>173,407,879</u></u>
Liabilities and Equity		
Liabilities		
Deposits (Notes 3 and 10)		
Demand	26,258,850	34,388,389
Time	<u>100,190,598</u>	<u>98,246,239</u>
Total deposits	126,449,448	132,634,628
Other liabilities (Notes 10 and 17)	<u>626,993</u>	<u>884,642</u>
Total liabilities	<u>127,076,441</u>	<u>133,519,270</u>
Equity (Notes 3 and 10)		
Common stock (Note 9)	5,000,000	5,000,000
Retained earnings	36,000,037	33,955,012
Revaluation reserve for investments	<u>730,751</u>	<u>933,597</u>
Total equity	<u>41,730,788</u>	<u>39,888,609</u>
Total liabilities and equity	<u><u>168,807,229</u></u>	<u><u>173,407,879</u></u>

The accompanying notes are an integral part of these financial statements.

Unicorn Bank Overseas Ltd.

**Statement of Income
June 30, 2014**

Director

Director

The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Statement of Profit or Loss**
For the year ended June 30, 2020
(Amounts in US Dollars)

	2020	2019
Interest Income (Note 10)		
Interest on loans	1,797,027	1,869,990
Interest on deposits	632,160	818,691
Interest on investments	<u>1,271,371</u>	<u>1,278,956</u>
Total interest income	3,700,558	3,967,637
Interest expense (Note 10)	<u>4,798,977</u>	<u>4,720,918</u>
Net interest expense before provision	(1,098,419)	(753,281)
Reversal of provision for deposits	56	57
Reversal of provision for possible loans losses	214	1,247
(Provision) reversal of provision for impairment of investments	<u>(8,317)</u>	<u>130,262</u>
Net interest expense after provision	<u>(1,106,466)</u>	<u>(621,715)</u>
Other Income (Expense), Net		
Commission income (Note 15)	1,915,022	1,911,990
Commission expense	(24,004)	(24,686)
(Loss) gain on sale of investment	(62,734)	95
Other income	<u>1,820</u>	<u>-</u>
Other income, net	1,830,104	1,887,399
General and administrative expenses (Notes 10, 11 and 14)	<u>539,283</u>	<u>602,754</u>
Income before share in profit of associates	184,355	662,930
Share in profit of associates (Notes 8 and 10)	<u>3,964,389</u>	<u>3,986,825</u>
Income before income tax	4,148,744	4,649,755
Income tax (Note 12)	<u>(103,719)</u>	<u>(116,244)</u>
Net income	<u><u>4,045,025</u></u>	<u><u>4,533,511</u></u>

The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Statement of Comprehensive Income
For the year ended June 30, 2020***Amounts in US Dollars*

	2020	2019
Net income	<u>4,045,025</u>	<u>4,533,511</u>
Other Comprehensive Income (Loss)		
Items that may be subsequently reclassified to statement of income:		
Net (gain) loss transferred from equity (Note 7)	(16,759)	(95)
Net change in fair value of securities through other comprehensive income (Note 7)	99,822	804,850
Other comprehensive income - associates (Note 8)	<u>(285,909)</u>	<u>(117,246)</u>
	<u>(202,846)</u>	<u>687,509</u>
Total comprehensive income of the year	<u><u>3,842,179</u></u>	<u><u>5,221,020</u></u>

The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Statement of Changes Equity**
For the year ended June 30, 2020
(Amounts in US Dollars)

	Common Stock	Retained Earnings	Revaluation Reserve for Investment	Total
Balance at June 30, 2018, as reported	5,000,000	31,772,244	4,142,324	40,914,568
Adjustment for adoption of IFRS 9 in associates	-	3,795,026	(3,896,236)	(101,210)
Adjustment for adoption of IFRS 9	-	(145,769)	-	(145,769)
Balance at July 1, 2018, restated	5,000,000	35,421,501	246,088	40,667,589
<i>Comprehensive income</i>				
Net income	-	4,533,511	-	4,533,511
Net change in the fair value of investments	-	-	804,755	804,755
Other comprehensive income - associates	-	-	(117,246)	(117,246)
Total comprehensive income	-	4,533,511	687,509	5,221,020
<i>Shareholder's transactions</i>				
Dividend paid (Note 10)	-	(6,000,000)	-	(6,000,000)
Balance at June 30, 2019	5,000,000	33,955,012	933,597	39,888,609
<i>Comprehensive income</i>				
Net income	-	4,045,025	-	4,045,025
Net change in the fair value of investment	-	-	83,063	83,063
Other comprehensive income - associates	-	-	(285,909)	(285,909)
Total comprehensive income	-	4,045,025	(202,846)	3,842,179
<i>Shareholder's transactions</i>				
Dividend paid (Note 10)	-	(2,000,000)	-	(2,000,000)
Balance at June 30, 2020	<u>5,000,000</u>	<u>36,000,037</u>	<u>730,751</u>	<u>41,730,788</u>

The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Statement of Cash Flows**
For the year ended June 30, 2020
(Amounts in US Dollars)

	2020	2019
Cash flows from operating activities		
Income before income tax	4,148,744	4,649,755
Adjustments to reconcile income before income tax to net cash (used in) provided by operating activities:		
Depreciation	1,714	1,714
Depreciation of right-of-use-assets	9,519	-
Amortized cost of investments	(71,705)	(93,485)
Loss transferred to profit and loss	79,493	-
Reversal of provision for deposits	(56)	(57)
Reversal of provision for possible loans losses	(214)	(1,247)
Provision (reversal of provision) for impairment of investments	8,317	(130,262)
Share in profit of associates	(3,964,389)	(3,986,825)
Interest expense	4,798,977	4,720,918
Interest income	(3,700,558)	(3,967,637)
Net changes in operating assets and liabilities:		
Loans	(2,719,493)	2,466,197
Customers' deposits	(6,993,433)	(1,166,922)
Interest bearing deposits with banks with original maturity of more than 90 days	(700,000)	3,984,261
Other accounts receivable	209,981	(162,116)
Prepaid expenses	(3,709)	4,315
Other liabilities	(277,148)	57,263
Income taxes paid	(103,719)	(116,244)
Interest paid	(3,990,723)	(5,387,999)
Interest received	<u>3,891,535</u>	<u>3,972,143</u>
Net cash (used in) provided by operating activities	<u>(9,376,867)</u>	<u>4,843,772</u>
Cash flows from investing activities		
Purchases of securities	(26,505,933)	(19,080,964)
Sales and redemptions of securities	22,990,985	21,707,137
Dividends received - associates	<u>1,063,496</u>	<u>995,129</u>
Net cash (used in) provided by investing activities	<u>(2,451,452)</u>	<u>3,621,302</u>
Cash flows from financing activities		
Lease payments	(9,059)	-
Dividends paid	<u>(2,000,000)</u>	<u>(6,000,000)</u>
Net cash used in financing activities	<u>(2,009,059)</u>	<u>(6,000,000)</u>
Net (decrease) increase in cash and cash equivalents	(13,837,378)	2,465,074
Cash and cash equivalents at beginning of year	<u>17,635,376</u>	<u>15,170,302</u>

The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Statement of Cash Flows**
For the year ended June 30, 2020
(Amounts in US Dollars)

Cash and cash equivalents at end of year (Note 5)	<u>3,797,998</u>	<u>17,635,376</u>
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The accompanying notes are an integral part of these financial statements.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

1. Organization and Operations

Unicorp Bank Overseas, Ltd. (the "Bank") was organized under the laws of Antigua and Barbuda on April 12, 1994. The Bank was incorporated to conduct any and all business activities permitted by the laws of the State of Antigua and Barbuda relating to international banking. The Bank is a wholly-owned subsidiary of Grupo Credicorp, Inc., and the management and operations are performed by Credicorp Bank, S. A. (a related bank). The registered office of the Bank is 11 Old Parham Road St. John's Antigua.

These financial statements have been approved for issuance by the Management on September 30, 2020.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used consistently in the preparation of the financial statements. These policies have consistently been applied with respect to the previous year.

Basis of Preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for financial instruments recorded at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New Standards, Amendments or Interpretations Adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing July 1, 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation - Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Bank had to change its accounting policies as a result of adopting IFRS 16. The Bank elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on July 1, 2019. This is disclosed in Note 16. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2- Summary of Significant Accounting Policies (Continued)**Basis of preparation (continued)*****(b) New Standards and Amendments not yet Adopted by the Bank***

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2020 reporting period and have not been early adopted by the Bank:

- Definition of Material - amendments to IAS 1 and IAS 8.
- Definition of a Business - amendments to IFRS 3 .
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7.
- Revised Conceptual Framework for Financial Reporting.

These standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

Monetary Unit

The financial statements are expressed in US dollar (US\$), monetary unit of the United States of America.

Cash and Cash Equivalents

For the statement of cash flows, cash and cash equivalents comprise due from banks and interest-bearing deposits with banks with original maturity less than ninety days.

Investment in Associates

The investment in associates is accounted for by the equity method of accounting. Under this method, the Bank's share in the profits or losses of associate is recognized in the statement of profit or loss and statement of comprehensive income.

Leases

The measurement of the right-of-use asset and the lease liability require a series of judgments such as the determination of the term of the lease and the rate used in the discount of cash flows. As of July 1, 2019, performed an analysis taking into account the lease term, economic environment, and underlying asset class to determine the Bank's incremental loan rate.

The term of the lease is based on the term and clauses of the original contract, significant improvements made, the relative importance of the underlying asset for the Bank's operations and historical information on contracts and expectations of permanence.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets**

The Bank classifies financial assets as measured subsequently at amortized cost (AC), at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) based on the entity's business model to manage financial assets and the characteristic of the contractual cash flows of the financial assets.

Financial assets at amortized cost (AC)

Financial assets are measured at amortized cost if they meet the following conditions:

The assets are maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and

The contractual terms of the financial asset set specific dates for cash flows derived only from payment of principal and interest of current balance.

Interest income from these financial assets is included in "interest income" using the effective interest method.

Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income only if it meets the following conditions:

- The asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets;
- The contractual terms of the financial asset set specific dates for cash flows derived only from payments of principal and interest on the current balances; and
- Interest income from these financial assets is included in "interest income" using the effective interest method.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss.

Equity instruments at fair value through profit or loss (EIFVTPL)

The Bank measure all capital investments at fair value. The Administration has chosen to present the gains or losses of fair value in capital investments through profit or loss.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Equity instruments at fair value through profit or loss (EIFVTPL)*

Changes in the fair value of financial assets with changes in profit or loss are recognized in other gains or losses in the statement of profit or loss as applicable.

Business model evaluation

The Bank carried out an evaluation of the objectives of the business models in which the different financial assets are maintained at the portfolio level to reflect in the best way, how the business is managed and how the information is provided to Management. The information considered included the following:

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

How portfolio yields are evaluated and how are these yields informed to Management.

The risks that impact the yields of the business models (and the financial assets in these models) and the way these risks are managed.

The frequency, the value and the timing of sales in prior periods, the reasons for these sales and the expectations on future sale activities. However, information on sale activity is not considered on an isolated basis, but as part of an evaluation of how the Banks's objectives, set to manage financial assets, are achieved and how the cash flows are realized.

Business models whose objectives is to maintain assets to obtain contractual cash flows

A portfolio of financial assets is managed with the objective of obtaining cash flows from principal and interest payments throughout the life of the instruments, even when sales of financial assets take place or are expected to occur in the future.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Business model whose objective is to obtain contractual cash flows and the sales of financial assets*

In this type of business model, there are different objectives that can be identified; for example, an objective of managing daily liquidity needs, maintaining a specific interest yield profile, or coordinating the maturity of assets with those of the liabilities with which they are being financed.

Compared to the business model in which the objective is to maintain financial assets to collect cash flows through the payment of principal and interest, this business model usually involves greater frequency and value of sales, without the need to have a frequency threshold or defined value, as sales and collection of contractual flows are combined so as to achieve the objectives of the business model.

Other models at fair value through profit and loss

When financial assets are not held within a business model with the objective of keeping them to collect cash flows, or within a business model with the objective of obtaining cash flows through the payment of principal and interest and the sale of assets, these are measured at fair value with changes in results. In this business model, the entity aims to collect cash flows through the payment of principal and interest through the sale of assets, making decisions based on the fair values of the assets and in the management to obtain such values.

Business model change

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

Evaluation of whether contractual cash flows represent solely payments of principal and interest - SPPI

The Bank considers whether cash flows are consistent with the consideration of the time value of money over time, credit risk and other basic risks associated with loan. Exposure to risk or volatility that are not related to the basic agreements of each loan is not introduced, interest rates do not have particular characteristics oriented to certain types of customer segments, in addition to the variables defined in said methodology are not subject to changes in equity prices, or indexed to variables such as debtor returns or equity indices, as well as level of indebtedness is not taken into account in order to avoid leverage considered within the rate.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Evaluation of whether contractual cash flows represent solely payments of principal and interest – SPPI (continued)*

In assessing whether contractual cash flows are only principal and interest payments, the Bank considered the contractual terms of the instrument. This included the evaluation to determine if the financial asset contains a contractual term that could change the period or amount of contractual cash flows so that it does not meet this condition. In making this evaluation, the Bank considered:

- Contingent events that change the amount and periodicity of cash flows.
- Leverage conditions.
- Prepayment and extension.
- Terms that limit the Bank to obtain cash flows from specific assets, for example, asset agreements without recourse.
- Characteristics that modify considerations for the value of money over time, for example, periodic restart of interest rate.

Loans have a contractual interest rate based on a duration that does not exceed the remaining life of instrument. The majority of Bank's operations do not contemplate periodic reestablishment of interest rates and, if an operation of this type occurs, it is backed by credit risk evaluation and in the currency in which the asset is denominated, validating that the period in which the interest rate is established corresponds to the term of the loan. In these cases, the Bank will evaluate if the discretionary features are consistent with the criteria of only principal and interest considering several factors that include:

- Debtors are in a position to pre-pay loans without significant penalties;
- Competitive market factors ensure that interest rates are consistent among banks;
- Any regulatory protection standard in favor of customers;
- All fixed rate consumer and commercial loans have conditions for prepayment.

In addition, a prepayment characteristic is treated as consistent with this criteria if a financial asset is acquired or originated with a premium or discount of its nominal contractual amount and the prepayment amount substantially represent the par value of the contractual amount plus unpaid accrued interest, which may include a reasonable compensation for early termination, and the fair value of the prepayment characteristic is not significant at initial recognition.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Impairment of Financial Assets**Loans*

The Bank has defined that the measurement of impairment under expected losses of the loan portfolio is made through a collective evaluation in accordance with the amount and characteristic of the loan.

Collective models include parameters of probability of default at 12 months, probability of default over the life of the obligation, loss given default, and exposure to default with the inclusion of the prospective criterion. The individual analysis methodology is applied in significant exposures and includes evaluation of weighted loss scenarios, considering the macroeconomic expectation and conditions of each debtor.

Classification of the portfolio in stages

Based on the evaluation of a significant increase in risk, a financial instrument can be classified in different stages:

- Stage 1: financial instruments that do not show impairment in their credit quality since their initial recognition or have a low credit risk at the end of the reporting period;
- Stage 2: financial instruments that have significant increase in their credit risk since their initial recognition;
- Stage 3: instruments that have objective evidence of impairment (OEI) in the reporting period.

For each of the mentioned stages, expected credit losses (ECL) will be calculated, which will reflect current and future conditions both of behavior of the portfolio and of different associated macroeconomic conditions. For stage 1, the expected losses of the instruments over a twelve months periods will be recognized, while for stage 2 and 3, it will be made over the lifetime of instruments.

Significant increase in credit risk

The portfolio classified in stage 2 includes those instruments that meet the corporate definition of significant risk increase.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Impairment of Financial Assets (continued)*

To establish whether an asset present a significant increase in risk since the initial recognition, and evaluation of quantitative and qualitative factors is carried out, and review for each portfolio the parameter of more than 30 days of default. The Bank determines whether the credit risk of financial instruments has increased significantly since the initial recognition as follows:

Quantitative criteria

Comparison of the probability of default to the life of the loan. The Bank has defined that the most suitable parameter for comparing the risk of the instrument is through the comparison of the probability of default to the life of the credit at the current date. Two thresholds have been defined to identify if there is a significant increase in risk:

- Absolute Threshold: is the absolute difference between the value of the probability of default (PD) on date of presentation and the value of probability of default (PD) on date of origin.
- Relative Threshold: is a percentage variation between values of probability of default (PD) on date of origin.

If the comparison of the probability of default (PD) produces the surpassing of one threshold, but not of the other, it is not considered that there is a significant increase in the risk for the instrument.

Qualitative criteria

- Assets restructured for risk, where the client is experiencing financial difficulties;
- Customers on the special mention with medium risk level;
- The Bank additionally reviews each semester if there are collective criteria for the migration of a group of clients to stage 2, for example, if a significant change has occurred from the origin in a product or specific geographic region.

More than 30 days of delinquency

The Bank reviews for each portfolio if there has been a significant increase in 30 days of delinquency.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Impairment of Financial Assets (continued)*Definition of default

The portfolio classified in stage 3 will include those instruments that meet the corporate definition of default.

An asset is considered in default when it has one of the following characteristics:

- Customers who have a default of more than 90 days in any of their obligations.
- Customers who present at least one instrument written-off.
- Clients in special states of corporate restructuring or reorganization and insolvency law agreements.
- Customers on the special mention list with a high level of risk.
- Clients in non-compliance category.

Prospective information

The Bank has incorporated macroeconomic scenarios in the calculation of the expected loss in order to reflect the prospective effect. The inclusion of macroeconomic conditions in the expected loss models is based on methodologies that correlate the historical behavior of the portfolio with certain economic variables. The Bank has made the projection of three macro scenarios (base, pessimistic and optimistic). Each scenario has a probability of plausible occurrence in order to assess the best estimate of the expected credit loss under possible future economic conditions.

Investments

Investments are classified in stages according to the qualification of the following way:

- Stage 1: investments that are rated in investment grade.
- Stage 2: investments that are rated as speculative.
- Stage 3: investments that are rated in default.

To estimate the deterioration of the instruments, if the issue has an external rating, it is reserved with a probability of default (PD) of the external rating agency. If it does not have an external rating, it is reserved with the internal rating model and the probability of portfolio default.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

2. Summary of Significant Accounting Policies (Continued)**Financial Assets (continued)***Impairment of Financial Assets (continued)**Investments (continued)*

Impairment: OEI (Objective evidence of impairment) * PD (Probability of default) * LGD (Loss given default)

- All instruments classified in stage 1 will be assigned a probability of default for 12 months.
- All instruments classified in stage 2 will be assigned a probability of default for the life of the instrument.
- All instruments classified in stage 3 will be assigned a probability of default of 100%.

In all cases the loss due to default (LGD) is the parameter calculated in the process of deterioration of the loan portfolio.

Interest Income and Expense

Interest income and expense are recognized in the statement of income for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and Commission Income

Fees and commissions are generally recognized on a perceived basis when service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred and considered as an adjustment to the effective yield of the loan.

Unicorp Bank Overseas, Ltd.

Notes to the Financial Statements

June 30, 2020

(Amounts in US Dollars)

3. Financial Risk Management

In the normal course of its operations, the Bank is exposed to a variety of financial risks, which it seeks to minimize through the application of risk management policies and procedures. These policies cover, market risks: interest rates risk, currency risk, credit risk and liquidity.

Credit Risk

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual review.

Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Financial assets with credit risk consist primarily in interest bearing deposits, loans and investment in securities (before available-for-sale).

The Bank’s risk management organization is mainly composed of Committees which monitor the credit risk. These Committees have been structured to include the business personnel, general and risk management with the purpose of discussing business matters, risks and required adjustment by the corresponding segments. The Credit Committee approves or endorses under the limits ratified by the Board of Directors.

Portfolio Quality Information

The Bank does not have past due or impaired loans. Of the total loans, 87% (2019: 87%) are collateralized with time deposits, 12% (2019: 12%) are collateralized with real estate and 1% (2019: 1%) is not collateralized.

Credit quality analysis

The following table presents the financial assets and reserves for expected credit losses (ECL):

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>2020</u>	<u>2019</u>
Maximum exposure					
Carrying amount, net	<u>79,668,117</u>	<u>-</u>	<u>-</u>	<u>79,668,117</u>	<u>77,101,937</u>
Grade 1: Normal	<u>79,668,269</u>	<u>-</u>	<u>-</u>	<u>79,668,269</u>	<u>77,102,303</u>
Gross amount	79,668,269	-	-	79,668,269	77,102,303
Less: Reserve for expected losses	<u>(152)</u>	<u>-</u>	<u>-</u>	<u>(152)</u>	<u>(366)</u>
Carrying amount net	<u>79,668,117</u>	<u>-</u>	<u>-</u>	<u>79,668,117</u>	<u>77,101,937</u>

Unicorp Bank Overseas, Ltd.

Notes to the Financial Statements

June 30, 2020

(Amounts in US Dollars)

3. Financial Risk Management (Continued)

Credit Risk (continued)

Portfolio Quality Information (continued)

Credit quality analysis (continued)

The following table shows the ratings of cash and deposits in banks and instruments classified as securities through other comprehensive income, securities at fair value through profit or loss, based on the risk rating assigned by rating agencies:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>2020</u>	<u>2019</u>
Cash and bank deposits					
Rated between AA- and AA+	8,661,261	-	-	8,661,261	22,889,787
Rated between A- and A+	<u>1,287,028</u>	-	-	<u>1,287,028</u>	<u>247,183</u>
	<u>9,948,289</u>	-	-	<u>9,948,289</u>	<u>23,136,970</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>2020</u>	<u>2019</u>
Securities through other comprehensive income					
Rated AAA	514,790	-	-	514,790	5,000,710
Rated between AA- and AA+	24,590,541	-	-	24,590,541	4,221,064
Rated between A- and A+	6,134,688	-	-	6,134,688	5,985,516
Rated between BBB- and BBB+	7,338,154	-	-	7,338,154	7,500,949
Rated BB+ and less	421,496	-	-	421,496	425,889
No rating	-	-	-	-	<u>12,594,893</u>
	<u>38,999,669</u>	-	-	<u>38,999,699</u>	<u>35,729,021</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>2020</u>	<u>2019</u>
Securities through profit or loss					
Rated between A- and A+	93,765	-	-	93,765	-
No rating	<u>231,401</u>	-	-	<u>231,401</u>	-
	<u>325,166</u>	-	-	<u>325,166</u>	-

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***3. Financial Risk Management (Continued)****Credit Risk (continued)****Portfolio Quality Information (continued)***Credit quality analysis (continued)*

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region:

	<u>Panama</u>	<u>North America</u>	<u>Central America and Caribbean</u>	<u>Other</u>	<u>Total</u>
	(In US Dollars Thousand)				
June 30, 2020					
Assets					
Deposits with banks	8,661	1,287	-	-	9,948
Loans	79,668	-	-	-	79,668
Investment securities	23,189	11,528	-	4,608	39,325
Investment in associates	<u>38,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,215</u>
	<u>149,733</u>	<u>12,815</u>	<u>-</u>	<u>4,608</u>	<u>167,156</u>
Liability					
Customers' deposits	<u>89,710</u>	<u>66</u>	<u>36,041</u>	<u>632</u>	<u>126,449</u>
	<u>Panama</u>	<u>North America</u>	<u>Central America and Caribbean</u>	<u>Other</u>	<u>Total</u>
	(In US Dollars Thousand)				
June 30, 2019					
Assets					
Deposits with banks	22,890	247	-	-	23,137
Loans	77,102	-	-	-	77,102
Investment securities	12,398	18,863	-	4,468	35,729
Investment in associates	<u>35,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,600</u>
	<u>147,990</u>	<u>19,110</u>	<u>-</u>	<u>4,468</u>	<u>171,568</u>
Liability					
Customers' deposits	<u>104,280</u>	<u>66</u>	<u>27,537</u>	<u>752</u>	<u>132,635</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***3. Financial Risk Management (Continued)****Liquidity Risk**

Liquidity risk is the risk that the Bank cannot meet its obligations. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank placing and financing.

The table below presents the expected cash flows of financial assets and liabilities based on remaining contractual maturities at the statement of financial position date. The Bank manages the inherent liquidity risk based on expected undiscounted cash flows as disclosed in the table below:

	<u>Up to 6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>	<u>No Maturity</u>	<u>Total</u>
	<small>(In US Dollars Thousands)</small>					
June 30, 2020						
Liabilities						
Customers' deposits	<u>59,549</u>	<u>31,608</u>	<u>36,143</u>	<u>-</u>	<u>-</u>	<u>127,300</u>
Assets						
Total assets	<u>100,935</u>	<u>12,594</u>	<u>17,152</u>	<u>303</u>	<u>40,279</u>	<u>171,263</u>
June 30, 2019						
Liabilities						
Customers' deposits	<u>59,160</u>	<u>18,979</u>	<u>58,339</u>	<u>-</u>	<u>-</u>	<u>136,478</u>
Assets						
Total assets	<u>94,634</u>	<u>11,641</u>	<u>33,864</u>	<u>317</u>	<u>38,111</u>	<u>178,567</u>

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank has interest rate exposure related to fluctuations in the prevailing levels of market interest rates. The Bank's Management periodically monitors the interest rate risk.

The following table summarizes the Bank's exposure to interest rate risks, including the assets and liabilities at carrying amount, categorized by the earlier of contractual reprising or maturity dates:

	<u>Up to 6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>	<u>Non Interest Bearing</u>	<u>Total</u>
	<small>(In US Dollars Thousands)</small>					
June 30, 2020						
Assets						
Deposits with banks	5,308	4,640	-	-	-	9,948
Loans	79,668	-	-	-	-	79,668
Investment securities	14,813	7,630	16,387	170	325	39,325
Investment in - associates	-	-	-	-	38,215	38,215
Total assets	<u>99,789</u>	<u>12,270</u>	<u>16,387</u>	<u>170</u>	<u>38,540</u>	<u>167,156</u>
Liabilities						
Customers' deposits	<u>43,170</u>	<u>31,818</u>	<u>35,854</u>	<u>-</u>	<u>15,607</u>	<u>126,449</u>

Unicorp Bank Overseas, Ltd.

Notes to the Financial Statements

June 30, 2020

(Amounts in US Dollars)

Net position	<u>56,619</u>	<u>(19,548)</u>	<u>(19,467)</u>	<u>170</u>	<u>22,933</u>	<u>40,707</u>
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Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***3. Financial Risk Management (Continued)****Interest Rate Risk (continued)**

	Up to 6 Months	6-12 Months	1-5 Years	More than 5 Years	Non Interest Bearing	Total
	(In US Dollars Thousands)					
June 30, 2019						
Assets						
Deposits with banks	17,662	5,475	-	-	-	23,137
Loans	67,049	-	10,053	-	-	77,102
Investment securities	6,666	6,367	22,499	197	-	35,729
Investment in associates	-	-	-	-	35,600	35,600
Total assets	91,377	11,842	32,552	197	35,600	171,568
Liabilities						
Customers' deposits	40,324	17,820	57,301	-	17,190	132,635
Net position	51,053	(5,978)	(24,749)	197	18,410	38,933

The Bank takes on exposure to the effects of the fluctuations in the prevailing market interest rate in its cash flows. Interest margins can increase as a result of these changes but can decrease or create losses in case of unexpected movements.

To evaluate interest rate risk and its impact in fair value of financial assets and liabilities, the Bank performs simulations to determine sensitivity in financial assets and liabilities. The base analysis performed by the Bank consists of determining the impact on the fair value of financial assets and liabilities caused by the increases and reductions of 50 basis points in interest rate, allowing the examination of the variance in profits. If the interest rate would have been based on 50 points (greater or lower) and all other variable remained constant, the income for the year ended June 30, 2020 would have increased or decreased by US\$203,540 (2019: US\$194,660).

The effective average interest rates as of June 30, 2020 of the major financial instruments of the Bank are as follows:

	2020	2019
Assets		
Deposits with banks	0.84%	1.16%
Loans	9.72%	10.31%
Investment in securities	3.44%	3.16%
Liability		
Customers' deposits	3.01%	2.90%

Unicorp Bank Overseas, Ltd.

Notes to the Financial Statements

June 30, 2020

(Amounts in US Dollars)

3. Financial Risk Management (Continued)

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

Other valuation techniques include actual net present value and discounted cash flows, comparisons between similar instruments for which there are observable market prices, and other valuation models. The assumptions and input data used in valuation techniques include risk-free average interest rate, credit spreads and other premises used to estimate discount rates.

The objective of using a valuation technique is to estimate the price of an orderly asset sale transaction or the transferring of liabilities between market’s participants at the date of measuring under the current market conditions.

The fair value of financial assets and liabilities that are evaluated at fair value on a recurring basis.

The following table presents the fair values for financial instruments owned by the Bank and classified according to the category Level of their fair value at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2020				
Securities at fair value through OCI	-	38,999,669	-	38,999,669
Securities at fair value through profit or loss	-	325,166	-	325,166
June 30, 2019				
Securities at fair value through OCI	-	35,729,021	-	35,729,021

Financial Instruments	Valuation Technique and Input Data Used	Level
Corporate Bonds and Bonds of the Republic of Panama	Discounted cash flows using a discount rate which is derived from using the market risk-free rate and the free rate of the Republic of Panama used for instruments with similar remaining maturity.	(2)
US Agency Shares and Bonds	Prices quoted for identical instruments in inactive markets.	(2)

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

The fair value of financial instruments traded in active markets (available-for-sale securities) is based on quoted market prices at the statement of financial position.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***3. Financial Risk Management (Continued)****Fair Value Estimation (continued)**

The reconciliation of instruments with main supportive valuation not based on observable market data; that is, instruments classified as Level 3 in the fair value category is as follows:

Financial Instrument	Valuation Technique	Significant Non-Observable Input Data	Sensitivity of the Measuring of Fair Value to the Significant Non-observable Input Data
Corporate Bonds	Discounted Cash flows	Adjusted discount rate with a spread of growth to perpetuity.	Increase (decrease) in the input data that is not observable in an isolated manner and that may result in a lower (higher) fair value.
Shares	Discounted Cash flows	Credit risk spread adjustment based on Panama's government reference rate.	Increase (decrease) in the input data that is not observable in an isolated manner and that may result in a lower (higher) fair value.

Fair value of financial instruments not measured at their fair value

The book value of the main financial assets and liabilities not measured at their fair values in the Bank's statement of financial position is summarized as follows:

	2020		
	Book Value	Fair Value	Level
Assets			
Due from banks	3,797,998	3,797,998	N/A
Interest bearing deposits with banks	6,150,291	6,235,734	2
Loans	79,668,117	80,551,443	2
	<u>89,616,406</u>	<u>90,585,175</u>	
Liabilities			
Demand deposits	26,258,850	26,258,850	N/A
Time deposits	100,190,598	95,670,140	2
	<u>126,449,448</u>	<u>121,928,990</u>	

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***3. Financial Risk Management (Continued)****Fair Value Estimation (continued)***Fair value of financial instruments not measured at their fair value (continued)*

	2019		
	Book Value	Fair Value	Level
Assets			
Due from banks	4,635,376	4,635,376	N/A
Interest bearing deposits with banks	18,501,594	18,535,250	2
Loans	77,101,937	77,103,649	2
	<u>100,238,907</u>	<u>100,274,275</u>	
	2019		
	Book Value	Fair Value	Level
Liabilities			
Demand deposits	34,388,389	34,388,389	N/A
Time deposits	98,246,239	100,624,766	2
	<u>132,634,628</u>	<u>135,013,155</u>	

Bank's Management has used the following assumptions to estimate the fair value of each financial instrument's category in the financial statements:

Deposits with banks: The fair value approximates the book value due to their short-term maturity.

Investment held-to-maturity: These financial instruments approximate their market value, price source: Bloomberg Valuation (BVAL).

Loans: Fair value of loans is based on the present value of estimated future cash flows, discounted on a market-rate basis for groups of similar loans.

Customers' deposits: Fair value is estimated at the present value of future cash flows using a discount rate for similar remaining maturity.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)*

4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans

The Bank reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when projecting its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Investments

The Bank follows the guidance of IFRS 9 in classifying non-derivative financial assets at amortized cost. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments at amortized cost.

(c) Fair value of the financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, these are validated and periodically reviewed by qualified personnel. When possible, models use only observable data, however areas such as credit risk (self and counterparty), volatility indicators and correlations require judgment to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements
June 30, 2020***(Amounts in US Dollars)***4. Critical Accounting Estimates, and Judgments in Applying Accounting Policies
(Continued)***(c) Fair value of the financial instruments (continued)*

The Bank policy considers significant and prolonged impairment of available-for-sale investments, those investments with 25% or more impairment in its fair value for a period of 180 consecutive days. At June 30, 2020, there are no investments with prolonged impairment.

5. Cash and Cash Equivalents

Cash and cash equivalents consisted of:

	2020	2019
Due from banks	3,797,998	4,635,376
Interest bearing deposits with banks	6,150,375	18,501,734
Less: Provision for time deposits	<u>(84)</u>	<u>(140)</u>
	9,948,289	23,136,970
Less: Interest bearing deposits with original maturity of more than ninety days	<u>(6,150,291)</u>	<u>(5,501,594)</u>
	<u><u>3,797,998</u></u>	<u><u>17,635,376</u></u>

6. Loans

Loans are as follows:

	2020	2019
Commercial	79,668,117	77,034,430
Overdrafts	<u>-</u>	<u>67,507</u>
	<u><u>79,668,117</u></u>	<u><u>77,101,937</u></u>

The Bank does not have past due or impaired loans. Of the total loans, 95% (2019: 87%) are collateralized with time deposits, 5% (2019: 12%) are collateralized with real estate and 0% (2019: 1%) is not collateralized.

Unicorp Bank Overseas, Ltd.

Notes to the Financial Statements

June 30, 2020

(Amounts in US Dollars)

6. Loans (Continued)

The movement of the reserves for expected credit losses in loans

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Reserves for expected credit losses as June 30, 2019	366	-	-	366
Reserves, net	(26)	-	-	(26)
New loans	168	-	-	168
Canceled loans	(356)	-	-	(356)
Reserves for expected credit losses as June 30, 2020	<u>152</u>	<u>-</u>	<u>-</u>	<u>152</u>

7. Investment Securities, Net

Investment securities are as follows:

	2020	2019
Securities at fair value through other comprehensive income	38,999,669	35,729,021
Securities at fair value through profit or loss	<u>325,166</u>	<u>-</u>
	<u>39,324,835</u>	<u>35,729,021</u>

Securities at Fair Value through Other Comprehensive Income

Securities at fair value through other comprehensive income are as follows:

	2020	2019
Corporate bonds	36,339,937	30,877,464
Agency bonds	1,003,961	3,697,981
Treasury bills	1,253,453	754,280
Promissory note	<u>402,318</u>	<u>399,296</u>
	<u>38,999,669</u>	<u>35,729,021</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements
June 30, 2020***(Amounts in US Dollars)***7. Investment Securities, Net (Continued)****Securities at Fair Value through Other Comprehensive Income (continued)**

Movement of reserves for expected credit losses for securities at fair value through other comprehensive income is presented below:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Reserves for expected credit losses as June 30, 2019	13,696	-	-	13,696
Expected credit losses	(2,833)	-	-	(2,833)
Financial instruments purchased	<u>11,150</u>	<u>-</u>	<u>-</u>	<u>11,150</u>
Reserves for expected credit losses as June 30, 2020	<u>22,013</u>	<u>-</u>	<u>-</u>	<u>22,013</u>

Movement of securities at fair value through other comprehensive income is as follows:

	2020	2019
Opening net book balance	35,729,021	37,476,831
Purchases	26,101,274	19,080,964
Sales and redemptions	(22,990,985)	(21,707,137)
Amortized cost	71,705	93,485
Accrued interest receivable	13,908	(6,181)
Net gain (loss) transferred from equity	(16,759)	(95)
Net loss transferred to equity	99,822	804,850
Investments reserves	<u>(8,317)</u>	<u>(13,696)</u>
Ending net book balance	<u>38,999,669</u>	<u>35,729,021</u>

Securities at Fair Value through Profit or Loss

Securities at fair value through profit or loss are as follows:

	2020	2019
Common share	93,765	-
Mutual funds	<u>231,401</u>	<u>-</u>
	<u>325,166</u>	<u>-</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***7. Investment Securities, Net (Continued)****Securities at Fair Value through Profit or Loss (continued)**

Movement of securities at fair value through profit or loss is as follows:

	2020	2019
Opening net books amount	-	-
Purchases	404,659	-
Loss transferred from equity	<u>(79,493)</u>	-
Ending net book balance	<u>325,166</u>	<u>-</u>

8. Investment in Associates

Associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Bank:

Common Stock	Participation		2020	2019
	2020	2019		
IS Holding Group, S. A.	13.10%		13.10%	35,298,603
	32,320,279			
Panama Hydroelectric Ventures, Inc.	8.89%	8.89%	<u>2,916,751</u>	<u>3,280,091</u>
			<u>38,215,354</u>	<u>35,600,370</u>

IS Holding Group, S. A. is a company incorporated under the laws of the Republic of Panama since 1910. It is licensed to operate all insurance and reinsurance lines of business, such as property and casualty, bonds, and life. The Company's administrative offices are located in Panama City, Republic of Panama.

Panama Hydroelectric Ventures, Inc. is a company incorporated under the laws of the Republic of Panama since 2010. It is a holding corporation. The Company's administrative offices are located in Panama City, Republic of Panama.

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***8. Investment in Associates (Continued)**

Movement of the investment in associates is as follows:

	2020	2019
Opening net book balance	35,600,370	32,827,130
Share of profits	3,964,389	3,986,825
Other comprehensive income	(285,909)	(117,246)
Adjustment for IFRS 9 adoption	-	(101,210)
Dividends received	<u>(1,063,496)</u>	<u>(995,129)</u>
Ending net book balance	<u>38,215,354</u>	<u>35,600,370</u>

Assets, liabilities and profits of these associates are as follows:

	2020						Profit before Taxes	Profit after Taxes
	Assets	Liabilities	Equity	Income	Expenses	Taxes		
Associate								
IS Holding Group, S. A.	<u>689,210,861</u>	<u>417,140,789</u>	<u>266,591,511</u>	<u>208,728,010</u>	<u>171,694,507</u>	<u>37,033,503</u>		<u>31,361,090</u>
Panama Hydroelectric Venture, Inc.	<u>60,039,913</u>	<u>30,429,273</u>	<u>29,610,641</u>	<u>161,171</u>	<u>1,780,001</u>	<u>(1,618,830)</u>	<u>(1,618,830)</u>	
	2019						Profits (Loss) before Taxes	Profits (Loss) after Taxes
	Assets	Liabilities	Equity	Income	Expenses	Taxes		
Associate								
IS Holding Group, S. A.	<u>641,195,676</u>	<u>392,776,280</u>	<u>243,677,705</u>	<u>215,130,329</u>	<u>178,346,478</u>	<u>36,783,851</u>		<u>31,669,852</u>
Panama Hydroelectric Venture, Inc.	<u>59,967,264</u>	<u>26,269,559</u>	<u>33,697,705</u>	<u>(244,596)</u>	<u>1,576,846</u>	<u>(1,821,442)</u>	<u>(1,821,442)</u>	

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***8. Investment in Associates (Continued)**

Following is a reconciliation of the summary financial information for investments in associates:

	2020	
	IS Holding Group, S. A.	Panama Hydroelectric Venture, Inc.
Net assets at the beginning of year	243,677,705	33,697,705
Profit for the period	31,361,090	(1,618,830)
Dividends received	(8,120,000)	-
Other comprehensive income	<u>(327,284)</u>	<u>(2,468,234)</u>
Net assets at the end of year	<u>266,591,511</u>	<u>29,610,641</u>
Share of period	34,923,488	2,632,386
Other adjustments	<u>375,115</u>	<u>284,365</u>
Net book value	<u>35,298,603</u>	<u>2,916,751</u>
	2019	
	IS Holding Group, S. A.	Panama Hydroelectric Venture, Inc.
Net assets at the beginning of year	219,881,536	37,866,438
Profit for the period	31,669,852	(1,821,442)
Dividends received	(7,598,000)	-
Adopted IFRS 9	(772,598)	(30,639)
Other comprehensive income	<u>496,915</u>	<u>(2,316,652)</u>
Net assets at the end of year	<u>243,677,705</u>	<u>33,697,705</u>
Share of period	31,921,779	2,995,726
Other adjustments	<u>398,500</u>	<u>284,365</u>
Net book value	<u>32,320,279</u>	<u>3,280,091</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***9. Common Stock**

The total authorized number of common stocks is 5,000,000 with a par value of US\$1 per share. All issued stocks are fully paid.

10. Transactions and Balances with Related Parties

The most significant balances and transactions with related parties are presented below:

	2020				Total
	Related Party	Associates	Ultimate Parent	Executives Directors and Employees	
Balances					
Assets					
Due from banks	2,510,970	-	-	-	2,510,970
Interest bearing deposit with banks	6,150,375	-	-	-	6,150,375
Loans	71,203,228	-	-	-	71,203,228
Investments in securities, net	21,494,407	-	-	-	21,494,407
Investment in associates	-	38,215,354	-	-	38,215,354
Other accounts receivable	-	68,368	-	-	68,368
Liabilities					
Demand deposits	13,840,585	14,838	1,700,798	42,500	15,598,721
Time deposits	74,264,262	-	-	144,457	74,408,719
Other liabilities	11,071	-	-	-	11,071
Dividend paid	-	-	-	2,000,000	2,000,000
Transactions					
Revenue					
Interest on loans	418,879	-	-	-	418,879
Interest on deposits	501,009	-	-	-	501,009
Interest on investments	672,863	-	-	-	672,863
Commission income	1,863,626	-	-	-	1,863,626
Share of profits in associates	-	4,206,826	-	-	4,206,826
Expenses					
Interest expense	2,437,563	17	-	6,160	2,443,740
Other administrative and professional services	355,867	31,027	-	-	386,894
Key management compensation	-	-	-	10,500	10,500

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***10. Transactions and Balances with Related Parties (Continued)**

	2019				Total
	Related Party	Associates	Ultimate Parent	Executives Directors and Employees	
Balances					
Assets					
Due from banks	4,388,193	-	-	-	4,388,193
Interest bearing deposit with banks	18,501,734	-	-	-	18,501,734
Loans	77,042,424	-	-	-	77,042,424
Investments in securities, net	11,892,529	-	-	-	11,892,529
Investment in associates	-	35,600,370	-	-	35,600,370
Other accounts receivable	-	53,175	-	-	53,175
Prepaid expenses	-	329	-	-	329
Liabilities					
Demand deposits	18,894,567	13,936	228,777	23,696	19,160,976
Time deposits	71,716,092	-	-	137,900	71,853,992
Other liabilities	759,015	-	-	-	759,015
Dividend paid	-	-	-	6,000,000	6,000,000
Transactions					
Revenue					
Interest on loans	1,870,025	-	-	220	1,870,245
Interest on deposits	572,732	-	-	-	572,732
Interest on investments	599,131	-	-	-	599,131
Commission income	1,864,310	-	180	40	1,864,530
Share of profits in associates	-	3,986,825	-	-	3,986,825
Expenses					
Interest expense	383,804	17	-	5,402	389,223
Other administrative and professional services	373,278	39,182	-	-	412,460
Key management compensation	-	-	11,450	-	11,450

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***11. Regulatory Matters**

According to regulations of Antigua and Barbuda, the Bank is required to disclose in its financial statements the payments to residents in St. John's Antigua, British West Indies. In that regard, the Bank has incurred in the following expenses in St. John's Antigua, British West Indies:

	2020	2019
Management fees	<u>21,477</u>	<u>21,800</u>
Salaries	<u>18,243</u>	<u>19,502</u>
Banking license	<u>40,000</u>	<u>40,000</u>
Auditing	<u>25,000</u>	<u>25,000</u>
Other administrative expenses	<u>18,983</u>	<u>23,452</u>

12. Income Tax

In July 2016, the Parliament of Antigua and Barbuda enacted the International Banking Act 2016 whereby, among other things, licensed financial institution are levied taxes on profits and gains in respect of the international financial services carried on by it.

The income tax resulting from the tax rate applicable to our institution's profit and gain level is as follows:

	2020	2019
Gross income before taxes	<u>4,148,744</u>	<u>4,649,755</u>
Income taxes applying 2.5%	<u>103,719</u>	<u>116,244</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***13. Capital Adequacy**

The Bank monitors its capital adequacy using ratios comparable to those suggested by the Basel Committee on Banking Regulations and Supervisory Practices. The capital adequacy ratio measures capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-statement of financial position commitments and other risk positions at a weighted amount.

The market risk approach used by the Bank to calculate its capital requirements covers the market risk of the Bank's operations. The methodology used is based on the regulation defined by the Financial Services Regulatory Commission of Antigua & Barbuda. Using this methodology, assets are weighted according to specific credit risk categories, emphasizing location of the asset and its credit rating. three categories of weighted risk (12.5% for Market and Operational risk and 100% for Credit risk) are applied.

Risk weighted assets and commitments of the Bank are as follows:

	Balance (In thousands)	Weighted Assets (In thousands)
June 30, 2020		
Assets		
Credit risk	2,692	2,692
Operational risk	124	1,550
Market risk	<u>3,364</u>	<u>42,050</u>
Total risk weighted assets	6,180	<u>46,292</u>
Capital base		<u>41,730</u>
Capital adequacy ratio as of June 30, 2020		<u>90.15%</u>
Capital adequacy ratio as of June 30, 2019		<u>77.55%</u>
Minimum capital adequacy regulatory ratio		<u>8%</u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***14. General and Administrative Expenses**

General and administrative expenses are summarized as follows:

	2020	2019
Professional services	206,880	258,168
Salaries	18,243	19,502
Depreciation of right-of-use assets	9,519	-
Depreciation	1,714	1,714
Other taxes	546	-
Rent expense	-	10,461
Other administrative services	<u>302,381</u>	<u>312,909</u>
	<u><u>539,283</u></u>	<u><u>602,754</u></u>

15. Revenue from Contracts with Customers

Revenue from contracts with customers is presented as follows:

	2020	2019
Call Option Seller revenue	1,863,536	1,866,335
Banking services	35,886	35,905
Loan commissions	<u>15,600</u>	<u>9,750</u>
	<u><u>1,915,022</u></u>	<u><u>1,911,990</u></u>

16. Right-of-Use Assets

Movement of right-of-use assets is as follows:

	2020	2019
Balance at the beginning of the year	-	-
Adoption of IFRS 16	28,558	-
Depreciation for the period	<u>(9,519)</u>	<u>-</u>
Balance at the end of the year	<u><u>19,039</u></u>	<u><u>-</u></u>

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements****June 30, 2020***(Amounts in US Dollars)***17. Lease Liability**

Movement of the financial lease obligations is presented below:

	2020	2019
Balance at the beginning of the year	-	-
Adoption of IFRS 16	28,558	-
Lease payments	<u>(9,059)</u>	<u>-</u>
Balance at the end of the year	<u>19,499</u>	<u>-</u>

18. Impact of COVID-19

By the end of the 2019, a highly contagious virus outbreak was identified in China denominated COVID-19 which spread rapidly worldwide. On March 11, 2020, the World Health Organization (WHO) raised to a global pandemic the public health emergency caused by the virus. The rapid spread of COVID-19, on an international scale, has led to an unprecedented health, social, and economic crisis that is still evolving.

Due to its business model, the Bank has not seen the need to modify the conditions originally contracted with our clients since they are currently complying with its payment commitments. Additionally, we have not identified any impact on the credit portfolio and no additional impacts are expected based on the information known at this moment.

The Bank's management is permanently evaluating this evolution and its consequences with the purpose of capturing new information that will allow us to better understand the behavior of risks and our exposure to these risks in the short and medium term. This will allow us to maintain an adequate diagnosis on the adequacy of our reserves, even given the atypical situation.

19. Adoption of IFRS 16

IFRS 16 introduces a single model for the accounting of lease contracts in the statement of financial position for lessees. A lessee recognizes a right-of-use asset representing the right to use the leased asset and a lease liability representing its obligation to make the lease payments. There are optional exemptions for short-term leases or very low-value property leases. The accounting treatment of lease contracts for lessors remains similar to current

Unicorp Bank Overseas, Ltd.**Notes to the Financial Statements
June 30, 2020***(Amounts in US Dollars)*

accounting standards in which the lessor classifies lease contracts as finance or operating leases.

19. Adoption of IFRS 16 (Continued)

By adopting this standard, the Bank recognized lease liabilities in relation to leases that had previously been classified as "operating leases" under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental interest rate as of July 1, 2019. The Bank adopted the simplified accumulated method, equating the right-of-use to the lease liability, using an incremental debt rate of 5%.

The right-of-use assets associated with the property leases were measured retrospectively as if the new standard had always been applied. As of July 1, 2019, right-of-use assets and lease liabilities increased by US\$28,558.