

**BANCO GENERAL, S. A.
AND SUBSIDIARIES**
(Panama, Republic of Panama)

**Condensed Consolidated Interim
Financial Information**

March 31, 2020

"This document has been prepared with the knowledge that its contents shall be made available to the investing and general public"

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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BANCO GENERAL, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Statement of Financial Position

March 31, 2020, December 31, 2019 and March 31, 2019

(Expressed in Balboas)

		(Unaudited) March 2020	(Audited) December 2019	(Unaudited) March 2019
Assets	Note			
Cash and cash items	5	204,313,948	206,185,414	270,038,991
Deposits with banks:				
Demand deposits		566,527,482	332,526,449	284,092,578
Time deposits		239,274,864	191,762,241	206,215,719
Accrued interest receivable		2,980,931	2,931,780	2,489,039
Total deposits with banks	5	<u>808,783,277</u>	<u>527,220,470</u>	<u>492,797,336</u>
Total cash, cash items and deposits with banks		<u>1,013,097,225</u>	<u>733,405,884</u>	<u>762,836,327</u>
Investments and other financial assets at FVTPL		997,830,021	679,234,360	743,540,882
Investments and other financial assets at FVOCI		4,025,432,984	4,294,206,345	4,207,875,305
Investments and other financial at amortized cost, net		5,107,513	0	0
Accrued interest receivable		177	0	0
Investments and other financial assets, net		<u>5,028,370,695</u>	<u>4,973,440,705</u>	<u>4,951,416,187</u>
Loans	6	12,181,364,780	12,083,688,894	12,040,008,852
Accrued interest receivable		44,024,882	45,706,607	46,885,403
Less:				
Loan losses allowance		171,902,382	165,158,800	164,096,266
Unearned commissions		43,230,782	43,302,329	41,639,237
Loans, net		<u>12,010,256,498</u>	<u>11,920,934,372</u>	<u>11,881,158,752</u>
Investments in associates		27,036,160	24,881,185	28,655,058
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	240,327,205	241,433,458	233,437,786
Right-of-Use Assets, net	8	19,231,975	20,173,849	0
Investments and other financial assets sold pending settlement		938,880,032	435,826,300	295,853,471
Deferred tax assets		41,986,931	40,356,757	39,418,667
Goodwill and other intangible assets, net	9	56,566,977	57,221,325	59,184,366
Other assets		329,980,510	276,047,253	306,246,953
Total assets		<u>19,705,734,208</u>	<u>18,723,721,088</u>	<u>18,558,207,567</u>

The condensed consolidated statement of financial position should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial information.

		(Unaudited) March 2020	(Audited) December 2019	(Unaudited) March 2019
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,701,553,066	2,608,263,290	2,498,036,230
Savings		3,714,583,671	3,598,245,227	3,580,443,249
Time:				
Customers		6,094,519,960	6,150,033,838	5,990,078,858
Banks		89,344,794	98,725,592	41,688,344
Accrued interest payable		103,954,007	112,773,741	100,003,365
Total deposits		12,703,955,498	12,568,041,688	12,210,250,046
Financing:				
Securities sold under repurchase agreements		404,145,000	403,947,411	0
Borrowings and debt securities issued, net	11	1,950,200,534	1,914,581,302	2,813,281,345
Perpetual bonds		217,680,000	217,680,000	217,680,000
Accrued interest payable		10,550,704	15,523,759	14,974,361
Total financing		2,582,576,238	2,551,732,472	3,045,935,706
Lease Liabilities	12	20,043,282	20,869,766	0
Investments and other financial assets purchased pending settlement		1,398,361,768	661,020,353	441,997,946
Reserves of insurance operations	13	19,087,825	19,023,983	18,080,734
Deferred tax liabilities		4,093,412	4,174,111	3,147,808
Other liabilities	10	494,748,834	416,119,814	548,356,775
Total liabilities		17,222,866,857	16,240,982,187	16,267,769,015
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		192,166,280	189,514,475	182,630,576
Capital reserves		(8,488,399)	90,124,875	52,820,334
Retained earnings		1,799,189,470	1,703,099,551	1,554,987,642
Total equity		2,482,867,351	2,482,738,901	2,290,438,552
Total liabilities and equity		19,705,734,208	18,723,721,088	18,558,207,567

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Income

For the three months ended March 31, 2020 and 2019

(Expressed in Balboas)

		(Unaudited)	
	<u>Note</u>	<u>March 2020</u>	<u>March 2019</u>
Interest and commission income:			
Interest:			
Loans		209,013,852	204,986,504
Deposits with banks		2,310,056	1,988,582
Investments and other financial assets		42,177,993	47,172,869
Commissions on loans		10,391,411	10,914,354
Total interest and commission income		<u>263,893,312</u>	<u>265,062,309</u>
Interest expenses:			
Deposits		66,941,477	61,632,237
Borrowings and debt securities issued		22,593,759	34,447,565
Total interest expenses		<u>89,535,236</u>	<u>96,079,802</u>
Net interest and commission income		<u>174,358,076</u>	<u>168,982,507</u>
Provision for loan losses, net	6	11,682,814	11,992,600
Provision for impairment of investments, net		9,164,736	1,571,301
Provision for foreclosed assets, net		651,842	328,784
Net interest and commission income, after provisions		<u>152,858,684</u>	<u>155,089,822</u>
Other income (expenses):			
Fees and other commissions		57,551,621	52,924,134
Insurance premiums, net		9,367,690	8,023,946
(Loss) gain on financial instruments, net		(19,309,297)	2,940,207
Other income, net		5,133,785	7,000,600
Commission expenses and other expenses	12	(25,020,504)	(23,331,111)
Total other income, net		<u>27,723,295</u>	<u>47,557,776</u>
General and administrative expenses:			
Salaries and other personnel expenses	16	45,347,746	43,827,789
Depreciation and amortization	7 and 8	7,286,629	6,426,478
Properties, furniture and equipment expenses		5,785,886	6,771,677
Other expenses		19,743,881	17,549,697
Total general and administrative expenses		<u>78,164,142</u>	<u>74,575,641</u>
Net operating income		<u>102,417,837</u>	<u>128,071,957</u>
Equity participation in associates		2,226,795	2,692,163
Net income before tax		<u>104,644,632</u>	<u>130,764,120</u>
Income tax, net	17	11,997,463	14,181,448
Net income		<u>92,647,169</u>	<u>116,582,672</u>

The condensed consolidated statement of income should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial information.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2020 and 2019

(Expressed in Balboas)

	(Unaudited)	
	March <u>2020</u>	March <u>2019</u>
Net income	<u>92,647,169</u>	<u>116,582,672</u>
Other comprehensive income (expenses):		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(116,672,647)	49,979,291
Transfer to profit or loss for sales of investments at FVOCI	14,766,627	(781,681)
Credit risk valuation	9,164,736	1,572,609
Valuation of hedging instruments	<u>(5,871,990)</u>	<u>(2,591,929)</u>
Total other comprehensive (expenses) income, net	<u>(98,613,274)</u>	<u>48,178,290</u>
Total comprehensive (loss) income	<u><u>(5,966,105)</u></u>	<u><u>164,760,962</u></u>

The condensed consolidated statement of comprehensive income should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial information.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Balboas)

	Capital reserves							
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Valuation of hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2019 (Audited)	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	92,647,169	92,647,169
Other comprehensive income (expenses):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(116,672,647)	0	(116,672,647)	0	(116,672,647)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	14,766,627	0	14,766,627	0	14,766,627
Credit risk valuation	0	0	0	9,164,736	0	9,164,736	0	9,164,736
Valuation of hedging instruments	0	0	0	0	(5,871,990)	(5,871,990)	0	(5,871,990)
Total other comprehensive expenses, net	0	0	0	(92,741,284)	(5,871,990)	(98,613,274)	0	(98,613,274)
Total comprehensive loss	0	0	0	(92,741,284)	(5,871,990)	(98,613,274)	92,647,169	(5,966,105)
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	7,311,004	7,311,004
Transfer of retained earnings	0	2,651,805	0	0	0	0	(2,651,805)	0
Total transactions with owner	0	2,651,805	0	0	0	0	3,442,750	6,094,555
Balance as of March 31, 2020 (Unaudited)	500,000,000	192,166,280	1,000,000	3,531,320	(13,019,719)	(8,488,399)	1,799,189,470	2,482,867,351
Balance as of December 31, 2018 (Audited)	500,000,000	182,098,343	1,000,000	5,678,583	(2,036,539)	4,642,044	1,498,282,142	2,185,022,529
Net income	0	0	0	0	0	0	116,582,672	116,582,672
Other comprehensive income (expenses):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	49,979,291	0	49,979,291	0	49,979,291
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(781,681)	0	(781,681)	0	(781,681)
Credit risk valuation	0	0	0	1,572,609	0	1,572,609	0	1,572,609
Valuation of hedging instruments	0	0	0	0	(2,591,929)	(2,591,929)	0	(2,591,929)
Total other comprehensive income (expenses), net	0	0	0	50,770,219	(2,591,929)	48,178,290	0	48,178,290
Total comprehensive income	0	0	0	50,770,219	(2,591,929)	48,178,290	116,582,672	164,760,962
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(55,292,160)	(55,292,160)
Dividends tax	0	0	0	0	0	0	(1,308,692)	(1,308,692)
Complementary tax	0	0	0	0	0	0	(2,744,087)	(2,744,087)
Transfer of retained earnings	0	532,233	0	0	0	0	(532,233)	0
Total transactions with owner	0	532,233	0	0	0	0	(59,877,172)	(59,344,939)
Balance as of March 31, 2019 (Unaudited)	500,000,000	182,630,576	1,000,000	56,448,802	(4,628,468)	52,820,334	1,554,987,642	2,290,438,552

The condensed consolidated statement of changes in equity should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial information.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2020	March 2019
Operating activities:			
Net income		92,647,169	116,582,672
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	11,682,814	11,992,600
Provision for valuation of investments, net		9,164,736	1,571,301
Provision for foreclosed assets, net		651,842	328,784
Unrealized loss on investments and other financial assets		13,154,165	626,682
Unrealized loss (gain) on derivative instruments		12,747,944	(1,634,746)
Gain on sale of investments and other financial assets at FVTPL, net		(6,829,062)	(2,311,374)
Gain on sale of investments and other financial assets at FVOCI		(720,837)	(45,796)
Realized loss on derivative instruments		957,087	436,027
Foreign exchange fluctuations, net		14,790	233,560
Gain on sale of fixed assets, net		(14,014)	(24,560)
Deferred income tax, net		(1,710,873)	(1,632,618)
Depreciation and amortization	7 and 8	7,286,629	6,426,478
Amortization of intangible assets	9	654,348	654,347
Equity participation in associates		(2,226,795)	(2,692,163)
Interest income		(253,501,901)	(254,147,955)
Interest expense		89,535,236	96,079,802
Changes in operating assets and liabilities:			
Time deposits with banks		9,487,377	505,592
Investments and other financial assets at fair value through profit or loss		(319,633,938)	42,175,122
Loans		(102,615,118)	(94,051,786)
Unearned commissions		(71,547)	534,787
Tax credit from preferential interest		(12,212,410)	(11,074,798)
Other assets		(523,549,994)	82,509,094
Demand deposits		93,289,776	(337,895,841)
Savings deposits		116,338,444	65,280,118
Time deposits		(64,894,676)	154,555,374
Reserves of insurance operations		63,842	432,089
Other liabilities		698,700,858	(5,624,617)
Cash provided by operations:			
Interest received		251,467,036	244,541,970
Interest paid		(103,327,267)	(99,336,943)
Dividends received		398,539	454,578
Total		(75,712,969)	(101,134,892)
Cash flows from operating activities		16,934,200	15,447,780
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(1,017,614,165)	(1,015,513,342)
Sale and redemptions of investments and other financial assets at FVOCI		1,283,304,907	1,202,124,092
Purchases of securities at amortized cost		(5,107,513)	0
Redemptions of securities at amortized cost		0	10,950,000
Investments in associates		71,820	71,821
Sale of properties, furniture and equipment		2,948,426	26,812
Purchases of properties, furniture and equipment	7	(8,172,914)	(5,461,593)
Cash flows from investing activities		255,430,561	192,197,790
Financing activities:			
New borrowings and debt securities issued		68,864,374	3,961,858
Redemption of debt securities issued and cancellation of borrowings		(57,565,228)	(85,601,073)
Securities sold under repurchase agreements		197,589	0
Payments lease liabilities		(826,484)	0
Dividends paid on common shares		0	(55,292,160)
Complementary and dividends tax		6,094,555	(4,052,779)
Cash flows from (used) in financing activities		16,764,806	(140,984,154)
Net increased in cash and cash equivalents		289,129,567	66,650,416
Cash and cash equivalents at the beginning of the period		538,711,863	527,481,153
Cash and cash equivalents at the end of the period	5	827,841,430	594,131,569

The condensed consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of the condensed consolidated interim financial information.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2020

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2020

(Expressed in Balboas)

(1) General Information

Banco General, S. A. is incorporated under the laws of the Republic of Panama since 1954 and started operations in 1955. The Bank operates under a general license granted by the Superintendence of Banks of Panama which allows it to engage in the banking business in Panama or abroad. Banco General, S. A. and its subsidiaries will be referred to collectively as “the Bank”.

The Bank provides a wide variety of financial services, mainly corporate, mortgage and consumer banking, investment, insurance, reinsurance, wealth management, pensions, retirement and severance funds.

The Bank has a network of Representation Offices in the following countries: Colombia, Mexico, El Salvador, Guatemala and Peru.

Grupo Financiero BG, S. A., a 59.94% (December 31, 2019: 59.97%) subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

Banco General, S. A. owns 100% of the following subsidiaries which form part of the consolidation:

- Finanzas Generales, S. A. and subsidiaries: financial lease and loans in Panama. It in turn has the following subsidiaries:
 - BG Trust, Inc.: trust administration in Panama.
 - Vale General, S. A.: administration and marketing of pretax food and health related contributions in Panama.
- BG Investment Co., Inc.: securities brokerage, assets management and brokerage company in Panama.
- General de Seguros, S. A.: insurance and reinsurance in Panama.
- Overseas Capital Markets, Inc.: holder of shares in the Cayman Islands. It in turn has the following subsidiaries:
 - Banco General (Overseas), Inc.: international banking in the Cayman Islands.
 - Commercial Re. Overseas, Ltd.: international reinsurance in the British Virgin Islands.
- BG Valores, S. A.: securities brokerage, asset management and brokerage company in Panama.
- Banco General (Costa Rica), S. A.: banking business in Costa Rica.
- ProFuturo Administradora de Fondos de Pensiones y Cesantía, S. A.: management of pension and retirement, severance and investment funds in Panama.

The Bank’s main office is located at Banco General Tower, Marbella Urbanization, Aquilino de la Guardia Avenue, Panama City, Republic of Panama.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(2) Basis of Preparation

(a) Statement of Compliance

The condensed consolidated interim financial information have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

These condensed consolidated interim financial information were authorized by management issue on April 29, 2020.

(b) Basis of Measurement

These condensed consolidated interim financial information have been prepared on a historical cost basis or amortized cost, except for financial assets and liabilities at fair value, securities at fair value through other comprehensive income and derivative financial instruments, which are measured at fair value; and foreclosed assets, which are measured at the lower of their carrying value or estimated value of realization.

The Bank initially recognizes loans and receivables and deposits on the date on which they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date initially, which is the date on which the Bank compromises to buy or sell an instrument.

(c) Functional and Presentation Currency

The condensed consolidated interim financial information are expressed in balboas (B/.), the monetary unit of the Republic of Panama, which is at par and freely exchangeable with the United States dollar (US\$). The Republic of Panama does not issue its own paper currency and, in lieu, the dollar (\$) of the United States of America is used as legal tender and functional currency.

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2019; except, for the leasing policies based on the IFRS 16 whose application for presentation purposes the Bank adopted as of June 30, 2019.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(4) Balances and Transactions with Related Parties**

The condensed consolidated statement of financial position and the condensed consolidated statement of income include balances and transactions with related parties, which are summarized as follows:

	March 31, 2020			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>148,933,512</u>	<u>36,487,332</u>	<u>185,420,844</u>
Loans	<u>10,581,921</u>	<u>118,999,718</u>	<u>15,786,742</u>	<u>145,368,381</u>
Investments in associates	<u>0</u>	<u>27,036,160</u>	<u>0</u>	<u>27,036,160</u>
<u>Liabilities:</u>				
Deposits:				
Demand	<u>1,214,726</u>	<u>115,906,033</u>	<u>56,181,912</u>	<u>173,302,671</u>
Savings	<u>4,627,241</u>	<u>58,224,292</u>	<u>1,704,654</u>	<u>64,556,187</u>
Time	<u>3,094,558</u>	<u>360,717,389</u>	<u>76,384,615</u>	<u>440,196,562</u>
	<u>8,936,525</u>	<u>534,847,714</u>	<u>134,271,181</u>	<u>678,055,420</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>162,800</u>	<u>8,313,305</u>	<u>31,333,000</u>	<u>39,809,105</u>
<u>Interest income:</u>				
Loans	<u>117,606</u>	<u>1,748,148</u>	<u>210,829</u>	<u>2,076,583</u>
Investments and other financial assets	<u>0</u>	<u>1,765,657</u>	<u>482,569</u>	<u>2,248,226</u>
<u>Interest expenses:</u>				
Deposits	<u>32,466</u>	<u>4,106,562</u>	<u>562,603</u>	<u>4,701,631</u>
Borrowings and debt securities issued	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>2,226,795</u>	<u>0</u>	<u>2,226,795</u>
Received dividends	<u>0</u>	<u>174,665</u>	<u>0</u>	<u>174,665</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>106,744</u>	<u>0</u>	<u>0</u>	<u>106,744</u>
Benefits to key management personnel	<u>661,649</u>	<u>0</u>	<u>0</u>	<u>661,649</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(4) Balances and Transactions with Related Parties, continued**

	December 31, 2019			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>156,432,533</u>	<u>36,676,666</u>	<u>193,109,199</u>
Loans	<u>7,574,124</u>	<u>122,728,155</u>	<u>16,644,873</u>	<u>146,947,152</u>
Investments in associates	<u>0</u>	<u>24,881,185</u>	<u>0</u>	<u>24,881,185</u>
<u>Liabilities:</u>				
Deposits:				
Demand	902,618	128,087,774	66,041,738	195,032,130
Savings	6,300,605	54,923,011	1,704,654	62,928,270
Time	<u>2,192,803</u>	<u>362,150,975</u>	<u>116,461,538</u>	<u>480,805,316</u>
	<u>9,396,026</u>	<u>545,161,760</u>	<u>184,207,930</u>	<u>738,765,716</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>6,503,627</u>	<u>31,333,000</u>	<u>37,836,627</u>
	March 31, 2019			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investment and other financial assets	<u>0</u>	<u>166,673,968</u>	<u>36,677,191</u>	<u>203,351,159</u>
Loans	<u>7,526,424</u>	<u>193,985,224</u>	<u>19,872,456</u>	<u>221,384,104</u>
Investments in associates	<u>0</u>	<u>28,655,058</u>	<u>0</u>	<u>28,655,058</u>
<u>Liabilities:</u>				
Deposits:				
Demand	952,601	75,157,154	53,607,882	129,717,637
Savings	4,823,940	94,058,514	584,309	99,466,763
Time	<u>2,062,724</u>	<u>391,866,122</u>	<u>110,724,669</u>	<u>504,653,515</u>
	<u>7,839,265</u>	<u>561,081,790</u>	<u>164,916,860</u>	<u>733,837,915</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>57,592,650</u>	<u>31,410,915</u>	<u>89,003,565</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(4) Balances and Transactions with Related Parties, continued**

	March 31, 2019			
	Directors and Management	Related Companies	Affiliated Companies	Total
Interest income:				
Loans	<u>87,209</u>	<u>2,662,948</u>	<u>285,851</u>	<u>3,036,008</u>
Investment and other financial assets	<u>0</u>	<u>1,874,901</u>	<u>501,520</u>	<u>2,376,421</u>
Interest expense:				
Deposits	<u>21,418</u>	<u>4,014,837</u>	<u>312,922</u>	<u>4,349,177</u>
Borrowings and debt in securities in issue	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>2,692,163</u>	<u>0</u>	<u>2,692,163</u>
Received dividends	<u>0</u>	<u>204,414</u>	<u>0</u>	<u>204,414</u>
General and administrative expenses:				
Directors' fees	<u>45,400</u>	<u>0</u>	<u>0</u>	<u>45,400</u>
Benefits to key management personnel	<u>654,882</u>	<u>0</u>	<u>0</u>	<u>654,882</u>

The conditions granted in transactions with related parties are substantially similar to those granted to third parties not related to the Bank.

(5) Cash and Cash Equivalents

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

	March 31	
	<u>2020</u>	<u>2019</u>
Cash and cash items	204,313,948	270,038,991
Demand deposits with banks	566,527,482	284,092,578
Time deposits with banks	<u>239,274,864</u>	<u>206,215,719</u>
Total deposits with banks	<u>805,802,346</u>	<u>490,308,297</u>
Less: Deposits with banks, with original maturities greater than three months	<u>182,274,864</u>	<u>166,215,719</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>827,841,430</u>	<u>594,131,569</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.56,320,730 (December 31, 2019: B/.38,014,162) that secure derivative operations, Repos, in addition to the next quarterly payments of principal, interest and expenses of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(6) Loans**

The composition of the loan portfolio is summarized as follows:

	March 31 2020	December 31 2019	March 31 2019
Internal sector:			
Residential mortgages	4,367,416,832	4,321,903,596	4,128,697,657
Personal, auto and credit cards	1,894,640,685	1,894,882,198	1,805,863,649
Commercial mortgages	2,027,306,163	2,020,114,781	1,924,726,759
Lines of credit and commercial loans	1,460,356,927	1,447,828,168	1,701,072,429
Interim financing	543,227,816	565,399,272	685,316,221
Financial leases, net	96,718,302	100,191,047	101,059,254
Other secured loans	215,363,692	212,990,294	216,786,619
Overdrafts	144,921,747	145,292,387	148,360,135
Total internal sector	<u>10,749,952,164</u>	<u>10,708,601,743</u>	<u>10,711,882,723</u>
External sector:			
Residential mortgages	216,970,044	223,143,187	242,907,177
Personal, auto and credit cards	14,429,386	15,322,824	16,321,665
Commercial mortgages	207,610,811	208,335,226	256,742,512
Lines of credit and commercial loans	925,210,514	858,508,205	751,827,761
Interim financing	0	0	3,799,696
Other secured loans	11,122,993	11,209,493	10,247,530
Overdrafts	56,068,868	58,568,216	46,279,788
Total external sector	<u>1,431,412,616</u>	<u>1,375,087,151</u>	<u>1,328,126,129</u>
Total	<u>12,181,364,780</u>	<u>12,083,688,894</u>	<u>12,040,008,852</u>

The movement of the loan loss allowance is summarized as follows:

		March 31, 2020		
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	8,070,752	(6,301,571)	(1,769,181)	0
Transferred to lifetime ECL not credit-impaired	(3,218,891)	4,169,425	(950,534)	0
Transferred to lifetime ECL credit-impaired	(1,135,289)	(6,669,280)	7,804,569	0
Net remeasurement of portfolio	(16,035,792)	14,241,132	18,716,952	16,922,292
New Loans	4,701,050	1,636,164	4,940,262	11,277,476
Loans that have been derecognized	(2,782,926)	(1,876,355)	(11,857,673)	(16,516,954)
Recovery of loan write-off	0	0	7,633,489	7,633,489
Loans written-off	0	0	(12,572,721)	(12,572,721)
Balance at the end of the period	<u>73,206,456</u>	<u>35,910,322</u>	<u>62,785,604</u>	<u>171,902,382</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(6) Loans, continued**

	December 31, 2019			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the year	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-month ECL	11,693,528	(8,360,800)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(2,065,593)	3,279,515	(1,213,922)	0
Transferred to lifetime ECL credit-impaired	(1,285,013)	(3,274,520)	4,559,533	0
Net remeasurement of portfolio	(16,064,735)	15,917,937	50,546,694	50,399,896
New Loans	18,209,255	5,722,308	7,092,667	31,024,230
Loans that have been derecognized	(13,489,439)	(7,118,421)	(18,862,431)	(39,470,291)
Recovery of loan write-off	0	0	27,654,274	27,654,274
Loans written-off	0	0	(62,980,583)	(62,980,583)
Balance at the end of the year	<u>83,607,552</u>	<u>30,710,807</u>	<u>50,840,441</u>	<u>165,158,800</u>

	March 31, 2019			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-month ECL	7,818,631	(5,837,906)	(1,980,725)	0
Transferred to lifetime ECL not credit-impaired	(2,402,988)	3,691,929	(1,288,941)	0
Transferred to lifetime ECL credit-impaired	(1,164,358)	(5,820,629)	6,984,987	0
Net remeasurement of portfolio	(5,592,076)	10,264,223	14,906,851	19,578,998
New Loans	5,628,018	514,567	2,211,885	8,354,470
Loans that have been derecognized	(3,878,509)	(1,499,574)	(10,562,785)	(15,940,868)
Recovery of loan write-off	0	0	5,516,611	5,516,611
Loans written-off	0	0	(11,944,219)	(11,944,219)
Balance at the end of the period	<u>87,018,267</u>	<u>25,857,398</u>	<u>51,220,601</u>	<u>164,096,266</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(7) Properties, Furniture, Equipment and Improvements**

Properties, furniture, equipment and improvements are summarized as follows:

March 31, 2020						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,336,433	136,146,696	128,773,929	113,627,560	40,978,957	451,863,575
Additions	229,671	0	3,555,881	1,330,486	3,056,876	8,172,914
Sales and disposals	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>3,824,152</u>	<u>0</u>	<u>4,352,787</u>
At the end of the period	<u>32,566,104</u>	<u>135,750,249</u>	<u>132,197,622</u>	<u>111,133,894</u>	<u>44,035,833</u>	<u>455,683,702</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the period	0	893,356	2,681,117	2,238,038	532,244	6,344,755
Sales and disposals	<u>0</u>	<u>166,776</u>	<u>132,188</u>	<u>1,119,411</u>	<u>0</u>	<u>1,418,375</u>
At the end of the period	<u>0</u>	<u>34,410,001</u>	<u>76,172,397</u>	<u>74,207,031</u>	<u>30,567,068</u>	<u>215,356,497</u>
Net balance	<u>32,566,104</u>	<u>101,340,248</u>	<u>56,025,225</u>	<u>36,926,863</u>	<u>13,468,765</u>	<u>240,327,205</u>
December 31, 2019						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	205,000	820,000	16,750,546	11,717,520	2,406,099	31,899,165
Sales and disposals	<u>16,056</u>	<u>0</u>	<u>1,202,848</u>	<u>2,263,782</u>	<u>172,230</u>	<u>3,654,916</u>
At the end of the year	<u>32,336,433</u>	<u>136,146,696</u>	<u>128,773,929</u>	<u>113,627,560</u>	<u>40,978,957</u>	<u>451,863,575</u>
Accumulated depreciation and amortization:						
At the beginning of the year	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the year	0	3,588,416	9,888,299	9,373,466	2,001,526	24,851,707
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>2,260,915</u>	<u>172,230</u>	<u>3,635,993</u>
At the end of the year	<u>0</u>	<u>33,683,421</u>	<u>73,623,468</u>	<u>73,088,404</u>	<u>30,034,824</u>	<u>210,430,117</u>
Net balance	<u>32,336,433</u>	<u>102,463,275</u>	<u>55,150,461</u>	<u>40,539,156</u>	<u>10,944,133</u>	<u>241,433,458</u>
March 31, 2019						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	0	0	2,548,282	2,490,955	422,356	5,461,593
Sales and disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>390,321</u>	<u>0</u>	<u>390,321</u>
At the end of the period	<u>32,147,489</u>	<u>135,326,696</u>	<u>115,774,513</u>	<u>106,274,456</u>	<u>39,167,444</u>	<u>428,690,598</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the period	0	899,044	2,598,562	2,431,468	497,404	6,426,478
Sales and disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>388,069</u>	<u>0</u>	<u>388,069</u>
At the end of the period	<u>0</u>	<u>30,994,049</u>	<u>67,536,579</u>	<u>68,019,252</u>	<u>28,702,932</u>	<u>195,252,812</u>
Net balance	<u>32,147,489</u>	<u>104,332,647</u>	<u>48,237,934</u>	<u>38,255,204</u>	<u>10,464,512</u>	<u>233,437,786</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(8) Right-of-Use Assets**

The movement of right-of-use assets is detailed as follows:

	<u>March 31, 2020</u>
Cost:	
Balance at the beginning and the end of the period	23,922,360
Accumulated depreciation:	
At the beginning of the period	3,748,511
Expense of the period	<u>941,874</u>
At the end of the period	<u>4,690,385</u>
Net balance	<u>19,231,975</u>
	<u>December 31, 2019</u>
Cost:	
At the beginning of the year	23,366,850
New contracts	<u>555,510</u>
At the end of the year	<u>23,922,360</u>
Accumulated depreciation:	
At the beginning of the year	0
Expense of the year	<u>3,748,511</u>
At the end of the year	<u>3,748,511</u>
Net balance	<u>20,173,849</u>

The expense depreciation of right-of-use assets is included in the depreciation and amortization expense line in the condensed consolidated statement of income.

(9) Goodwill and Intangible Assets, Net

The following table summarizes the goodwill generated from the acquisition and/or participation acquired of the following entities:

<u>Company</u>	<u>Date of acquisition</u>	<u>Participation acquired</u>	<u>% of Acquired Participation</u>	<u>Balance</u>
Banco General, S. A.	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A.	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A.	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A.	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A.	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	<u>730,742</u>
Total				<u>41,822,241</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(9) Goodwill and Intangible Assets, Net, continued**

The movement of goodwill and intangible assets is summarized as follows:

	<u>March 31, 2020</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the period	0	32,063,000	32,063,000
Amortization of the period	<u>0</u>	<u>654,348</u>	<u>654,348</u>
Balance at the end of the period	<u>0</u>	<u>32,717,348</u>	<u>32,717,348</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>14,744,736</u>	<u>56,566,977</u>

	<u>December 31, 2019</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the year	0	29,445,612	29,445,612
Amortization of the year	<u>0</u>	<u>2,617,388</u>	<u>2,617,388</u>
Balance at the end of the year	<u>0</u>	<u>32,063,000</u>	<u>32,063,000</u>
Net balance at the end of the year	<u>41,822,241</u>	<u>15,399,084</u>	<u>57,221,325</u>

	<u>March 31, 2019</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the period	0	29,445,612	29,445,612
Amortization of the period	<u>0</u>	<u>654,347</u>	<u>654,347</u>
Balance at the end of the period	<u>0</u>	<u>30,099,959</u>	<u>30,099,959</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>17,362,125</u>	<u>59,184,366</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of March 31, 2020, no evaluation was necessary.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(10) Other Financial Liabilities at Fair Value

The Bank holds, within other liabilities line, financial liabilities of debt instruments at fair value arising from short sales, which are summarized as follows:

	<u>Level</u>	<u>March 31</u> <u>2020</u>	<u>December 31</u> <u>2019</u>	<u>March 31</u> <u>2019</u>
"Mortgage Backed Securities" (MBS)	2	70,469,589	58,156,179	95,307,592
Bonds issued by the US Government	1	<u>0</u>	<u>0</u>	<u>1,142.878</u>
Total		<u>70,469,589</u>	<u>58,156,179</u>	<u>96,450,470</u>

See the description of the levels in Note 19.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(11) Borrowings and Debt Securities Issued, Net**

The Bank issued bonds and other borrowings, as follows:

	March 31 2020	December 31 2019	March 31 2019
Corporate bonds with maturities in 2019, at an annual interest rate of 2.75%	0	0	25,000,000
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	550,000,000	550,000,000
Borrowings with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	0	0	144,868,829
Borrowings with maturity in 2020, at interest rates of 3 and 6 month Libor plus a margin	607,809,062	609,697,952	1,405,586,840
Borrowings with maturity in 2021, at interest rates of 6 month Libor plus a margin	83,527,344	71,203,125	75,703,125
Borrowings with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	245,000,000	250,000,000	284,615,385
Borrowings with maturity in 2023, at interest rates of 6 month Libor plus a margin	25,000,000	0	44,736,843
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000	0
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	3,864,374	0	0
Borrowings under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,972,848	3,190,405	3,400,454
Notes with maturities in 2024, at a fixed interest rate	180,000,000	190,000,000	200,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Subtotal borrowings and debt securities issued	1,913,145,628	1,901,846,482	2,811,666,476
Revaluation coverage	<u>37,054,906</u>	<u>12,734,820</u>	<u>1,614,869</u>
Total borrowings and debt securities issued, net	<u>1,950,200,534</u>	<u>1,914,581,302</u>	<u>2,813,281,345</u>

The Bank had no default events and is in compliance as to principal, interest or other contractual clauses relating to its borrowings and debt securities issued.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(11) Borrowings and Debt Securities Issued, Net, continued**

The movement during the year of borrowings and debt securities issued, net is detailed below for the reconciliation with the condensed consolidated statement of cash flows:

	March 31 2020	December 31 2019	March 31 2019
Balance at the beginning of the period	1,914,581,302	2,886,528,342	2,886,528,342
New borrowings and debt securities issued	68,864,374	162,591,685	3,961,858
Redemption of debt securities issued and cancellation of borrowings	(57,565,228)	(1,154,050,894)	(85,601,073)
Revaluation coverage	<u>24,320,086</u>	<u>19,512,169</u>	<u>8,392,218</u>
Balance at the end of the period	<u>1,950,200,534</u>	<u>1,914,581,302</u>	<u>2,813,281,345</u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	March 31 2020	December 31 2019
Balance at the beginning of the period	20,869,766	23,366,850
New contracts	0	555,510
Payments	<u>(826,484)</u>	<u>(3,052,594)</u>
Balance at the end of the period	<u>20,043,282</u>	<u>20,869,766</u>

Interest expense on lease liabilities for B/.220,462 is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

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Notes to the Condensed Consolidated Interim Financial Information**(13) Reserves of Insurance Operations**

Reserves of insurance operations amounted to B/.19,087,825 (December 31, 2019: B/.19,023,983) and (March 31, 2019: B/.18,080,734 and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	March 31 2020	December 31 2019	March 31 2019
Unearned Premiums			
Balance at the beginning of the period	21,385,439	19,652,339	19,652,339
Issued premiums	10,888,980	41,155,073	9,565,680
Earned premiums	<u>(10,683,313)</u>	<u>(39,421,973)</u>	<u>(9,630,386)</u>
Balance at the end of the period	21,591,106	21,385,439	19,587,633
Reinsurers participation	<u>(4,866,899)</u>	<u>(4,801,738)</u>	<u>(4,185,691)</u>
Unearned premiums, net	<u>16,724,207</u>	<u>16,583,701</u>	<u>15,401,942</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	2,952,326	3,156,224	3,156,224
Incurred claims	1,935,637	7,652,444	1,825,739
Paid claims	<u>(1,922,938)</u>	<u>(7,856,342)</u>	<u>(1,640,131)</u>
Balance at the end of the period	2,965,025	2,952,326	3,341,832
Reinsurer participation	<u>(601,407)</u>	<u>(512,044)</u>	<u>(663,040)</u>
Estimated insurance claims incurred, net	<u>2,363,618</u>	<u>2,440,282</u>	<u>2,678,792</u>
Total reserves of insurance operations	<u>19,087,825</u>	<u>19,023,983</u>	<u>18,080,734</u>

(14) Segment Information

The Bank maintains three business segments for its financial analysis, which offer different products and services and are managed separately, consistent with the form in which management receives data, budgets and assesses their performance.

Segments**Operations****Banking and Financial Activities**

Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of pretax food and health related contributions, asset management and securities brokerage

Insurance and Reinsurance

Insurance and reinsurance of policies of general lines, collective life and various risks

Pension and Retirement Fund

Administration of pension and retirement, severance and investment funds

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(14) Segment Information, continued**

Management prepared the following segment information based on the bank's businesses for its financial analysis:

			March 31, 2020		
	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	262,822,015	1,912,008	338,779	1,179,490	263,893,312
Interest and provision expenses	112,213,135	983	0	1,179,490	111,034,628
Other income, net	16,521,651	7,604,464	3,600,129	2,949	27,723,295
General and administrative expenses	68,869,689	691,073	1,319,700	2,949	70,877,513
Depreciation and amortization expense	7,151,269	58,765	76,595	0	7,286,629
Equity participation in associates	<u>2,226,795</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,226,795</u>
Net income before income tax	93,336,368	8,765,651	2,542,613	0	104,644,632
Net Income tax	<u>9,831,561</u>	<u>1,562,799</u>	<u>603,103</u>	<u>0</u>	<u>11,997,463</u>
Net income	<u>83,504,807</u>	<u>7,202,852</u>	<u>1,939,510</u>	<u>0</u>	<u>92,647,169</u>
Total assets	<u>19,586,945,874</u>	<u>286,522,179</u>	<u>40,559,607</u>	<u>208,293,452</u>	<u>19,705,734,208</u>
Total liabilities	<u>17,343,984,434</u>	<u>63,768,156</u>	<u>4,001,657</u>	<u>188,887,390</u>	<u>17,222,866,857</u>

			March 31, 2019		
	Banking and financial activities	Insurance and reinsurance	Pension and retirement fund management	Eliminations	Total
Interest and commission income	264,108,408	1,669,686	263,702	979,487	265,062,309
Interest and provision expenses	110,954,876	(2,902)	0	979,487	109,972,487
Other income, net	37,694,861	6,518,845	3,347,101	3,031	47,557,776
General and administrative expenses	66,187,205	666,179	1,298,810	3,031	68,149,163
Depreciation and amortization expense	6,300,128	56,876	64,474	0	6,426,478
Equity participation in associates	<u>2,692,163</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,692,163</u>
Net income before income tax	121,053,223	7,468,378	2,242,519	0	130,764,120
Net Income tax	<u>12,355,033</u>	<u>1,317,363</u>	<u>509,052</u>	<u>0</u>	<u>14,181,448</u>
Net income	<u>108,698,190</u>	<u>6,151,015</u>	<u>1,733,467</u>	<u>0</u>	<u>116,582,672</u>
Total assets	<u>18,430,912,146</u>	<u>261,499,611</u>	<u>34,919,878</u>	<u>169,124,068</u>	<u>18,558,207,567</u>
Total liabilities	<u>16,352,945,096</u>	<u>61,478,762</u>	<u>3,063,163</u>	<u>149,718,006</u>	<u>16,267,769,015</u>

The composition of the secondary segment based on geographical distribution is as follows:

		March 31, 2020		
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>254,214,175</u>	<u>25,218,397</u>	<u>14,410,831</u>	<u>293,843,402</u>
Non financial assets	<u>292,817,030</u>	<u>4,077,152</u>	<u>0</u>	<u>296,894,182</u>

		March 31, 2019		
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>252,923,442</u>	<u>31,679,944</u>	<u>30,708,862</u>	<u>315,312,248</u>
Non financial assets	<u>287,917,010</u>	<u>4,705,142</u>	<u>0</u>	<u>292,622,152</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(15) Equity**

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (December 31, 2019: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (December 31, 2019: 9,787,108 common shares).

The legal reserves are established by the regulations of the Superintendence of Banks of Panama, the Superintendence of Insurance and Reinsurance of Panama and the General Superintendence of Financial Entities of Costa Rica.

The detail of the legal reserves and its transfer from retained earnings is summarized as follows:

March 31, 2020						
Reserves						
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	1,322,179	5,052,232	0	0	140,251,887
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	31,743,014	31,743,014
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	1,322,179	5,052,232	1,794,475	31,743,014	192,166,280
December 31, 2019						
Reserves						
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	1,128,759	3,145,657	0	0	138,151,892
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	31,191,204	31,191,204
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	1,128,759	3,145,657	1,794,475	31,191,204	189,514,475
Transfer from retained earnings of the period	0	193,420	1,906,575	0	551,810	2,651,805

The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and catastrophic risks as established by the Superintendence of Insurance and Reinsurance of Panama. The use and restitution of these reserves shall be regulated by the Superintendence of Insurance and Reinsurance of the Republic of Panama.

The complementary tax of companies established in the Republic of Panama corresponds to the advance of the dividend tax that is applied to the net income of the year and that the taxpayer must retain and pay to the tax authorities within the stipulated years. The tax is attributable to the shareholder and it is applied as a tax credit at the time of distribution of dividends.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Personnel Benefits

Contributions made by the Bank corresponding to personnel benefits are recognized as expenses in the condensed consolidated statement of income, in the line of salaries and other personnel expenses.

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.493,442 (2019: B/.511,921). These options may be exercised by the executives until the year 2026.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended March 31, 2020 and 2019.

Retirement Plan

The Bank maintains a closed retirement plan, which was amended and approved by the Board of Directors in 1998; this plan is under independent administration by a fiduciary agent.

The contribution to the retirement plan was B/.21,645 (2019: B/.25,000) and the disbursements to former employees who are covered under the retirement plan amount to B/.41,194 (2019: B/.43,866).

(16) Income Tax

Income tax returns of companies incorporated in the Republic of Panama, are subject to examination by local tax authorities for the last three years.

In accordance with current tax regulations, companies incorporated in Panama are exempt from income taxes on the following: profits derived from foreign operations, interest earned on deposits with local banks, on bonds or other securities listed with the Superintendence of the Securities Markets and the Bolsa de Valores de Panamá, S. A. and, lastly, securities and loans to the Panamanian Government and its autonomous and semi-autonomous institutions.

Companies incorporated in the following jurisdictions are subject to income tax rates imposed by the local tax authorities of each country:

<u>Country</u>	<u>Tax rate</u>
Panama	25%
Costa Rica	30%

The companies incorporated in Cayman Islands and British Virgin Islands are not subject to the payment of income tax, due to the nature of their foreign operations.

The estimated income tax for the year is calculated based on the effective rate of the previous fiscal year. Based on Management's assessment, historically, this rate has not differed significantly from the current year's effective rate.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(16) Income Tax, continued**

Net income tax is detailed as follows:

	March 31	
	<u>2020</u>	<u>2019</u>
Estimated income tax	13,708,336	15,809,750
Prior year income tax adjustments	0	4,316
Deferred income tax	<u>(1,710,873)</u>	<u>(1,632,618)</u>
	<u>11,997,463</u>	<u>14,181,448</u>

(18) Derivative Financial Instruments

The Bank uses interest rate swaps to reduce interest rate risk of both financial assets and financial liabilities. The Bank reduces the credit risk of these contracts by using solid financial institutions as counterparties and liquidating operations with organized markets. These contracts are recorded in the condensed consolidated statement of financial position at fair value using the fair value hedge or cash flows hedge method, in other assets and other liabilities.

For fixed income portfolios under management of third parties, the Bank sometimes makes use of derivatives on fixed income instruments and currencies under defined limits and parameters. These derivatives are recorded at fair value in the condensed consolidated statement of financial position

Below is the summary of derivative contracts is as follow:

	Over the Counter (OTC)							
	Total		Exchange-Traded		Liquidated in a securities exchange		Other bilateral counterparties	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>March 31, 2020</u>								
Derivative assets	783,667,169	46,793,134	53,500,000	0	444,982,116	45,127,806	285,185,053	1,665,328
Derivative liabilities	953,912,713	50,172,077	89,747,540	0	644,020,410	46,379,149	220,144,763	3,792,928
<u>December 31, 2019</u>								
Derivative assets	707,307,544	18,096,649	106,951,920	0	520,824,651	17,271,794	79,530,973	824,855
Derivative liabilities	799,394,730	19,780,525	78,759,700	0	483,034,950	17,288,287	237,600,080	2,492,238
<u>March 31, 2019</u>								
Derivative assets	680,140,336	5,042,972	145,757,320	0	337,201,852	2,925,066	197,181,164	2,117,906
Derivative liabilities	897,997,678	12,624,037	90,091,230	0	554,656,729	10,679,297	253,249,719	1,944,740

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA and BBB+, which support derivative operations in the amount of B/.38.6MM (December 31, 2019: B/.14.7MM) and (March 31, 2019: B/.19.4MM)

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(18) Derivative Financial Instruments**

The following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	27,378	6,912,218	1,351,699	1,309,628	975,717	1,672,138
Interest	8,300,119	13,163,236	3,844,541	3,066,570	560,087	2,369,994
Currency	12,981	9,065	365,487	2,145,258	1,801,698	842,443
Total	<u>8,340,478</u>	<u>20,084,519</u>	<u>5,561,727</u>	<u>6,521,456</u>	<u>3,337,502</u>	<u>4,884,575</u>

Hedge Derivatives for Risk Management:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Interest	36,855,008	29,456,170	12,534,922	13,259,069	1,705,470	7,739,462
Currency	<u>1,597,648</u>	<u>631,388</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>38,452,656</u>	<u>30,087,558</u>	<u>12,534,922</u>	<u>13,259,069</u>	<u>1,705,470</u>	<u>7,739,462</u>

The Bank held the following interest rate derivatives as fair value hedges for risk management:

<u>Risk Category</u>	<u>March 31, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	55,000,000
Average interest rate				3.03%	4.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	90,000,000	250,000,000
Average interest rate				2.73%	3.40%

<u>Risk Category</u>	<u>December 31, 2019</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	95,000,000	250,000,000
Average interest rate				2.95%	3.55%

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>March 31, 2019</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					4.20%

The effects of hedge accounting on the financial situation are detailed as follows:

		<u>Book Value</u>		<u>March 31, 2020</u> Item in the condensed consolidated statement of financial position that includes <u>hedge instruments</u>	Change in fair value used for calculating hedge <u>ineffectiveness</u>	Ineffectiveness recognized in <u>profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	117,250,000	0	15,992,551	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	<u>340,000,000</u>	<u>36,855,008</u>	<u>0</u>	Other assets (liabilities)	0	0
Total interest rate risk	457,250,000	36,855,008	15,992,551			

	<u>December 31, 2019</u>					
		<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	82,250,000	0	5,953,873	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	<u>345,000,000</u>	<u>12,534,922</u>	<u>0</u>	Other assets (liabilities)	0	0
Total interest rate risk	<u>427,250,000</u>	<u>12,534,922</u>	<u>5,953,873</u>			

		<u>Book Value</u>		March 31, 2019 Item in the condensed consolidated statement of financial position that includes <u>hedge instruments</u>	Change in fair value used for calculating hedge <u>ineffectiveness</u>	Ineffectiveness recognized in <u>profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	82,250,000	14,542	2,865,813	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	<u>350,000,000</u>	<u>1,660,152</u>	<u>245,181</u>	Other liabilities	0	0
Total interest rate risk	432,250,000	1,674,694	3,110,994			

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(18) Derivative Financial Instruments, continued

		<u>March 31, 2020</u>				
		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
<u>Book Value</u>		<u>Assets</u> <u>Liabilities</u>				
		<u>Assets</u>	<u>Liabilities</u>			
	120,282,283	15,889,958	0	Investment securities FVOCI	0	0
				Borrowing and debt securities issued	0	0
	340,000,000	0	37,054,906			
<u>December 31, 2020</u>						
		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
<u>Book Value</u>		<u>Assets</u> <u>Liabilities</u>				
<u>Assets</u> <u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>			
	90,759,034	5,851,281	0	Investment securities FVOCI	0	0
				Borrowing and debt securities issued	0	0
	345,000,000	0	12,734,820			
<u>March 31, 2019</u>						
		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
<u>Book Value</u>		<u>Assets</u> <u>Liabilities</u>				
<u>Assets</u> <u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>			
	88,771,967	2,763,876	15,197	Investment securities FVOCI	0	0
				Borrowing and debt securities issued	0	0
	350,000,000	45,283	1,660,152			

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

The Bank held the following interest rate derivatives as fair value hedges for risk management:

<u>Risk Category</u>	<u>March 31, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	245,000,000	0
Average interest rate				2.86%	

<u>Risk Category</u>	<u>December 31, 2019</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

<u>Risk Category</u>	<u>March 31, 2019</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.73%	

The effects of hedge accounting on the financial situation are detailed as follows:

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate –						
Borrowings Hedge	245,000,000	0	13,019,720	Other assets (liabilities)	0	0

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate –						
Borrowings Hedge	250,000,000	0	7,147,729	Other assets (liabilities)	0	0

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(18) Derivative Financial Instruments, continued**

		<u>Book Value</u>		<u>March 31, 2019</u> Item in the condensed consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate –						
Borrowings Hedge	250,000,000	0	4,628,468	Other liabilities	0	0

The three levels of fair value that were categorized for derivatives are as follows:

	<u>March 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	27,378	0	27,378
Interest	0	8,300,119	0	8,300,119
Currency	0	12,981	0	12,981
Total	0	8,340,478	0	8,340,478
Hedge Derivatives for risk management:				
Interest	0	36,855,008	0	36,855,008
Currency	0	1,597,648	0	1,597,648
Total	0	38,452,656	0	38,452,656
Total derivatives assets	<u>0</u>	<u>46,793,134</u>	<u>0</u>	<u>46,793,134</u>
<u>Liabilities</u>				
Other derivatives:				
Credit	0	6,912,218	0	6,912,218
Interest	317,812	12,845,424	0	13,163,236
Currency	0	9,065	0	9,065
Total	317,812	19,766,707	0	20,084,519
Hedge Derivates for risk management:				
Interest	0	29,456,170	0	29,456,170
Currency	0	631,388	0	631,388
Total	0	30,087,558	0	30,087,558
Total derivates liabilities	<u>317,812</u>	<u>49,854,265</u>	<u>0</u>	<u>50,172,077</u>

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(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(18) Derivative Financial Instruments, continued**

		December 31, 2019			
	Level 1	Level 2	Level 3	Total	
<u>Assets</u>					
Other derivatives:					
Credit	0	1,351,699	0	1,351,699	
Interest	0	3,844,541	0	3,844,541	
Currency	0	365,487	0	365,487	
Total	0	5,561,727	0	5,561,727	
Hedge Derivatives for risk management:					
Interest	0	12,534,922	0	12,534,922	
Total	0	12,534,922	0	12,534,922	
Total derivatives assets	0	18,096,649	0	18,096,649	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,309,628	0	1,309,628	
Interest	6,125	3,060,445	0	3,066,570	
Currency	0	2,145,258	0	2,145,258	
Total	6,125	6,515,331	0	6,521,456	
Hedge Derivates for risk management:					
Interest	0	13,259,069	0	13,259,069	
Total	0	13,259,069	0	13,259,069	
Total derivates liabilities	6,125	19,774,400	0	19,780,525	
		March 31, 2019			
	Level 1	Level 2	Level 3	Total	
<u>Assets</u>					
Other derivatives:					
Credit	0	975,717	0	975,717	
Interest	0	560,087	0	560,087	
Currency	0	1,801,698	0	1,801,698	
Total	0	3,337,502	0	3,337,502	
Hedge Derivatives for risk management:					
Interest	0	1,705,470	0	1,705,470	
Total	0	1,705,470	0	1,705,470	
Total Derivatives assets	0	5,042,972	0	5,042,972	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,672,138	0	1,672,138	
Interest	73,312	2,296,682	0	2,369,994	
Currency	0	842,443	0	842,443	
Total	73,312	4,811,263	0	4,884,575	
Hedge Derivates for risk management:					
Interest	0	7,739,462	0	7,739,462	
Total	0	7,739,462	0	7,739,462	
Total Derivates liabilities	73,312	12,550,725	0	12,624,037	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments

The Bank has in place a documented procedure to determine fair value and the responsibilities of the areas involved in this process, which has been approved by the Assets and Liabilities Committee, the Risk Committee of the Board of Directors, and the Bank's Board of Directors.

The Bank uses price vendors for most of the prices of assets and liabilities at fair value which are processed by the operations area and validated by the administrative and treasury control area and the risk department.

The Bank uses internal valuation methodologies for certain assets and liabilities at fair value classified in Level 3 of the fair value hierarchy. The calculation of fair values using internal methodologies is performed by the administration and control of the treasury area and validated by the risk department.

The Bank measures fair value using the fair value hierarchy, which categorizes the variables used in valuation techniques to measure fair value into three levels. The hierarchy is based on the transparency of the inputs used in measuring the fair values of financial assets and liabilities at their valuation date. The three levels are defined as follows:

Level 1: Quoted prices, unadjusted, in active markets for assets or liabilities identical to those that the Bank can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant input are directly or indirectly observable from market data.

Level 3: Unobservable inputs for assets or liabilities. This category includes all instruments for which the valuation technique includes unobservable variables and such have a significant effect on the instrument's fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The classification of the valuation of fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The relevance of a variable should be evaluated in relation to the entire fair value measurement.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued****Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through Profit or Loss**

	March 31			
	<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	1,047,308			1,047,308
Local Corporate Bonds and Fixed Income Funds	53,493,342	0	0	53,493,342
Bonds of the Republic of Panama	1,526,523	0	1,526,523	0
Local Corporate Shares	44,768,338	2,072	0	44,766,266
Foreign Treasury Bills	254,834	254,834	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	657,630,273	0	657,630,273	0
Asset Backed Securities (ABS)	34,914,635	0	34,914,635	0
Foreign Fixed Income Funds	204,006,569	0	92,985,972	111,020,597
Foreign Share capital and Variable Income Mutual Funds	188,199	0	96,092	92,107
Total	<u>997,830,021</u>	<u>256,906</u>	<u>787,153,495</u>	<u>210,419,620</u>
	December 31			
	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	56,841,449	0	0	56,841,449
Bonds of the Republic of Panama	1,564,073	0	1,564,073	0
Local Corporate Shares	44,750,679	4,297	0	44,746,382
Foreign Treasury Bills	250,991	250,991	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	428,223,755	0	428,223,755	0
Asset Backed Securities (ABS)	38,113,904	0	38,113,904	0
Foreign Fixed Income Funds	109,239,711	0	0	109,239,711
Foreign Share capital and Variable Income Mutual Funds	249,798	0	3,615	246,183
Total	<u>679,234,360</u>	<u>255,288</u>	<u>467,905,347</u>	<u>211,073,725</u>
	March 31			
	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	251,882	0	0	251,882
Local Corporate Bonds and Fixed Income Funds	53,237,735	0	0	53,237,735
Bonds of the Republic of Panama	1,823,777	0	1,823,777	0
Local Corporate Shares	50,940,558	4,004	0	50,936,554
Foreign Treasury Bills	249,886	249,886	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	302,958,213	0	302,958,213	0
Asset Backed Securities (ABS)	8,316,798	0	8,316,798	0
Foreign Corporate Bonds and Fixed Income Funds	325,688,776	0	225,620,852	100,067,924
Foreign Corporate Shares and Variable Income Mutual Funds	73,257	0	3,615	69,642
Total	<u>743,540,882</u>	<u>253,890</u>	<u>538,723,255</u>	<u>204,563,737</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued****Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through OCI**

	March 31 2020	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	13,225,472	0	0	13,225,472
Local Corporate Bonds	1,038,825,928	0	170,307,689	868,518,239
Bonds of the Republic of Panama	225,000,768	0	225,000,768	0
Bonds of the US Government	56,001,973	55,301,973	700,000	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	93,867,252	42,599,048	48,668,359	2,599,845
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,440,290,189	0	1,439,592,648	697,541
Asset Backed Securities (ABS)	179,252,912	0	179,252,912	0
Foreign Corporate Bonds	939,677,615	0	939,677,615	0
Bonds of Other Governments	39,290,875	4,007,600	35,283,275	0
Total	4,025,432,984	101,908,621	3,038,483,266	885,041,097
	December 31 2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	13,300,647	0	0	13,300,647
Local Corporate Bonds	1,070,031,900	0	185,453,851	884,578,049
Bonds of the Republic of Panama	361,359,455	0	361,359,455	0
Bonds of the US Government	35,716,813	35,716,813	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	202,365,732	148,368,307	46,980,989	7,016,436
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,451,228,382	0	1,450,514,538	713,844
Asset Backed Securities (ABS)	163,509,991	0	163,509,991	0
Foreign Corporate Bonds	950,874,618	0	950,874,618	0
Bonds of Other Governments	45,818,807	4,039,883	41,778,924	0
Total	4,294,206,345	188,125,003	3,200,472,366	905,608,976
	March 31 2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	7,832,814	0	0	7,832,814
Local Corporate Bonds	1,062,690,764	0	164,126,672	898,564,092
Bonds of the Republic of Panama	249,427,744	0	249,427,744	0
Bonds of the US Government	47,922,144	47,922,144	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	359,290,717	116,890,845	236,744,003	5,655,869
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,357,843,520	0	1,357,093,510	750,010
Asset Backed Securities (ABS)	114,644,946	0	114,644,946	0
Foreign Corporate Bonds	964,314,819	198,889	964,115,930	0
Bonds issued by Other Governments	43,907,837	11,714,950	32,192,887	0
Total	4,207,875,305	176,726,828	3,118,345,692	912,802,785

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

Changes in Fair Value Measurement of Level 3 hierarchy

	<u>Investments and other financial assets</u>		
	<u>Fair Value through Profit or Loss</u>	<u>Fair Value through OCI</u>	<u>Total</u>
December 31, 2019	211,073,725	905,608,976	1,116,682,701
Loss recognized in income	(3,869,180)	(79)	(3,869,259)
Loss recognized in equity	0	(8,969,824)	(8,969,824)
Purchases	11,605,896	28,000,639	39,606,535
Amortization, sales and redemptions	(8,390,821)	(39,598,615)	(47,989,436)
March 31, 2020	<u>210,419,620</u>	<u>885,041,097</u>	<u>1,095,460,717</u>
Total loss related to instruments held as of March 31, 2020	<u>(3,919,529)</u>	<u>(8,472,234)</u>	<u>(12,391,763)</u>
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(3,691,126)	(174,896)	(3,866,022)
Gain recognized in equity	0	8,764,256	8,764,256
Purchases	50,833,752	242,974,034	293,807,786
Amortization, sales and redemptions	(42,184,434)	(215,681,738)	(257,866,172)
December 31, 2019	<u>211,073,725</u>	<u>905,608,976</u>	<u>1,116,682,701</u>
Total (loss) gains related to instruments held as of December 31, 2019	<u>(10,450,546)</u>	<u>9,509,954</u>	<u>(940,592)</u>
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(2,979,074)	0	(2,979,074)
Gain recognized in equity	0	12,182,542	12,182,542
Purchases	7,879,582	68,692,171	76,571,753
Amortization, sales and redemptions	(6,452,304)	(37,799,248)	(44,251,552)
March 31, 2019	<u>204,563,737</u>	<u>912,802,785</u>	<u>1,117,366,522</u>
Total gains (loss) related to instruments held as of March 31, 2019	<u>(3,018,505)</u>	<u>12,181,478</u>	<u>9,162,973</u>

The Bank recognizes transfers between levels of the fair value hierarchy at the date in which the change occurred.

The table below presents information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

<u>Instruments</u>	<u>Valuation technique</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>			<u>Fair value sensitivity to unobservable inputs</u>
			<u>March 31 2020</u>	<u>December 31 2019</u>	<u>March 31 2019</u>	
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 4.75% Max 8.37%	Min 5.36% Max 8.37%	Min 5.80% Max 11.16%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Min (20.23%) Max 22.14%	Min (20.23%) Max 22.14%	Min (36.95%) Max 16.51%	If the growth increases the price increases and vice versa
	Discounted cash flow	Credit spreads	Min 0.57% Max 26.68%	Min 0.71% Max 13.95%	Min 0.74% Max 7.19%	If the credit spreads increase, the price decreases and vice versa
			Ave 4.94%	Ave 2.06%	Ave 2.13%	
Fixed Income						

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Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued**

The main valuation techniques, assumptions and inputs used to measure the fair value of financial instruments are as follows:

<u>Instrument</u>	<u>Valuation technique</u>	<u>Inputs used</u>	<u>Level</u>
Local Fixed Income	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
Local Shares	Quoted market prices	Quoted prices in active markets	1-3
	Dividend discount model Discount free cash flows model (DCF), which are compared to the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
	Carrying amount model	Equity Issued and outstanding shares	
Foreign Fixed Income	Quoted market prices	Quoted prices in active markets	1-2
	Quoted observable market prices for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	
Agencies' MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2-3
Private MBS / CMOs and ABS	Discounted cash flows model	Features of collateral Treasury yield Yield curves Expected cash flow and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
Foreign Shares	Carrying Amount Model	Carrying amount of the shares of the company	3
Investment Vehicles	Net asset value	Net asset value	2-3

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Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued**

The Bank considers that its methodologies for valuation of investments classified as Level 3 are appropriate; however, the use of different estimates for the unobservable inputs could lead to different measurements of fair value. For investments classified in Level 3, adjustments to the credit spread (in the case of fixed income) and to the equity risk premium (in the case of the corporate shares) of +50bp and -50bp would result in favorable and unfavorable impacts in the Bank's statement of income and equity, as described below:

	March 31, 2020			
	Fair Value		FV OCI	
	Effect in profit or loss		Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	66,526	(64,627)	7,061,015	(9,566,037)
Corporate Shares	<u>4,371,646</u>	<u>(3,399,411)</u>	<u>0</u>	<u>0</u>
Total	<u>4,438,172</u>	<u>(3,464,038)</u>	<u>7,061,015</u>	<u>(9,566,037)</u>

	December 31, 2019			
	Fair Value		FV OCI	
	Effect in profit or loss		Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	1,478	(1,477)	5,349,346	(5,415,804)
Corporate Shares	<u>4,398,399</u>	<u>(3,607,127)</u>	<u>0</u>	<u>0</u>
Total	<u>4,399,877</u>	<u>(3,608,604)</u>	<u>5,349,346</u>	<u>(5,415,804)</u>

	March 31, 2019			
	Fair Value		FVOCI	
	Effect on profit or loss		Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	2,099	(2,433)	6,197,153	(6,863,115)
Corporate Shares	<u>4,354,360</u>	<u>(3,668,136)</u>	<u>0</u>	<u>0</u>
Total	<u>4,356,459</u>	<u>(3,670,569)</u>	<u>6,197,153</u>	<u>(6,863,115)</u>

The following assumptions, where practical, have been made by Management to estimate the fair value of financial assets and liabilities not measured at fair value:

(a) Investments and other financial assets

For investments and others financial assets, the fair value measurement is determined using quoted prices in active markets, prices from a third party pricing vendors, brokers, custodians, investment management companies and banks. In addition, for some cases the Bank uses valuation techniques mainly by discounting cash flows at the appropriate discount rate for that instrument.

(b) Loans

The fair value of the loan portfolio was determined by discounting the future cash flows at an interest rate that represents: (i) current market rates, and (ii) the future expected interest rates, for a term that considers the expected anticipated prepayments in the loan portfolio.

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Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued***(c) Demand deposits from customers/savings deposits from customers/securities sold under repurchase agreements*

For these financial instruments described above, the carrying value approximates their fair value due to their short-term nature.

(d) Time deposits from customers and banks/borrowings and debt securities issued/perpetual bonds

The fair value of these financial instruments was determined by discounting the future cash flows at an interest rate that reflects: (i) current market rates, and (ii) the future expected interest rates, for a term that shows the remaining life of these instruments.

Fair value estimates are made at a specific date based on relevant market estimates and information about the financial instruments. These estimates do not reflect any premium or discount that could result from the offer to sell a specific financial instrument at a given date. These estimates are subjective in nature and involve uncertainties and significant judgment; therefore, these estimates cannot be determined with precision. Changes in the assumptions or criteria could significantly affect the estimates.

The following table summarizes the carrying value and fair value of those significant financial assets and liabilities not measured at fair value in the Bank's condensed consolidated statement of financial position:

	March 31, 2020		December 31, 2019		March 31, 2019	
	Book Value	Fair Value	Book Value	Book Value	Book Value	Fair Value
Assets:						
Time deposits with banks	239,274,864	240,564,418	191,762,241	192,443,555	206,215,719	206,189,343
Investments at amortized cost, net	5,107,513	5,107,513	0	0	0	0
Loans, net	<u>11,966,231,616</u>	<u>11,865,529,766</u>	<u>11,875,227,765</u>	<u>11,821,782,344</u>	<u>11,834,273,349</u>	<u>11,811,944,679</u>
	<u>12,210,613,993</u>	<u>12,111,201,697</u>	<u>12,066,990,006</u>	<u>12,014,225,899</u>	<u>12,040,489,068</u>	<u>12,018,134,022</u>
Liabilities:						
Deposits	12,600,001,491	12,639,601,498	12,455,267,947	12,486,978,013	12,110,246,681	12,096,881,017
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>2,572,025,534</u>	<u>2,548,869,672</u>	<u>2,536,208,713</u>	<u>2,519,252,592</u>	<u>3,030,961,345</u>	<u>2,970,713,489</u>
	<u>15,172,027,025</u>	<u>15,188,471,170</u>	<u>14,991,476,660</u>	<u>15,006,230,605</u>	<u>15,141,208,026</u>	<u>15,067,594,506</u>

The table below summarizes the fair value hierarchy of financial instruments which are not measured at fair value in the Bank's condensed consolidated statement of financial position:

	March 31 2020	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	240,564,418	0	0	240,564,418
Investments at amortized cost, net	5,107,513	0	0	5,107,513
Loans, net	<u>11,865,529,766</u>	<u>0</u>	<u>0</u>	<u>11,865,529,766</u>
	<u>12,111,201,697</u>	<u>0</u>	<u>0</u>	<u>12,111,201,697</u>
Liabilities:				
Deposits	12,639,601,498	0	0	12,639,601,498
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>2,548,869,672</u>	<u>0</u>	<u>0</u>	<u>2,548,869,672</u>
	<u>15,188,471,170</u>	<u>0</u>	<u>0</u>	<u>15,188,471,170</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued**

	December 31 2019	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	192,443,555	0	0	192,443,555
Loans, net	<u>11,821,782,344</u>	<u>0</u>	<u>0</u>	<u>11,821,782,344</u>
	<u>12,014,225,899</u>	<u>0</u>	<u>0</u>	<u>12,014,225,899</u>
<u>Liabilities:</u>				
Deposits	12,486,978,013	0	0	12,486,978,013
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>2,519,252,592</u>	<u>0</u>	<u>0</u>	<u>2,519,252,592</u>
	<u>15,006,230,605</u>	<u>0</u>	<u>0</u>	<u>15,006,230,605</u>
	March 31 2019	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	206,189,343	0	0	206,189,343
Loans, net	<u>11,811,944,679</u>	<u>0</u>	<u>0</u>	<u>11,811,944,679</u>
	<u>12,018,134,022</u>	<u>0</u>	<u>0</u>	<u>12,018,134,022</u>
<u>Liabilities:</u>				
Deposits	12,096,881,017	0	0	12,096,881,017
Borrowings and debt securities issued, perpetual bonds	<u>2,970,713,489</u>	<u>0</u>	<u>0</u>	<u>2,970,713,489</u>
	<u>15,067,594,506</u>	<u>0</u>	<u>0</u>	<u>15,067,594,506</u>

(20) Financial Instruments Risk Management

A financial instrument is any contract that originates a financial asset in one enterprise and a financial liability or equity instrument in another enterprise. The Bank's condensed consolidated statement of financial position is primarily composed of financial instruments.

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage and monitor the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established policies and limits in order to monitor, control and manage these risks. There is also an Audit Committee, composed of members of the Bank's Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

The main risks identified by the Bank are credit, counter-party, market, liquidity and financing, operational and capital management risks which are described as follows:

(a) Credit Risk

Is the risk that the debtor or issuer of a financial asset owned by the Bank does not fully and timely comply with any required payment, in conformity with terms and conditions agreed upon when the respective financial asset was acquired or originated by the Bank.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

To mitigate credit risk, risk management policies establish limits by country, industry, and debtor. The Credit Committee appointed by the Board of Directors, periodically watches over the financial condition of debtors and issuers of financial instruments in the condensed consolidated statement of financial position of the Bank.

Credit Quality Analysis

The table below sets out information on the credit quality of the loan portfolio including contagion of operations for classification and calculation of the expected credit loss reserve (PCE) maintained by the Bank:

	March 31, 2020 (in thousands)			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	10,881,461	50,638	232	10,932,331
Grade 2: Special mention	32,066	684,617	11,109	727,792
Grade 3: Sub-standard	11,427	28,006	246,261	285,694
Grade 4: Doubtful	8,166	5,273	58,081	71,520
Grade 5: Uncollectible	<u>3,133</u>	<u>1,628</u>	<u>62,548</u>	<u>67,309</u>
Gross amount	10,936,253	770,162	378,231	12,084,646
Allowance for impairment	<u>(73,013)</u>	<u>(35,864)</u>	<u>(62,689)</u>	<u>(171,566)</u>
Net carrying amount	<u>10,863,240</u>	<u>734,298</u>	<u>315,542</u>	<u>11,913,080</u>
<u>Finance leases</u>				
Grade 1: Standard	92,561	2,303	7	94,871
Grade 2: Special mention	0	1,229	0	1,229
Grade 3: Sub-standard	0	23	511	534
Grade 4: Doubtful	<u>0</u>	<u>0</u>	<u>85</u>	<u>85</u>
Gross amount	92,561	3,555	603	96,719
Allowance for impairment	<u>(193)</u>	<u>(46)</u>	<u>(97)</u>	<u>(336)</u>
Net carrying amount	<u>92,368</u>	<u>3,509</u>	<u>506</u>	<u>96,383</u>
Total loans	<u>11,028,814</u>	<u>773,717</u>	<u>378,834</u>	<u>12,181,365</u>
Allowance for impairment	<u>(73,206)</u>	<u>(35,910)</u>	<u>(62,786)</u>	<u>(171,902)</u>
Net carrying amount	<u>10,955,608</u>	<u>737,807</u>	<u>316,048</u>	<u>12,009,463</u>
<u>Renegotiated loans</u>				
Gross amount	13,542	77,866	119,740	211,148
Allowance for impairment	<u>(701)</u>	<u>(1,284)</u>	<u>(22,702)</u>	<u>(24,687)</u>
Net carrying amount	<u>12,841</u>	<u>76,582</u>	<u>97,038</u>	<u>186,461</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

	December 31, 2019 (in thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,034,292	53,564	39	11,087,895
Grade 2: Special mention	32,492	541,040	7,940	581,472
Grade 3: Sub-standard	8,083	19,102	173,559	200,744
Grade 4: Doubtful	5,812	4,950	44,577	55,339
Grade 5: Uncollectible	3,947	454	53,647	58,048
Gross amount	11,084,626	619,110	279,762	11,983,498
Allowance for impairment	(83,403)	(30,669)	(50,816)	(164,888)
Net carrying amount	<u>11,001,223</u>	<u>588,441</u>	<u>228,946</u>	<u>11,818,610</u>
<u>Finance leases</u>				
Grade 1: Standard	95,834	469	7	96,310
Grade 2: Special mention	0	2,568	0	2,568
Grade 3: Sub-standard	0	0	1,252	1,252
Grade 4: Doubtful	0	0	39	39
Grade 5: Uncollectible	0	0	22	22
Gross amount	95,834	3,037	1,320	100,191
Allowance for impairment	(205)	(42)	(24)	(271)
Net carrying amount	<u>95,629</u>	<u>2,995</u>	<u>1,296</u>	<u>99,920</u>
Total loans	<u>11,180,460</u>	<u>622,147</u>	<u>281,082</u>	<u>12,083,689</u>
Allowance for impairment	<u>(83,608)</u>	<u>(30,711)</u>	<u>(50,840)</u>	<u>(165,159)</u>
Net carrying amount	<u>11,096,852</u>	<u>591,436</u>	<u>230,242</u>	<u>11,918,530</u>
<u>Renegotiated loans</u>				
Gross amount	3,175	123,125	98,447	224,747
Allowance for impairment	(111)	(3,202)	(20,145)	(23,458)
Net carrying amount	<u>3,064</u>	<u>119,923</u>	<u>78,302</u>	<u>201,289</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

		March 31, 2019 (in thousand)		
	12-month ECL	Lifetime ECL Not credit – Impaired	Lifetime ECL credit- Impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,196,797	43,748	0	11,240,545
Grade 2: Special mention	28,563	386,518	8,016	423,097
Grade 3: Sub-standard	9,287	20,248	114,364	143,899
Grade 4: Doubtful	6,784	5,934	64,510	77,228
Grade 5: Uncollectible	<u>3,239</u>	<u>2,443</u>	<u>48,499</u>	<u>54,181</u>
Gross amount	11,244,670	458,891	235,389	11,938,950
Allowance for impairment	<u>(86,811)</u>	<u>(25,813)</u>	<u>(51,107)</u>	<u>(163,731)</u>
Net carrying amount	<u>11,157,859</u>	<u>433,078</u>	<u>184,282</u>	<u>11,775,219</u>
<u>Finance leases</u>				
Grade 1: Standard	96,848	2,293	27	99,168
Grade 2: Special mention	0	1,086	0	1,086
Grade 3: Sub-standard	0	0	66	66
Grade 4: Doubtful	0	8	104	112
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>627</u>	<u>627</u>
Gross amount	96,848	3,387	824	101,059
Allowance for impairment	<u>(207)</u>	<u>(44)</u>	<u>(114)</u>	<u>(365)</u>
Net carrying amount	<u>96,641</u>	<u>3,343</u>	<u>710</u>	<u>100,694</u>
Total loans	<u>11,341,518</u>	<u>462,278</u>	<u>236,213</u>	<u>12,040,009</u>
Allowance for impairment	<u>(87,018)</u>	<u>(25,857)</u>	<u>(51,221)</u>	<u>(164,096)</u>
Net carrying amount	<u>11,254,500</u>	<u>436,421</u>	<u>184,992</u>	<u>11,875,913</u>
<u>Renegotiated loans</u>				
Gross amount	4,609	83,665	105,739	194,013
Allowance for impairment	<u>(248)</u>	<u>(907)</u>	<u>(25,233)</u>	<u>(26,388)</u>
Net carrying amount	<u>4,361</u>	<u>82,758</u>	<u>80,506</u>	<u>167,625</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

The aging of the loan portfolio delinquency is presented as follows:

	<u>March 31, 2020</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,639,885,414	997,392,066	11,637,277,480
From 31 to 90 days	345,783,716	10,694,677	356,478,393
More than 90 days (capital or interest)	171,008,491	6,526,846	177,535,337
More than 30 days past due (capital at maturity)	<u>8,310,713</u>	<u>1,762,857</u>	<u>10,073,570</u>
Total	<u>11,164,988,334</u>	<u>1,016,376,446</u>	<u>12,181,364,780</u>

	<u>December 31, 2019</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,619,222,393	976,853,681	11,596,076,074
From 31 to 90 days	325,254,021	8,932,349	334,186,370
More than 90 days (capital or interest)	139,785,766	5,156,381	144,942,147
More than 30 days past due (capital at maturity)	<u>8,482,860</u>	<u>1,443</u>	<u>8,484,303</u>
Total	<u>11,092,745,040</u>	<u>990,943,854</u>	<u>12,083,688,894</u>

	<u>March 31, 2019</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,642,003,362	970,986,786	11,612,990,148
From 31 to 90 days	264,144,741	8,380,234	272,524,975
More than 90 days (principal or interest)	128,623,170	5,291,966	133,915,136
More than 30 days past due (capital at maturity)	<u>20,578,593</u>	<u>0</u>	<u>20,578,593</u>
Total	<u>11,055,349,866</u>	<u>984,658,986</u>	<u>12,040,008,852</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

The following table analyzes the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.44,956,537 (December 31, 2019: B/.45,000,477) and (March 31, 2019 B/.51,013,815) which are not subject to credit risk:

			March 31, 2020		
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
Lower than BBB-	5,107,513	0	0	0	5,107,513
Net carrying amount	<u>5,107,513</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,107,513</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	871,702,484	0	0	0	871,702,484
Lower than BBB-	370,410,546	9,372,505	25,566,633	0	405,349,684
Local carrying amount	<u>1,242,113,030</u>	<u>9,372,505</u>	<u>25,566,633</u>	<u>0</u>	<u>1,277,052,168</u>
Valuation of credit risk	<u>(2,703,363)</u>	<u>(536,757)</u>	<u>(7,193,443)</u>	<u>0</u>	<u>(10,433,563)</u>
<i>Foreign:</i>					
AAA	1,648,732,625	0	0	0	1,648,732,625
AA+ to BBB-	935,557,268	0	0	0	935,557,268
Lower than BBB-	158,750,280	4,499,641	382,983	458,019	164,090,923
Foreign carrying amount	<u>2,743,040,173</u>	<u>4,499,641</u>	<u>382,983</u>	<u>458,019</u>	<u>2,748,380,816</u>
Valuation of credit risk	<u>(9,599,126)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,599,126)</u>
Total carrying amount	<u>3,985,153,203</u>	<u>13,872,146</u>	<u>25,949,616</u>	<u>458,019</u>	<u>4,025,432,984</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,526,607				
Lower than BBB-	54,540,566				
Local carrying amount	<u>56,067,173</u>				
<i>Foreign:</i>					
AAA	620,544,437				
AA+ to BBB-	167,216,556				
Lower than BBB-	105,194,304				
NR	3,851,014				
Foreign carrying amount	<u>896,806,311</u>				
Total carrying amount	<u>952,873,484</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

		December 31, 2019			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	973,267,793	0	0	0	973,267,793
Lower than BBB-	432,183,824	25,606,021	13,634,364	0	471,424,209
Local carrying amount	<u>1,405,451,617</u>	<u>25,606,021</u>	<u>13,634,364</u>	<u>0</u>	<u>1,444,692,002</u>
Valuation of credit risk	<u>(1,598,162)</u>	<u>(681,472)</u>	<u>(5,272,890)</u>	<u>0</u>	<u>(7,552,524)</u>
<i>Foreign:</i>					
AAA	1,744,292,256	0	0	0	1,744,292,256
AA+ to BBB-	918,605,432	0	0	0	918,605,432
Lower than BBB-	180,323,944	5,659,420	145,740	487,551	186,616,655
Foreign carrying amount	<u>2,843,221,632</u>	<u>5,659,420</u>	<u>145,740</u>	<u>487,551</u>	<u>2,849,514,343</u>
Valuation of credit risk	<u>(3,296,414)</u>	<u>(19,701)</u>	<u>0</u>	<u>0</u>	<u>(3,316,115)</u>
Total carrying amount	<u>4,248,673,249</u>	<u>31,265,441</u>	<u>13,780,104</u>	<u>487,551</u>	<u>4,294,206,345</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	4,992,935				
Lower than BBB-	53,412,587				
Local carrying amount	<u>58,405,522</u>				
<i>Foreign:</i>					
AAA	397,570,376				
AA+ to BBB-	68,132,407				
Lower than BBB-	107,983,718				
NR	2,141,860				
Foreign carrying amount	<u>575,828,361</u>				
Total carrying amount	<u>634,233,883</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(20) Financial Instruments Risk Management, continued**

			<u>March 31, 2019</u>		
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Purchased credit- Impaired</u>	<u>Total</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	751,480,214	0	0	0	751,480,214
Lower than BBB-	542,384,323	11,687,539	14,399,246	0	568,471,108
Local carrying amount	<u>1,293,864,537</u>	<u>11,687,539</u>	<u>14,399,246</u>	<u>0</u>	<u>1,319,951,322</u>
Valuation of credit risk	<u>(1,776,215)</u>	<u>(671,594)</u>	<u>(4,480,559)</u>	<u>0</u>	<u>(6,928,368)</u>
<i>Foreign:</i>					
AAA	1,615,718,581	0	0	0	1,615,718,581
AA+ to BBB-	1,063,613,785	0	0	0	1,063,613,785
Lower than BBB-	201,940,905	5,895,250	158,861	596,601	208,591,617
Foreign carrying amount	<u>2,881,273,271</u>	<u>5,895,250</u>	<u>158,861</u>	<u>596,601</u>	<u>2,887,923,983</u>
Valuation of credit risk	<u>(4,339,415)</u>	<u>(30,914)</u>	<u>0</u>	<u>0</u>	<u>(4,370,329)</u>
Total carrying amount	<u>4,175,137,808</u>	<u>17,582,789</u>	<u>14,558,107</u>	<u>596,601</u>	<u>4,207,875,305</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,028,322				
Lower than BBB-	53,285,072				
Local carrying amount	<u>55,313,394</u>				
<i>Foreign:</i>					
AAA	292,148,925				
AA+ to BBB-	234,622,748				
Lower than BBB-	110,239,274				
NR	202,726				
Foreign carrying amount	<u>637,213,673</u>				
Total carrying amount	<u>692,527,067</u>				

Investments were classified based on their highest international risk rating amongst Standard and Poor's, Moody's and Fitch Ratings Inc. In the case of local investments that do not have an international rating, the Bank uses an internal rating, which is consistent with international risk ratings.

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Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management, continued

The reconciliation between the initial balance and closing balance of the expected credit losses (ECL) by the type of allowance model is presented as follows:

	March 31, 2020				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the period	4,894,576	701,173	5,272,890	0	10,868,639
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	6,790,628	(163,844)	1,920,553	0	8,547,337
New investment securities purchased	1,308,634	0	334,144	0	1,642,778
Investment securities that have been derecognized	(691,349)	(572)	(334,144)	0	(1,026,065)
Balance at the end of the period	<u>12,302,489</u>	<u>536,757</u>	<u>7,193,443</u>	<u>0</u>	<u>20,032,689</u>

	December 31, 2019				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the year	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(35,324)	35,324	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(2,044,900)	(124,510)	3,222,544	(12,093)	1,041,041
New investment securities purchased	2,994,378	0	0	0	2,994,378
Investment securities that have been derecognized	(2,889,078)	(3,606)	0	(184)	(2,892,868)
Balance at the end of the year	<u>4,894,576</u>	<u>701,173</u>	<u>5,272,890</u>	<u>0</u>	<u>10,868,639</u>

	March 31, 2019				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the period	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(872,356)	(89,467)	2,430,213	(12,093)	1,456,297
New investment securities purchased	820,122	0	0	0	820,122
Investment securities that have been derecognized	(701,636)	(1,990)	0	(184)	(703,810)
Balance at the end of the period	<u>6,115,630</u>	<u>702,508</u>	<u>4,480,559</u>	<u>0</u>	<u>11,298,697</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of March 31, 2020, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2019.

Regulatory Reserves

The accounting treatment for the recognition of losses on loans, investment securities and foreclosed assets in conformity with prudential standards enacted by the Superintendence of Banks of Panama, differs in some aspects from the accounting treatment established by International Financial Reporting Standards, specifically IFRS 9 and IFRS 5. The Superintendence of Banks of Panama mandates that general license banks apply these prudential standards.

Dynamic Provision

Agreement No.4-2013 indicates that the dynamic provision is a reserve provided to face possible future needs for specific provisions. They are governed by prudential criteria in the banking regulation. Dynamic reserves are established on a quarterly basis, on loans classified as Standard.

The dynamic reserve is an equity account presented as a legal reserve in the condensed consolidated statement of changes in equity and appropriated from retained earnings. The balance of the dynamic reserve is part of the regulatory capital, but cannot be used in satisfying current or future capital adequacy requirements established by this Superintendence. The balance of the Bank's dynamic reserve is detailed as follows:

	March 31 <u>2020</u>	December 31 <u>2019</u>	March 31 <u>2019</u>
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>4,951,850</u>	<u>4,951,850</u>
Total	<u>152,254,380</u>	<u>152,254,380</u>	<u>151,119,434</u>

The current Agreement establishes that the dynamic reserve will not be lower than 1.25%, nor greater than 2.50% of risk-weighted assets applied to the loan facilities classified as standard.