

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

**Condensed Consolidated Interim
Financial Information**

June 30, 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

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in Balboas)

		(Unaudited) June 2020	(Audited) December 2019	(Unaudited) June 2019
Assets	Note			
Cash and cash items	5	189,357,167	206,185,414	312,272,617
Deposits with banks:				
Demand deposits		502,543,751	332,526,449	313,123,847
Time deposits		169,234,467	191,762,241	206,220,487
Accrued interest receivable		3,432,112	2,931,780	3,028,890
Total deposits with banks		675,210,330	527,220,470	522,373,224
Total cash, cash items and deposits with banks		864,567,497	733,405,884	834,645,841
Investments and other financial assets at FVTPL		1,050,028,582	679,234,360	790,915,963
Investments and other financial assets at FVOCI		4,468,644,271	4,294,206,345	4,139,943,646
Investments and other financial at amortized cost, net		31,649,715	0	0
Accrued interest receivable		9,979	0	0
Investments and other financial assets, net		5,550,332,547	4,973,440,705	4,930,859,609
Loans	6	11,986,079,650	12,083,688,894	11,970,971,327
Accrued interest receivable		91,321,776	45,706,607	47,316,974
Less:				
Loan losses allowance		212,900,409	165,158,800	156,171,768
Unearned commissions		40,611,875	43,302,329	42,302,911
Loans, net		11,823,889,142	11,920,934,372	11,819,813,622
Investments in associates		27,805,548	24,881,185	30,742,398
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	238,914,764	241,433,458	234,951,513
Right-of-Use Assets, net	8	18,315,009	20,173,849	21,274,917
Investments and other financial assets sold pending settlement		486,840,945	435,826,300	466,116,346
Deferred tax assets		51,975,332	40,356,757	37,390,121
Goodwill and other intangible assets, net	9	55,912,629	57,221,325	58,530,019
Other assets		340,750,189	276,047,253	341,125,441
Total assets		19,459,303,602	18,723,721,088	18,775,449,827

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) June 2020	(Audited) December 2019	(Unaudited) June 2019
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,784,120,015	2,608,263,290	2,500,114,048
Savings		4,091,730,099	3,598,245,227	3,475,046,850
Time:				
Customers		6,015,567,063	6,150,033,838	6,121,297,559
Banks		46,048,724	98,725,592	55,771,247
Accrued interest payable		102,418,270	112,773,741	105,426,614
Total deposits		<u>13,039,884,171</u>	<u>12,568,041,688</u>	<u>12,257,656,318</u>
Financing:				
Securities sold under repurchase agreements		279,670,000	403,947,411	0
Borrowings and debt securities issued, net	11	1,844,969,037	1,914,581,302	2,623,395,650
Perpetual bonds		217,680,000	217,680,000	217,680,000
Accrued interest payable		16,509,392	15,523,759	17,170,868
Total financing		<u>2,358,828,429</u>	<u>2,551,732,472</u>	<u>2,858,246,518</u>
Lease Liabilities	12	19,241,023	20,869,766	21,625,081
Investments and other financial assets purchased pending settlement		988,260,019	661,020,353	731,368,048
Reserves of insurance operations	13	19,179,985	19,023,983	18,806,640
Deferred tax liabilities		3,705,320	4,174,111	3,372,490
Other liabilities	10	422,608,489	416,119,814	490,230,607
Total liabilities		<u>16,851,707,436</u>	<u>16,240,982,187</u>	<u>16,381,305,702</u>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		193,231,426	189,514,475	183,354,718
Capital reserves		86,713,711	90,124,875	83,057,303
Retained earnings		1,827,651,029	1,703,099,551	1,627,732,104
Total equity		<u>2,607,596,166</u>	<u>2,482,738,901</u>	<u>2,394,144,125</u>
Total liabilities and equity		<u>19,459,303,602</u>	<u>18,723,721,088</u>	<u>18,775,449,827</u>

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

Condensed Consolidated Statement of Income

For the six months ended June 30, 2020 and 2019

(Expressed in Balboas)

		(Unaudited) (2th Quarter)		(Unaudited) (Accumulated)	
	Note	June 2020	June 2019	June 2020	June 2019
Interest and commission income:					
Interest:					
Loans		206,589,022	210,930,377	415,602,874	415,916,881
Deposits with banks		1,496,543	2,467,037	3,806,599	4,455,619
Investments and other financial assets		39,893,875	48,251,257	82,071,868	95,424,126
Commissions on loans		5,302,046	11,311,959	15,693,457	22,226,313
Total interest and commission income		253,281,486	272,960,630	517,174,798	538,022,939
Interest expenses:					
Deposits		64,964,655	64,950,036	131,906,132	126,582,273
Borrowings and debt securities issued		20,391,160	32,281,279	42,984,919	66,728,844
Total interest expenses		85,355,815	97,231,315	174,891,051	193,311,117
Net interest and commission income		167,925,671	175,729,315	342,283,747	344,711,822
Provision for loan losses, net	6	58,136,210	10,383,186	69,819,024	22,375,786
Provision (reversal) for impairment of investments, net		(2,906,828)	357,679	6,257,908	1,928,980
Provision (reversal) for foreclosed assets, net		(439,836)	35,621	212,006	364,405
Net interest and commission income, after provisions		113,136,125	164,952,829	265,994,809	320,042,651
Other income (expenses):					
Fees and other commissions		37,070,567	55,783,616	94,622,188	108,707,750
Insurance premiums, net		9,756,132	7,733,086	19,123,822	15,757,032
(Loss) gain on financial instruments, net		14,334,098	6,003,461	(4,975,199)	8,943,668
Other income, net		7,310,715	6,994,111	12,444,500	13,994,711
Commission expenses and other expenses	12	(14,987,480)	(23,302,519)	(40,007,984)	(46,633,630)
Total other income, net		53,484,032	53,211,755	81,207,327	100,769,531
General and administrative expenses:					
Salaries and other personnel expenses	16	41,975,664	44,551,376	87,323,410	88,379,165
Depreciation and amortization	7 and 8	7,221,137	8,086,055	14,507,766	14,512,533
Properties, furniture and equipment expenses		5,416,066	4,452,184	11,201,952	11,223,861
Other expenses		15,595,287	18,721,640	35,339,168	36,271,337
Total general and administrative expenses		70,208,154	75,811,255	148,372,296	150,386,896
Net operating income		96,412,003	142,353,329	198,829,840	270,425,286
Equity participation in associates		1,711,960	3,019,334	3,938,755	5,711,497
Net income before tax		98,123,963	145,372,663	202,768,595	276,136,783
Income tax, net	17	98,157	16,611,899	12,095,620	30,793,347
Net income		98,025,806	128,760,764	190,672,975	245,343,436

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 six months ended June 30, 2020 and 2019

(Expressed in Balboas)

	(Unaudited)	
	June <u>2020</u>	June <u>2019</u>
Net income	<u>190,672,975</u>	<u>245,343,436</u>
Other comprehensive income (expenses):		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(21,567,304)	82,544,864
Transfer to profit or loss for sales of investments at FVOCI	17,751,921	33,913
Credit risk valuation	6,244,702	1,930,288
Valuation of hedging instruments	<u>(5,840,483)</u>	<u>(6,093,806)</u>
Total other comprehensive (expenses) income, net	<u>(3,411,164)</u>	<u>78,415,259</u>
Total comprehensive income	<u><u>187,261,811</u></u>	<u><u>323,758,695</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 six months ended June 30, 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	190,672,975	190,672,975
Other comprehensive income (expenses):								
Items that are or may be reclassified to the condensed consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(21,567,304)	0	(21,567,304)	0	(21,567,304)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	17,751,921	0	17,751,921	0	17,751,921
Credit risk valuation	0	0	0	6,244,702	0	6,244,702	0	6,244,702
Valuation of hedging instruments	0	0	0	0	(5,840,483)	(5,840,483)	0	(5,840,483)
Total other comprehensive income (expenses) income, net	0	0	0	2,429,319	(5,840,483)	(3,411,164)	0	(3,411,164)
Total comprehensive income	0	0	0	2,429,319	(5,840,483)	(3,411,164)	190,672,975	187,261,811
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(59,715,532)	(59,715,532)
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	(1,472,565)	(1,472,565)
Transfer of retained earnings	0	3,716,951	0	0	0	0	(3,716,951)	0
Total transactions with owner	0	3,716,951	0	0	0	0	(66,121,497)	(62,404,546)
Balance as of June 30, 2020 (Unaudited)	500,000,000	193,231,426	1,000,000	98,701,923	(12,988,212)	86,713,711	1,827,651,029	2,607,596,166
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	245,343,436	245,343,436
Other comprehensive income (expenses):								
Items that are or may be reclassified to the condensed consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	82,544,864	0	82,544,864	0	82,544,864
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	33,913	0	33,913	0	33,913
Credit risk valuation	0	0	0	1,930,288	0	1,930,288	0	1,930,288
Valuation of hedging instruments	0	0	0	0	(6,093,806)	(6,093,806)	0	(6,093,806)
Total other comprehensive income (expenses) income, net	0	0	0	84,509,065	(6,093,806)	78,415,259	0	78,415,259
Total comprehensive income	0	0	0	84,509,065	(6,093,806)	78,415,259	245,343,436	323,758,695
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(110,584,320)	(110,584,320)
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	1,256,375	0	0	0	0	(1,256,375)	0
Total transactions with owner	0	1,256,375	0	0	0	0	(115,893,474)	(114,637,099)
Balance as of June 30, 2019 (Unaudited)	500,000,000	183,354,718	1,000,000	90,187,648	(8,130,345)	83,057,303	1,627,732,104	2,394,144,125

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 six months ended June 30, 2020 and 2019

(Expressed in Balboas)

		(Unaudited)	
	Note	June 2020	June 2019
Operating activities:			
Net income		190,672,975	245,343,436
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	69,819,024	22,375,786
Provision for valuation of investments, net		6,257,908	1,928,980
Provision for foreclosed assets, net		212,006	364,405
Unrealized loss on investments and other financial assets		15,811,685	379,730
Unrealized loss (gain) on derivative instruments		1,839,887	(286,425)
Gain on sale of investments and other financial assets at FVTPL, net		(16,476,542)	(8,006,683)
(Gain) loss on sale of investments and other financial assets at FVOCI		(3,938,324)	149,565
Realized loss (gain) on derivative instruments		7,738,493	(1,179,855)
Foreign exchange fluctuations, net		10,708	233,675
Gain on sale of fixed assets, net		(14,014)	(55,924)
Deferred income tax, net		(12,087,366)	644,187
Depreciation and amortization	7 and 8	14,507,766	14,512,533
Amortization of intangible assets	9	1,308,696	1,308,694
Equity participation in associates		(3,938,755)	(5,711,497)
Interest income		(501,481,341)	(515,796,626)
Interest expense		174,891,051	193,311,117
Changes in operating assets and liabilities:			
Time deposits with banks		22,527,774	500,824
Investments and other financial assets at fair value through profit or loss		(365,197,581)	770,160
Loans		75,531,829	(43,321,945)
Unearned commissions		(2,690,454)	1,198,461
Tax credit from preferential interest		(25,066,072)	(22,627,036)
Other assets		(75,443,294)	(110,876,696)
Demand deposits		175,856,725	(335,818,023)
Savings deposits		493,484,872	(40,116,281)
Time deposits		(187,143,643)	299,856,978
Reserves of insurance operations		156,002	1,157,995
Other liabilities		319,303,013	257,642,691
Cash provided by operations:			
Interest received		458,601,794	512,796,330
Interest paid		(184,275,259)	(188,983,541)
Dividends received		817,473	859,155
Total		460,924,061	37,210,734
Cash flows from operating activities		651,597,036	282,554,170
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(2,828,780,884)	(2,389,289,180)
Sale and redemptions of investments and other financial assets at FVOCI		2,655,084,738	2,643,800,203
Purchases of securities at amortized cost		(50,009,974)	0
Redemptions of securities at amortized cost		18,347,053	10,950,000
Investments in associates		1,014,392	1,003,815
Sale of properties, furniture and equipment		2,276,199	58,784
Purchases of properties, furniture and equipment	7	(12,392,417)	(13,187,409)
Cash flows (used) from investing activities		(214,460,893)	253,336,213
Financing activities:			
New borrowings and debt securities issued		118,993,541	12,591,686
Redemption of debt securities issued and cancellation of borrowings		(214,629,929)	(294,405,249)
Securities sold under repurchase agreements		(124,277,411)	0
Payments lease liabilities		(1,628,743)	(1,524,410)
Dividends paid on common shares		(59,715,532)	(110,584,320)
Complementary and dividends tax		(2,689,014)	(4,052,779)
Cash flows used in financing activities		(283,947,088)	(397,975,072)
Net increased in cash and cash equivalents		153,189,055	137,915,311
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	691,900,918	665,396,464

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

June 30, 2020

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 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

(1) General Information, continued **COVID-19**

The outbreak of the disease known as Covid-19 has spread as a pandemic among the world population during the first half of 2020, affecting the economic conditions of companies and people around the world, generating uncertainty that it may affect the Bank's operations, as well as that of its customers and counterparts.

The authorities of the countries where the Bank operates have adopted, among other actions, the temporary closure of establishments and the mandatory preventive confinement of people in different areas, causing employers, suppliers and clients to be unable to carry out their commercial activities, which could have adverse effects on the operating results and the financial situation of the Bank.

However, the authorities have taken actions to generate financial relief for companies and individuals in relation to current loans that imply the modification of their terms as of March 2020, for which the Bank has made modifications related mainly to the postponement of quotas and the generation of grace periods.

Management monitors the situation on a daily basis to take the necessary measures to minimize the possible negative impacts that may arise from this situation during the year 2020.

The duration and severity of the impacts of the Covid-19 pandemic are uncertain to date, so Management cannot predict the impact it may have on its operations and financial situation; however, during the period after the date of the condensed consolidated interim financial information and until the date of their issuance, Management continues to monitor and analyze the effects the pandemic is having on its operations and that of clients.

(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 July 28, 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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(2) Basis of Preparation, continued***(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;

(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:

	June 30, 2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>142,631,877</u>	<u>36,858,767</u>	<u>179,490,644</u>
Loans	<u>9,415,136</u>	<u>117,944,883</u>	<u>14,928,297</u>	<u>142,288,316</u>
Investments in associates	<u>0</u>	<u>27,805,548</u>	<u>0</u>	<u>27,805,548</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,174,089	101,614,007	50,113,831	152,901,927
Savings	4,585,554	107,157,642	21,004,654	132,747,850
Time	<u>3,181,356</u>	<u>312,114,013</u>	<u>71,307,692</u>	<u>386,603,061</u>
	<u>8,940,999</u>	<u>520,885,662</u>	<u>142,426,177</u>	<u>672,252,838</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>5,935,561</u>	<u>31,333,000</u>	<u>37,268,561</u>
<u>Interest income:</u>				
Loans	<u>245,542</u>	<u>3,479,645</u>	<u>409,854</u>	<u>4,135,041</u>
Investments and other financial assets	<u>0</u>	<u>3,439,283</u>	<u>952,222</u>	<u>4,391,505</u>
<u>Interest expenses:</u>				
Deposits	<u>69,296</u>	<u>7,767,439</u>	<u>953,793</u>	<u>8,790,528</u>
Borrowings and debt securities issued	<u>0</u>	<u>0</u>	<u>2,925,000</u>	<u>2,925,000</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>3,938,755</u>	<u>0</u>	<u>3,938,755</u>
Received dividends	<u>0</u>	<u>345,631</u>	<u>0</u>	<u>345,631</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>230,489</u>	<u>0</u>	<u>0</u>	<u>230,489</u>
Benefits to key management personnel	<u>1,375,078</u>	<u>0</u>	<u>0</u>	<u>1,375,078</u>

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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>
	June 30, 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>166,882,898</u>	<u>36,757,324</u>	<u>203,640,222</u>
Loans	<u>8,049,515</u>	<u>218,399,143</u>	<u>19,359,627</u>	<u>244,808,285</u>
Investments in associates	<u>0</u>	<u>30,742,398</u>	<u>0</u>	<u>30,742,398</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,494,817	91,769,732	48,462,123	141,726,672
Savings	5,212,131	61,854,504	725,291	67,818,926
Time	<u>1,880,518</u>	<u>388,256,078</u>	<u>106,615,385</u>	<u>496,751,981</u>
	<u>8,587,466</u>	<u>541,880,314</u>	<u>155,829,799</u>	<u>706,297,579</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>57,354,719</u>	<u>30,886,962</u>	<u>88,241,681</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

	June 30, 2019			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Interest income:</u>				
Loans	<u>182,367</u>	<u>5,824,211</u>	<u>564,055</u>	<u>6,570,633</u>
Investment and other financial assets	<u>0</u>	<u>3,820,142</u>	<u>1,004,402</u>	<u>4,824,544</u>
<u>Interest expense:</u>				
Deposits	<u>43,555</u>	<u>8,061,271</u>	<u>656,305</u>	<u>8,761,131</u>
Borrowings and debt in securities in issue	<u>0</u>	<u>0</u>	<u>2,925,000</u>	<u>2,925,000</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>5,711,497</u>	<u>0</u>	<u>5,711,497</u>
Received dividends	<u>0</u>	<u>386,609</u>	<u>0</u>	<u>386,609</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>173,900</u>	<u>0</u>	<u>0</u>	<u>173,900</u>
Benefits to key management personnel	<u>1,353,333</u>	<u>0</u>	<u>0</u>	<u>1,353,333</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:

	June 30	
	<u>2020</u>	<u>2019</u>
Cash and cash items	189,357,167	312,272,617
Demand deposits with banks	502,543,751	313,123,847
Time deposits with banks	<u>169,234,467</u>	<u>206,220,487</u>
Total deposits with banks	<u>671,778,218</u>	<u>519,344,334</u>
Less: Deposits with banks, with original maturities greater than three months	<u>169,234,467</u>	<u>166,220,487</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>691,900,918</u>	<u>665,396,464</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.58,825,452 (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.

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

The composition of the loan portfolio is summarized as follows:

	June 30 2020	December 31 2019	June 30 2019
Internal sector:			
Residential mortgages	4,357,513,755	4,321,903,596	4,187,703,179
Personal, auto and credit cards	1,823,857,911	1,894,882,198	1,835,584,674
Commercial mortgages	2,037,237,484	2,020,114,781	1,918,989,686
Lines of credit and commercial loans	1,475,866,824	1,447,828,168	1,616,162,991
Interim financing	532,259,210	565,399,272	660,332,337
Financial leases, net	90,538,410	100,191,047	101,928,552
Other secured loans	198,924,391	212,990,294	227,741,140
Overdrafts	125,883,373	145,292,387	148,829,956
Total internal sector	<u>10,642,081,358</u>	<u>10,708,601,743</u>	<u>10,697,272,515</u>
External sector:			
Residential mortgages	213,355,136	223,143,187	235,531,765
Personal, auto and credit cards	13,300,187	15,322,824	17,291,806
Commercial mortgages	202,728,118	208,335,226	251,771,103
Lines of credit and commercial loans	848,130,923	858,508,205	703,190,517
Other secured loans	11,290,463	11,209,493	10,938,957
Overdrafts	55,193,465	58,568,216	54,974,664
Total external sector	<u>1,343,998,292</u>	<u>1,375,087,151</u>	<u>1,273,698,812</u>
Total	<u>11,986,079,650</u>	<u>12,083,688,894</u>	<u>11,970,971,327</u>

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

	June 30, 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	9,900,277	(7,816,951)	(2,083,326)	0
Transferred to lifetime ECL not credit-impaired	(2,542,929)	3,426,426	(883,497)	0
Transferred to lifetime ECL credit-impaired	(596,122)	(3,753,400)	4,349,522	0
Net remeasurement of portfolio	28,692,755	11,876,826	35,132,208	75,701,789
New Loans	5,228,614	1,458,515	6,698,830	13,385,959
Loans that have been derecognized	(4,580,056)	(6,438,551)	(15,853,664)	(26,872,271)
Model changes	(2,238,201)	10,475,845	(634,097)	7,603,547
Recovery of loan write-off	0	0	9,908,522	9,908,522
Loans written-off	0	0	(31,985,937)	(31,985,937)
Balance at the end of the period	<u>117,471,890</u>	<u>39,939,517</u>	<u>55,489,002</u>	<u>212,900,409</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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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>

	June 30, 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	10,051,094	(7,118,160)	(2,932,934)	0
Transferred to lifetime ECL not credit-impaired	(2,209,488)	3,484,785	(1,275,297)	0
Transferred to lifetime ECL credit-impaired	(1,560,375)	(3,635,883)	5,196,258	0
Net remeasurement of portfolio	(11,220,145)	12,042,371	31,207,167	32,029,393
New Loans	10,936,093	3,299,649	3,824,937	18,060,679
Loans that have been derecognized	(7,330,207)	(5,322,417)	(15,061,662)	(27,714,286)
Recovery of loan write-off	0	0	12,499,986	12,499,986
Loans written-off	0	0	(37,235,278)	(37,235,278)
Balance at the end of the period	<u>85,276,521</u>	<u>27,295,133</u>	<u>43,600,114</u>	<u>156,171,768</u>

The balance of accrued interest receivable on loans to which the Bank applied modifications related to the deferral of assessed contributions as a financial relief measure by COVID-19 amounts to B/.47,151,563.

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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:

	June 30, 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	7,173,236	1,932,634	3,056,876	12,392,417
Sales and disposals	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>3,409,282</u>	<u>0</u>	<u>3,937,917</u>
At the end of the period	<u>32,566,104</u>	<u>135,750,249</u>	<u>135,814,977</u>	<u>112,150,912</u>	<u>44,035,833</u>	<u>460,318,075</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	1,779,482	5,378,469	4,421,765	1,069,209	12,648,926
Sales and disposals	<u>0</u>	<u>166,776</u>	<u>132,188</u>	<u>1,376,767</u>	<u>0</u>	<u>1,675,732</u>
At the end of the period	<u>0</u>	<u>35,296,127</u>	<u>78,869,749</u>	<u>76,133,402</u>	<u>31,104,033</u>	<u>221,403,311</u>
Net balance	<u>32,566,104</u>	<u>100,454,122</u>	<u>56,945,228</u>	<u>36,017,510</u>	<u>12,931,800</u>	<u>238,914,764</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>

	June 30, 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	205,000	820,000	6,097,620	5,630,981	433,808	13,187,409
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>697,999</u>	<u>0</u>	<u>1,900,847</u>
At the end of the period	<u>32,352,489</u>	<u>136,146,696</u>	<u>118,121,003</u>	<u>109,106,804</u>	<u>39,178,896</u>	<u>434,905,888</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	1,795,102	5,085,121	4,762,830	994,906	12,637,959
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>695,139</u>	<u>0</u>	<u>1,897,987</u>
At the end of the period	<u>0</u>	<u>31,890,107</u>	<u>68,820,290</u>	<u>70,043,544</u>	<u>29,200,434</u>	<u>199,954,375</u>
Net balance	<u>32,352,489</u>	<u>104,256,589</u>	<u>49,300,713</u>	<u>39,063,260</u>	<u>9,978,462</u>	<u>234,951,513</u>

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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>June 30, 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>1,858,840</u>
At the end of the period	<u>5,607,351</u>
Net balance	<u>18,315,009</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>
	<u>June 30, 2019</u>
Cost:	
At the beginning of period	22,593,981
New contracts	<u>555,510</u>
At the end of period	<u>23,149,491</u>
Accumulated depreciation:	
At the beginning of period	0
Expense of the period	<u>1,874,574</u>
At the end of period	<u>1,874,574</u>
Net balance	<u>21,274,917</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.

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Notes to the Condensed Consolidated Interim Financial Information**(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%	730,742
Total				<u>41,822,241</u>

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

	<u>June 30, 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	0	1,308,696	1,308,696
Balance at the end of the period	0	33,371,696	33,371,696
Net balance at the end of the period	<u>41,822,241</u>	<u>14,090,388</u>	<u>55,912,629</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	0	2,617,388	2,617,388
Balance at the end of the year	0	32,063,000	32,063,000
Net balance at the end of the year	<u>41,822,241</u>	<u>15,399,084</u>	<u>57,221,325</u>

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

		<u>June 30, 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>1,308,694</u>	<u>1,308,694</u>
Balance at the end of the period	<u>0</u>	<u>30,754,306</u>	<u>30,754,306</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>16,707,778</u>	<u>58,530,019</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 June 30, 2020, no evaluation was necessary.

(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>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>	<u>June 30</u> <u>2019</u>
"Mortgage Backed Securities" (MBS)	2	<u>78,362,712</u>	<u>58,156,179</u>	<u>36,390,738</u>
Total		<u>78,362,712</u>	<u>58,156,179</u>	<u>36,390,738</u>

See the description of the levels in Note 20.

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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:

	June 30 2020	December 31 2019	June 30 2019
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	29,326,060
Borrowings with maturity in 2020, at interest rates of 3 and 6 month Libor plus a margin	474,999,999	609,697,952	1,360,586,840
Borrowings with maturity in 2021, at interest rates of 3 and 6 month Libor plus a margin	74,527,344	71,203,125	78,703,125
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	240,000,000	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	27,105,264
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 of 6 month Libor plus a margin	50,000,000	0	0
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	3,737,903	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	170,000,000	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	1,806,210,094	1,901,846,482	2,611,492,128
Revaluation coverage	<u>38,758,943</u>	<u>12,734,820</u>	<u>11,903,522</u>
Total borrowings and debt securities issued, net	<u>1,844,969,037</u>	<u>1,914,581,302</u>	<u>2,623,395,650</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

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

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

	June 30	
	<u>2020</u>	<u>2019</u>
Balance at the beginning of the period	1,914,581,302	2,886,528,342
New borrowings and debt securities issued	118,993,541	12,591,686
Redemption of debt securities issued and cancellation of borrowings	(214,629,929)	(294,405,249)
Revaluation coverage	<u>26,024,123</u>	<u>18,680,871</u>
Balance at the end of the period	<u><u>1,844,969,037</u></u>	<u><u>2,623,395,650</u></u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	June 30	December 31	June 30
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Balance at the beginning of the period	20,869,766	23,366,850	22,593,981
New contracts	0	555,510	555,510
Payments	<u>(1,628,743)</u>	<u>(3,052,594)</u>	<u>(1,524,410)</u>
Balance at the end of the period	<u><u>19,241,023</u></u>	<u><u>20,869,766</u></u>	<u><u>21,625,081</u></u>

Interest expense on lease liabilities for B/.435,064 (2019: B/.492,913) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

Reserves of insurance operations amounted to B/.19,179,985 (December 31, 2019: B/.19,023,983) and (June 30, 2019: B/.18,806,640 and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	June 30 2020	December 31 2019	June 30 2019
Unearned Premiums			
Balance at the beginning of the period	21,385,439	19,652,339	19,652,339
Issued premiums	19,872,964	41,155,073	20,561,606
Earned premiums	<u>(20,550,451)</u>	<u>(39,421,973)</u>	<u>(19,406,483)</u>
Balance at the end of the period	20,707,952	21,385,439	20,807,462
Reinsurers participation	<u>(4,364,531)</u>	<u>(4,801,738)</u>	<u>(4,563,190)</u>
Unearned premiums, net	<u>16,343,421</u>	<u>16,583,701</u>	<u>16,244,272</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	2,952,326	3,156,224	3,156,224
Incurred claims	3,659,271	7,652,444	4,342,203
Paid claims	<u>(3,109,425)</u>	<u>(7,856,342)</u>	<u>(4,512,939)</u>
Balance at the end of the period	3,502,172	2,952,326	2,985,488
Reinsurer participation	<u>(665,608)</u>	<u>(512,044)</u>	<u>(423,120)</u>
Estimated insurance claims incurred, net	<u>2,836,564</u>	<u>2,440,282</u>	<u>2,562,368</u>
Total reserves of insurance operations	<u>19,179,985</u>	<u>19,023,983</u>	<u>18,806,640</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:

	Banking and Financial Activities	Insurance and Reinsurance	June 30, 2020 Pension and retirement Fund	Eliminations	Total
Interest and commission income	515,172,258	3,741,452	695,037	2,433,949	517,174,798
Interest and provision expenses	253,562,535	51,403	0	2,433,949	251,179,989
Other income, net	58,165,713	15,987,244	7,059,884	5,514	81,207,327
General and administrative expenses	129,975,001	1,419,153	2,475,890	5,514	133,864,530
Depreciation and amortization expense	14,241,185	117,602	148,979	0	14,507,766
Equity participation in associates	<u>3,938,755</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,938,755</u>
Net income before income tax	179,498,005	18,140,538	5,130,052	0	202,768,595
Net Income tax	<u>7,692,730</u>	<u>3,235,640</u>	<u>1,167,250</u>	<u>0</u>	<u>12,095,620</u>
Net income	<u>171,805,275</u>	<u>14,904,898</u>	<u>3,962,802</u>	<u>0</u>	<u>190,672,975</u>
Total assets	<u>19,352,269,636</u>	<u>292,865,059</u>	<u>42,937,320</u>	<u>228,768,413</u>	<u>19,459,303,602</u>
Total liabilities	<u>16,994,028,499</u>	<u>62,660,118</u>	<u>4,381,170</u>	<u>209,362,351</u>	<u>16,851,707,436</u>

	Banking and financial activities	Insurance and reinsurance	June 30, 2019 Pension and retirement fund	Eliminations	Total
Interest and commission income	536,044,484	3,455,142	570,623	2,047,310	538,022,939
Interest and provision expenses	220,025,297	2,301	3,799	2,047,310	217,980,288
Other income, net	81,315,592	12,755,873	6,707,545	5,680	100,769,531
General and administrative expenses	131,890,183	1,331,679	2,658,181	5,680	135,874,363
Depreciation and amortization expense	14,232,940	114,325	165,268	0	14,512,533
Equity participation in associates	<u>5,711,497</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,711,497</u>
Net income before income tax	256,923,153	14,762,710	4,450,920	0	276,136,783
Net Income tax	<u>27,208,397</u>	<u>2,574,110</u>	<u>1,010,840</u>	<u>0</u>	<u>30,793,347</u>
Net income	<u>229,714,756</u>	<u>12,188,600</u>	<u>3,440,080</u>	<u>0</u>	<u>245,343,436</u>
Total assets	<u>18,646,774,959</u>	<u>269,381,966</u>	<u>37,510,911</u>	<u>178,218,009</u>	<u>18,775,449,827</u>
Total liabilities	<u>16,472,877,957</u>	<u>63,292,109</u>	<u>3,947,583</u>	<u>158,811,947</u>	<u>16,381,305,702</u>

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

	Panama	Latin America and the Caribbean	June 30, 2020 United States of America and Others	Total
Total income, net	500,362,171	51,816,601	50,142,108	602,320,880
Non financial assets	<u>290,788,463</u>	<u>4,038,930</u>	<u>0</u>	<u>294,827,393</u>

	Panama	Latin America and the Caribbean	June 30, 2019 United States of America and Others	Total
Total income, net	520,099,089	63,784,371	61,113,419	644,996,879
Non financial assets	<u>288,941,669</u>	<u>4,539,863</u>	<u>0</u>	<u>293,481,532</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:

June 30, 2020						
Reserves						
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	1,859,811	5,051,898	0	0	140,789,185
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	32,270,862	32,270,862
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>1,859,811</u>	<u>5,051,898</u>	<u>1,794,475</u>	<u>32,270,862</u>	<u>193,231,426</u>
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.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>1,128,759</u>	<u>3,145,657</u>	<u>1,794,475</u>	<u>31,191,204</u>	<u>189,514,475</u>
Transfer from retained earnings of the period	<u>0</u>	<u>731,052</u>	<u>1,906,241</u>	<u>0</u>	<u>1,079,658</u>	<u>3,716,951</u>

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

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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/.994,414 (2019: B/.1,030,535). 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 June 30, 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/.43,290 (2019: B/.50,000) and the disbursements to former employees who are covered under the retirement plan amount to B/.82,388 (2019: B/.87,411).

(17) 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

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Notes to the Condensed Consolidated Interim Financial Information**(17) Income Tax, continued**

Net income tax is detailed as follows:

	<u>2nd Quarter</u> <u>June 30</u>		<u>Accumulated</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Estimated income tax	10,384,647	14,008,172	24,092,983	29,817,922
Prior year income tax adjustments	90,003	326,922	90,003	331,238
Deferred income tax	<u>(10,376,493)</u>	<u>2,276,805</u>	<u>(12,087,366)</u>	<u>644,187</u>
	<u>98,157</u>	<u>16,611,899</u>	<u>12,095,620</u>	<u>30,793,347</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:

	<u>Total</u>		<u>Exchange-Traded</u>		<u>Over the Counter (OTC)</u>		<u>Liquidated in a securities exchange</u>		<u>Other bilateral counterparties</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>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>June 30, 2020</u>										
Derivative assets	846,672,806	45,353,208	37,700,000	0	464,637,279	44,525,977	344,335,527	827,231		
Derivative liabilities	1,099,147,252	40,888,024	148,050,030	0	588,292,217	39,004,996	362,805,005	1,883,028		
<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>June 30, 2019</u>										
Derivative assets	614,118,491	13,202,564	109,390,900	0	400,165,565	12,856,030	104,562,026	346,534		
Derivative liabilities	1,142,528,628	20,565,463	232,865,820	0	465,759,650	18,244,509	443,903,158	2,320,954		

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/.27.2MM (December 31, 2019: B/.14.7MM) and (June 30, 2019: B/.15.4MM)

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

The following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	575,765	2,069,996	1,351,699	1,309,628	963,349	1,536,922
Interest	5,772,867	8,339,363	3,844,541	3,066,570	297,323	4,081,447
Currency	3,295	1,428	365,487	2,145,258	238,269	1,082,156
Total	<u>6,351,927</u>	<u>10,410,787</u>	<u>5,561,727</u>	<u>6,521,456</u>	<u>1,498,941</u>	<u>6,700,525</u>

Hedge Derivatives for Risk Management:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Interest	38,559,044	29,614,057	12,534,922	13,259,069	11,703,623	13,864,938
Currency	442,237	863,180	0	0	0	0
Total	<u>39,001,281</u>	<u>30,477,237</u>	<u>12,534,922</u>	<u>13,259,069</u>	<u>11,703,623</u>	<u>13,864,938</u>

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

<u>Risk Category</u>	<u>June 30, 2020</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	54,911,587
Average interest rate				3.03%	3.99%
Hedging of Bonds and Notes					
Notional Value	0	0	0	85,000,000	250,000,000
Average interest rate				1.43%	2.13%

<u>Risk Category</u>	<u>December 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	95,000,000	250,000,000
Average interest rate				2.95%	3.55%

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>June 30, 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					4.03%

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

	<u>June 30, 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>Book Value</u>				
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	117,161,587	0	16,154,687	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	<u>335,000,000</u>	<u>38,559,044</u>	<u>0</u>	Other assets (liabilities)	0	0
Total interest rate risk	<u>452,161,587</u>	<u>38,559,044</u>	<u>16,154,687</u>			

	<u>December 31, 2019</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>Book 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>			

	June 30, 2019			Item in the condensed consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
	Book Value					
	Notional Value	Assets	Liabilities			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	82,250,000	0	5,576,975	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	350,000,000	11,703,623	0	Other liabilities	0	0
Total interest rate risk	432,250,000	11,703,623	5,576,975			

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

The amounts relating to items designated as hedged items were as follows:

		<u>June 30, 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>				
Bonds	121,176,208		16,052,095	0	Investment securities FVOCI	0	0
Bonds and notes		335,000,000	0	38,758,943	Borrowing and debt securities issued	0	0
<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>				
Bonds	90,759,034		5,851,281	0	Investment securities FVOCI	0	0
Bonds and notes		345,000,000	0	12,734,820	Borrowing and debt securities issued	0	0
<u>June 30, 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>				
Bonds	90,578,233		5,474,383	0	Investment securities FVOCI	0	0
Bonds and notes		350,000,000	0	11,903,522	Borrowing and debt securities issued	0	0

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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>June 30, 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	240,000,000	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>June 30, 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%	

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

	<u>Notional Value</u>	<u>Book Value</u>		<u>June 30, 2020</u> Item in the condensed consolidated statement of financial position that include hedge instruments	<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	240,000,000	0	12,988,212	Other assets (liabilities)	0	0

	<u>Notional Value</u>	<u>Book Value</u>		<u>December 31, 2019</u> Item in the condensed consolidated statement of financial position that include hedge instruments	<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

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

		<u>Book Value</u>		<u>June 30, 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	8,130,345	Other liabilities	0	0

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

	<u>June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	575,765	0	575,765
Interest	0	5,772,867	0	5,772,867
Currency	0	3,295	0	3,295
Total	0	6,351,927	0	6,351,927
Hedge Derivatives for risk management:				
Interest	0	38,559,044	0	38,559,044
Currency	0	442,237	0	442,237
Total	0	39,001,281	0	39,001,281
Total derivatives assets	<u>0</u>	<u>45,353,208</u>	<u>0</u>	<u>45,353,208</u>
<u>Liabilities</u>				
Other derivatives:				
Credit	0	2,069,996	0	2,069,996
Interest	44,336	8,295,027	0	8,339,363
Currency	0	1,428	0	1,428
Total	44,336	10,366,451	0	10,410,787
Hedge Derivates for risk management:				
Interest	0	29,614,057	0	29,614,057
Currency	0	863,180	0	863,180
Total	0	30,477,237	0	30,477,237
Total derivates liabilities	<u>44,336</u>	<u>40,843,688</u>	<u>0</u>	<u>40,888,024</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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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	
<u>Assets</u>					
Other derivatives:					
Credit	0	963,349	0	963,349	
Interest	0	297,323	0	297,323	
Currency	0	238,269	0	238,269	
Total	0	1,498,941	0	1,498,941	
Hedge Derivatives for risk management:					
Interest	0	11,703,623	0	11,703,623	
Total	0	11,703,623	0	11,703,623	
Total Derivatives assets	0	13,202,564	0	13,202,564	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,536,922	0	1,536,922	
Interest	84,741	3,996,706	0	4,081,447	
Currency	0	1,082,156	0	1,082,156	
Total	84,741	6,615,784	0	6,700,525	
Hedge Derivates for risk management:					
Interest	0	13,864,938	0	13,864,938	
Total	0	13,864,938	0	13,864,938	
Total Derivates liabilities	84,741	20,480,722	0	20,565,463	

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**

	<u>June 30</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2020</u>			
Local Commercial Paper	459,002			459,002
Local Corporate Bonds and Fixed Income Funds	57,610,407	0	0	57,610,407
Bonds of the Republic of Panama	1,542,758	0	1,542,758	0
Local Corporate Shares	41,063,016	2,311	0	41,060,705
Foreign Treasury Bills	250,617	250,617	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	694,411,932	0	694,411,932	0
Asset Backed Securities (ABS)	50,314,499	0	50,314,499	0
Foreign Fixed Income Funds	204,283,665	0	99,298,597	104,985,068
Foreign Share capital and Variable Income Mutual Funds	92,686	0	579	92,107
Total	<u>1,050,028,582</u>	<u>252,928</u>	<u>845,568,365</u>	<u>204,207,289</u>
	<u>December 31</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2019</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>
	<u>June 30</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2019</u>			
Local Commercial Paper	251,468	0	0	251,468
Local Corporate Bonds and Fixed Income Funds	53,524,475	0	0	53,524,475
Bonds of the Republic of Panama	1,887,941	0	1,887,941	0
Local Corporate Shares	48,423,672	4,187	0	48,419,485
Foreign Treasury Bills	250,225	250,225	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	346,070,762	0	346,070,762	0
Asset Backed Securities (ABS)	8,188,248	0	8,188,248	0
Foreign Corporate Bonds and Fixed Income Funds	332,245,915	0	226,467,725	105,778,190
Foreign Corporate Shares and Variable Income Mutual Funds	73,257	0	3,615	69,642
Total	<u>790,915,963</u>	<u>254,412</u>	<u>582,618,291</u>	<u>208,043,260</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**

	June 30 2020	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	8,861,191	0	0	8,861,191
Local Corporate Bonds	1,035,545,174	0	164,395,102	871,150,072
Bonds of the Republic of Panama	197,268,717	0	197,268,717	0
Bonds of the US Government	49,803,008	49,803,008	0	0
Foreign Commercial Paper and Treasury Bills	386,172,826	360,355,796	23,217,668	2,599,362
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,482,410,070	0	1,481,729,500	680,570
Asset Backed Securities (ABS)	197,851,566	0	197,851,566	0
Foreign Corporate Bonds	1,074,934,754	199,544	1,074,735,210	0
Bonds of Other Governments	35,796,965	0	35,796,965	0
Total	4,468,644,271	410,358,348	3,174,994,728	883,291,195
	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
	June 30 2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	28,020,557	0	0	28,020,557
Local Corporate Bonds	1,026,390,529	0	169,783,128	856,607,401
Bonds of the Republic of Panama	243,297,178	0	243,297,178	0
Bonds of the US Government	31,536,374	31,536,374	0	0
Foreign Commercial Paper and Treasury Bills	289,147,473	64,299,503	219,125,956	5,722,014
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,381,502,653	0	1,380,764,962	737,691
Asset Backed Securities (ABS)	105,911,724	0	105,911,724	0
Foreign Corporate Bonds	985,269,233	205,232	985,064,001	0
Bonds issued by Other Governments	48,867,925	7,754,955	41,112,970	0
Total	4,139,943,646	103,796,064	3,145,059,919	891,087,663

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

<u>Changes in Fair Value Measurement of Level 3 hierarchy</u>			
	<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	(13,418,014)	0	(13,418,014)
Gain recognized in equity	0	1,563,822	1,563,822
Purchases	22,132,435	44,794,608	66,927,043
Amortization, sales and redemptions	(15,580,857)	(68,676,211)	(84,257,068)
June 30, 2020	<u>204,207,289</u>	<u>883,291,195</u>	<u>1,087,498,484</u>
Total (loss) gain related to instruments held as of June 30, 2020	<u>(13,525,804)</u>	<u>2,105,396</u>	<u>(11,420,408)</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	(3,187,120)	(174,896)	(3,362,016)
Gain recognized in equity	0	15,828,220	15,828,220
Purchases	20,950,430	112,455,505	133,405,935
Amortization, sales and redemptions	(15,835,583)	(106,748,486)	(122,584,069)
June 30, 2019	<u>208,043,260</u>	<u>891,087,663</u>	<u>1,099,130,923</u>
Total gains (loss) related to instruments held as of June 30, 2019	<u>(4,620,250)</u>	<u>16,561,182</u>	<u>11,940,932</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>June 30 2020</u>	<u>December 31 2019</u>	<u>June 30 2019</u>	
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 4.75%	Min 5.36%	Min 5.80%	If equity risk premiums increase, the price decreases and vice versa
			Max 8.37%	Max 8.37%	Max 11.16%	
		Growth rate of assets, liabilities, equity, profits and dividends	Min (20.23%)	Min (20.23%)	Min (36.95%)	If the growth increases the price increases and vice versa
			Max 22.14%	Max 22.14%	Max 16.51%	
Fixed Income	Discounted cash flow	Credit spreads	Min 0.75%	Min 0.71%	Min 0.57%	If the credit spreads increase, the price decreases and vice versa
			Max 17.89%	Max 13.95%	Max 7.19%	
			Ave 3.55%	Ave 2.06%	Ave 1.95%	

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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	1-2-3
	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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(Panama, Republic of Panama)

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:

	<u>June 30, 2020</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	89,755	(87,559)	5,115,987	(6,012,289)
Corporate Shares	<u>3,882,527</u>	<u>(3,021,520)</u>	<u>0</u>	<u>0</u>
Total	<u>3,972,282</u>	<u>(3,109,079)</u>	<u>5,115,987</u>	<u>(6,012,289)</u>

	<u>December 31, 2019</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
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>

	<u>June 30, 2019</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect on profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	1,555	(1,745)	5,805,555	(6,543,665)
Corporate Shares	<u>4,280,190</u>	<u>(3,601,536)</u>	<u>0</u>	<u>0</u>
Total	<u>4,281,745</u>	<u>(3,603,281)</u>	<u>5,805,555</u>	<u>(6,543,665)</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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(Panama, Republic of Panama)

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:

	June 30, 2020		December 31, 2019		June 30, 2019	
	Book Value	Fair Value	Book Value	Book Value	Book Value	Fair Value
Assets:						
Time deposits with banks	169,234,467	170,093,050	191,762,241	192,443,555	206,220,487	205,900,398
Investments at amortized cost, net	31,649,715	31,662,921	0	0	0	0
Loans, net	<u>11,732,567,366</u>	<u>11,671,315,670</u>	<u>11,875,227,765</u>	<u>11,821,782,344</u>	<u>11,772,496,648</u>	<u>11,713,711,267</u>
	<u>11,933,451,548</u>	<u>11,873,071,641</u>	<u>12,066,990,006</u>	<u>12,014,225,899</u>	<u>11,978,717,135</u>	<u>11,919,611,665</u>
Liabilities:						
Deposits	12,937,465,901	12,970,861,752	12,455,267,947	12,486,978,013	12,152,229,704	12,147,140,367
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>2,342,319,037</u>	<u>2,311,379,021</u>	<u>2,536,208,713</u>	<u>2,519,252,592</u>	<u>2,841,075,650</u>	<u>2,799,282,631</u>
	<u>15,279,784,938</u>	<u>15,282,240,773</u>	<u>14,991,476,660</u>	<u>15,006,230,605</u>	<u>14,993,305,354</u>	<u>14,946,422,998</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:

	June 30 2020	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	170,093,050	0	0	170,093,050
Investments at amortized cost, net	31,662,921	0	27,100,000	4,562,921
Loans, net	<u>11,671,315,670</u>	<u>0</u>	<u>0</u>	<u>11,671,315,670</u>
	<u>11,873,071,641</u>	<u>0</u>	<u>27,100,000</u>	<u>11,845,971,641</u>
Liabilities:				
Deposits	12,970,861,752	0	0	12,970,861,752
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>2,311,379,021</u>	<u>0</u>	<u>0</u>	<u>2,311,379,021</u>
	<u>15,282,240,773</u>	<u>0</u>	<u>0</u>	<u>15,282,240,773</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

	December 31	Level 1	Level 2	Level 3
	<u>2019</u>			
<u>Assets:</u>				
Time deposits with banks	192,443,555	0	0	192,443,555
Loans, net	11,821,782,344	0	0	11,821,782,344
	<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	2,519,252,592	0	0	2,519,252,592
	<u>15,006,230,605</u>	<u>0</u>	<u>0</u>	<u>15,006,230,605</u>
	June 30	Level 1	Level 2	Level 3
	<u>2019</u>			
<u>Assets:</u>				
Time deposits with banks	205,900,398	0	0	205,900,398
Loans, net	11,713,711,267	0	0	11,713,711,267
	<u>11,919,611,665</u>	<u>0</u>	<u>0</u>	<u>11,919,611,665</u>
<u>Liabilities:</u>				
Deposits	12,147,140,367	0	0	12,147,140,367
Borrowings and debt securities issued, perpetual bonds	2,799,282,631	0	0	2,799,282,631
	<u>14,946,422,998</u>	<u>0</u>	<u>0</u>	<u>14,946,422,998</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:

	June 30, 2020 (in thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	10,817,216	65,915	15	10,883,146
Grade 2: Special mention	61,771	548,489	4,915	615,175
Grade 3: Sub-standard	1,697	45,157	201,399	248,253
Grade 4: Doubtful	274	1,522	67,079	68,875
Grade 5: Uncollectible	67	453	79,573	80,093
Gross amount	10,881,025	661,536	352,981	11,895,542
Allowance for impairment	(116,948)	(39,685)	(55,079)	(211,712)
Net carrying amount	<u>10,764,077</u>	<u>621,851</u>	<u>297,902</u>	<u>11,683,830</u>
<u>Finance leases</u>				
Grade 1: Standard	78,387	620	2	79,009
Grade 2: Special mention	1,607	5,396	63	7,066
Grade 3: Sub-standard	362	1,652	1,841	3,855
Grade 4: Doubtful	77	24	339	440
Grade 5: Uncollectible	17	20	131	168
Gross amount	80,450	7,712	2,376	90,538
Allowance for impairment	(524)	(254)	(410)	(1,188)
Net carrying amount	<u>79,926</u>	<u>7,458</u>	<u>1,966</u>	<u>89,350</u>
Total loans	10,961,475	669,248	355,357	11,986,080
Allowance for impairment	<u>(117,472)</u>	<u>(39,939)</u>	<u>(55,489)</u>	<u>(212,900)</u>
Net carrying amount	<u>10,844,003</u>	<u>629,309</u>	<u>299,868</u>	<u>11,773,180</u>
<u>Renegotiated loans</u>				
Gross amount	12,926	78,397	157,004	248,327
Allowance for impairment	(500)	(2,169)	(29,712)	(32,381)
Net carrying amount	<u>12,426</u>	<u>76,228</u>	<u>127,292</u>	<u>215,946</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

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

	June 30, 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	11,093,280	65,020	0	11,158,300
Grade 2: Special mention	26,100	399,904	8,667	434,671
Grade 3: Sub-standard	8,661	22,735	119,477	150,873
Grade 4: Doubtful	6,029	5,339	52,895	64,263
Grade 5: Uncollectible	<u>2,901</u>	<u>991</u>	<u>57,043</u>	<u>60,935</u>
Gross amount	11,136,971	493,989	238,082	11,869,042
Allowance for impairment	<u>(85,067)</u>	<u>(27,251)</u>	<u>(43,556)</u>	<u>(155,874)</u>
Net carrying amount	<u>11,051,904</u>	<u>466,738</u>	<u>194,526</u>	<u>11,713,168</u>
<u>Finance leases</u>				
Grade 1: Standard	95,525	2,389	9	97,923
Grade 2: Special mention	0	3,124	0	3,124
Grade 3: Sub-standard	0	9	560	569
Grade 4: Doubtful	0	0	41	41
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>272</u>	<u>272</u>
Gross amount	95,525	5,522	882	101,929
Allowance for impairment	<u>(210)</u>	<u>(44)</u>	<u>(44)</u>	<u>(298)</u>
Net carrying amount	<u>95,315</u>	<u>5,478</u>	<u>838</u>	<u>101,631</u>
Total loans	<u>11,232,496</u>	<u>499,511</u>	<u>238,964</u>	<u>11,970,971</u>
Allowance for impairment	<u>(85,277)</u>	<u>(27,295)</u>	<u>(43,600)</u>	<u>(156,172)</u>
Net carrying amount	<u>11,147,219</u>	<u>472,216</u>	<u>195,364</u>	<u>11,814,799</u>
<u>Renegotiated loans</u>				
Gross amount	4,105	96,532	103,544	204,181
Allowance for impairment	<u>(205)</u>	<u>(1,985)</u>	<u>(16,179)</u>	<u>(18,369)</u>
Net carrying amount	<u>3,900</u>	<u>94,547</u>	<u>87,365</u>	<u>185,812</u>

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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>June 30, 2020</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,514,262,951	938,245,737	11,452,508,688
From 31 to 90 days	358,742,050	11,251,411	369,993,461
More than 90 days (capital or interest)	146,111,853	8,341,373	154,453,226
More than 30 days past due (capital at maturity)	<u>7,890,936</u>	<u>1,233,339</u>	<u>9,124,275</u>
Total	<u>11,027,007,790</u>	<u>959,071,860</u>	<u>11,986,079,650</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>June 30, 2019</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,583,333,512	943,535,891	11,526,869,403
From 31 to 90 days	289,484,736	6,446,882	295,931,618
More than 90 days (principal or interest)	131,630,832	4,289,297	135,920,129
More than 30 days past due (capital at maturity)	<u>12,250,177</u>	<u>0</u>	<u>12,250,177</u>
Total	<u>11,016,699,257</u>	<u>954,272,070</u>	<u>11,970,971,327</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**

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/.41,155,702 (December 31, 2019: B/.45,000,477) and (June 30, 2019 B/.48,496,929) which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>June 30, 2020 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Local:</i>					
Lower than BBB-	1,820,800	0	0	0	1,820,800
Local carrying amount	<u>1,820,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,820,800</u>
Loss allowance	<u>(11,580)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,580)</u>
<i>Foreign:</i>					
AAA	27,100,000	0	0	0	27,100,000
Lower than BBB-	<u>2,742,121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,742,121</u>
Foreign carrying amount	<u>29,842,121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,842,121</u>
Loss allowance	<u>(1,626)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,626)</u>
Total carrying amount	<u>31,649,715</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,649,715</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	794,689,458	0	0	0	794,689,458
Lower than BBB-	<u>419,668,835</u>	<u>0</u>	<u>27,316,789</u>	<u>0</u>	<u>446,985,624</u>
Local carrying amount	<u>1,214,358,293</u>	<u>0</u>	<u>27,316,789</u>	<u>0</u>	<u>1,241,675,082</u>
Valuation of credit risk	<u>(2,508,852)</u>	<u>0</u>	<u>(7,125,546)</u>	<u>0</u>	<u>(9,634,398)</u>
<i>Foreign:</i>					
AAA	2,025,384,219	0	0	0	2,025,384,219
AA+ to BBB-	1,075,630,930	0	0	0	1,075,630,930
Lower than BBB-	<u>111,632,459</u>	<u>13,666,247</u>	<u>130,264</u>	<u>525,070</u>	<u>125,954,040</u>
Foreign carrying amount	<u>3,212,647,608</u>	<u>13,666,247</u>	<u>130,264</u>	<u>525,070</u>	<u>3,226,969,189</u>
Valuation of credit risk	<u>(6,009,654)</u>	<u>(1,469,289)</u>	<u>0</u>	<u>0</u>	<u>(7,478,943)</u>
Total carrying amount	<u>4,427,005,901</u>	<u>13,666,247</u>	<u>27,447,053</u>	<u>525,070</u>	<u>4,468,644,271</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,542,840				
Lower than BBB-	<u>58,069,327</u>				
Local carrying amount	<u>59,612,167</u>				
<i>Foreign:</i>					
AAA	652,747,979				
AA+ to BBB-	235,476,032				
Lower than BBB-	57,129,431				
NR	<u>3,907,271</u>				
Foreign carrying amount	<u>949,260,713</u>				
Total carrying amount	<u>1,008,872,880</u>				

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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

(Panama, Republic of Panama)

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

			<u>June 30, 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-	782,080,008	0	0	0	782,080,008
Lower than BBB-	489,744,329	11,433,744	14,450,183	0	515,628,256
Local carrying amount	<u>1,271,824,337</u>	<u>11,433,744</u>	<u>14,450,183</u>	<u>0</u>	<u>1,297,708,264</u>
Valuation of credit risk	<u>(1,620,473)</u>	<u>(656,944)</u>	<u>(4,981,246)</u>	<u>0</u>	<u>(7,258,663)</u>
<i>Foreign:</i>					
AAA	1,565,990,919	0	0	0	1,565,990,919
AA+ to BBB-	1,075,336,968	0	0	0	1,075,336,968
Lower than BBB-	194,278,762	6,041,343	0	587,390	200,907,495
Foreign carrying amount	<u>2,835,606,649</u>	<u>6,041,343</u>	<u>0</u>	<u>587,390</u>	<u>2,842,235,382</u>
Valuation of credit risk	<u>(4,368,461)</u>	<u>(29,252)</u>	<u>0</u>	<u>0</u>	<u>(4,397,713)</u>
Total carrying amount	<u>4,107,430,986</u>	<u>17,475,087</u>	<u>14,450,183</u>	<u>587,390</u>	<u>4,139,943,646</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,092,624				
Lower than BBB-	53,571,260				
Local carrying amount	<u>55,663,884</u>				
<i>Foreign:</i>					
AAA	332,843,747				
AA+ to BBB-	236,148,406				
Lower than BBB-	117,561,289				
NR	201,708				
Foreign carrying amount	<u>686,755,150</u>				
Total carrying amount	<u>742,419,034</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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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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:

	June 30, 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	(21,535)	21,535	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	2,078,716	2,046,620	223,979	0	4,349,315
New investment securities purchased	2,215,149	0	334,144	0	2,549,293
Investment securities that have been derecognized	(1,141,226)	(8,670)	(334,144)	0	(1,484,040)
Model changes	492,826	(1,291,369)	1,628,677	0	830,134
Balance at the end of the period	<u>8,518,506</u>	<u>1,469,289</u>	<u>7,125,546</u>	<u>0</u>	<u>17,113,341</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>

	June 30, 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	(956,435)	(105,260)	2,930,900	(12,093)	1,857,112
New investment securities purchased	1,260,115	0	0	0	1,260,115
Investment securities that have been derecognized	(1,184,246)	(2,509)	0	(184)	(1,186,939)
Balance at the end of the period	<u>5,988,934</u>	<u>686,196</u>	<u>4,981,246</u>	<u>0</u>	<u>11,656,376</u>

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Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of June 30, 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:

	June 30 <u>2020</u>	December 31 <u>2019</u>	June 30 <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.