

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

**Condensed Consolidated Interim  
Financial Information**

September 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**

September 30, 2020, December 31, 2019 and September 30, 2019

(Expressed in Balboas)

		(Unaudited) September 2020	(Audited) December 2019	(Unaudited) September 2019
<b>Assets</b>	<b>Note</b>			
Cash and cash items	5	74,927,808	206,185,414	203,229,020
Deposits with banks:				
Demand deposits		456,140,516	332,526,449	315,226,081
Time deposits		202,332,028	191,762,241	161,218,354
Accrued interest receivable		2,615,425	2,931,780	2,212,663
<b>Total deposits with banks</b>		<b>661,087,969</b>	<b>527,220,470</b>	<b>478,657,098</b>
<b>Total cash, cash items and deposits with banks</b>		<b>736,015,777</b>	<b>733,405,884</b>	<b>681,886,118</b>
Investments and other financial assets at FVTPL		1,066,222,683	679,234,360	890,227,555
Investments and other financial assets at FVOCI		4,418,928,377	4,294,206,345	4,209,670,277
Investments and other financial at amortized cost, net		32,099,896	0	0
Accrued interest receivable		213	0	0
<b>Investments and other financial assets, net</b>		<b>5,517,251,169</b>	<b>4,973,440,705</b>	<b>5,099,897,832</b>
Loans	6	11,680,135,598	12,083,688,894	12,081,031,451
Accrued interest receivable		138,321,136	45,706,607	47,490,302
Less:				
Loan losses allowance		308,316,638	165,158,800	159,402,150
Unearned commissions		38,691,808	43,302,329	42,877,461
<b>Loans, net</b>		<b>11,471,448,288</b>	<b>11,920,934,372</b>	<b>11,926,242,142</b>
Investments in associates		29,572,921	24,881,185	28,320,791
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	238,477,899	241,433,458	237,380,364
Right-of-Use Assets, net	8	19,069,996	20,173,849	20,328,134
Investments and other financial assets sold pending settlement		149,236,201	435,826,300	455,472,166
Deferred tax assets		75,382,982	40,356,757	38,248,028
Goodwill and other intangible assets, net	9	55,258,281	57,221,325	57,875,672
Other assets		479,475,901	276,047,253	387,243,953
<b>Total assets</b>		<b>18,771,189,415</b>	<b>18,723,721,088</b>	<b>18,932,895,200</b>

*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) September 2020	(Audited) December 2019	(Unaudited) September 2019
<b><u>Liabilities and Equity</u></b>	<b><u>Note</u></b>			
Liabilities:				
Deposits:				
Local:				
Demand		2,812,368,859	2,608,263,290	2,494,732,096
Savings		4,215,066,457	3,598,245,227	3,514,504,787
Time:				
Customers		6,012,518,428	6,150,033,838	6,226,348,394
Banks		17,424,924	98,725,592	158,802,991
Accrued interest payable		99,800,382	112,773,741	112,392,529
<b>Total deposits</b>		<u>13,157,179,050</u>	<u>12,568,041,688</u>	<u>12,506,780,797</u>
Financing:				
Securities sold under repurchase agreements		149,480,351	403,947,411	241,358,000
Borrowings and debt securities issued, net	11	1,390,870,332	1,914,581,302	2,173,077,184
Perpetual bonds		217,680,000	217,680,000	217,680,000
Accrued interest payable		7,357,000	15,523,759	11,978,386
<b>Total financing</b>		<u>1,765,387,683</u>	<u>2,551,732,472</u>	<u>2,644,093,570</u>
Lease Liabilities	12	20,196,397	20,869,766	20,843,067
Investments and other financial assets purchased pending settlement		676,455,541	661,020,353	772,699,268
Reserves of insurance operations	13	19,447,382	19,023,983	19,458,311
Deferred tax liabilities		3,221,539	4,174,111	3,341,135
Other liabilities	10	468,678,862	416,119,814	492,949,012
<b>Total liabilities</b>		<u>16,110,566,454</u>	<u>16,240,982,187</u>	<u>16,460,165,160</u>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		194,357,349	189,514,475	183,700,587
Capital reserves		114,503,754	90,124,875	88,253,489
Retained earnings		1,851,761,858	1,703,099,551	1,700,775,964
<b>Total equity</b>		<u>2,660,622,961</u>	<u>2,482,738,901</u>	<u>2,472,730,040</u>
<b>Total liabilities and equity</b>		<u>18,771,189,415</u>	<u>18,723,721,088</u>	<u>18,932,895,200</u>

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

**Condensed Consolidated Statement of Income**

For the nine months ended September 30, 2020 and 2019

(Expressed in Balboas)

		<b>(Unaudited)</b> <b>(3rd Quarter)</b>		<b>(Unaudited)</b> <b>(Accumulated)</b>	
	<b>Note</b>	<b>September</b> <b>2020</b>	<b>September</b> <b>2019</b>	<b>September</b> <b>2020</b>	<b>September</b> <b>2019</b>
Interest and commission income:					
Interest:					
Loans		202,616,854	212,994,192	618,219,728	628,911,073
Deposits with banks		1,596,283	2,521,573	5,402,882	6,977,192
Investments and other financial assets		38,610,438	47,635,231	120,682,306	143,059,357
Commissions on loans		6,530,589	12,270,649	22,224,046	34,496,962
<b>Total interest and commission income</b>		<b>249,354,164</b>	<b>275,421,645</b>	<b>766,528,962</b>	<b>813,444,584</b>
Interest expenses:					
Deposits		63,761,582	67,687,080	195,667,714	194,269,353
Borrowings and debt securities issued		16,902,054	29,940,370	59,886,973	96,669,214
<b>Total interest expenses</b>		<b>80,663,636</b>	<b>97,627,450</b>	<b>255,554,687</b>	<b>290,938,567</b>
<b>Net interest and commission income</b>		<b>168,690,528</b>	<b>177,794,195</b>	<b>510,974,275</b>	<b>522,506,017</b>
Provision for loan losses, net	6	94,313,804	10,099,188	164,132,828	32,474,974
Provision (reversal) for impairment of investments, net		(1,014,151)	(406,907)	5,243,757	1,522,073
(Reversal) provision for foreclosed assets, net		(257,797)	1,032,712	(45,791)	1,397,117
<b>Net interest and commission income, after provisions</b>		<b>75,648,672</b>	<b>167,069,202</b>	<b>341,643,481</b>	<b>487,111,853</b>
Other income (expenses):					
Fees and other commissions		50,392,888	58,817,094	145,015,076	167,524,844
Insurance premiums, net		8,116,249	8,834,068	27,240,071	24,591,100
Gain on financial instruments, net		13,702,072	2,036,067	8,726,873	10,979,735
Other income, net		7,744,095	7,065,043	20,188,595	21,059,754
Commission expenses and other expenses	12	(18,069,773)	(23,608,271)	(58,077,757)	(70,241,901)
<b>Total other income, net</b>		<b>61,885,531</b>	<b>53,144,001</b>	<b>143,092,858</b>	<b>153,913,532</b>
General and administrative expenses:					
Salaries and other personnel expenses	16	39,845,257	45,488,102	127,168,667	133,867,267
Depreciation and amortization	7 and 8	7,057,345	7,072,757	21,565,111	21,585,290
Properties, furniture and equipment expenses		5,381,000	5,236,106	16,582,952	16,459,967
Other expenses		17,273,671	19,507,072	52,612,839	55,778,409
<b>Total general and administrative expenses</b>		<b>69,557,273</b>	<b>77,304,037</b>	<b>217,929,569</b>	<b>227,690,933</b>
<b>Net operating income</b>		<b>67,976,930</b>	<b>142,909,166</b>	<b>266,806,770</b>	<b>413,334,452</b>
Equity participation in associates		1,767,373	2,501,982	5,706,128	8,213,479
<b>Net income before tax</b>		<b>69,744,303</b>	<b>145,411,148</b>	<b>272,512,898</b>	<b>421,547,931</b>
Income tax, net	17	(15,207,980)	16,729,259	(3,112,360)	47,522,606
<b>Net income</b>		<b>84,952,283</b>	<b>128,681,889</b>	<b>275,625,258</b>	<b>374,025,325</b>

*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 nine months ended September 30, 2020 and 2019

(Expressed in Balboas)

	(Unaudited)	
	September <u>2020</u>	September <u>2019</u>
Net income	<u>275,625,258</u>	<u>374,025,325</u>
<b>Other comprehensive income (expenses):</b>		
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	121,478	84,015,725
Transfer to profit or loss for sales of investments at FVOCI	23,429,049	4,640,550
Credit risk valuation	5,226,234	1,523,381
Valuation of hedging instruments	<u>(4,397,882)</u>	<u>(6,568,211)</u>
<b>Total other comprehensive income, net</b>	<u>24,378,879</u>	<u>83,611,445</u>
<b>Total comprehensive income</b>	<u><u>300,004,137</u></u>	<u><u>457,636,770</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 nine months ended September 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
<b>Balance as of December 31, 2019 (Audited)</b>	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	275,625,258	275,625,258
<b>Other comprehensive income (expenses):</b>								
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	121,478	0	121,478	0	121,478
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	23,429,049	0	23,429,049	0	23,429,049
Credit risk valuation	0	0	0	5,226,234	0	5,226,234	0	5,226,234
Valuation of hedging instruments	0	0	0	0	(4,397,882)	(4,397,882)	0	(4,397,882)
<b>Total other comprehensive income (expenses) income, net</b>	0	0	0	28,776,761	(4,397,882)	24,378,879	0	24,378,879
<b>Total comprehensive income</b>	0	0	0	28,776,761	(4,397,882)	24,378,879	275,625,258	300,004,137
<b>Transactions with owner:</b>								
Dividends paid on common shares	0	0	0	0	0	0	(119,431,063)	(119,431,063)
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	4,842,874	0	0	0	0	(4,842,874)	0
<b>Total transactions with owner</b>	0	4,842,874	0	0	0	0	(126,962,951)	(122,120,077)
<b>Balance as of September 30, 2020 (Unaudited)</b>	500,000,000	194,357,349	1,000,000	125,049,365	(11,545,611)	114,503,754	1,851,761,858	2,660,622,961
<b>Balance as of December 31, 2018 (Audited)</b>	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	374,025,325	374,025,325
<b>Other comprehensive income (expenses):</b>								
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	84,015,725	0	84,015,725	0	84,015,725
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	4,640,550	0	4,640,550	0	4,640,550
Credit risk valuation	0	0	0	1,523,381	0	1,523,381	0	1,523,381
Valuation of hedging instruments	0	0	0	0	(6,568,211)	(6,568,211)	0	(6,568,211)
<b>Total other comprehensive income (expenses) income, net</b>	0	0	0	90,179,656	(6,568,211)	83,611,445	0	83,611,445
<b>Total comprehensive income</b>	0	0	0	90,179,656	(6,568,211)	83,611,445	374,025,325	457,636,770
<b>Transactions with owner:</b>								
Dividends paid on common shares	0	0	0	0	0	0	(165,876,480)	(165,876,480)
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	1,602,244	0	0	0	0	(1,602,244)	0
<b>Total transactions with owner</b>	0	1,602,244	0	0	0	0	(171,531,503)	(169,929,259)
<b>Balance as of September 30, 2019 (Unaudited)</b>	500,000,000	183,700,587	1,000,000	95,858,239	(8,604,750)	88,253,489	1,700,775,964	2,472,730,040

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 nine months ended September 30, 2020 and 2019

(Expressed in Balboas)

		<b>(Unaudited)</b>	
	<b>Note</b>	<b>September 2020</b>	<b>September 2019</b>
<b>Operating activities:</b>			
Net income		275,625,258	374,025,325
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	164,132,828	32,474,974
Provision for valuation of investments, net		5,243,757	1,522,073
(Reversal) provision for foreclosed assets, net		(45,791)	1,397,117
Unrealized loss on investments and other financial assets		6,035,276	3,707,329
Unrealized loss (gain) on derivative instruments		2,716,797	(2,056,682)
Gain on sale of investments and other financial assets at FVTPL, net		(22,074,217)	(10,408,101)
Gain on sale of investments and other financial assets at FVOCI		(10,861,422)	(1,371,715)
Realized loss (gain) on derivative instruments		15,456,693	(850,566)
Foreign exchange fluctuations, net		36,434	228,590
Gain on sale of fixed assets, net		(14,014)	(107,494)
Other net income from cancellations of right-of-use assets		(25,876)	0
Deferred income tax, net		(35,978,797)	(245,124)
Depreciation and amortization	7 and 8	21,565,111	21,585,290
Amortization of intangible assets	9	1,963,044	1,963,041
Equity participation in associates		(5,706,128)	(8,213,479)
Interest income		(744,304,916)	(778,947,622)
Interest expense		255,554,687	290,938,567
Changes in operating assets and liabilities:			
Time deposits with banks		(10,569,787)	5,502,957
Investments and other financial assets at fair value through profit or loss		(371,842,040)	(96,386,706)
Loans		382,578,306	(160,250,875)
Unearned commissions		(4,610,521)	1,773,011
Tax credit from preferential interest		(37,884,625)	(34,274,184)
Other assets		135,251,411	(124,204,139)
Demand deposits		204,105,569	(341,199,975)
Savings deposits		616,821,230	(658,344)
Time deposits		(218,816,078)	507,939,557
Reserves of insurance operations		423,399	1,809,666
Other liabilities		77,775,109	307,758,861
Cash provided by operations:			
Interest received		650,507,985	772,358,064
Interest paid		(276,740,233)	(284,818,219)
Dividends received		1,146,771	1,698,753
<b>Total</b>		<b>801,839,962</b>	<b>108,664,625</b>
<b>Cash flows from operating activities</b>		<b>1,077,465,220</b>	<b>482,689,950</b>
<b>Investing activities:</b>			
Purchases of investments and other financial assets at FVOCI		(4,430,276,191)	(3,172,490,764)
Sale and redemptions of investments and other financial assets at FVOCI		4,318,827,463	3,355,220,570
Purchases of securities at amortized cost		(62,801,583)	0
Redemptions of securities at amortized cost		30,684,164	10,950,000
Investments in associates		1,014,392	5,927,404
Sale of properties, furniture and equipment		2,276,201	110,361
Purchases of properties, furniture and equipment	7	(18,158,569)	(21,742,241)
<b>Cash flows (used) from investing activities</b>		<b>(158,434,123)</b>	<b>177,975,330</b>
<b>Financing activities:</b>			
New borrowings and debt securities issued		124,993,541	12,591,686
Redemption of debt securities issued and cancellation of borrowings		(672,824,230)	(751,405,335)
Securities sold under repurchase agreements		(254,467,060)	241,358,000
Payments lease liabilities		(2,256,810)	(2,306,424)
Dividends paid on common shares		(119,431,063)	(165,876,480)
Complementary and dividends tax		(2,689,014)	(4,052,779)
<b>Cash flows used in financing activities</b>		<b>(926,674,636)</b>	<b>(669,691,332)</b>
<b>Net decreased in cash and cash equivalents</b>		<b>(7,643,539)</b>	<b>(9,026,052)</b>
Cash and cash equivalents at the beginning of the period		538,711,863	527,481,153
<b>Cash and cash equivalents at the end of the period</b>	5	<b>531,068,324</b>	<b>518,455,101</b>

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**

September 30, 2020

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# **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Condensed Consolidated Interim Financial Information**

September 30, 2020

(Expressed in Balboas)

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### **(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 59.93% (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**

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### **(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 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 October 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:

	<b>September 30, 2020</b>			
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b><u>Assets:</u></b>				
Investments and other financial assets	<u>0</u>	<u>142,143,255</u>	<u>36,641,101</u>	<u>178,784,356</u>
Loans	<u>10,239,597</u>	<u>171,037,019</u>	<u>14,069,472</u>	<u>195,346,088</u>
Investments in associates	<u>0</u>	<u>29,572,921</u>	<u>0</u>	<u>29,572,921</u>
<b><u>Liabilities:</u></b>				
Deposits:				
Demand	<u>1,265,805</u>	<u>132,867,222</u>	<u>67,196,410</u>	<u>201,329,437</u>
Savings	<u>5,317,318</u>	<u>96,624,514</u>	<u>20,004,654</u>	<u>121,946,486</u>
Time	<u>3,178,592</u>	<u>320,795,179</u>	<u>71,230,769</u>	<u>395,204,540</u>
	<u>9,761,715</u>	<u>550,286,915</u>	<u>158,431,833</u>	<u>718,480,463</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>5,855,167</u>	<u>31,333,000</u>	<u>37,188,167</u>
<b><u>Interest income:</u></b>				
Loans	<u>362,934</u>	<u>5,922,540</u>	<u>599,652</u>	<u>6,885,126</u>
Investments and other financial assets	<u>0</u>	<u>5,134,856</u>	<u>1,440,000</u>	<u>6,574,856</u>
<b><u>Interest expenses:</u></b>				
Deposits	<u>106,614</u>	<u>11,194,563</u>	<u>1,265,557</u>	<u>12,566,734</u>
Borrowings and debt securities issued	<u>0</u>	<u>0</u>	<u>4,387,500</u>	<u>4,387,500</u>
<b><u>Other income:</u></b>				
Equity participation in associates	<u>0</u>	<u>5,706,128</u>	<u>0</u>	<u>5,706,128</u>
Received dividends	<u>0</u>	<u>512,927</u>	<u>0</u>	<u>512,927</u>
<b><u>General and administrative expenses:</u></b>				
Directors' fees	<u>359,973</u>	<u>0</u>	<u>0</u>	<u>359,973</u>
Benefits to key management personnel	<u>2,030,584</u>	<u>0</u>	<u>0</u>	<u>2,030,584</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

	<b>December 31, 2019</b>			
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b>Assets:</b>				
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>
<b>Liabilities:</b>				
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>
	<b>September 30, 2019</b>			
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b>Assets:</b>				
Investment securities and other financial assets, net	<u>0</u>	<u>163,007,814</u>	<u>36,708,515</u>	<u>199,716,329</u>
Loans	<u>8,050,917</u>	<u>220,308,919</u>	<u>17,502,492</u>	<u>245,862,328</u>
Investments in associates	<u>0</u>	<u>28,320,791</u>	<u>0</u>	<u>28,320,791</u>
<b>Liabilities:</b>				
Deposits:				
Demand	1,520,394	128,782,864	52,186,512	182,489,770
Savings	5,333,663	67,233,351	1,011,195	73,578,209
Time	<u>2,049,891</u>	<u>365,214,406</u>	<u>123,538,462</u>	<u>490,802,759</u>
	<u>8,903,948</u>	<u>561,230,621</u>	<u>176,736,169</u>	<u>746,870,738</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>58,307,222</u>	<u>30,428,587</u>	<u>88,735,809</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

	<b>Directors and Management</b>	<b>September 30, 2019 Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b><u>Interest income:</u></b>				
Loans	<u>274,286</u>	<u>9,085,388</u>	<u>815,866</u>	<u>10,175,540</u>
Investment securities and other financial assets	<u>0</u>	<u>5,725,913</u>	<u>1,491,927</u>	<u>7,217,840</u>
<b><u>Interest expenses:</u></b>				
Deposits	<u>69,054</u>	<u>12,332,893</u>	<u>966,915</u>	<u>13,368,862</u>
Borrowings and debt in securities in issue	<u>0</u>	<u>0</u>	<u>4,387,500</u>	<u>4,387,500</u>
<b><u>Other income:</u></b>				
Equity participation in associates	<u>0</u>	<u>8,213,479</u>	<u>0</u>	<u>8,213,479</u>
Dividends	<u>0</u>	<u>568,805</u>	<u>0</u>	<u>568,805</u>
<b><u>General and administrative expenses:</u></b>				
Directors' fees	<u>257,220</u>	<u>0</u>	<u>0</u>	<u>257,220</u>
Benefits to key management personnel	<u>2,070,474</u>	<u>0</u>	<u>0</u>	<u>2,070,474</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:

	<b>September 30 2020</b>	<b>2019</b>
Cash and cash items	74,927,808	203,229,020
Demand deposits with banks	456,140,516	315,226,081
Time deposits with banks	<u>202,332,028</u>	<u>161,218,354</u>
Total deposits with banks	<u>658,472,544</u>	<u>476,444,435</u>
Less: Deposits with banks, with original maturities greater than three months	<u>202,332,028</u>	<u>161,218,354</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>531,068,324</u>	<u>518,455,101</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.45,965,753 (December 31, 2019: B/.38,014,162) that secure derivative operations, Repos, in addition to the next quarterly payments of principal, interest and expenses of certain obligations.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	<b>September 30 2020</b>	<b>December 31 2019</b>	<b>September 30 2019</b>
Internal sector:			
Residential mortgages	4,369,769,412	4,321,903,596	4,262,874,542
Personal, auto and credit cards	1,805,315,054	1,894,882,198	1,858,835,583
Commercial mortgages	2,049,307,335	2,020,114,781	2,005,150,433
Lines of credit and commercial loans	1,301,405,637	1,447,828,168	1,589,066,132
Interim financing	516,761,996	565,399,272	614,062,052
Financial leases, net	84,594,017	100,191,047	100,278,220
Other secured loans	187,155,802	212,990,294	227,273,720
Overdrafts	128,535,398	145,292,387	157,129,617
Total internal sector	<u>10,442,844,651</u>	<u>10,708,601,743</u>	<u>10,814,670,299</u>
External sector:			
Residential mortgages	207,720,654	223,143,187	227,470,068
Personal, auto and credit cards	12,601,256	15,322,824	16,310,924
Commercial mortgages	197,148,418	208,335,226	257,487,706
Lines of credit and commercial loans	752,225,457	858,508,205	696,864,239
Other secured loans	11,970,798	11,209,493	11,534,097
Overdrafts	55,624,364	58,568,216	56,694,118
Total external sector	<u>1,237,290,947</u>	<u>1,375,087,151</u>	<u>1,266,361,152</u>
Total	<u>11,680,135,598</u>	<u>12,083,688,894</u>	<u>12,081,031,451</u>

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

	<b>September 30, 2020</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
Balance at the beginning of the period	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	15,458,644	(11,844,106)	(3,614,538)	0
Transferred to lifetime ECL not credit-impaired	(3,503,542)	5,336,040	(1,832,498)	0
Transferred to lifetime ECL credit-impaired	(704,568)	(5,411,760)	6,116,328	0
Net remeasurement of portfolio	87,616,830	45,887,020	48,865,559	182,369,409
New Loans	6,956,178	1,619,682	8,310,544	16,886,404
Loans that have been derecognized	(6,638,167)	(7,276,561)	(21,208,257)	(35,122,985)
Recovery of loan write-off	0	0	15,896,133	15,896,133
Loans written-off	0	0	(36,871,123)	(36,871,123)
Balance at the end of the period	<u>182,792,927</u>	<u>59,021,122</u>	<u>66,502,589</u>	<u>308,316,638</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

	<b>December 31, 2019</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	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)
<b>Balance at the end of the year</b>	<b>83,607,552</b>	<b>30,710,807</b>	<b>50,840,441</b>	<b>165,158,800</b>

	<b>September 30, 2019</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL No credit- impaired</b>	<b>Lifetime ECL credit - impaired</b>	<b>Total</b>
<b>Balance at beginning of period</b>	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-months ECL	11,225,117	(8,043,049)	(3,182,068)	0
Transferred to lifetime ECL not credit-impaired	(2,002,630)	3,238,553	(1,235,923)	0
Transferred to lifetime ECL credit-impaired	(1,388,971)	(3,367,526)	4,756,497	0
Net remeasurement of portfolio	(15,243,276)	12,352,704	44,027,981	41,137,409
New Loans	15,590,950	4,888,823	4,836,224	25,315,997
Loans that have been derecognized	(10,698,324)	(6,433,253)	(16,846,855)	(33,978,432)
Recovery of loan write-off	0	0	19,878,465	19,878,465
Loans written-off	0	0	(51,482,563)	(51,482,563)
<b>Balance at the end of period</b>	<b>84,092,415</b>	<b>27,181,040</b>	<b>48,128,695</b>	<b>159,402,150</b>

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/.92,107,132.



**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

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

	<b>September 30, 2020</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and Internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
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	10,410,173	4,445,291	3,073,434	18,158,569
Sales and disposals	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>4,099,093</u>	<u>1,008,863</u>	<u>5,636,591</u>
At the end of the period	<u>32,566,104</u>	<u>135,750,249</u>	<u>139,051,914</u>	<u>113,973,758</u>	<u>43,043,528</u>	<u>464,385,553</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	2,661,821	8,001,315	6,551,045	1,637,760	18,851,941
Sales and disposals	<u>0</u>	<u>166,776</u>	<u>132,188</u>	<u>2,066,578</u>	<u>1,008,862</u>	<u>3,374,404</u>
At the end of the period	<u>0</u>	<u>36,178,466</u>	<u>81,492,595</u>	<u>77,572,871</u>	<u>30,663,722</u>	<u>225,907,654</u>
Net balance	<u>32,566,104</u>	<u>99,571,783</u>	<u>57,559,319</u>	<u>36,400,887</u>	<u>12,379,806</u>	<u>238,477,899</u>

  

	<b>December 31, 2019</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and Internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
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>

  

	<b>September 30, 2019</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and Internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At beginning of period	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	205,000	820,000	10,102,718	9,170,704	1,443,819	21,742,241
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>1,304,430</u>	<u>172,230</u>	<u>2,679,508</u>
At end of period	<u>32,352,489</u>	<u>136,146,696</u>	<u>122,126,101</u>	<u>112,040,096</u>	<u>40,016,677</u>	<u>442,682,059</u>
Accumulated depreciation and amortization:						
At beginning of period	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the period	0	2,691,758	7,456,814	7,110,207	1,505,154	18,763,933
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>1,301,563</u>	<u>172,230</u>	<u>2,676,641</u>
At end of period	<u>0</u>	<u>32,786,763</u>	<u>71,191,983</u>	<u>71,784,497</u>	<u>29,538,452</u>	<u>205,301,695</u>
Net balance	<u>32,352,489</u>	<u>103,359,933</u>	<u>50,934,118</u>	<u>40,255,599</u>	<u>10,478,225</u>	<u>237,380,364</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

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**Notes to the Condensed Consolidated Interim Financial Information**

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**(8) Right-of-Use Assets**

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

	<b><u>September 30, 2020</u></b>
<b>Cost:</b>	
At the beginning of period	23,922,360
New contracts	1,933,641
Cancellations	<u>505,035</u>
At the end of period	<u>25,350,966</u>
<b>Accumulated depreciation:</b>	
At the beginning of period	3,748,511
Expense of the period	2,713,170
Cancellations	<u>180,711</u>
At the end of period	<u>6,280,970</u>
<b>Net balance</b>	<u>19,069,996</u>
	<b><u>December 31, 2019</u></b>
<b>Cost:</b>	
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>
<b>Accumulated depreciation:</b>	
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>
<b>Net balance</b>	<u>20,173,849</u>
	<b><u>September 30, 2019</u></b>
<b>Cost:</b>	
At the beginning of period	22,593,981
New contracts	<u>555,510</u>
At the end of period	<u>23,149,491</u>
<b>Accumulated depreciation:</b>	
At the beginning of period	0
Expense of the period	<u>2,821,357</u>
At the end of period	<u>2,821,357</u>
<b>Net balance</b>	<u>20,328,134</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.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**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
<b>Total</b>				<u>41,822,241</u>

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

	<b><u>September 30, 2020</u></b>		
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning and end of the period	41,822,241	47,462,084	89,284,325
<b>Accumulated amortization:</b>			
Balance at the beginning of the period	0	32,063,000	32,063,000
Amortization of the period	0	<u>1,963,044</u>	<u>1,963,044</u>
Balance at the end of the period	0	<u>34,026,044</u>	<u>34,026,044</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>13,436,040</u>	<u>55,258,281</u>

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

	<b><u>September 30, 2019</u></b>		
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning and end of the period	41,822,241	47,462,084	89,284,325
<b>Accumulated amortization:</b>			
Balance at the beginning of the period	0	29,445,612	29,445,612
Amortization of the period	<u>0</u>	<u>1,963,041</u>	<u>1,963,041</u>
Balance at the end of the period	<u>0</u>	<u>31,408,653</u>	<u>31,408,653</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>16,053,431</u>	<u>57,875,672</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 September 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:

	<b><u>Level</u></b>	<b><u>September 30 2020</u></b>	<b><u>December 31 2019</u></b>	<b><u>September 30 2019</u></b>
Mortgage Backed Securities (MBS)	2	<u>44,773,595</u>	<u>58,156,179</u>	<u>33,826,227</u>
Total		<u>44,773,595</u>	<u>58,156,179</u>	<u>33,826,227</u>

See the description of the levels in Note 19.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

The Bank issued bonds and other borrowings, as follows:

	<b>September 30 2020</b>	<b>December 31 2019</b>	<b>September 30 2019</b>
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	9,734,375
Borrowings with maturity in 2020, at interest rates of 3 and 6 month Libor plus a margin	85,000,000	609,697,952	959,697,952
Borrowings with maturity in 2021, at interest rates of 3 and 6 month Libor plus a margin	52,851,563	71,203,125	78,703,125
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	235,000,000	250,000,000	250,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	0	0	25,411,185
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	3,444,718	0	0
Borrowings under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,747,512	3,190,405	3,190,405
Notes with maturities in 2024, at a fixed interest rate	160,000,000	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>
<b>Subtotal borrowings and debt securities issued</b>	<b>1,354,015,793</b>	<b>1,901,846,482</b>	<b>2,154,492,042</b>
Revaluation coverage	<u>36,854,539</u>	<u>12,734,820</u>	<u>18,585,142</u>
<b>Total borrowings and debt securities issued, net</b>	<b><u>1,390,870,332</u></b>	<b><u>1,914,581,302</u></b>	<b><u>2,173,077,184</u></b>

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

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

	<b>September 30</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Balance at the beginning of the period	1,914,581,302	2,886,528,342
New borrowings and debt securities issued	124,993,541	12,591,686
Redemption of debt securities issued and cancellation of borrowings	(672,824,230)	(751,405,335)
Revaluation coverage	<u>24,119,719</u>	<u>25,362,491</u>
Balance at the end of the period	<u><u>1,390,870,332</u></u>	<u><u>2,173,077,184</u></u>

**(12) Lease Liabilities**

The movement of lease liabilities is detailed as follows:

	<b>September 30</b>	<b>December 31</b>	<b>September 30</b>
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2019</u></b>
Balance at the beginning of the period	20,869,766	23,366,850	22,593,981
New contracts	1,933,641	555,510	555,510
Payments	(2,256,810)	(3,052,594)	(2,306,424)
Cancellations	<u>(350,200)</u>	<u>0</u>	<u>0</u>
Balance at the end of the period	<u><u>20,196,397</u></u>	<u><u>20,869,766</u></u>	<u><u>20,843,067</u></u>

Interest expense on lease liabilities for B/.796,681 (2019: B/.730,148) 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**

(Panama, Republic of Panama)

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

Reserves of insurance operations amounted to B/.19,447,382 (December 31, 2019: B/.19,023,983) and (September 30, 2019: B/.19,458,311) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	<b>September 30 2020</b>	<b>December 31 2019</b>	<b>September 30 2019</b>
<b>Unearned Premiums</b>			
Balance at the beginning of the period	21,385,439	19,652,339	19,652,339
Issued premiums	29,232,590	41,155,073	31,055,858
Earned premiums	<u>(30,376,958)</u>	<u>(39,421,973)</u>	<u>(29,623,614)</u>
Balance at the end of the period	20,241,071	21,385,439	21,084,583
Reinsurers participation	<u>(3,931,131)</u>	<u>(4,801,738)</u>	<u>(4,229,144)</u>
Unearned premiums, net	<u>16,309,940</u>	<u>16,583,701</u>	<u>16,855,439</u>
<b>Estimated Insurance Claims Incurred</b>			
Balance at the beginning of the period	2,952,326	3,156,224	3,156,224
Incurred claims	6,990,639	7,652,444	6,189,542
Paid claims	<u>(6,122,048)</u>	<u>(7,856,342)</u>	<u>(6,282,053)</u>
Balance at the end of the period	3,820,917	2,952,326	3,063,713
Reinsurer participation	<u>(683,475)</u>	<u>(512,044)</u>	<u>(460,841)</u>
Estimated insurance claims incurred, net	<u>3,137,442</u>	<u>2,440,282</u>	<u>2,602,872</u>
<b>Total reserves of insurance operations</b>	<u>19,447,382</u>	<u>19,023,983</u>	<u>19,458,311</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.

<b><u>Segments</u></b>	<b><u>Operations</u></b>
<b>Banking and Financial Activities</b>	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
<b>Insurance and Reinsurance</b>	Insurance and reinsurance of policies of general lines, collective life and various risks
<b>Pension and Retirement Fund</b>	Administration of pension and retirement, severance and investment funds

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## 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:

	<u>September 30, 2020</u>				
	<u>Banking and Financial Activities</u>	<u>Insurance and Reinsurance</u>	<u>Pension and retirement Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	763,643,262	5,652,497	1,075,053	3,841,850	766,528,962
Interest and provision expenses	428,675,928	51,403	0	3,841,850	424,885,481
Other income, net	109,648,763	22,857,061	10,595,172	8,138	143,092,858
General and administrative expenses	190,707,860	1,989,778	3,674,958	8,138	196,364,458
Depreciation and amortization expense	21,168,119	176,450	220,542	0	21,565,111
Equity participation in associates	5,706,128	0	0	0	5,706,128
Net income before income tax	238,446,246	26,291,927	7,774,725	0	272,512,898
Net Income tax	(9,367,955)	4,486,646	1,768,949	0	(3,112,360)
Net income	<u>247,814,201</u>	<u>21,805,281</u>	<u>6,005,776</u>	<u>0</u>	<u>275,625,258</u>
Total assets	<u>18,657,693,057</u>	<u>301,090,996</u>	<u>45,623,316</u>	<u>233,217,954</u>	<u>18,771,189,415</u>
Total liabilities	<u>16,255,900,481</u>	<u>63,453,673</u>	<u>5,024,192</u>	<u>213,811,892</u>	<u>16,110,566,454</u>

	<u>September 30, 2019</u>				
	<u>Banking and financial activities</u>	<u>Insurance and reinsurance</u>	<u>Pension and retirement fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	810,422,407	5,336,586	906,691	3,221,100	813,444,584
Interest and provision expenses	329,553,769	62	0	3,221,100	326,332,731
Other income, net	123,715,415	20,025,521	10,179,917	7,321	153,913,532
General and administrative expenses	200,041,753	2,004,804	4,066,407	7,321	206,105,643
Depreciation and amortization expense	21,164,606	172,755	247,929	0	21,585,290
Equity participation in associates	8,213,479	0	0	0	8,213,479
Net income before income tax	391,591,173	23,184,486	6,772,272	0	421,547,931
Net Income tax	42,184,750	3,799,872	1,537,984	0	47,522,606
Net income	<u>349,406,423</u>	<u>19,384,614</u>	<u>5,234,288</u>	<u>0</u>	<u>374,025,325</u>
Total assets	<u>18,803,487,964</u>	<u>279,709,476</u>	<u>39,947,252</u>	<u>190,249,492</u>	<u>18,932,895,200</u>
Total liabilities	<u>16,559,990,632</u>	<u>66,428,242</u>	<u>4,589,716</u>	<u>170,843,430</u>	<u>16,460,165,160</u>

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

	<u>September 30, 2020</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Total income, net	757,533,854	74,133,012	83,661,082	915,327,948
Non financial assets	289,852,404	3,883,776	0	293,736,180
	<u>September 30, 2019</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Total income, net	790,634,778	95,197,458	89,739,359	975,571,595
Non financial assets	290,908,524	4,347,512	0	295,256,036



**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**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:

<b>September 30, 2020</b>						
<b>Reserves</b>						
	<b>Dynamic</b>	<b>Foreclosed Assets</b>	<b>Loans in the process of awarding</b>	<b>Legal</b>	<b>Insurance</b>	<b>Total</b>
Banco General, S. A.	133,877,476	2,076,939	5,417,108	0	0	141,371,523
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	32,814,447	32,814,447
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>
<b>Total</b>	<u>152,254,380</u>	<u>2,076,939</u>	<u>5,417,108</u>	<u>1,794,475</u>	<u>32,814,447</u>	<u>194,357,349</u>
<b>December 31, 2019</b>						
<b>Reserves</b>						
	<b>Dynamic</b>	<b>Foreclosed Assets</b>	<b>Loans in the process of awarding</b>	<b>Legal</b>	<b>Insurance</b>	<b>Total</b>
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>
<b>Total</b>	<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>
<b>Transfer from retained earnings of the period</b>	<u>0</u>	<u>948,180</u>	<u>2,271,451</u>	<u>0</u>	<u>1,623,243</u>	<u>4,842,874</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

(Panama, Republic of Panama)

### Notes to the Condensed Consolidated Interim Financial Information

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#### (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/.1,284,984 (2019: B/.1,514,488). 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 September 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/.64,935 (2019: B/.75,000) and the disbursements to former employees who are covered under the retirement plan amount to B/.123,582 (2019: B/.130,956).

#### (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**

(Panama, Republic of Panama)

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

Net income tax is detailed as follows:

	<u>3rd Quarter</u> <u>September 30</u>		<u>Accumulated</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Estimated income tax	8,624,153	17,613,048	32,717,136	47,430,970
Prior year income tax adjustments	59,298	5,522	149,301	336,760
Deferred income tax	<u>(23,891,431)</u>	<u>(889,311)</u>	<u>(35,978,797)</u>	<u>(245,124)</u>
	<u>(15,207,980)</u>	<u>16,729,259</u>	<u>(3,112,360)</u>	<u>47,522,606</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>Liquidated in a securities</u> <u>exchange</u>		<u>Over the Counter (OTC)</u> <u>Other bilateral</u> <u>counterparts</u>	
	<u>Notional</u> <u>Value</u>	<u>Book</u> <u>Value</u>	<u>Notional</u> <u>Value</u>	<u>Book</u> <u>Value</u>	<u>Notional</u> <u>Value</u>	<u>Book</u> <u>Value</u>	<u>Notional</u> <u>Value</u>	<u>Book</u> <u>Value</u>
<u>September 30, 2020</u>								
Derivative assets	1,056,588,127	45,723,924	53,813,000	0	128,858,679	4,940,969	873,916,448	40,782,955
Derivative liabilities	1,191,912,189	34,763,669	219,939,380	0	256,715,030	10,314,839	715,257,779	24,448,830
<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>September 30, 2019</u>								
Derivative assets	706,475,445	21,588,540	102,700,000	0	422,502,692	20,123,125	181,272,753	1,465,415
Derivative liabilities	1,162,209,662	24,086,205	227,799,140	0	498,220,790	22,243,596	436,189,732	1,842,609

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/.28.2MM (December 31, 2019: B/.14.7MM) and (September 30, 2019: B/.18.5MM)

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## 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>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	663,771	2,273,903	1,351,699	1,309,628	1,135,732	2,124,266
Interest	4,567,555	8,825,611	3,844,541	3,066,570	892,436	4,653,810
Currency	11,121	5,069	365,487	2,145,258	1,175,129	699,189
Total	<u>5,242,447</u>	<u>11,104,583</u>	<u>5,561,727</u>	<u>6,521,456</u>	<u>3,203,297</u>	<u>7,477,265</u>

#### Hedge Derivatives for Risk Management:

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Interest	36,654,641	23,079,699	12,534,922	13,259,069	18,385,243	16,608,940
Currency	3,826,836	241,874	0	0	0	0
Credit	0	337,513	0	0	0	0
Total	<u>40,481,477</u>	<u>23,659,086</u>	<u>12,534,922</u>	<u>13,259,069</u>	<u>18,385,243</u>	<u>16,608,940</u>

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

<u>Risk Category</u>	<u>September 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>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	7,250,000	54,911,587
Average interest rate				7.60%	3.99%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	80,000,000	250,000,000
Average interest rate				1.32%	1.90%

<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>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	95,000,000	250,000,000
Average interest rate				2.95%	3.55%

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>September 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>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	0	350,000,000
Average interest rate					3.68%

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

	<u>September 30, 2020</u>				
	<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>		
<b>Interest rate risk:</b>					
Interest rate derivatives – Bonds Hedge	62,161,587	0	11,111,769	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	<u>330,000,000</u>	<u>36,654,641</u>	<u>0</u>	Other assets (liabilities)	0
<b>Total interest rate risk</b>	<u>392,161,587</u>	<u>36,654,641</u>	<u>11,111,769</u>		

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

	<u>September 30, 2019</u>				
	<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>		
<b>Interest rate risk:</b>					
Interest rate derivatives – Bonds Hedge	82,250,000	0	7,798,183	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	<u>350,000,000</u>	<u>18,385,243</u>	<u>0</u>	Other liabilities	0
<b>Total interest rate risk</b>	<u>432,250,000</u>	<u>18,385,243</u>	<u>7,798,183</u>		

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## 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>September 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	65,750,793		11,111,114	0	Investment securities FVOCI	0	0
Bonds and notes		330,000,000	0	36,854,539	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>September 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	91,662,090		7,695,590	0	Investment securities FVOCI	0	0
Bonds and notes		350,000,000	0	18,585,142	Borrowing and debt securities issued	0	0

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (18) Derivative Financial Instruments, continued

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

<u>Risk Category</u>	<u>September 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>
<b>Interest rate risk</b>					
<b>Hedging of Borrowings</b>					
Notional Value	0	0	0	235,000,000	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>
<b>Interest rate risk</b>					
<b>Hedging of Borrowings</b>					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

<u>Risk Category</u>	<u>September 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>
<b>Interest rate risk</b>					
<b>Hedging of Borrowings</b>					
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>September 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>			
<b>Interest rate risk:</b>						
Derivatives of interest rate –				Other assets		
Borrowings Hedge	235,000,000	0	11,545,611	(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>			
<b>Interest rate risk:</b>						
Derivatives of interest rate –				Other assets		
Borrowings Hedge	250,000,000	0	7,147,729	(liabilities)	0	0

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (18) Derivative Financial Instruments, continued

	Notional Value	Book Value		September 30, 2019 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
		Assets	Liabilities			
Interest rate risk:						
Derivatives of interest rate –				Other assets		
Borrowings Hedge	250,000,000	0	8,604,750	(liabilities)	0	0

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

	September 30, 2020			Total
	Level 1	Level 2	Level 3	
<b><u>Assets</u></b>				
Other derivatives:				
Credit	0	663,771	0	663,771
Interest	0	4,567,555	0	4,567,555
Currency	0	11,121	0	11,121
Total	0	5,242,447	0	5,242,447
Hedge Derivatives for risk management:				
Interest	0	36,654,641	0	36,654,641
Currency	0	3,826,836	0	3,826,836
Total	0	40,481,477	0	40,481,477
<b>Total derivatives assets</b>	<b>0</b>	<b>45,723,924</b>	<b>0</b>	<b>45,723,924</b>
<b><u>Liabilities</u></b>				
Other derivatives:				
Credit	0	2,273,903	0	2,273,903
Interest	14,344	8,811,267	0	8,825,611
Currency	0	5,069	0	5,069
Total	14,344	11,090,239	0	11,104,583
Hedge Derivatives for risk management:				
Credit	0	337,513	0	337,513
Interest	0	23,079,699	0	23,079,699
Currency	0	241,874	0	241,874
Total	0	23,659,086	0	23,659,086
<b>Total derivatives liabilities</b>	<b>14,344</b>	<b>34,749,325</b>	<b>0</b>	<b>34,763,669</b>



**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

		<b>December 31, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Assets</u></b>				
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
<b>Total derivatives assets</b>	0	18,096,649	0	18,096,649
<b><u>Liabilities</u></b>				
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
<b>Total derivates liabilities</b>	6,125	19,774,400	0	19,780,525
		<b>September 30, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Assets</u></b>				
Other derivatives:				
Credit	0	1,135,732	0	1,135,732
Interest	0	892,436	0	892,436
Currency	0	1,175,129	0	1,175,129
Total	0	3,203,297	0	3,203,297
Hedge Derivatives for risk management:				
Interest	0	18,385,243	0	18,385,243
Total	0	18,385,243	0	18,385,243
<b>Total Derivatives assets</b>	0	21,588,540	0	21,588,540
<b><u>Liabilities</u></b>				
Other derivatives:				
Credit	0	2,124,266	0	2,124,266
Interest	73,766	4,580,044	0	4,653,810
Currency	0	699,189	0	699,189
Total	73,766	7,403,499	0	7,477,265
Hedge Derivates for risk management:				
Interest	0	16,608,940	0	16,608,940
Total	0	16,608,940	0	16,608,940
<b>Total Derivates liabilities</b>	73,766	24,012,439	0	24,086,205

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Condensed Consolidated Interim Financial Information**

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#### **(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**

	<b>September 30</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	462,536	0	0	462,536
Local Corporate Bonds and Fixed Income Funds	58,911,076	0	7,190	58,903,886
Bonds of the Republic of Panama	1,567,568	0	1,567,568	0
Local Corporate Shares	38,822,974	2,442	0	38,820,532
Foreign Treasury Bills	250,755	250,755	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	690,800,063	0	690,800,063	0
Asset Backed Securities (ABS)	64,073,906	0	64,073,906	0
Foreign Fixed Income Funds	211,240,832	0	101,202,405	110,038,427
Foreign Share Capital and Variable Income Mutual Funds	92,973	0	257	92,716
<b>Total</b>	<b>1,066,222,683</b>	<b>253,197</b>	<b>857,651,389</b>	<b>208,318,097</b>
	<b>December 31</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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
<b>Total</b>	<b>679,234,360</b>	<b>255,288</b>	<b>467,905,347</b>	<b>211,073,725</b>
	<b>September 30</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	150,270	0	0	150,270
Local Corporate Bonds and Fixed Income Funds	57,037,329	0	0	57,037,329
Bonds of the Republic of Panama	1,886,617	0	1,886,617	0
Local Corporate Shares	48,827,432	4,008	0	48,823,424
Foreign Treasury Bills	250,310	250,310	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	369,009,512	0	369,009,512	0
Asset Backed Securities (ABS)	8,716,214	0	8,716,214	0
Foreign Corporate Bonds and Fixed Income Funds	404,276,614	0	296,181,170	108,095,444
Foreign Share Capital and Variable Income Mutual Funds	73,257	0	3,615	69,642
<b>Total</b>	<b>890,227,555</b>	<b>254,318</b>	<b>675,797,128</b>	<b>214,176,109</b>

**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**

	<b>September 30</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	6,958,978	0	0	6,958,978
Local Corporate Bonds	1,130,711,305	0	312,427,869	818,283,436
Bonds of the Republic of Panama	201,461,500	0	201,461,500	0
Bonds of the US Government	58,279,477	54,274,339	4,005,138	0
Foreign Commercial Paper and Treasury Bills	192,681,026	119,505,723	70,575,413	2,599,890
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,504,708,319	0	1,504,049,529	658,790
Asset Backed Securities (ABS)	189,455,738	0	189,455,738	0
Foreign Corporate Bonds	1,086,189,459	201,979	1,085,987,480	0
Bonds of Other Governments	48,482,575	0	48,482,575	0
<b>Total</b>	<b>4,418,928,377</b>	<b>173,982,041</b>	<b>3,416,445,242</b>	<b>828,501,094</b>
	<b>December 31</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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
<b>Total</b>	<b>4,294,206,345</b>	<b>188,125,003</b>	<b>3,200,472,366</b>	<b>905,608,976</b>
	<b>September 30</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper and Treasury Bills	28,256,452	0	0	28,256,452
Local Corporate Bonds	996,475,037	0	174,628,499	821,846,538
Bonds of the Republic of Panama	286,670,756	0	286,670,756	0
Bonds of the US Government	31,575,969	31,575,969	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	327,480,252	65,233,420	257,574,986	4,671,846
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,372,767,990	0	1,372,031,082	736,908
Asset Backed Securities (ABS)	103,833,757	0	103,833,757	0
Foreign Corporate Bonds	1,017,295,487	0	1,017,295,487	0
Bonds of Other Governments	45,314,577	4,021,200	41,293,377	0
<b>Total</b>	<b>4,209,670,277</b>	<b>100,830,589</b>	<b>3,253,327,944</b>	<b>855,511,744</b>

# 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>
<b>December 31, 2019</b>	211,073,725	905,608,976	1,116,682,701
(Loss) gain recognized in income	(10,769,506)	2,281,900	(8,487,606)
Gain recognized in equity	0	2,274,722	2,274,722
Purchases	27,983,256	228,597,647	256,580,903
Amortization, sales and redemptions	(19,969,378)	(310,262,151)	(330,231,529)
<b>September 30, 2020</b>	<u>208,318,097</u>	<u>828,501,094</u>	<u>1,036,819,191</u>
<b>Total (loss) gains related to instruments held as of September 30, 2020</b>	<u>(10,901,981)</u>	<u>9,839,140</u>	<u>(1,062,841)</u>
<b>December 31, 2018</b>	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)
<b>December 31, 2019</b>	<u>211,073,725</u>	<u>905,608,976</u>	<u>1,116,682,701</u>
<b>Total (loss) gains related to instruments held as of December 31, 2019</b>	<u>(10,450,546)</u>	<u>9,509,954</u>	<u>(940,592)</u>
<b>December 31, 2018</b>	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(3,700,917)	(174,896)	(3,875,813)
Gain recognized in equity	0	10,194,730	10,194,730
Reclassifications	3,431,598	(3,431,598)	0
Purchases	34,995,228	130,947,359	165,942,587
Amortization, sales and redemptions	(26,665,333)	(151,751,171)	(178,416,504)
<b>September 30, 2019</b>	<u>214,176,109</u>	<u>855,511,744</u>	<u>1,069,687,853</u>
<b>Total gains (loss) related to instruments held as of September 30, 2019</b>	<u>(5,187,644)</u>	<u>10,940,348</u>	<u>5,752,704</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>September 30 2020</u>	<u>December 31 2019</u>	<u>September 30 2019</u>	
<b>Corporate Shares</b>	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 4.75% Max 8.37%	Min 5.36% Max 8.37%	Min 5.80% Max 11.16%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Min (20.23%) Max 22.14%	Min (20.23%) Max 22.14%	Min (36.95%) Max 16.51%	If the growth increases the price increases and vice versa
	Discounted cash flow	Credit spreads	Min 1.09% Max 9.82% Ave 3.36%	Min 0.71% Max 13.95% Ave 2.06%	Min 0.57% Max 7.19% Ave 1.85%	If the credit spreads increase, the price decreases and vice versa

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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>
<b>Local Fixed Income</b>	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
<b>Local Shares</b>	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	
<b>Foreign Fixed Income</b>	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	
<b>Agencies' MBS / CMOs</b>	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2-3
<b>Private MBS / CMOs and ABS</b>	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
<b>Foreign Shares</b>	Carrying Amount Model	Carrying amount of the shares of the company	3
<b>Investment Vehicles</b>	Net asset value	Net asset value	2-3

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

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

	<b>September 30, 2020</b>			
	<b>Fair Value</b>		<b>FV OCI</b>	
	<b>Effect in profit or loss</b>		<b>Effect in equity</b>	
	<b>Favorable</b>	<b>(Unfavorable)</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
Fixed Income	87,138	(118,254)	6,499,386	(7,505,183)
Corporate Shares	<u>3,655,632</u>	<u>(2,843,992)</u>	<u>0</u>	<u>0</u>
Total	<u>3,742,770</u>	<u>(2,962,246)</u>	<u>6,499,386</u>	<u>(7,505,183)</u>

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

	<b>September 30, 2019</b>			
	<b>Fair Value</b>		<b>FVOCI</b>	
	<b>Effect on profit or loss</b>		<b>Effect in equity</b>	
	<b>Favorable</b>	<b>(Unfavorable)</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
Fixed Income	88,137	(85,395)	15,010,848	(14,609,750)
Corporate Shares	<u>4,296,726</u>	<u>(3,613,506)</u>	<u>0</u>	<u>0</u>
Total	<u>4,384,863</u>	<u>(3,698,901)</u>	<u>15,010,848</u>	<u>(14,609,750)</u>

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

**(a) Investments and other financial assets**

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

**(b) Loans**

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

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

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

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

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

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

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

	<b>September 30, 2020</b>		<b>December 31, 2019</b>		<b>September 30, 2019</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Book Value</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Assets:</b>						
Time deposits with banks	202,332,028	204,749,533	191,762,241	192,443,555	161,218,354	161,728,138
Investments at amortized cost, net	32,099,896	32,117,419	0	0	0	0
Loans, net	<u>11,333,127,152</u>	<u>11,296,168,360</u>	<u>11,875,227,765</u>	<u>11,821,782,344</u>	<u>11,878,751,840</u>	<u>11,819,992,499</u>
	<u>11,567,559,076</u>	<u>11,533,035,312</u>	<u>12,066,990,006</u>	<u>12,014,225,899</u>	<u>12,039,970,194</u>	<u>11,981,720,637</u>
<b>Liabilities:</b>						
Deposits	13,057,378,668	13,091,705,922	12,455,267,947	12,486,978,013	12,394,388,268	12,421,963,499
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,758,030,683</u>	<u>1,789,396,469</u>	<u>2,536,208,713</u>	<u>2,519,252,592</u>	<u>2,632,115,184</u>	<u>2,625,884,741</u>
	<u>14,815,409,351</u>	<u>14,881,102,391</u>	<u>14,991,476,660</u>	<u>15,006,230,605</u>	<u>15,026,503,452</u>	<u>15,047,848,240</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:

	<b>September 30 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>				
Time deposits with banks	204,749,533	0	0	204,749,533
Investments at amortized cost, net	32,117,419	0	24,700,000	7,417,419
Loans, net	<u>11,296,168,360</u>	<u>0</u>	<u>0</u>	<u>11,296,168,360</u>
	<u>11,533,035,312</u>	<u>0</u>	<u>24,700,000</u>	<u>11,508,335,312</u>
<b>Liabilities:</b>				
Deposits	13,091,705,922	0	0	13,091,705,922
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,789,396,469</u>	<u>0</u>	<u>0</u>	<u>1,789,396,469</u>
	<u>14,881,102,391</u>	<u>0</u>	<u>0</u>	<u>14,881,102,391</u>



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

	<b>December 31</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>				
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>
<b>Liabilities:</b>				
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>
	<b>September 30</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>				
Time deposits with banks	161,728,138	0	0	161,728,138
Loans, net	11,819,992,499	0	0	11,819,992,499
	<u>11,981,720,637</u>	<u>0</u>	<u>0</u>	<u>11,981,720,637</u>
<b>Liabilities:</b>				
Deposits	12,421,963,499	0	0	12,421,963,499
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	2,625,884,741	0	0	2,625,884,741
	<u>15,047,848,240</u>	<u>0</u>	<u>0</u>	<u>15,047,848,240</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**

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**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:

	<u>September 30, 2020</u> (in thousands)			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Total</u>
<u><b>Loans at amortized cost</b></u>				
Grade 1: Standard	10,390,099	40,336	0	10,430,435
Grade 2: Special mention	41,866	715,044	2,696	759,606
Grade 3: Sub-standard	2,555	46,632	194,745	243,932
Grade 4: Doubtful	933	148	69,323	70,404
Grade 5: Uncollectible	<u>438</u>	<u>425</u>	<u>90,301</u>	<u>91,164</u>
Gross amount	10,435,891	802,585	357,065	11,595,541
Allowance for impairment	<u>(182,371)</u>	<u>(58,527)</u>	<u>(66,365)</u>	<u>(307,263)</u>
Net carrying amount	<u>10,253,520</u>	<u>744,058</u>	<u>290,700</u>	<u>11,288,278</u>
<u><b>Finance leases</b></u>				
Grade 1: Standard	75,811	1,212	0	77,023
Grade 2: Special mention	472	5,131	0	5,603
Grade 3: Sub-standard	146	1,256	366	1,768
Grade 4: Doubtful	0	0	64	64
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>136</u>	<u>136</u>
Gross amount	76,429	7,599	566	84,594
Allowance for impairment	<u>(422)</u>	<u>(494)</u>	<u>(138)</u>	<u>(1,054)</u>
Net carrying amount	<u>76,007</u>	<u>7,105</u>	<u>428</u>	<u>83,540</u>
<b>Total loans</b>	<u>10,512,320</u>	<u>810,184</u>	<u>357,631</u>	<u>11,680,135</u>
Allowance for impairment	<u>(182,793)</u>	<u>(59,021)</u>	<u>(66,503)</u>	<u>(308,317)</u>
Net carrying amount	<u>10,329,527</u>	<u>751,163</u>	<u>291,128</u>	<u>11,371,818</u>
<u><b>Renegotiated loans</b></u>				
Gross amount	9,732	83,922	157,433	251,087
Allowance for impairment	<u>(402)</u>	<u>(3,735)</u>	<u>(34,597)</u>	<u>(38,734)</u>
Net carrying amount	<u>9,330</u>	<u>80,187</u>	<u>122,836</u>	<u>212,353</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**

	<b>December 31, 2019</b> <b>(in thousands)</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b><u>Loans at amortized cost</u></b>				
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>
<b><u>Finance leases</u></b>				
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>
<b>Total loans</b>	<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>
<b><u>Renegotiated loans</u></b>				
Gross amount	3,175	123,125	98,447	224,747
Allowance for impairment	(111)	(3,202)	(20,145)	(23,458)
Net carrying amount	<u>3,064</u>	<u>119,923</u>	<u>78,302</u>	<u>201,289</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

	September 30, 2019			
	(in thousand)			
	12-month ECL	Lifetime ECL Not credit – Impaired	Lifetime ECL credit- Impaired	Total
<b><u>Loans at amortized cost</u></b>				
Grade 1: Standard	11,149,109	50,525	0	11,199,634
Grade 2: Special mention	33,253	454,984	10,053	498,290
Grade 3: Sub-standard	8,359	21,334	140,054	169,747
Grade 4: Doubtful	5,840	5,015	45,556	56,411
Grade 5: Uncollectible	<u>2,438</u>	<u>869</u>	<u>53,364</u>	<u>56,671</u>
Gross amount	11,198,999	532,727	249,027	11,980,753
Allowance for impairment	<u>(83,885)</u>	<u>(27,141)</u>	<u>(48,116)</u>	<u>(159,142)</u>
Net carrying amount	<u>11,115,114</u>	<u>505,586</u>	<u>200,911</u>	<u>11,821,611</u>
<b><u>Finance leases</u></b>				
Grade 1: Standard	96,611	595	7	97,213
Grade 2: Special mention	393	1,842	0	2,235
Grade 3: Sub-standard	187	545	21	753
Grade 5: Uncollectible	<u>0</u>	<u>20</u>	<u>57</u>	<u>77</u>
Gross amount	97,191	3,002	85	100,278
Allowance for impairment	<u>(207)</u>	<u>(40)</u>	<u>(13)</u>	<u>(260)</u>
Net carrying amount	<u>96,984</u>	<u>2,962</u>	<u>72</u>	<u>100,018</u>
<b>Total loans</b>	<u>11,296,190</u>	<u>535,729</u>	<u>249,112</u>	<u>12,081,031</u>
Allowance for impairment	<u>(84,092)</u>	<u>(27,181)</u>	<u>(48,129)</u>	<u>(159,402)</u>
Net carrying amount	<u>11,212,098</u>	<u>508,548</u>	<u>200,983</u>	<u>11,921,629</u>
<b><u>Renegotiated loans</u></b>				
Gross amount	3,459	116,460	97,712	217,631
Allowance for impairment	<u>(115)</u>	<u>(2,158)</u>	<u>(20,380)</u>	<u>(22,653)</u>
Net carrying amount	<u>3,344</u>	<u>114,302</u>	<u>77,332</u>	<u>194,978</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:

	<b><u>September 30, 2020</u></b>		
	<b><u>Banco General, S. A.</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
Current	10,267,880,530	870,844,870	11,138,725,400
From 31 to 90 days	362,395,538	16,804,707	379,200,245
More than 90 days (capital or interest)	143,952,330	9,478,292	153,430,622
More than 30 days past due (capital at maturity)	<u>7,343,488</u>	<u>1,435,843</u>	<u>8,779,331</u>
Total	<u>10,781,571,886</u>	<u>898,563,712</u>	<u>11,680,135,598</u>

	<b><u>December 31, 2019</u></b>		
	<b><u>Banco General, S. A.</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
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>

	<b><u>September 30, 2019</u></b>		
	<b><u>Banco General, S. A.</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
Current	10,671,161,092	931,772,273	11,602,933,365
From 31 to 90 days	323,380,284	7,076,418	330,456,702
More than 90 days (principal or interest)	133,390,329	4,821,357	138,211,686
More than 30 days past due (capital at maturity)	<u>9,428,255</u>	<u>1,443</u>	<u>9,429,698</u>
Total	<u>11,137,359,960</u>	<u>943,671,491</u>	<u>12,081,031,451</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

The following table presents 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/.38,915,947 (December 31, 2019: B/.45,000,477) and (September 30, 2019: B/.48,900,689) which are not subject to credit risk:

		<b>September 30, 2020</b>			
	<b><u>12-month ECL</u></b>	<b><u>Lifetime ECL Not credit- impaired</u></b>	<b><u>Lifetime ECL credit- impaired</u></b>	<b><u>Purchased credit- impaired</u></b>	<b><u>Total</u></b>
<b><u>At Amortized Cost</u></b>					
<i>Foreign:</i>					
AAA	24,700,000	0	0	0	24,700,000
Lower than BBB-	<u>7,417,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,417,419</u>
Foreign carrying amount	<u>32,117,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,117,419</u>
Loss allowance	<u>(17,523)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(17,523)</u>
<b>Total carrying amount, net</b>	<b><u>32,099,896</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>32,099,896</u></b>
<b><u>At FVOCI</u></b>					
<i>Local:</i>					
AA+ to BBB-	913,689,692	0	0	0	913,689,692
Lower than BBB-	<u>388,300,769</u>	<u>22,840,013</u>	<u>14,301,309</u>	<u>0</u>	<u>425,442,091</u>
Local carrying amount	<u>1,301,990,461</u>	<u>22,840,013</u>	<u>14,301,309</u>	<u>0</u>	<u>1,339,131,783</u>
Valuation of credit risk	<u>(2,181,039)</u>	<u>(510,177)</u>	<u>(7,244,781)</u>	<u>0</u>	<u>(9,935,997)</u>
<i>Foreign:</i>					
AAA	1,794,391,866	0	0	0	1,794,391,866
AA+ to BBB-	1,055,756,279	0	0	0	1,055,756,279
Lower than BBB-	<u>218,183,000</u>	<u>10,869,980</u>	<u>129,425</u>	<u>466,044</u>	<u>229,648,449</u>
Foreign carrying amount	<u>3,068,331,145</u>	<u>10,869,980</u>	<u>129,425</u>	<u>466,044</u>	<u>3,079,796,594</u>
Valuation of credit risk	<u>(6,125,931)</u>	<u>(32,945)</u>	<u>0</u>	<u>0</u>	<u>(6,158,876)</u>
<b>Total carrying amount</b>	<b><u>4,370,321,606</u></b>	<b><u>33,709,993</u></b>	<b><u>14,430,734</u></b>	<b><u>466,044</u></b>	<b><u>4,418,928,377</u></b>
<b><u>At Fair Value TPL</u></b>					
<i>Local:</i>					
AA+ to BBB-	1,574,842				
Lower than BBB-	<u>59,366,338</u>				
Local carrying amount	<u>60,941,180</u>				
<i>Foreign:</i>					
AAA	634,480,227				
AA+ to BBB-	263,138,352				
Lower than BBB-	64,903,236				
NR	<u>3,843,741</u>				
Foreign carrying amount	<u>966,365,556</u>				
<b>Total carrying amount</b>	<b><u>1,027,306,736</u></b>				

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

		<b>December 31, 2019</b>			
	<b><u>12-month ECL</u></b>	<b><u>Lifetime ECL Not credit- impaired</u></b>	<b><u>Lifetime ECL credit- impaired</u></b>	<b><u>Purchased credit- impaired</u></b>	<b><u>Total</u></b>
<b><u>At FVOCI</u></b>					
<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>
<b>Total carrying amount</b>	<b><u>4,248,673,249</u></b>	<b><u>31,265,441</u></b>	<b><u>13,780,104</u></b>	<b><u>487,551</u></b>	<b><u>4,294,206,345</u></b>
<b><u>At Fair Value TPL</u></b>					
<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>				
<b>Total carrying amount</b>	<b><u>634,233,883</u></b>				

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

		September 30, 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>
<b><u>At FVOCI</u></b>					
<i>Local:</i>					
AA+ to BBB-	826,175,969	0	0	0	826,175,969
Lower than BBB-	459,050,284	11,692,992	14,483,000	0	485,226,276
Local carrying amount	<u>1,285,226,253</u>	<u>11,692,992</u>	<u>14,483,000</u>	<u>0</u>	<u>1,311,402,245</u>
Valuation of credit risk	<u>(1,538,799)</u>	<u>(642,188)</u>	<u>(4,981,538)</u>	<u>0</u>	<u>(7,162,525)</u>
<i>Foreign:</i>					
AAA	1,632,284,831	0	0	0	1,632,284,831
AA+ to BBB-	1,075,099,391	0	0	0	1,075,099,391
Lower than BBB-	184,392,761	5,980,017	0	511,032	190,883,810
Foreign carrying amount	<u>2,891,776,983</u>	<u>5,980,017</u>	<u>0</u>	<u>511,032</u>	<u>2,898,268,032</u>
Valuation of credit risk	<u>(4,076,684)</u>	<u>(10,260)</u>	<u>0</u>	<u>0</u>	<u>(4,086,944)</u>
<b>Total carrying amount</b>	<u>4,177,003,236</u>	<u>17,673,009</u>	<u>14,483,000</u>	<u>511,032</u>	<u>4,209,670,277</u>
<b><u>At Fair Value TPL</u></b>					
<i>Local:</i>					
AA+ to BBB-	1,886,789				
Lower than BBB-	<u>57,187,427</u>				
Local carrying amount	<u>59,074,216</u>				
<i>Foreign:</i>					
AAA	359,866,372				
AA+ to BBB-	350,614,423				
Lower than BBB-	71,583,435				
NR	188,420				
Foreign carrying amount	<u>782,252,650</u>				
<b>Total carrying amount</b>	<u>841,326,866</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**

(Panama, Republic of Panama)

**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:

	<b>September 30, 2020</b>				
	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the period</b>	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	(35,553)	35,553	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	1,639,760	(182,564)	1,971,891	0	3,429,087
New investment securities purchased	3,520,554	0	334,144	0	3,854,698
Investment securities that have been derecognized	<u>(1,712,367)</u>	<u>(11,040)</u>	<u>(334,144)</u>	<u>0</u>	<u>(2,057,551)</u>
<b>Balance at the end of the period</b>	<u>8,306,970</u>	<u>543,122</u>	<u>7,244,781</u>	<u>0</u>	<u>16,094,873</u>

  

	<b>December 31, 2019</b>				
	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	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	<u>(2,889,078)</u>	<u>(3,606)</u>	<u>0</u>	<u>(184)</u>	<u>(2,892,868)</u>
<b>Balance at the end of the year</b>	<u>4,894,576</u>	<u>701,173</u>	<u>5,272,890</u>	<u>0</u>	<u>10,868,639</u>

  

	<b>September 30, 2019</b>				
	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the period</b>	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	(1,320,740)	(138,079)	2,931,192	(12,093)	1,460,280
New investment securities purchased	2,026,937	0	0	0	2,026,937
Investment securities that have been derecognized	<u>(1,960,214)</u>	<u>(3,438)</u>	<u>0</u>	<u>(184)</u>	<u>(1,963,836)</u>
<b>Balance at the end of the period</b>	<u>5,615,483</u>	<u>652,448</u>	<u>4,981,538</u>	<u>0</u>	<u>11,249,469</u>

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Condensed Consolidated Interim Financial Information

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#### (21) Main Applicable Laws and Regulations

As of September 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:

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