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

Consolidated Financial Statements

December 31, 2020

(With Independent Auditors' Report)

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

(FREE ENGLISH LANGUAGE TRANSLATION FROM THE SPANISH VERSION)

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder
Banco General, S. A.

Opinion

We have audited the consolidated financial statements of Banco General, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities Related to the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethics requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama and we have fulfilled all other ethical responsibilities in accordance with those requirements and with the Code of Ethics of the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for Loan Losses
See Notes 3(h), 7 and 32 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions, including the impact of the Covid-19 pandemic, by the administration in the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 60% of the Bank's total assets as of December 31, 2020. The allowance for loan losses at amortized cost comprises the ECL as a result of the loan rating model and the mechanism used to determine the loans' probability of default according to the impairment stage assigned. The ECL is determined according to the grouping of loans with similar credit risk characteristics, segregated in models for Consumer Banking and Business Banking. Both models are comprised of estimates of the probability of default, loss due to default, prospective analysis, and exposure to default. The evaluation of whether there has been a significant increase in the credit risk of the loans entails the application of important judgments in these models. This constitutes a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of the Bank's judgment.	Our audit procedures, considering the use of specialists, included: • Evaluating key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies. • The judgments applied by the Bank on assumptions related to the current conditions of the economy were evaluated, including the impact of Covid-19 in these judgments and the considerations on the prospective analysis that may change the level of ECL, based on our experience and industry knowledge. • For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, collateral values as determined by qualified appraisers that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the credit risk rating assigned by the Bank's risk officers. • Assessing the Bank's applied methodologies in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance. • Performing an independent assessment of the inputs used in the Consumer and Corporate Banking methodologies and recalculating according to the estimation model of ECL for both methodologies.

Investments Valuation
See Notes 3(b), 3(h), 6 and 32 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
As of December 31, 2020, investment securities at fair value through profit or loss (FVTPL) and investment securities measured at fair value through other comprehensive income (FVOCI) represent together 30% of total assets. The Bank uses external price vendors that provide pricing for most of these investments and uses internal valuation methodologies for those securities for which pricing is not provided by external price vendors. The fair value of investments determined through internal valuation models involve judgments made by the Bank and the use of some inputs that are not readily available in active markets. Furthermore, the valuation of investments, for which prices are provided by an external price vendor, require additional effort from auditors to assert the reasonableness of their valuation. The judgment involved in estimating the fair value of an investment when some valuation inputs are not observable (i.e. investments categorized as Level 3 in the fair value hierarchy), are significant. As of December 31, 2020, investments classified as level 3 represented 18% of total investments measured at fair value and 5% of total assets.	Our audit procedures, considering the use of specialists, included: • Evaluation of the key controls in the process of identification, measurement and management of valuation risk, and the evaluation of the methodologies, inputs and assumptions used by the Bank in determining fair values. • Testing valuation of instruments categorized as level 1, by comparing the fair value applied by the Bank with public and observable market data. • Evaluation of the fair value models and the inputs used in the valuation of level 2 instruments by comparing observable market inputs with independent sources and external market data available. • For a sample of investments with significant unobservable valuation inputs (level 3), assessing the models used and approved by the Bank's Corporate Governance and independent calculation of prices for such investments.

Responsibilities of Management and Those Charged with Governance in relation to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and of the internal control that management considers necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for assessing the Bank´s capacity to continue as a going concern, disclosing, as appropriate, issues related to business as a going concern and using the basis of accounting for going concern, unless management has the intention to liquidate the Bank or cease operations, or there is no other realistic alternative.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities in Relation to the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements, are free of material misstatements, due to fraud or error, and issue an audit report that includes our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted according to ISAs will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or aggregated, may be reasonably expected to influence the economic decisions of users based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the consolidated financial statements, due to fraud or error, we design and apply audit procedures to respond to those risks, and we obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that resulting from error, since fraud may imply collusion, forgery, deliberate omissions, intentional erroneous comments, or override of internal control.

- We obtain an understanding of relevant internal control for the audit to design adequate audit procedures to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We conclude on the management's appropriate use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report about the corresponding disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the group's audit. We are solely responsible for our audit opinion.

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

We also provided to those charged with corporate governance a declaration of compliance with the relevant ethical requirements regarding independence and we communicated all relations and other matters that we consider may reasonably affect our independence and, when applicable, the corresponding safeguards.

Among the matters communicated to those charged with corporate governance, we determined those that have been the most significant throughout the audit of the consolidated financial statements of the current period and are, consequently, the key audit matters. We describe these matters in our audit report unless legal dispositions or requirements prohibit the public disclosure of the issue, or when extremely infrequent circumstances, we determine that a matter should not be communicated in our report because it could reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of such communication.

The partner in charge of the audit who has prepared this independent auditors' report is Jorge E. Castrellón.

KPMG (SIGNED)

Panamá, Republic of Panama
February 11, 2021

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

Consolidated Statement of Financial Position

December 31, 2020

(Expressed in Balboas)

Assets	Note	2020	2019
Cash and cash items		157,149,834	206,185,414
Deposits with banks:			
Local demand deposits		143,149,342	141,796,040
Foreign demand deposits		300,914,192	190,730,409
Local time deposits		199,371,557	191,762,241
Accrued interest receivable		2,602,452	2,931,780
Total deposits with banks	5	646,037,543	527,220,470
Total cash, cash items and deposits with banks		803,187,377	733,405,884
Investments and other financial assets at FVTPL		1,148,054,620	679,234,360
Investments and other financial assets at FVOCI		4,423,314,046	4,294,206,345
Investments and other financial at amortized cost, net		53,415,461	0
Accrued interest receivable		388	0
Investments and other financial assets, net	6	5,624,784,515	4,973,440,705
Loans	7	11,444,423,336	12,083,688,894
Accrued interest receivable		152,889,983	45,706,607
Less:			
Loan losses allowance		383,795,407	165,158,800
Unearned commissions		37,045,371	43,302,329
Loans, net		11,176,472,541	11,920,934,372
Investments in associates	8	21,685,950	24,881,185
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	9	236,834,035	241,433,458
Right-of-Use Assets, net	10	18,464,615	20,173,849
Customer liabilities under acceptances		12,536,897	15,956,566
Investments and other financial assets sold pending settlement	11	218,340,211	435,826,300
Deferred tax assets	26	93,796,753	40,356,757
Goodwill and other intangible assets, net	12	54,271,429	57,221,325
Foreclosed assets, net	13	26,738,930	22,260,926
Other assets		329,669,702	237,829,761
Total assets		18,616,782,955	18,723,721,088

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

Liabilities and Equity	Note	2020	2019
Liabilities:			
Deposits:			
Local:			
Demand		2,895,449,425	2,482,028,648
Savings		4,269,350,963	3,474,838,957
Time:			
Customers		5,724,270,786	5,869,300,607
Banks		6,287,808	98,725,592
Foreign:			
Demand		83,392,248	126,234,642
Savings		200,693,554	123,406,270
Time:			
Customers		270,091,681	280,733,231
Accrued interest payable		102,336,968	112,773,741
Total deposits		13,551,873,433	12,568,041,688
Financing:			
Securities sold under repurchase agreements	14	0	403,947,411
Borrowings and debt securities issued, net	16	1,076,468,583	1,914,581,302
Perpetual bonds	17	217,680,000	217,680,000
Accrued interest payable		12,340,459	15,523,759
Total financing		1,306,489,042	2,551,732,472
Lease Liabilities	18	19,696,316	20,869,766
Acceptances outstanding		12,536,897	15,956,566
Investments and other financial assets purchased pending settlement	11	730,935,003	661,020,353
Reserves of insurance operations	19	18,580,951	19,023,983
Deferred tax liabilities	26	3,047,343	4,174,111
Other liabilities	15	340,413,236	400,163,248
Total liabilities		15,983,572,221	16,240,982,187
Equity:	22		
Common shares		500,000,000	500,000,000
Legal reserves		199,242,854	189,514,475
Capital reserves		160,987,401	90,124,875
Retained earnings		1,772,980,479	1,703,099,551
Total equity		2,633,210,734	2,482,738,901
Commitments and contingencies	27		
Total liabilities and equity		18,616,782,955	18,723,721,088

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

Consolidated Statement of Income

For the year ended December 31, 2020

(Expressed in Balboas)

	Note	2020	2019
Interest and commission income:			
Interest:			
Loans		797,753,954	841,043,238
Deposits with banks		7,098,601	9,325,903
Investments and other financial assets		160,067,401	189,475,461
Commissions on loans		29,551,361	46,300,912
Total interest and commission income		994,471,317	1,086,145,514
Interest expenses:			
Deposits		258,142,100	262,369,392
Financing	30	73,590,209	124,594,527
Total interest expenses		331,732,309	386,963,919
Net interest and commission income		662,739,008	699,181,595
Provision for loan losses, net	7	280,946,792	41,953,835
Provision for impairment of investments, net	6	3,773,350	1,141,243
(Reversal) provision for foreclosed assets, net	13	(727,848)	1,827,973
Net interest and commission income, after provisions		378,746,714	654,258,544
Other income (expenses):			
Fees and other commissions	29	204,466,234	229,220,594
Insurance premiums, net		35,593,118	33,930,416
Gain on financial instruments, net	6 and 23	19,251,565	15,347,617
Other income, net	24	30,438,561	28,607,715
Commission expenses and other expenses	12 and 18	(78,686,190)	(94,963,682)
Total other income, net		211,063,288	212,142,660
General and administrative expenses:			
Salaries and other personnel expenses	25	166,277,636	178,976,862
Depreciation and amortization	9 and 10	28,516,799	28,600,218
Properties, furniture and equipment expenses		22,727,469	22,315,771
Other expenses		72,717,088	78,281,956
Total general and administrative expenses		290,238,992	308,174,807
Net operating income		299,571,010	558,226,397
Equity participation in associates	8	7,329,335	10,897,963
Net income before tax		306,900,345	569,124,360
Income tax, estimated		40,307,387	66,402,445
Income tax, deferred		(54,567,490)	(1,544,405)
Income tax, net	26	(14,260,103)	64,858,040
Net income		321,160,448	504,266,320

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

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

(Expressed in Balboas)

	2020	2019
Net income	321,160,448	504,266,320
Other comprehensive income (expense):		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	30,407,033	74,232,682
Transfer to profit or loss for sales of investments at FVOCI	30,148,087	15,218,788
Valuation of investment credit risk at FVOCI	3,756,963	1,142,551
Valuation of hedging instruments	6,550,443	(5,111,190)
Total other comprehensive income, net	70,862,526	85,482,831
Total comprehensive income	392,022,974	589,749,151

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(Expressed in Balboas)

	Common shares	Legal reserves	Capital reserves: Insurance reserve	Capital reserves: Valuation of investments and other financial assets	Capital reserves: Valuation of hedging instruments	Capital reserves: Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2018	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	504,266,320	504,266,320
Other comprehensive income (expense):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	74,232,682	0	74,232,682	0	74,232,682
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	15,218,788	0	15,218,788	0	15,218,788
Valuation of investment credit risk at FVOCI	0	0	0	1,142,551	0	1,142,551	0	1,142,551
Valuation of hedging instruments	0	0	0	0	(5,111,190)	(5,111,190)	0	(5,111,190)
Total other comprehensive income (expense), net	0	0	0	90,594,021	(5,111,190)	85,482,831	0	85,482,831
Total comprehensive income	0	0	0	90,594,021	(5,111,190)	85,482,831	504,266,320	589,749,151
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(287,980,000)	(287,980,000)
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	7,416,132	0	0	0	0	(7,416,132)	0
Total transactions attributable to the shareholder	0	7,416,132	0	0	0	0	(299,448,911)	(292,032,779)
Balance as of December 31, 2019	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	321,160,448	321,160,448
Other comprehensive income:								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	30,407,033	0	30,407,033	0	30,407,033
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	30,148,087	0	30,148,087	0	30,148,087
Valuation of investment credit risk at FVOCI	0	0	0	3,756,963	0	3,756,963	0	3,756,963
Valuation of hedging instruments	0	0	0	0	6,550,443	6,550,443	0	6,550,443
Total other comprehensive income, net	0	0	0	64,312,083	6,550,443	70,862,526	0	70,862,526
Total comprehensive income	0	0	0	64,312,083	6,550,443	70,862,526	321,160,448	392,022,974
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(238,862,127)	(238,862,127)
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	9,728,379	0	0	0	0	(9,728,379)	0
Total transactions attributable to shareholder	0	9,728,379	0	0	0	0	(251,279,520)	(241,551,141)
Balance as of December 31, 2020	500,000,000	199,242,854	1,000,000	160,584,687	(597,286)	160,987,401	1,772,980,479	2,633,210,734

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

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(Expressed in Balboas)

	Note	2020	2019
Operating activities:			
Net income		321,160,448	504,266,320
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	7	280,946,792	41,953,835
Provision for valuation of investments, net		3,773,350	1,141,243
(Reversal) provision for foreclosed assets, net	13	(727,848)	1,827,973
Unrealized (gain) loss on investments and other financial assets	23	(12,178,270)	4,551,921
Unrealized loss (gain) on derivative instruments	23	8,010,787	(5,046,368)
Gain on sale of investments and other financial assets at FVTPL, net	23	(21,926,937)	(15,609,839)
Gain on sale of investments and other financial assets at FVOCI, net	23	(19,134,530)	(1,704,461)
Realized loss on derivative instruments	23	25,977,385	2,461,130
Foreign exchange fluctuations, net	24	(10,689)	218,819
Gain on sale of fixed assets, net	24	(14,014)	(261,176)
Other net income from cancellations of right-of-use assets		(33,060)	0
Depreciation and amortization	9 and 10	28,516,799	28,600,218
Impairment loss of goodwill and amortization of intangible assets	12	2,949,896	2,617,388
Equity participation in associates	8	(7,329,335)	(10,897,963)
Income tax, net	26	(14,260,103)	64,858,040
Interest and commission income		(994,471,317)	(1,086,145,514)
Interest expense		331,732,309	386,963,919
Changes in operating assets and liabilities:			
Time deposits with banks		(7,609,316)	(25,040,930)
Investments and other financial assets at FVTPL		(445,048,645)	114,731,039
Loans		576,955,373	(166,630,529)
Unearned commissions		23,294,403	48,498,791
Tax credit from preferential interest	7	(50,413,881)	(46,133,208)
Other assets		190,004,258	14,298,736
Demand deposits		370,578,383	(227,668,781)
Savings deposits		871,799,290	83,082,096
Time deposits		(248,109,155)	371,547,602
Reserves of insurance operations		(443,032)	1,375,338
Other liabilities		39,751,049	108,522,711
Cash provided by operations:			
Income tax paid		(32,421,197)	(57,101,794)
Interest received		860,311,677	1,040,449,020
Interest paid		(345,392,927)	(376,881,581)
Dividends received	24	1,881,975	2,345,418
Total		1,416,959,470	300,923,093
Cash flows from operating activities		1,738,119,918	805,189,413
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(5,814,599,694)	(5,061,831,568)
Sale and redemptions of investments and other financial assets at FVOCI		5,716,110,156	5,163,845,991
Purchases of securities at amortized cost		(103,157,170)	0
Redemptions of securities at amortized cost		49,725,322	10,950,000
Dividends received from associates		10,524,570	12,051,494
Sale of properties, furniture and equipment		248,332	280,099
Purchases of properties, furniture and equipment	9	(20,576,766)	(31,899,165)
Cash flows from investing activities		(161,725,250)	93,396,851
Financing activities:			
Borrowings and debt securities issued	16	129,993,541	162,591,685
Redemption of debt securities issued and cancellation of borrowings	16	(988,036,113)	(1,154,050,894)
Securities sold under repurchase agreements		(403,947,411)	403,947,411
Payment of lease liabilities	18	(3,006,084)	(3,052,594)
Dividends paid on common shares		(238,862,127)	(287,980,000)
Complementary tax paid		(8,818,520)	(7,502,470)
Dividend tax		(1,216,449)	(1,308,692)
Cash flows from financing activities		(1,513,893,163)	(887,355,554)
Net increase in cash and cash equivalents		62,501,505	11,230,710
Cash and cash equivalents at the beginning of the year		538,711,863	527,481,153
Cash and cash equivalents at the end of the year	5	601,213,368	538,711,863

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

Index of Notes to the Consolidated Financial Statements:

(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 59.86% (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 food vouchers 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.

COVID-19
The outbreak of the virus known as Covid-19 has spread like a pandemic among the world's population during the year 2020, significantly affecting macroeconomic variables in Panama, impacting our financial position and operating results, which are particularly dependent on our clients' ability to meet their credit obligations. Although its effects continue to materialize, COVID-19 has caused a significant decrease in commercial activity throughout Panama. This decrease in commercial activity may cause our clients (individuals and companies), suppliers and counterparties to be unable to fulfill their payments or other obligations with the Bank.

The Bank has policies and procedures for business continuity, which establish the mechanisms to operate in the event of contingencies, guaranteeing the uninterrupted continuity of operations and services for our clients.

As of the date of the consolidated financial statements and up to the date of issuance, management continues to monitor, analyze and manage the effects that COVID-19 is having on its operations, its clients and its suppliers.

(2) Basis of Preparation

(a) Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

These consolidated financial statements were reviewed by the Board of Directors' Audit Committee and authorized for issuance by the Board of Directors on January 28, 2021.

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

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

(c) Functional and Presentation Currency
The consolidated financial statements 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 detailed as follows have been consistently applied by the Bank to all periods presented in these consolidated financial statements:

(a) Basis of Consolidation

- *Subsidiaries*

  The Bank controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its control over the entity. The financial statements of subsidiaries mentioned in Note 1 are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

- *Investment Entities and Separate Vehicles*

  The Bank manages and administers assets held in trusts and other investment vehicles as collateral on behalf of investors. The financials statements of these entities are not part of these consolidated financial statements, except for when the Bank has control over the entity.

- *Structured Entities*

  A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, for example, when any voting rights are related solely to administrative tasks, and key activities are directed by contractual agreements. In assessing whether the Bank has control and consequently determine if the structured entity is consolidated, factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns of the entity are evaluated. The financial statements of the structured entities are not part of these consolidated financial statements, except when the Bank has control.

- *Investments in Associates*

  An associate is an entity over which the Bank has significant influence, but has no control or joint control, over its financial or operating policies. It is presumed that the entity has significant influence when it owns between 20% and 50% of the voting power within the entity.

  Investments in associates are accounted for using the equity method and are initially recognized at cost. The investment cost includes transaction costs.

  The consolidated financial statements include the Bank´s participation on profit or loss and other comprehensive income under the equity method, after any adjustment to conform to the Bank's accounting policies, from the date when the significant influence begins until the date on which significant influence ceases.

When the participation in the losses of an associate or joint business equals or exceeds its participation in this, its participation in the additional losses is no longer recognized. The carrying value of the investment, along with any long term participation that, mainly, form part of the net investment of the entity, is reduced to zero, except if the Bank has an obligation or payments to make on behalf of the entity.

- *Balances and Transactions Eliminated in Consolidation*
  The consolidated financial statements include the assets, liabilities, equity, income and expenses of Banco General, S. A. and subsidiaries detailed in Note 1. Significant intercompany balances and transactions have been eliminated in the consolidation.

(b) *Fair Value Measurement*
Fair value of a financial asset or liability is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

When an asset is acquired or a liability is assumed, the transaction price is the price paid to acquire the asset or received to assume the liability (entry price). The initial fair value of a financial instrument is the transaction price.

The fair value of an instrument is measured using the quoted price in an active market for that instrument. A market is considered active, if transactions of those assets or liabilities take place with sufficient frequency and volume to provide pricing information on a going concern basis. When a price for an identical asset or liability is unobservable, a valuation technique will be used that maximizes the use of relevant observable data and minimizes the use of unobservable data . As fair value is a measurement based on market variables (prices, performance, credit margin, etc.), it is measured using the assumptions that market participants would make when setting the price of an asset or liability.

The fair value of financial instruments is determined using quoted prices in active markets, several electronic information systems, market makers, brokers, independent companies specialized in investment valuation, investment management companies and banks. In addition, in certain instances the Bank uses valuation techniques to calculate the price of some investments, mainly discounted cash flows at the appropriate discount rate for that security or instrument. Investments in equity instruments whose fair value cannot be reliably measured, will be maintained at cost.

(c) *Cash and Cash Equivalents*
For the purpose of the consolidated statement of cash flows, cash equivalents include demand deposits and time deposits with banks that have an original maturity of three months or less.

(d) *Securities Purchased Under Resale Agreements*
Securities purchased under resale agreements are short-term transactions guaranteed with securities, in which the Bank acquires the securities at a discounted market price and agrees to resell them at a future date at a specified price. The difference between the purchase price and the value of the future sale is recognized as interest income under the effective interest method.

Securities received as collateral are not recognized in the consolidated financial statements, except in case of default by the counterparty, which gives the Bank the right to appropriate the securities.

The market price of these securities is monitored and an additional collateral is obtained, if necessary, to cover credit risk exposure.

(e) *Investments and Other Financial Assets*
Investments and other financial assets are classified at their trade date and initially measured at fair value, plus transaction costs directly attributable to their acquisitions, except for investments recognized at fair value through profit or loss.

The classification and measurement of financial assets reflect the business model in which the assets are managed and their cash flows characteristics.

The business model includes three classification categories for financial assets:

- *Amortized Cost (AC)*
  A financial asset is measured at amortized cost if it complies with both of the following conditions:

  - The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - The contractual terms of the financial asset establish specific dates for cash flows derived solely from payments of principal and interest on the current balance.

- *Fair value through other comprehensive income (FVOCI)*
  A debt instrument is measured at FVOCI only if both of the following conditions are met, and has not been designated at fair value through profit or loss (FVTPL):

  - The asset is held within a business model whose objective is to collect the contractual cash flows and sell these financial assets; and
  - The contractual terms of the financial asset establish specific dates for cash flows derived solely from payments of principal and interest on the current balance.

  During the initial recognition of investments in equity instruments not held for trading, the Bank may irrevocably choose to recognize subsequent changes in fair value as part of other comprehensive income. This choice must be made on an instrument-by-instrument basis.

- *Fair value through profit or loss (FVTPL)*
  All other financial assets are measured at fair value through profit or loss.

Evaluation of the business model
The evaluation at portfolios level and the objective of the business model that applies to the financial instruments of those portfolios, include the following:

- The policies and objectives identified for the loan portfolio and operation of those policies including management's strategy to define:

  (i) To define the collection of contractual interest income
  (ii) maintain a defined interest return profile
  (iii) maintain a specific duration period
  (iv) be able to sell at any time due for liquidity needs or in order to optimize the risk / return profile of a portfolio based on interest rates, risk spreads, current duration and defined objective.
- The manner in which the behavior of different portfolios is reported to the senior management;
- The risks that affect the business model performance (and the financial assets held in the business model) and the manner in which those risks are managed;
- The frequency and value of sales in previous periods, the reasons for those sales and future sale activities expectations.

Financial assets that are held for trading and whose performance is evaluated solely on a fair value basis are measured at fair value through profit or loss considering that those are acquired to obtain a short term profit from the instrument's price fluctuations.

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other risks on a basic loan agreement and other associated costs, as well as the profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank focused on the instrument's contractual terms. This assessment considered, among others:

- Contingent events that could change the amount and / or timing of cash flows
- Leverage conditions
- Prepayment and extension terms
- Terms that limit the Bank's ability to collect cash flows from specific assets
- Features that modify considerations for the time value of money.

(f) *Derivative Financial Instruments*
Derivatives are recognized at fair value in the consolidated statement of financial position, attributable transaction costs are recognized in profit or loss when incurred. Subsequently, are recognized: (i) when hedge accounting is used, under the fair value or cash flow method; (ii) when the derivative does not qualify for hedge accounting, as trading instruments.

- *Fair value hedge*
  Derivative instruments under the fair value method are hedges from the exposure to changes in fair value of: (a) a portion or the total of a financial asset or liability recognized in the consolidated statement of financial position, (b) an acquired commitment or a transaction which is almost certain to occur. Changes in the value of these hedges using the fair value method are recognized in the consolidated statement of income.

  If hedged assets are classified as fair value through other comprehensive income, changes in fair value are recognized in an equity reserve. From the date in which these assets become a hedged item through a derivative, changes in fair value will be recognized in the consolidated statement of income and the revaluation balance, registered in the reserve, will remain until sold or redeemed.

  If a hedged asset or liability is measured at amortized cost, its carrying value should be adjusted to present the changes in its fair value attributable to the changes in interest rates. These hedged assets and liabilities will be again measured at amortized cost as soon as the hedging ceases using the adjusted effective return rate for calculating amortization. If the hedged asset carried at amortized cost suffers a permanent impairment, the loss is calculated based on the difference between its carrying value after fair value adjustments of the hedged asset attributable to the risk being hedged, and the present value of the estimated cash flows discounted at the adjusted effective interest rate.

- *Cash flow hedges*
  Derivative instruments designated under the cash flow method are risk hedges caused by fluctuation in cash flows, attributable to an asset or liability's particular risk recognized in the consolidated statement of financial position affecting net income. Changes in hedge valuation under the cash flows method, for the portion considered effective, are registered in the consolidated statement of changes in equity and the ineffective portion, is registered in the consolidated statement of income.

- *Derivative without hedge accounting*
  Derivative instruments that do not qualify for hedge accounting are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the fair value of these derivatives are recognized in the consolidated statement of income.

Hedge accounting is discontinued prospectively only when the relationship or part of a hedging relationship ceases to meet the rating criteria after any rebalancing. This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect the coverage ratio in its entirety or in part, maintaining the coverage ratio for the remaining portion.

The Bank may choose to designate one or more hedging relationships between a hedging instrument and a hedged item with one or more external entities, as well as opting for hedges between its subsidiaries.

(g) Loans and Interest

Loans granted are presented at their principal amounts pending collection and are measured at amortized cost. Interest income on loans is recognized in profit or loss using the effective interest method.

Finance leases receivable are reported as part of the loan portfolio and recorded under the financial method, which reflect these financial leases at the present value of the contracts. The difference between the total amount of the contract's present value and the cost of the leased asset is recorded as unearned interest and is amortized as interest income on loans during the period of the lease, under the effective interest rate method.

(h) Impairment of Financial Instruments

At the date of the consolidated statement of financial position, it is determined whether there is objective evidence of impairment in the financial instruments, and the expected credit loss model (ECL)is used to provide for losses in the financial instruments.

The expected credit loss (ECL) model is applicable to the following financial assets that are not measured at FVTPL:

- Loans
- Debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued

Impairment losses on equity instruments investments are not recognized.

The assessment of whether the credit risk of a financial asset has increased significantly is one of the critical judgments implemented in the impairment model.

Loss allowances are recognized at an amount equal to 12-month ECL in the following cases:

- Debt instrument investments that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which the credit risk has not increased significantly since their initial recognition.

For all other cases, allowances are recognized based on the amount equal to the ECL during the asset's total lifetime.

12-month ECL is the portion of the ECL that results from default events on a financial instrument that are possible within a 12-month period after the reporting date.

The expected credit loss (ECL) model presents three stages of impairment for financial assets that are applied from the date of origin or acquisition. These stages are summarized below:

- Stage 1: The Bank recognizes a credit loss allowance at an amount equivalent to 12-month expected credit losses. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period often the reporting date, assuming that credit risk has not increased significantly since initial recognition.

- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in his stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.

- Stage 3: The Bank recognizes a loss allowance at an amount equal to the expected credit loss during the total lifetime of the asset, based on a probability of default (PD) of 100% over the asset's recoverable cash flows.

As of June 2020, the Bank updated and expanded the models for calculating the ECL, involving a recalibration, to incorporate more recent information on the behavior of the portfolio and the economy. Additionally, the Bank has implemented complementary models to estimate the ECL on deferred loans.

Significant Increase in Credit Risk
It is determined whether the credit risk of a financial asset has increased significantly since its initial recognition, considering as main indicators, variations in days of delinquency, collection score and risk rating, and the analysis of quantitative and qualitative factors based on its historical experience and expert credit assessment including forward-looking information.

Credit Risk Rating
The Bank assigns a credit risk rating to each financial asset based on a model that incorporates a series of predictive data on the incurrence of losses. The models are applied over several periods to evaluate their reasonableness. Risk ratings are used to identify significant increases in credit risk.

Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower. Regarding foreign investments and bank deposits, the international risk ratings of Fitch Ratings Inc., Standard and Poor's or Moody's and associated changes to the ratings were used to establish whether there has been a significant increase in risk and in the calculation of the PD.

Credit risk ratings are defined and calibrated such that the risk of loss increases exponentially as the credit risk deteriorates.

Each exposure will be assigned a credit risk rating at initial recognition based on available information about the debtor. Exposures will be subject to continuous monitoring, which may result in an exposure being moved to a different credit risk rating.

Determining the significant increase of credit risk
It is determined that a credit risk exposure reflects a significant increase since its initial recognition if, based on credit risk classification models and / or days of delinquency, a determined range presents a significant downgrade.

In certain instances, based on expert judgment and, to the extent possible, relevant historical experience, it is determined that an exposure has significantly increased its credit risk based on particular qualitative indicators considered relevant and whose effect would not be comprehensively reflected otherwise.

As a limit and as required by IFRS 9, a significant increase in credit risk occurs when an asset shows delinquency of more than 30 days, except for the 60 days for residential mortgages and personal loans. The delinquency period is determined by counting the number of days since the earliest elapsed due date of which full payment has not been received.

The effectiveness of the criteria used to identify significant increases in credit risk is monitored through periodic reviews.

The risk committee, management and the Board of Directors in response to COVID-19, have increased the frequency of monitoring loan portfolios and consider the different parameters on which they rely for the definition of significant increase in credit risk.

Definition of Default
A financial asset is considered in default when:

- It is probable that the debtor will not pay its credit obligations in full, without recourse to actions such as realizing collateral, if available; or
- The debtor has more than 90 days delinquency in all credit obligations, except for residential mortgages, in which case it is more than 120 days.

In assessing whether a debtor is in default, the following indicators are considered:

- Quantitative – past due status and non-payment of another obligation of the same issuer; and
- Qualitative – breach of contract or legal situation.

The inputs used in the assessment of whether financial instruments are in default are specific to the type of portfolio, and their importance may vary over time to reflect changes in circumstances and trends.

During the year ended December 31, 2020, the Bank made deferrals to the loan payments of clients affected by COVID-19. In addition to the deferrals, relief measures have been established in order to achieve payment feasibility by affected clients based on their financial situation, without affecting clients' delinquencies. The relief measures are of a temporary nature and are reviewed as economic activities are reactivated.

Measurement of the ECL
The ECL is a probability-weighted estimate of credit losses which is measured according to the following items:

- Financial assets that are not credit-impaired at the reporting date
- Financial assets that are credit-impaired at the reporting date
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank in the event that the commitment is drawn down and the cash flows the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount the Bank expects to recover.

Generating the term structure of the PD
Days of delinquency are the main input to determine the term structure of the PD for exposures in the consumer loan portfolio. For the corporate loan portfolio, the following factors are considered as primary inputs: risk rating, days of delinquency, restructurings and materiality thresholds.

The Bank designed and evaluated statistical models to analyze the data collected and to generate estimates of the remaining lifetime PD of credit exposures, and how they are expected to change over time.

The PD of foreign investments and placed deposits was estimated using liquid market proxies (Credit Default Swaps "CDS") based on international risk ratings and the industry relating to the investment or deposit.

Inputs in the measurement of the ECL
The key inputs in the measurement of the ECL are the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD estimates are calculated, using statistical credit rating models and tools adapted to the different categories of counterparties and exposure. Statistical models were acquired from internationally recognized firms or developed internally based on historical data. These models incorporate quantitative factors, and can also consider qualitative factors. If an exposure migrates between rating categories, then this may lead to a change in the estimate of the associated PD.

The PD is estimated considering contractual maturities and estimated prepayment rates. In the case of foreign investments and placed deposits, the ECL is obtained from the probability of default implicit in the CDS used as proxies for each bond or deposit based on its international credit rating and industry.

The levels of LGD are estimated based on historical record of recovery rates:

- Observed: corresponding to the portion of EAD in default that is effectively recovered
- Estimated: corresponding to the portion of EAD in default estimated to be recoverable.

The LGD model considers the financial asset, related collateral and recovery costs of any collateral. The Bank can calibrate the LGD estimate for different economic scenarios. The Bank used the LGD implicit in the CDS for foreign investments and placed deposits.

In most cases, the EAD is equivalent to the outstanding balance of the contract; with the exception of credit cards and contingencies. For the credit cards and contingencies the current balance, the available balance and the CCF (credit conversion factor) were included in the EAD, in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

Overdrafts and credit card products include both the loan and undrawn commitment components. These facilities do not have a fixed term or repayment structure and are managed on a collective basis; the Bank can cancel them immediately.

Forward-looking information
Forward-looking information could be incorporated in the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and ECL measurement.

External information used to assess future conditions may include economic data and projections published by government entities and monetary authorities in the countries where the Bank operates, supranational organizations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and academic and private sector projections.

The Bank uses a prospective factor for the consumer portfolio that uses the growth of the Gross Domestic Product as a variable, as well as the consumer price index. For the business portfolio, the prospective factor uses the monthly index of economic activity as a variable.

The extraordinary situation caused by COVID-19 has forced our authorities to impose restrictions on mobility and the closure of commercial activities during different periods, causing an economic contraction in Panama and the countries of our region, as well as in most of the world economies. Given the economic impact, the Government and the Superintendency of Banks of Panama have established and authorized financial relief mechanisms that include a moratorium on payments to the obligations that can be extended until June 2021.

As a result of the impact on the economy, employment and the business sector, the Bank faces possible future losses on its loan portfolio, for which it has recorded complementary reserves.

Because this is a recent unprecedented situation, the estimation of its effects on the portfolio using statistical models is subject to greater uncertainty and volatility. Therefore, the Bank has made the decision to create additional provisions to those determined by our ECL models, using complementary models for portfolios with high volumes and relatively small balances; and conducting an individual analysis of debtors with significant credit exposure. The models consider, among other factors, the employment situation of the debtor and his o her family environment, the economic activity or industry of the debtor or his or her employer, the situation of postponement of his or her credit obligations and the guarantees covering the obligation. Additionally, the individual analyses considers the financial strength of the debtor and its shareholders.

(i) *Properties, Furniture, Equipment and Improvements*
Properties, furniture, equipment and improvements are stated at cost, less accumulated depreciation and amortization and any existing impairment loss. Improvements are capitalized when they increase the useful life of the asset, while minor repairs and maintenance expenses which do not extend the useful life or improve the asset are charged directly to expenses when incurred.

Depreciation and amortization expenses are recognized in profit or loss using the straight-line method over the estimated useful life of the following assets, except for land, which is not depreciated:

- Building	30 - 50 years
- Licenses and internally developed projects	3 - 12 years
- Furniture and equipment	3 - 10 years
- Improvements	5 - 15 years

(j) *Right-of-Use Assets*

IFRS 16 changes the accounting by lessees, using a unique model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, representing its right to use the underlying assets, and a lease liability, representing its obligation to make future lease payments.

The Bank used the modified retrospective approach, which establishes the cumulative effect of the adoption of IFRS 16 as an adjustment to the initial balance of retained earnings as of January 1, 2019.

The Bank applied the exemption from the standard for lease contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4, applying the following practical options for contracts in force as of that date:

- Exemption for not recognizing right-of-use assets and lease liabilities for contracts with a term of less than 12 months;
- Leases in which the underlying asset is of low value were excluded;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Reasoning was used in retrospective when determining the lease term, when the contract contained options to extend or terminate the lease.

These exemptions to recognition and their respective payments will be recorded as rental expenses in the results of the year.

The Bank measures its right-of-use asset at cost less accumulated depreciation and depreciates it according to the term of the lease.

(k) *Goodwill and Intangible Assets*

Goodwill

When an acquisition of a significant part of the equity of another company or business occurs, goodwill represents the portion of the cost of acquisition in excess of the fair value of the net assets acquired. Goodwill is recognized as an asset in the consolidated statement of financial position and is tested annually for impairment. When it is determined that an impairment exists, the difference between the carrying value of the goodwill and its fair value is recorded as an expense in the consolidated statement of income.

Intangible Assets
Intangible assets are recognized at cost less accrued amortization and impairment losses and are amortized for 20 years using the straight-line method over their estimated useful life. Intangible assets are subject to an annual review to determine if there is any indication of impairment or when there are events or changes in circumstances that indicate their carrying value may not be recoverable.

(l) Foreclosed Assets
Foreclosed assets are recognized at the lower of the outstanding principal of the secured loan and the estimated realizable value of the acquired asset.

The loss allowance method is used in providing for significant impairment losses on foreclosed assets. The impairment provision is recognized in the consolidated statement of income and the loss allowance is presented as a deduction from the carrying value of foreclosed assets.

(m) Impairment of Non-Financial Assets
The carrying value of non-financial assets is reviewed at the reporting date to determine whether there is evidence of impairment. If such impairment is identified, the asset's recoverable amount is estimated, and an impairment loss which is equivalent to the difference between the asset's carrying value and its estimated recoverable amount is recognized. The impairment loss in the asset's value is recognized as an expense in the consolidated statement of income.

(n) Securities Sold Under Repurchase Agreements
Securities sold under repurchase agreements are short-term funding transactions guaranteed with securities, in which the Bank is obligated to repurchase the securities sold at a future date at a specified price. The difference between the selling price and the future purchase price is recognized as interest expense under the effective interest rate method.

Securities provided as collateral continue to be recognized in the consolidated financial statements, as the counterparty has no property right on these securities, unless there is a default by the Bank.

(o) Deposits, Borrowings and Debt Securities Issued
Deposits from customers, borrowings and debt securities issued are initially measured at fair value. Subsequently, they are measured at their amortized cost using the effective interest rate method.

(p) Financial Liabilities
The changes in the fair value of liabilities designated as FVTPL are presented as follows:

- The amount of the change in fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in fair value is presented in profit or loss.

(q) *Other Financial Liabilities at Fair Value*
This category of other liabilities includes financial liabilities, that are presented at fair value; and the changes in fair value are recognized in the consolidated statement of income.

(r) Lease Liabilities
On the beginning date of a lease, the Bank recognizes a lease liability calculated at the present value of the future lease payments.

The Bank discounted the future lease payments using the incremental rate as of January 1, 2019, which was calculated considering a rate equivalent to that which would be used in a loan to acquire an asset with the same conditions, for a similar term to that agreed upon in the lease.

Lease payments are assigned between debt reduction and interest expenses, which is recognized in profit or loss.

(s) *Financial Guarantees*
Financial guarantees are contracts that require to make specific payments on behalf of customers, to reimburse the beneficiary of the guarantee, in the event that the client fails to make payments when due in accordance with the terms and conditions of the contract.

Liabilities for financial guarantees are recognized at fair value; and are included in the consolidated statement of financial position within other liabilities.

(t) *Interest Income and Expenses*
Interest income and expenses are recognized in the consolidated statement of income for all financial instruments using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all paid or received commissions between the parties, the transaction costs and any premium or discount.

(u) *Commission Income*
Generally, the commissions on short-term loans, letters of credit and other banking services are recognized as income on a cash basis due to their short-term maturity. Income recognized on a cash basis is not significantly different from the income that would be recognized under the accrual method.

Commissions on medium and long-term loans, net of certain direct loan origination costs, are deferred and amortized using the effective interest rate method over the average life of the loans.

(v) *Insurance Operations*
The portion of unearned premiums as of the reporting date, considering the contractual term, is presented within the allowance for insurance operations line as an allowance for unearned premiums.

Unearned premiums and reinsurers' participation in unearned premiums are calculated using the daily quota method.
Estimated claims pending settlement are represented by claims incurred but not settled at the reporting date, whether or not they are reported and the related internal and external claims handling expenses.

The fees paid to brokers and the taxes paid on premiums are deferred as deferred acquisition costs according to their relation to the unearned premiums net of the reinsurers' participation and are presented in the caption of other assets in the consolidated statement of financial position.

Premiums received from collective life insurance for periods greater than one year are credited in the consolidated statement of financial position according to their maturity date. The portion corresponding to the current year is recorded as premium income at their due dates while the remainders of the premiums, relating to future years, are maintained as premiums issued in advance and are presented in other liabilities in the consolidated statement of financial position.

(w) *Trust Operations*
Assets held in trusts or in fiduciary function are not considered part of the Bank; consequently, such assets and their corresponding income are not included in these consolidated financial statements. The Bank is required by contractual agreements to manage the assets held in trusts independently from its own equity.

Fees earned in relation to trust operations are recognized as fees and other commissions in the consolidated statement of income.

(x) *Income Tax*
Estimated income tax is calculated on net taxable income, using current tax rates at the consolidated statement of financial position date, and any adjustment to prior years' income tax.

Deferred income tax represents the amount of income tax payable and/or receivable in future years resulting from temporary differences between the financial carrying amounts of assets and liabilities and the amounts used for taxation purposes, using the tax rates at the consolidated statement of financial position date.

These temporary differences are expected to be reversed in future dates, if it is determined that the deferred tax asset will not be realizable in future years, it would be reduced total or partially.

(y) Stock Purchase Option Plan and Restricted Stock Plan

The Board of Directors of Grupo Financiero BG, S. A. authorized a grant to key executives of the Bank, hereinafter the "participants", the following plans:

- Stock purchase option plan of Grupo Financiero BG, S. A. and its Holding Company
- Restricted Stock Plan of Grupo Financiero BG, S. A.

The fair value of the option on the grant date is recognized as an expense of the Bank, during the term of the option, against the balance owed to Grupo Financiero BG, S. A., and its Holding Company. The total amount of the expense in the grant year is determined by reference to the fair value of the options on the grant date.

The fair value of the restricted shares granted annually to the participants is recognized as an expense for the year by the Bank.

(z) Segment Reporting

A business segment is a component of the Bank, whose operating results are reviewed regularly by the General Management to make decisions about the resources that will be assigned to the segment and evaluate its performance, and for which financial information is available for this purpose.

(aa) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates in effect at the transaction date. Assets and liabilities held in foreign currency are converted into the functional currency based on the current exchange rate at the reporting date, and income and expense based on the average exchange rate for the year.

Gains and losses from foreign currency transactions are reflected in other income in the consolidated statement of income.

(ab) New International Financial Reporting Standars (IFRS) and Interpretations no adopted

New standards, interpretations and amendments to IFRS have been published, but are not mandatory as of December 31, 2020, and have not been adopted in advance by the Bank.

(4) Balances and Transactions with Related Parties

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

	2020			
	Directors and Management	**Related Companies**	**Affiliated Companies**	**Total**
Assets:				
Investments and other financial assets	0	146,924,601	36,739,463	183,664,064
Loans	10,993,872	174,406,513	13,210,417	198,610,802
Investments in associates	0	21,685,950	0	21,685,950
Liabilities:				
Deposits:				
Demand	1,327,813	109,265,903	83,070,493	193,664,209
Savings	6,054,480	118,399,415	22,904,654	147,358,549
Time	2,892,117	316,782,997	129,153,846	448,828,960
	10,274,410	544,448,315	235,128,993	789,851,718
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	6,102,346	35,955,000	42,057,346
Interest income:				
Loans	480,115	8,429,540	778,291	9,687,946
Investments and other financial assets	0	6,757,302	1,919,167	8,676,469
Interest expenses:				
Deposits	142,942	14,638,404	1,520,765	16,302,111
Financing	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	7,329,335	0	7,329,335
Received dividends	0	683,894	0	683,894
General and administrative expenses:				
Directors' fees	492,038	0	0	492,038
Benefits to key management personnel	4,997,943	0	0	4,997,943

	2019			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	0	156,432,533	36,676,666	193,109,199
Loans	7,574,124	122,728,155	16,644,873	146,947,152
Investments in associates	0	24,881,185	0	24,881,185
Liabilities:				
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	2,192,803	362,150,975	116,461,538	480,805,316
	9,396,026	545,161,760	184,207,930	738,765,716
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	6,503,627	31,333,000	37,836,627
Interest income:				
Loans	363,566	11,856,792	1,043,972	13,264,330
Investments and other financial assets	0	7,568,528	1,958,177	9,526,705
Interest expenses:				
Deposits	96,551	16,450,378	1,516,961	18,063,890
Financing	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	10,897,963	0	10,897,963
Received dividends	0	996,173	0	996,173
General and administrative expenses:				
Directors' fees	367,380	0	0	367,380
Benefits to key management personnel	5,996,989	0	0	5,996,989

The benefits to key management personnel include salaries and other expenses for B/.4,641,573 (2019: B/.5,524,595) and options to purchase shares for B/.356,370 (2019: B/.472,394).

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 consolidated statement of cash flows:

	2020	2019
Cash and cash items	157,149,834	206,185,414
Demand deposits with banks	444,063,534	332,526,449
Time deposits with banks	199,371,557	191,762,241
Total deposits with banks	643,435,091	524,288,690
Less: Deposits with banks, with original maturities greater than three months	199,371,557	191,762,241
Cash and cash equivalents in the consolidated statement of cash flows	601,213,368	538,711,863

Demand deposits with banks include cash collateral accounts for B/.37,692,362 (2019: B/.38,014,162) that secure derivative operations, Repos, and the next quarterly payments of principal, interest and expenses of certain obligations.

(6) Investments and Other Financial Assets

Investments and other financial assets are detailed as follows:

Investments and Other Financial Assets at Fair Value through Profit or Loss

The portfolio of investments and other financial assets at fair value through profit or loss is detailed as follows:

	2020	2019
Local Commercial Paper	465,047	0
Local Corporate Bonds and Fixed Income Funds	60,486,502	56,841,449
Bonds of the Republic of Panama	1,590,697	1,564,073
Local Corporate Shares	37,736,965	44,750,679
Foreign Treasury Bills	250,793	250,991
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	662,872,298	428,223,755
Asset Backed Securities	63,530,323	38,113,904
Foreign Corporate Bonds and Fixed Income Funds	321,047,881	109,239,711
Foreign Corporate Shares and Variable Income Mutual Funds	74,114	249,798
Total	1,148,054,620	679,234,360

The Bank sold from the portfolio of investments and other financial assets at fair value through profit or loss the amount of B/.11,659,598,599 (2019: B/.8,901,685,652). These sales generated a net gain of B/.24,871,658 (2019: B/.19,136,176) which is presented in the consolidated statement of income a gain on financial instruments, net.

Investments and Other Financial Assets at Fair Value Through OCI

Investments and other financial assets at fair value through OCI are detailed as follows:

	2020 Fair Value	2020 Amortized Cost	2019 Fair Value	2019 Amortized Cost
Local Commercial Paper and Treasury Bills	6,982,274	6,900,000	13,300,647	13,197,163
Local Corporate Bonds	1,144,518,892	1,081,951,634	1,070,031,900	1,026,855,001
Bonds of the Republic of Panama	205,763,203	182,592,578	361,359,455	346,972,169
Bonds of the US Government and Agency	43,469,116	43,476,528	35,716,813	35,348,203
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	367,546,062	367,501,342	202,365,732	202,343,956
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,380,112,611	1,347,329,648	1,451,228,382	1,439,744,542
Asset Backed Securities (ABS)	180,218,685	179,509,897	163,509,991	162,864,420
Foreign Corporate Bonds	1,039,221,091	1,006,286,176	950,874,618	931,706,462
Other Government Bonds	55,482,112	52,570,745	45,818,807	43,921,149
Total	4,423,314,046	4,268,118,548	4,294,206,345	4,202,953,065

The Bank sold investments and other financial assets at fair value through OCI for the amount of B/.2,444,842,724 (2019: B/.2,240,425,864). These sales generated a net gain of B/.19,134,530 (2019: B/.1,704,461), which is presented in the consolidated statement of income as gain on financial instruments, net.

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:

2020	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at the beginning of the year	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	(25,909)	25,909	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	665,261	(189,491)	2,289,915	0	2,765,685
New investment securities purchased	3,204,978	0	334,144	0	3,539,122
Investment securities that have been derecognized	(2,211,761)	(1,939)	(334,144)	0	(2,547,844)
Balance at the end of the year	6,527,145	535,652	7,562,805	0	14,625,602

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

Investments at Amortized Cost

At December 31, 2020, the investments portfolio at amortized cost amounted to B/.53,431,848 less a 12-month expected credit loss allowance of B/.16,387.

	Amortized Cost	**Fair Value**
Foreign securities purchased under resold agreements, net	47,597,144	47,600,000
Foreign Bank Acceptances, net	5,818,317	5,831,848
Total	53,415,461	53,431,848

At December 31, 2020, the investments at amortized cost are summarized as follows:

Investments portfolio at amortized cost, net	53,415,461
Accrued interest receivable	388
Total of investments at amortized cost	53,415,849

Foreign securities purchased under resold agreements, net for B/.47,597,144 were guaranteed with foreign securities for B/.48,728,954.

The payment of capital and interest on 99.9% of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 64.2% (2019: 70.7%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 2.84 years and CMOs is of 1.49 years (2019: 2.94 years for MBS and 1.61 years for CMOS).

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.

Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through Profit or Loss

	2020	**Level 1**	**Level 2**	**Level 3**
Local Commercial Paper	465,047	0	0	465,047
Local Corporate Bonds and Fixed Income Funds	60,486,502	0	0	60,486,502
Bonds of the Republic of Panama	1,590,697	0	1,590,697	0
Local Corporate Shares	37,736,965	3,182	0	37,733,783
Foreign Treasury Bills	250,793	250,793	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	662,872,298	0	662,872,298	0
Asset Backed Securities (ABS)	63,530,323	0	63,530,323	0
Foreign Corporate Bonds and Fixed Income Funds	321,047,881	0	206,855,893	114,191,988
Foreign Share capital	74,114	0	0	74,114
Total	1,148,054,620	253,975	934,849,211	212,951,434

	2019	**Level 1**	**Level 2**	**Level 3**
Local Corporate Bonds and Fixed Income Funds	56,841,449	0	0	56,841,449
Bonds of the Republic of Panama	1,564,073	0	1,564,073	0
Local Corporate Shares	44,750,679	4,297	0	44,746,382
Foreign Treasury Bills	250,991	250,991	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	428,223,755	0	428,223,755	0
Asset Backed Securities (ABS)	38,113,904	0	38,113,904	0
Foreign Fixed Income Funds	109,239,711	0	0	109,239,711
Foreign Share capital and Variable Income Mutual Funds	249,798	0	3,615	246,183
Total	679,234,360	255,288	467,905,347	211,073,725

Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through OCI

	2020	**Level 1**	**Level 2**	**Level 3**
Local Commercial Paper	6,982,274	0	0	6,982,274
Local Corporate Bonds	1,144,518,892	0	382,240,527	762,278,365
Bonds of the Republic of Panama	205,763,203	0	205,763,203	0
Bonds of the US Government and Agency	43,469,116	39,457,736	4,011,380	0
Foreign Commercial Paper and Treasury Bills	367,546,062	313,322,675	51,623,459	2,599,928
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,380,112,611	0	1,380,112,611	0
Asset Backed Securities (ABS)	180,218,685	0	180,218,685	0
Foreign Corporate Bonds	1,039,221,091	201,649	1,039,019,442	0
Bonds of Other Governments	55,482,112	0	55,482,112	0
Total	4,423,314,046	352,982,060	3,298,471,419	771,860,567

Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through OCI

	2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	13,300,647	0	0	13,300,647
Local Corporate Bonds	1,070,031,900	0	185,453,851	884,578,049
Bonds of the Republic of Panama	361,359,455	0	361,359,455	0
Bonds of the US Government	35,716,813	35,716,813	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	202,365,732	148,368,307	46,980,989	7,016,436
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,451,228,382	0	1,450,514,538	713,844
Asset Backed Securities (ABS)	163,509,991	0	163,509,991	0
Foreign Corporate Bonds	950,874,618	0	950,874,618	0
Bonds of Other Governments	45,818,807	4,039,883	41,778,924	0
Total	4,294,206,345	188,125,003	3,200,472,366	905,608,976

Changes in Fair Value Measurement of Level 3 hierarchy

	Investments and other financial assets: Fair Value through Profit or Loss	Investments and other financial assets: Fair Value through OCI	Total
December 31, 2019	211,073,725	905,608,976	1,116,682,701
(Loss) gain recognized in income	(7,850,882)	2,281,900	(5,568,982)
Gain recognized in equity	0	9,096,814	9,096,814
Purchases	30,707,898	431,197,075	461,904,973
Amortization, sales and redemptions	(20,979,307)	(575,692,393)	(596,671,700)
Transfers from level 3	0	(631,805)	(631,805)
December 31, 2020	212,951,434	771,860,567	984,812,001
Total gains (loss) related to instruments held as of December 31, 2020	(7,987,108)	18,073,471	10,086,363
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(3,691,126)	(174,896)	(3,866,022)
Gain recognized in equity	0	8,764,256	8,764,256
Purchases	50,833,752	242,974,034	293,807,786
Amortization, sales and redemptions	(42,184,434)	(215,681,738)	(257,866,172)
December 31, 2019	211,073,725	905,608,976	1,116,682,701
Total (loss) gains related to instruments held as of December 31, 2019	(10,450,546)	9,509,954	(940,592)

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

During 2020, by changes in the source of estimate of fair value level of Collateralized Mortgage Obligations (CMOs) agency, a non-significat transfer was made Level 3 to Level 2 in the fair value through OCI category.

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

Instruments	Valuation technique	Unobservable inputs used	Range for unobservable inputs 2020	Range for unobservable inputs 2019	Fair value sensitivity to unobservable inputs
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Minimum 4.75% Maximum 11.11%	Minimum 5.36% Maximum 8.37%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Minimum (102.34%) Maximum 3714.09%	Minimum (20.23%) Maximum 22.14%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Minimum 0.99% Maximum 12.55% Average 2.54%	Minimum 0.71% Maximum 13.95% Average 2.06%	If the credit spreads increase, the price decreases and vice versa

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

Instrument	Valuation technique	Inputs used	Level
Local Fixed Income	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
Local Shares	Quoted market prices	Quoted prices in active markets	1-3
	Dividend discount model Discount free cash flows model (DCF), which are compared to the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
	Carrying amount model	Equity Issued and outstanding shares	
Foreign Fixed Income	Quoted market prices	Quoted prices in active markets	1-2-3
	Quoted observable market prices for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Buying/Selling prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	

Instrument	Valuation technique	Inputs used	Level
Agencies' MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2-3
Private MBS / CMOs and ABS	Discounted cash flows model	Features of collateral Treasury yield Yield curves Expected cash flow and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
Foreign Shares	Carrying Amount Model	Carrying amount of the shares of the company	3
Investment Vehicles	Net asset value	Net asset value	2-3

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:

	2020			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	2,256	(65,675)	6,362,446	(6,473,423)
Corporate Shares	2,181,826	(1,835,647)	0	0
Total	2,184,082	(1,901,322)	6,362,446	(6,473,423)

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

For investments and other financial assets securing borrowings, see Note 14.

(7) Loans

The composition of the loan portfolio is summarized as follows:

	2020	2019
Internal sector:		
Residential mortgages	4,390,972,007	4,321,903,596
Personal, auto and credit cards	1,759,519,908	1,894,882,198
Commercial mortgages	1,952,980,797	2,020,114,781
Lines of credit and commercial loans	1,247,970,214	1,447,828,168
Interim financing	482,879,078	565,399,272
Financial leases, net	79,984,276	100,191,047
Other secured loans	186,758,212	212,990,294
Overdrafts	113,189,064	145,292,387
Total internal sector	10,214,253,556	10,708,601,743
External sector:		
Residential mortgages	204,561,338	223,143,187
Personal, auto and credit cards	11,965,524	15,322,824
Commercial mortgages	188,603,109	208,335,226
Lines of credit and commercial loans	759,317,604	858,508,205
Other secured loans	12,317,737	11,209,493
Overdrafts	53,404,468	58,568,216
Total external sector	1,230,169,780	1,375,087,151
Total	11,444,423,336	12,083,688,894

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

	2020			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	22,593,609	(18,368,851)	(4,224,758)	0
Transferred to lifetime ECL not credit-impaired	(4,770,813)	10,912,196	(6,141,383)	0
Transferred to lifetime ECL credit-impaired	(1,086,177)	(9,563,591)	10,649,768	0
Net remeasurement of portfolio	125,514,934	65,302,719	112,571,124	303,388,777
New Loans	9,218,766	2,398,602	9,767,176	21,384,544
Loans that have been derecognized	(9,354,756)	(9,432,602)	(25,039,171)	(43,826,529)
Recovery of loan write-off	0	0	20,907,477	20,907,477
Loans written-off	0	0	(83,217,662)	(83,217,662)
Balance at the end of the year	225,723,115	71,959,280	86,113,012	383,795,407

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

Loan loss allowance for consumer loans:

	2020			
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	75,144,086	19,487,849	19,743,391	114,375,326
Transferred to 12-month ECL	16,886,005	(12,824,090)	(4,061,915)	0
Transferred to lifetime ECL not credit-impaired	(3,079,616)	4,478,462	(1,398,846)	0
Transferred to lifetime ECL credit-impaired	(940,958)	(6,316,270)	7,257,228	0
Net remeasurement of portfolio	121,369,231	23,432,453	67,654,194	212,455,878
New Loans	4,066,843	43,438	83,820	4,194,101
Loans that have been derecognized	(4,607,351)	(7,057,768)	(14,824,702)	(26,489,821)
Recovery of loans write-off	0	0	18,880,057	18,880,057
Loans written-off	0	0	(78,895,279)	(78,895,279)
Balance at end of the year	208,838,240	21,244,074	14,437,948	244,520,262

	2019			
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	76,707,773	17,801,949	18,978,216	113,487,938
Transferred to 12-month ECL	11,105,225	(7,772,497)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(1,611,638)	2,533,427	(921,789)	0
Transferred to lifetime ECL credit-impaired	(1,209,505)	(1,866,695)	3,076,200	0
Net remeasurement of portfolio	(15,101,091)	12,313,145	34,059,528	31,271,582
New Loans	14,563,741	1,474,677	999,480	17,037,898
Loans that have been derecognized	(9,310,419)	(4,996,157)	(11,919,868)	(26,226,444)
Recovery of loans write-off	0	0	27,309,054	27,309,054
Loans written-off	0	0	(48,504,702)	(48,504,702)
Balance at end of the year	75,144,086	19,487,849	19,743,391	114,375,326

Loan loss allowance for corporate loans:

	2020			
	12-month ECL	**Lifetime ECL Not credit - impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at beginning of the year	8,463,466	11,222,958	31,097,050	50,783,474
Transferred to 12 months ECL	5,707,604	(5,544,761)	(162,843)	0
Transferred to lifetime ECL not credit impaired	(1,691,197)	6,433,734	(4,742,537)	0
Transferred to lifetime ECL credit impaired	(145,219)	(3,247,321)	3,392,540	0
Net remeasurement of portfolio	4,145,703	41,870,266	44,916,930	90,932,899
New Loans	5,151,923	2,355,164	9,683,356	17,190,443
Loans that have been derecognized	(4,747,405)	(2,374,834)	(10,214,469)	(17,336,708)
Recovery of loans write-off	0	0	2,027,420	2,027,420
Loans written-off	0	0	(4,322,383)	(4,322,383)
Balance at end of the year	16,884,875	50,715,206	71,675,064	139,275,145

	2019			
	12-month ECL	**Lifetime ECL Not credit - impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at beginning of the year	9,901,776	6,742,839	28,398,721	45,043,336
Transferred to 12 months ECL	588,303	(588,303)	0	0
Transferred to lifetime ECL not credit impaired	(453,955)	746,088	(292,133)	0
Transferred to lifetime ECL credit impaired	(75,508)	(1,407,825)	1,483,333	0
Net remeasurement of portfolio	(963,644)	3,604,792	16,487,166	19,128,314
New Loans	3,645,514	4,247,631	6,093,187	13,986,332
Loans that have been derecognized	(4,179,020)	(2,122,264)	(6,942,563)	(13,243,847)
Recovery of loans write-off	0	0	345,220	345,220
Loans written-off	0	0	(14,475,881)	(14,475,881)
Balance at end of the year	8,463,466	11,222,958	31,097,050	50,783,474

The main factors that influenced the increase in the loan loss allowance during 2020 were the following:

- Increase in unemployment levels or work suspensions
- Decrease in the volume of commercial activities as a result of the temporary closure measures
- Uncertainty about the economy's recovery period

The interest receivable from the loans to which the Bank applied deferral of installments as a measure of financial relief for COVID-19 amounts to B/.109,428,367.

A 59% (2019: 56%) of the Bank's credit portfolio is constituted by residential and commercial mortgage loans backed by residential units and commercial or industrial buildings.

The loan portfolio classification by guarantee type, mainly mortgages on real estate and chattels, and other collateral such as deposits, securities, and corporate guaranties, is detailed as follows:

	2020	2019
	(in Thousands)	
Mortgages on real estate	7,740,265	7,928,112
Mortgages on moveable property	618,339	666,521
Deposits	305,813	405,549
Other guaranties	269,780	318,784
Unsecured	2,510,226	2,764,723
Total	11,444,423	12,083,689

For loans pledged to secure borrowings, see Note 16.

The Bank recognized a tax credit in the amount of B/.50,413,881 (2019: B/.46,133,208), originating from the annual benefit awarded on mortgage loans granted with preferential interest rates.

This benefit is equivalent to the difference between the income the Bank would have earned on these mortgage loans had it used the market reference interest rate in effect for that year, and the interest income actually earned.

Finance Leases, Net

The balance of finance leases, net of unearned interest, and the maturity schedule of the minimum payments are summarized as follows:

	2020	2019
Minimum payments up to 1 year	40,100,105	48,210,063
Minimum payments from 1 to 6 years	48,098,653	63,840,430
Total minimum payments	88,198,758	112,050,493
Less unearned interest	8,214,482	11,859,446
Total finance leases, net	79,984,276	100,191,047

(8) Investments in Associates

The investments in associates are detailed as follows:

Associates	Activity	Equity Participation 2020	Equity Participation 2019	2020	2019
Telered, S. A.	Processing of electronic transactions	40%	40%	11,964,585	13,356,397
Proyectos de Infraestructura, S. A.	Real estate investors	38%	38%	6,267,042	6,453,338
Processing Center, S. A.	Credit card processing	49%	49%	833,338	2,459,265
Financial Warehousing of Latin America, Inc.	Administrator of trust funds	38%	38%	2,620,985	2,612,185
				21,685,950	24,881,185

The financial information of investments in associates is summarized as follows:

				2020				
Associates	**Financial Information Date**	**Assets**	**Liabilities**	**Equity**	**Income**	**Expenses**	**Net income (loss)**	**Participation recognized in profit or loss**
Telered, S. A.	30-nov-2020	56,400,312	16,709,653	39,690,659	37,940,211	29,911,657	8,028,554	3,486,203
Proyectos de Infraestructura, S. A.	31-dec-2020	16,424,005	0	16,424,005	0	487,869	(487,869)	(186,295)
Processing Center, S. A.	31-dec-2020	13,195,402	11,643,508	1,551,894	20,083,376	11,144,796	8,938,580	3,900,927
Financial Warehousing of Latin America, Inc.	30-sep-2020	9,666,910	3,359,319	6,307,591	2,052,803	1,410,102	642,701	128,500
Total								7,329,335

				2019				
Associates	**Financial Information Date**	**Assets**	**Liabilities**	**Equity**	**Income**	**Expenses**	**Net Income**	**Participation recognized in profit or loss**
Telered, S. A.	30-nov-2019	54,415,351	17,218,349	37,197,002	43,810,282	30,752,828	13,057,454	5,450,625
Proyectos de Infraestructura, S. A.	31-dec-2019	16,911,874	0	16,911,874	3,361,951	509	3,361,442	1,285,274
Processing Center, S. A.	30-nov-2019	27,528,274	13,876,652	13,651,622	18,575,038	10,710,845	7,864,193	3,890,064
Financial Warehousing of Latin America, Inc.	31-oct-2019	11,352,397	3,782,322	7,570,075	4,427,384	2,447,176	1,980,208	272,000
Total								10,897,963

(9) Properties, Furniture, Equipment and Improvements

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

			2020			
	Land	**Buildings**	**Licenses and internally developed projects**	**Furniture and Equipment**	**Improvements**	**Total**
Cost:						
At the beginning of the year	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
Additions	229,671	0	14,242,307	5,996,359	108,429	20,576,766
Sales and disposals	0	396,447	132,188	2,926,838	1,008,863	4,464,336
At the end of the year	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Accumulated depreciation and amortization:						
At the beginning of the year	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the year	0	3,542,190	10,629,755	8,624,246	2,145,680	24,941,871
Sales and disposal	0	166,776	132,172	2,922,209	1,008,861	4,230,018
At the end of the year	0	37,058,835	84,121,051	78,790,441	31,171,643	231,141,970
Net balance	32,566,104	100,052,142	58,762,997	34,679,829	10,772,963	236,834,035

			2019			
	Land	**Buildings**	**Licenses and internally developed projects**	**Furniture and Equipment**	**Improvements**	**Total**
Cost:						
At the beginning of the year	32,147,489	136,631,808	113,226,231	102,710,974	38,902,824	423,619,326
Additions	205,000	875,616	16,750,546	9,953,557	4,114,446	31,899,165
Sales and disposals	16,056	0	1,202,848	2,263,782	172,230	3,654,916
At the end of the year	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
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 disposal	0	0	1,202,848	2,260,915	172,230	3,635,993
At the end of the year	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Net balance	32,336,433	103,824,003	55,150,461	37,312,345	12,810,216	241,433,458

(10) Right-of-Use Assets

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

	2020	**2019**
Cost:		
At the beginning of the year	23,922,360	23,366,850
New contracts	2,204,652	555,510
Cancellations	(588,579)	0
At the end of the year	25,538,433	23,922,360
Accumulated depreciation:		
At the beginning of the year	3,748,511	0
Expense of the year	3,574,928	3,748,511
Cancellations	(249,621)	0
At the end of the year	7,073,818	3,748,511
Net balance	18,464,615	20,173,849

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

(11) Investments and Other Financial Assets Sold and Purchased Pending Settlement

The Bank recognizes each sale and purchase of financial instruments on a trade-date basis; the settlement of the transaction generally occurs within three to thirty business days following the trade date. The period between the trade date and the settlement date varies depending on the type of financial instrument traded and the regulations in effect at the market where the negotiation occurred.

Investments and other financial assets pending settlement amounted to B/.218,340,211 (2019: B/.435,826,300) for sales of investments and other financial assets and B/.730,935,003 (2019: B/.661,020,353) for purchases of investments and other financial assets.

(12) Goodwill and Intangible Assets, Net

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

Company	**Date of acquisition**	**Participation acquired**	**% of Acquired Participation**	**Balance**
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%	398,238
Total				41,489,737

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

		2020	
	Goodwill	**Intangible assets**	**Total**
Cost:			
Balance at the beginning of the year	41,822,241	47,462,084	89,284,325
Impairment loss	(332,504)	0	(332,504)
Net balance at the end of the year	41,489,737	47,462,084	88,951,821
Accumulated amortization:			
Balance at the beginning of the year	0	32,063,000	32,063,000
Amortization of the year	0	2,617,392	2,617,392
Balance at the end of the year	0	34,680,392	34,680,392
Net balance at the end of the year	41,489,737	12,781,692	54,271,429

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

To test for impairment of goodwill or other intangible assets, a valuation of several assets (contracts, portfolios) or businesses acquired by the Bank is made goodwill or intangible to determine if the recoverable amount of an asset or business is greater than is carrying amount. In assessing value in use, the Bank mainly uses a discounted future net cash flows model or alternative valuation models including multiples of earnings and equity, as applicable.

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. During 2020, the subsidiary Vale General, S. A. had an impairment loss of B/.332,504 in the goodwill generated from participation acquired in Pases Alimenticios S.A. (2019: no impairment losses were recognized). Additionally, the valuation calculated by discounting the future cash flows generated from the acquisition of assets or businesses resulted in a present value which exceeded their carrying value.

To carry out the valuation of assets and businesses acquired, expected future net cash flows of assets or businesses were projected for periods ranging from six to ten years and included a perpetual growth at the end of the period to estimate terminal cash flows. The growth rates in assets or businesses fluctuate based on their individual nature, and the current range is between 0% and 10%, while the perpetual growth rate ranged from 0% to 5%.

To determine the growth rates of assets or businesses, the Bank used reference growth, performance, and actual historical metrics of relevant assets or businesses, future prospects, anticipated macroeconomic growth of the country, business segments or evaluated business; as well as the Bank's business plans and expected growth rates in general, and for specific business assessment.

To calculate the present value of future cash flows and determine the value of the assets or businesses being evaluated, the Bank's estimated average cost of capital was used as a discount rate for the periods referred to, when the business unit being assessed is the Bank; when discounting cash flows of assets or units with a profile other than that of the Bank, the applicable cost of capital to that unit is used. The Bank's capital cost is based on the average interest rates of long-term AAA dollar instruments, the country risk premium and return premium applicable for capital investments. The cost of capital used fluctuates between 8% and 9% and changes over time.

The key assumptions described above may change as economic and market conditions change. The Bank estimates that reasonable possible changes under these assumptions do not affect the recoverable amount of the business units or decreases them below their carrying amounts.

The amortization expense of the amortization of intangibles assets and goodwill impairment loss are presented in the consolidated statement of income as commissions and other expenses.

(13) Foreclosed Assets, Net

The Bank holds foreclosed assets, amounting to B/.28,343,710 (2019: B/.25,852,378), less a reserve of B/.1,604,780 (2019: B/.3,591,452).

The movement of the reserve for foreclosed assets is summarized as follows:

	2020	**2019**
Balance at the beginning of the year	3,591,452	2,567,370
Provisions charged to expenses	1,064,821	1,851,036
Reversal of provision	(1,792,669)	(23,063)
Foreclosed assets sold	(1,258,824)	(803,891)
Balance at the end of the year	1,604,780	3,591,452

(14) Securities Sold Under Repurchase Agreements

As of December 31, 2019, the Bank held obligations from securities sold under repurchase agreements for B/.403,947,411 with various maturities until January 2020 at an annual interest rate of 1.97% until 2.45%; the average interest rate of these securities was 2.28%. These securities were guaranteed by investment securities for B/.428,411,465.

Securities sold under repurchase agreements at amortized cost are detailed as follows:

	2019
Securities sold under repurchase agreements	403,947,411
Accrued interest payable	665,833
Securities sold under repurchase agreements at amortized cost	404,613,244

(15) 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:

	Level	2020	2019
Mortgage Backed Securities (MBS)	2	32,653,464	58,156,179
Total		32,653,464	58,156,179

See the description of the main valuation methods, assumptions and variables used in estimating the fair value of these liabilities and the levels in Note 6.

(16) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	2020	2019
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	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
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	550,000,000
Borrowings with maturity in 2020, at interest rates of 6 month Libor plus a margin	0	609,697,952
Borrowings with maturity in 2021, at interest rates of 3, 6 and 12 month Libor plus a margin	42,851,563	71,203,125
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	30,000,000	250,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	0
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	3,232,835	0
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,747,512	3,190,405
Notes with maturities in 2024, at a fixed interest rate	150,000,000	190,000,000
Notes with maturities in 2027, at a fixed interest rate	75,000,000	75,000,000
Subtotal of borrowings and debt securities issued	1,043,803,910	1,901,846,482
Revaluation coverage	32,664,673	12,734,820
Total borrowings and debt securities issued, net	1,076,468,583	1,914,581,302

The borrowings and debt securities issued at amortized cost are summarized as follows:

	2020	**2019**
Borrowings and debt securities issued, net	1,076,468,583	1,914,581,302
Accrued interest payable	11,711,606	14,229,073
Borrowings and debt securities issued at amortized cost	1,088,180,189	1,928,810,375

The borrowing obtained in 1985 under the USAID Housing Program resulted from the Bank's participation in the Housing Program No.525-HG-013 with the United States of America Agency for International Development (USAID), which involves the financing of low cost housing by foreign investors. These borrowings have a maturity of thirty (30) years, and a grace period of ten (10) years for repayment of principal. These borrowings are guaranteed by USAID. In turn, the Bank must maintain these borrowings secured by mortgage loans pledged on behalf of USAID for B/.3,434,390 (2019: B/.3,988,006), representing 1.25 times the amount of the borrowed funds.

The Bank is the residual beneficiary of the liquid assets of Banco General DPR Funding Limited, a special purpose entity. The following transactions have been executed through this entity: in 2016 a notes for B/.200,000,000; in 2017 a borrowing for B/.50,000,000 and notes for B/.75,000,000; collateralized with future cash flows of remittances received (MT103). The Bank maintains a money market deposit with an amount equivalent to the next quarterly payment of principal, interest and expense, which is presented within the Deposits with banks line. The balance of the borrowing is B/.255,000,000 (2019: B/.315,000,000).

The borrowings and notes detailed above were agreed to the following terms and types of rates: 8 years with capital repayments from the third year and a fixed rate for the notes (2016), 5 years with capital repayments from the second year and an interest rate of 3 month labor plus a margin for the borrowing (2017) and 10 years with capital repayments from the fifth year and a fixed interest rate for notes (2017).

In August 2017, the Bank issued bonds in the international market under the Standard 144A/Reg S for the amount of B/.550,000,000 with a ten-year fixed coupon of 4.125 and a maturity date of August 7, 2027. The bonds have biannual interest payments on the 7th day of February and August of each year. The principal amount will be paid at maturity.

In December 2017, the Bank signed a medium-term syndicated loan agreement for B/.800,000,000, which was then increased in June 2018 for B/.300,000,000 using the "Increase Facility" of that contract. The loans under this contract were syndicated at a variable rate of Libor 3 months plus a margin, between commercial banks in the United States, Europe, Asia, the Middle East and Latin America. The balance of these loans in December 2019 was B/.375,000,000, in September 2020 these loans were canceled.

In October 2018, the Bank agreed medium-term borrowings for B/.200,000,000, with a variable rate of Libor 3 months plus a margin and payment of quarterly interest and capital at maturity. The loans were syndicated between commercial banks in the United States, Europe and Asia. During the month of November 2020 these loans were canceled.

In December 2019, the Bank entered into a long-term loan agreement with a multilateral entity for B/.150,000,000 at a variable Libor rate of 6 months plus a margin and payment of six-monthly interest and maturity capital.

In April 2020, the Bank entered into a long-term loan agreement with a multilateral entity for B/.50,000,000 at a variable rate of Libor of 6 months plus a margin and payment of biannual interest and principal at maturity.

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

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

	2020	**2019**
Balance at the beginning of the year	1,914,581,302	2,886,528,342
New borrowings and debt securities issued	129,993,541	162,591,685
Redemption of debt securities issued and cancellation of borrowings	(988,036,113)	(1,154,050,894)
Revaluation coverage	19,929,853	19,512,169
Balance at the end of the year	1,076,468,583	1,914,581,302

(17) Perpetual Bonds

Under Resolution No.366-08 of November 24, 2008, issued by the Superintendence of the Securities Markets of the Republic of Panama, Banco General, S. A. is authorized to offer Perpetual Bonds with a face value of up to B/.250,000,000 through public offering. The bonds will be issued in nominative, registered form, with no coupons, in one series, in denominations of B/.10,000 and multiples of B/.1,000, with no specific maturity or redemption date. Also, they can be redeemed by the Issuer, at its discretion either totally or partially, starting on the fifth year after the issuance date and at any interest payment day after that first redemption date. The bonds will earn a 6.5% interest rate and interest will be paid quarterly. The Bank, under certain circumstances, as described in the informative prospectus, may suspend interest payment without being considered in default. The bond’s repayment is subordinated to all existing and future preferential borrowings of the issuer, and backed solely by the general credit worthiness of Banco General, S. A.

The balance of perpetual bonds is B/.217,680,000 (2019: B/.217,680,000).

The perpetual bonds at amortized cost are summarized as follows:

	2020	**2019**
Perpetual bonds	217,680,000	217,680,000
Accrued interest payable	628,853	628,853
Perpetual bonds at amortized cost	218,308,853	218,308,853

(18) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	2020	2019
Balance at the beginning of the year	20,869,766	23,366,850
New contracts	2,204,652	555,510
Payments	(3,006,084)	(3,052,594)
Cancellations	(372,018)	0
Balance at the end of the year	19,696,316	20,869,766

Interest expense on lease liabilities for B/.1,019,385 (2019: B/.1,003,223) is included in the line as of commission expenses and other expenses in the consolidated statement of income.

The Bank held lease liabilities whose contracts range from 1 to 20 years, and were calculated using discount rates between 4.13% and 5.88%.

(19) Reserves of Insurance Operations

Reserves of insurance operations amounted to B/.18,580,951 (2019: B/.19,023,983) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	2020	2019
Unearned Premiums		
Balance at the beginning of the year	21,385,439	19,652,339
Issued premiums	38,862,438	41,155,073
Earned premiums	(39,144,499)	(39,421,973)
Balance at the end of the year	21,103,378	21,385,439
Reinsurers participation	(4,904,557)	(4,801,738)
Unearned premiums, net	16,198,821	16,583,701
Estimated Insurance Claims Incurred		
Balance at the beginning of the year	2,952,326	3,156,224
Incurred claims	9,774,685	7,652,444
Paid claims	(9,313,226)	(7,856,342)
Balance at the end of the year	3,413,785	2,952,326
Reinsurer participation	(1,031,655)	(512,044)
Estimated insurance claims incurred, net	2,382,130	2,440,282
Total reserves of insurance operations	18,580,951	19,023,983

(20) Concentration of Financial Assets and Liabilities

The geographical concentration of the most significant financial assets and liabilities is as follows:

	2020			
	Panama	**Latin America and the Caribbean**	**United States of America and Others**	**Total**
Assets:				
Deposits with banks:				
Demand	58,223,268	85,063,262	300,777,004	444,063,534
Time	198,838,484	533,073	0	199,371,557
Investments and other financial assets at fair value through profit or loss	83,495,161	24,716,872	1,039,842,587	1,148,054,620
Investments and other financial assets at FVOCI	1,389,100,590	173,855,478	2,860,357,978	4,423,314,046
Investments and other financial assets at amortized cost, net	0	5,818,317	47,597,144	53,415,461
Loans	10,214,253,556	1,230,139,799	29,981	11,444,423,336
Total	11,943,911,059	1,520,126,801	4,248,604,694	17,712,642,554
Liabilities:				
Deposits:				
Demand	2,848,188,235	111,738,614	18,914,824	2,978,841,673
Saving	4,388,532,608	69,895,937	11,615,972	4,470,044,517
Time	5,706,777,890	287,854,496	6,017,889	6,000,650,275
Borrowings and debt securities issued, net	18,106,563	3,232,835	1,055,129,185	1,076,468,583
Perpetual bonds	217,680,000	0	0	217,680,000
Lease liabilities	18,407,995	1,288,321	0	19,696,316
Other liabilities/securities sold in short	0	0	32,653,464	32,653,464
Total	13,197,693,291	474,010,203	1,124,331,334	14,796,034,828
Commitments and contingencies	598,978,372	7,106,760	0	606,085,132

	2019			
	Panama	**Latin America and the Caribbean**	**United States of America and Others**	**Total**
Assets:				
Deposits with banks:				
Demand	59,827,407	82,156,796	190,542,246	332,526,449
Time	191,239,591	522,650	0	191,762,241
Investments and other financial assets at fair value through profit or loss	80,931,490	26,420,902	571,881,968	679,234,360
Investments and other financial assets at FVOCI	1,477,054,111	197,663,021	2,619,489,213	4,294,206,345
Loans	10,708,601,743	1,375,056,811	30,340	12,083,688,894
Total	12,517,654,342	1,681,820,180	3,381,943,767	17,581,418,289
Liabilities:				
Deposits:				
Demand	2,437,656,905	153,155,931	17,450,454	2,608,263,290
Saving	3,516,566,170	71,741,623	9,937,434	3,598,245,227
Time	5,925,948,873	315,965,421	6,845,136	6,248,759,430
Securities sold under repurchase agreements	0	0	403,947,411	403,947,411
Borrowings and debt securities issued, net	55,958,125	62,000,000	1,796,623,177	1,914,581,302
Perpetual bonds	217,680,000	0	0	217,680,000
Lease liabilities	19,077,998	1,791,768	0	20,869,766
Other liabilities/securities sold in short	0	0	58,156,179	58,156,179
Total	12,172,888,071	604,654,743	2,292,959,791	15,070,502,605
Commitments and contingencies	760,800,737	6,399,078	0	767,199,815

(21) Segment Information

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

Segments	Operations
Banking and Financial Activities	Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of food vouchers, asset management and securities brokerage
Insurance and Reinsurance	Insurance and reinsurance of policies of general lines, collective life and various risks
Pension and Retirement Fund	Administration of pension and retirement, severance and investment funds

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

			2020		
	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	990,736,593	7,489,717	1,466,800	5,221,793	994,471,317
Interest and provision expenses	620,911,793	34,603	0	5,221,793	615,724,603
Other income, net	174,022,977	30,269,361	14,208,577	7,437,627	211,063,288
General and administrative expenses	254,198,951	2,511,167	5,022,844	10,769	261,722,193
Depreciation and amortization expense	27,991,986	232,927	291,886	0	28,516,799
Equity participation in associates	7,329,335	0	0	0	7,329,335
Net income before income tax	268,986,175	34,980,381	10,360,647	7,426,858	306,900,345
Net Income tax, estimated	32,024,670	5,976,914	2,305,803	0	40,307,387
Net Income tax, deferred	(54,567,490)	0	0	0	(54,567,490)
Net Income tax	(22,542,820)	5,976,914	2,305,803	0	(14,260,103)
Net income	291,528,995	29,003,467	8,054,844	7,426,858	321,160,448
Total assets	18,497,978,816	299,239,987	44,118,659	224,554,507	18,616,782,955
Total liabilities	16,133,416,922	53,833,277	1,470,467	205,148,445	15,983,572,221

	2019				
	Banking and Financial Activities	**Insurance and Reinsurance**	**Pension and retirement Fund**	**Eliminations**	**Total**
Interest and commission income	1,082,065,495	7,247,977	1,254,617	4,422,575	1,086,145,514
Interest and provision expenses	436,312,015	(2,470)	0	4,422,575	431,886,970
Other income, net	177,855,159	27,970,417	13,757,590	7,440,506	212,142,660
General and administrative expenses	271,198,380	2,692,663	5,694,731	11,185	279,574,589
Depreciation and amortization expense	28,040,064	231,579	328,575	0	28,600,218
Equity participation in associates	10,897,963	0	0	0	10,897,963
Net income before income tax	535,268,158	32,296,622	8,988,901	7,429,321	569,124,360
Net Income tax, estimated	59,525,725	4,834,125	2,042,595	0	66,402,445
Net Income tax, deferred	(1,544,405)	0	0	0	(1,544,405)
Net Income tax	57,981,320	4,834,125	2,042,595	0	64,858,040
Net income	477,286,838	27,462,497	6,946,306	7,429,321	504,266,320
Total assets	18,584,978,649	278,898,944	38,023,484	178,179,989	18,723,721,088
Total liabilities	16,341,255,834	57,546,350	953,930	158,773,927	16,240,982,187

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

	2020			
	Panama	**Latin America and the Caribbean**	**United States of America and Others**	**Total**
Total income, net	1,005,768,132	97,379,824	109,715,984	1,212,863,940
Non-financial	287,311,590	3,793,874	0	291,105,464

	2019			
	Panama	**Latin America and the Caribbean**	**United States of America and Others**	**Total**
Total income, net	1,065,060,541	125,625,983	118,499,613	1,309,186,137
Non-financial	294,446,468	4,208,315	0	298,654,783

(22) Equity

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

	2020 Reserves					
	Dynamic	**Foreclosed Assets**	**Loans in the process of awarding**	**Legal**	**Insurance**	**Total**
Banco General, S. A.	133,877,476	2,658,655	9,188,381	0	0	145,724,512
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	33,346,963	33,346,963
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	2,658,655	9,188,381	1,794,475	33,346,963	199,242,854

	2019 Reserves					
	Dynamic	**Foreclosed Assets**	**Loans in the process of awarding**	**Legal**	**Insurance**	**Total**
Banco General, S. A.	133,877,476	1,128,759	3,145,657	0	0	138,151,892
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	31,191,204	31,191,204
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	1,128,759	3,145,657	1,794,475	31,191,204	189,514,475
Transfer from retained earnings of the year	0	1,529,896	6,042,724	0	2,155,759	9,728,379

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.

(23) Gain on Financial Instruments, Net

The net gain on financial instruments included in the consolidated statement of income is summarized as follows:

	2020	2019
Unrealized gain (loss) on investments and other financial assets	12,178,270	(4,551,921)
Unrealized (loss) gain on derivative instruments	(8,010,787)	5,046,368
Net gain on sale of investments and other financial assets at FV through profit or loss	21,926,937	15,609,839
Net gain on sale of investments and other financial assets at FVOCI	19,134,530	1,704,461
Realized loss on derivative instruments	(25,977,385)	(2,461,130)
Net gain on financial instruments	19,251,565	15,347,617

The net gain on the sale of investments and other financial assets at FV through profit or loss includes loss on sale of financial instruments of debt for short sales for B/.2,944,721 (2019: B/.3,526,337).

The detail of net gain on sale of investments and other financial assets by classification type is presented in Note 6.

(24) Other Income, Net

Other income, net included in the consolidated statement of income, is summarized as follows:

	2020	2019
Dividends	1,881,975	2,345,418
Foreign exchange fluctuations, net	10,689	(218,819)
Various banking services	11,782,631	13,292,116
Gain on sale of fixed assets, net	14,014	261,176
Fiduciary services	97,160	144,151
Other income	16,652,092	12,783,673
Total other income, net	30,438,561	28,607,715

(25) Personnel Benefits

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

Share-Based Compensation Plan

The total of the options granted by the Bank to participants to purchase shares from Grupo Financiero BG, S. A. is 5,199,260 (2019: 5,052,135). The options balance is 1,820,668 (2019: 1,792,949), which have an average exercise price of B/.67.47 (2019: B/.66.78). The total expense of the options granted to the participants based on their fair value, amounted to B/.1,598,577 (2019: B/.2,011,696). These options may be exercised by the executives until the year 2027.

Restricted Share Plan
On March 2018, the Board of Directors of Grupo Financiero BG, S. A. approved to reserve a total of up to 350,000 common shares of its authorized share capital in order to be awarded under the Restricted Share Plan for participants, which applies for the 2018-2022 period.

The number of shares to be granted will be determined annually by the Compensation Committee of the Board of Directors of Grupo Financiero BG, S. A. based on the performance of the Bank and its participants.

The shares to be issued to the participants are awarded at the average price of the month preceding the grant quoted in the Stock Exchange of Panama.

Once the restricted shares are issued, the participant may dispose of them as follows: 50% after the first year and 50% after the second year.

As the restricted share plan is unilateral and voluntary, it may be discontinued by the Board of Directors of Grupo Financiero BG, S. A. at its sole discretion.

In 2020, 51,317 (2019: 49,240) shares were granted under the restricted share plan and recognized as an expense of B/.3,564,861 (2019: B/.4,190,543). The reconciliation of the balance for these shares is as follows:

	2020	2019
Shares at the beginning of the year	256,953	306,193
Shares issued	(51,317)	(49,240)
Balance at the end of the year	205,636	256,953

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/.86,580 (2019: B/.100,000) and the disbursements to former employees who are covered under the retirement plan amount to B/.164,776 (2019: B/.174,502).

(26) 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:

Country	Tax rate
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 income tax, estimated is of B/.39,618,254 (2019: B/.64,752,353) on a financial income generated by companies incorporated in the Republic of Panama of B/.226,190,484 (2019: B/.482,019,090) and the average effective estimated income tax rate is 18% (2019: 13%). The income tax rate applicable according to current legislation in the Republic of Panama is 25% (2019: 25%) or based on the alternative calculation, whichever is greater.

Net income tax is detailed as follows:

	2020	2019
Estimated income tax	40,098,788	66,032,357
Prior year income tax adjustments	208,599	370,088
Deferred income tax	(54,567,490)	(1,544,405)
Total income tax, net	(14,260,103)	64,858,040

The increase in deferred income tax for the year 2020 is mainly due to the increase of more than B/.200MM in the loan losses allowance, which is calculated at the tax rate according to current legislation of 25%.

The reconciliation between financial income before income tax and the fiscal net income, from companies incorporated in the Republic of Panama, is detailed as follows:

	2020	2019
Financial income before income tax	226,190,484	482,019,090
Net foreign income, exempt and non-taxable	(314,659,328)	(350,039,989)
Non-deductible costs and expenses	246,941,861	127,030,311
Fiscal net income	158,473,017	259,009,412

The deferred income tax asset and liability recorded by the Bank, is detailed as follows:

	2020	**2019**
Deferred income tax – asset:		
Loan loss allowance	93,524,942	39,726,216
Allowance for foreclosed assets	271,811	630,541
Total deferred income tax – asset	93,796,753	40,356,757
Deferred income tax – liability:		
Allowance for uncollectible finance leases	(323,586)	(136,952)
Allowance for foreclosed assets	0	(1,452)
Loan loss allowance	959,409	959,409
Investment loss allowance	(8,728)	(8,728)
Financial lease operations	2,053,620	2,964,862
Deferred commissions	366,628	424,780
Other assets/liabilities	0	(27,808)
Total deferred income tax – liability	3,047,343	4,174,111

Based on the current and projected results, the Bank's management considers that there will be sufficient taxable income to absorb the deferred taxes detailed above.

(27) Commitments and Contingencies

In the normal course of business, the Bank maintains commitments and contingencies which are not reflected in the consolidated statement of financial position, that involve certain levels of credit and liquidity risks.

Guarantees issued on behalf of customers, letters of credit and promissory notes include certain exposure to credit loss in the event of non-compliance by the customer, net of collateral guarantees securing these transactions. The Bank's policies and procedures to approve these commitments are similar to those for extending loan facilities recorded within the Bank's assets.

In accordance with the calculations made by the Bank's management the amount of expected credit loss allowance associated with these commitments are not significant.

The summary of these off consolidated statement of financial position commitments, by maturity are presented as follows:

		2020	
	0 – 1 Year	**1 – 5 Years**	**Total**
Letters of credit	69,301,279	15,580,517	84,881,796
Financial guarantees	64,909,716	7,538,561	72,448,277
Mortgage disbursement commitment	448,755,059	0	448,755,059
Total	582,966,054	23,119,078	606,085,132

		2019	
	0 – 1 Year	**1 – 5 Years**	**Total**
Letters of credit	61,982,780	36,519,531	98,502,311
Financial guarantees	78,040,838	11,019,076	89,059,914
Mortgage disbursement commitment	579,637,590	0	579,637,590
Total	719,661,208	47,538,607	767,199,815

Credit Quality Analysis of Commitments and Contingencies

The table below presents information about the credit quality of commitments and contingencies held by the Bank:

	2020	**2019**
Maximum exposure		
Carrying amount	606,085,132	767,199,815
Letters of credit		
Grade 1: Standard	81,634,740	95,095,052
Grade 2: Special mention	1,955,825	1,911,097
Grade 3: Sub-standard	1,159,881	1,364,812
Grade 4: Doubtful	131,350	0
Grade 5: Uncollectible	0	131,350
Gross amount	84,881,796	98,502,311
Financial guarantees		
Grade 1: Standard	62,747,543	79,573,614
Grade 2: Special mention	9,035,342	9,206,281
Grade 3: Sub-standard	665,392	280,019
Gross amount	72,448,277	89,059,914
Mortgage disbursement commitment		
Grade 1: Standard	444,166,803	577,203,453
Grade 2: Special mention	4,562,524	1,530,565
Grade 3: Sub-standard	0	447,739
Grade 4: Doubtful	0	455,833
Grade 5: Uncollectible	25,732	0
Gross amount	448,755,059	579,637,590

The Bank is not involved in any litigation that in management's opinion may result in a material adverse effect on the Bank, to its consolidated financial position or to its consolidated operating income.

(28) Investment Entities and Separate Vehicles

The Bank managed trust funds and fiduciary contracts at client's own behalf and risk in the amount of B/.3,003,814,922 (2019: B/.2,762,301,786), and the custody of securities in investment accounts at client's own behalf and risk amounting to B/.11,300,280,989 (2019: B/.11,823,120,976). According to the nature of these services, the Bank's management considers that there are no significant risks attributable to the Bank.

The Bank does not hold assets under discretionary management.

(29) Structured Entities

The following table describes the structured entities designed by the Bank:

Type of Structured Entity	Nature and Purpose	Interest Held by the Bank
- Investment funds	To offer an alternative to investors through a diversified portfolio while preserving capital	10.97% (2019: 10.66%)

The funds managed at client's own behalf and risk amount to B/.592,261,084 (2019: B/.598,208,959); income fees for administration and custody amount to B/.6,197,581 (2019: B/.6,379,075), and are presented as fees and other commissions in the consolidated statement of income.

The Bank has no contractual obligation to provide financial or other types of support to these unconsolidated structured entities.

(30) Derivative Financial Instruments

The Bank uses interest rate swap contracts 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 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 consolidated statement of financial position

Below is the summary of derivative contracts is as follow:

	Total		Exchange-Traded		Over the Counter (OTC) Liquidated in a securities exchange		Over the Counter (OTC) Other bilateral counterparts	
	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value
2020								
Derivative assets	869,170,304	35,743,971	139,253,520	0	144,146,454	2,560,059	585,770,330	33,183,912
Derivative liabilities	888,479,225	19,409,040	280,152,190	0	99,275,734	2,384,608	509,051,301	17,024,432
2019								
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

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/.20.6MM (2019: B/.14.7MM).

The following table presents assets and liabilities derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	2020 Assets	2020 Liabilities	2019 Assets	2019 Liabilities
Other Derivatives				
Credit	1,385,484	844,999	1,351,699	1,309,628
Interest	1,773,228	1,953,672	3,844,541	3,066,570
Currency	12,398	9,631	365,487	2,145,258
Total	3,171,110	2,808,302	5,561,727	6,521,456

The Bank had derivative contracts in books for a nominal value of B/.1,757,649,529 (2019: B/.1,506,702,274), of which B/.1,300,506,389 (2019: B/.811,660,813) were part of the portfolios given under management to third parties. Of these derivatives managed by third parties B/.911,171,178 (2019: B/.517,380,241) are aimed at manage the duration and interest rate risk of these portfolios.

The net impact of derivative instruments on financing interest expense in the consolidated statement of income was B/.4,299,708 (2019: B/.1,023,794).

The following table presents assets and liabilities derivatives hedge for risk management:

Hedge Derivatives for Risk Management:

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exposure to risk:				
Interest rate				
Fair value hedge	32,464,775	9,238,523	12,534,922	5,953,873
Cash flow hedge	0	597,286	0	7,147,729
Others	0	386,588	0	157,467
Total interest rate	32,464,775	10,222,397	12,534,922	13,259,069
Currency				
Others	108,086	5,548,103	0	0
Total Currency	108,086	5,548,103	0	0
Credit				
Others	0	830,238	0	0
Total Credits	0	830,238	0	0
Total derivatives for risk exposure	32,572,861	16,600,738	12,534,922	13,259,069

Interest rate risk derivatives hedge

The Bank uses interest rate swaps to hedge part of the fair value exposure of bonds issued and fixed rate notes from changes in a rate index for USD (Libor), and of investments in fixed rate bonds. “Interest rate swaps” must replicate the terms of these positions.

When using derivative instruments to hedge exposures from fluctuations in interest rates, the Bank is exposed to the counterparty risk of the derivative instrument. This risk is minimized by executing transactions with high credit-rating counterparties and liquidating operations with organized markets; in both cases with exchange of daily margins.

The effectiveness of hedging derivatives is analyzed qualitatively and it is concluded that there is no ineffectiveness because the terms of the derivatives are a mirror of the terms of the hedged risk component of the underlying assets and liabilities.

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

			2020 Maturity		
Risk Category	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	7,250,000	0	54,820,484
Average interest rate			7.60%		3.99%
Hedging of Bonds and Notes					
Notional Value	0	0	0	75,000,000	250,000,000
Average interest rate				1.26%	1.87%

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

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

2020

Interest rate risk:	Notional Value	Book Value Assets	Book Value Liabilities	Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate derivatives – Bonds Hedge	62,070,484	0	9,238,523	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	325,000,000	32,464,775	0	Other assets (liabilities)	0	0
Total interest rate risk	387,070,484	32,464,775	9,238,523			

2019

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

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

2020

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities	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
Bonds	68,602,082		9,237,868	0	Investment securities FVOCI	0	0
Bonds and notes		325,000,000	0	32,664,673	Borrowing and debt securities issued	0	0

2019

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities	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
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

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

2020 Maturity

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	30,000,000	0
Average interest rate				2.84%	

2019 Maturity

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

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

2020

	Notional Value	Book Value Assets	Book Value Liabilities	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
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	30,000,000	0	597,286	Other assets (liabilities)	0	0

2019

	Notional Value	Book Value Assets	Book Value Liabilities	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
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	7,147,729	Other assets (liabilities)	0	0

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

		2020		
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	1,385,484	0	1,385,484
Interest	0	1,773,228	0	1,773,228
Currency	0	12,398	0	12,398
Total	0	3,171,110	0	3,171,110
Hedge derivates for risk management:				
Interest	0	32,464,775	0	32,464,775
Currency	0	108,086	0	108,086
Total	0	32,572,861	0	32,572,861
Total derivatives assets	0	35,743,971	0	35,743,971
Liabilities				
Other derivatives:				
Credit	0	844,999	0	844,999
Interest	0	1,953,672	0	1,953,672
Currency	0	9,631	0	9,631
Total	0	2,808,302	0	2,808,302
Hedge derivates for risk management:				
Credit	0	830,238	0	830,238
Interest	0	10,222,397	0	10,222,397
Currency	0	5,548,103	0	5,548,103
Total	0	16,600,738	0	16,600,738
Total derivates liabilities	0	19,409,040	0	19,409,040

		2019		
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	1,351,699	0	1,351,699
Interest	0	3,844,541	0	3,844,541
Currency	0	365,487	0	365,487
Total	0	5,561,727	0	5,561,727
Hedge derivatives for risk management:				
Interest	0	12,534,922	0	12,534,922
Total	0	12,534,922	0	12,534,922
Total derivatives assets	0	18,096,649	0	18,096,649
Liabilities				
Other derivatives:				
Credit	0	1,309,628	0	1,309,628
Interest	6,125	3,060,445	0	3,066,570
Currency	0	2,145,258	0	2,145,258
Total	6,125	6,515,331	0	6,521,456
Hedge derivates for risk management:				
Interest	0	13,259,069	0	13,259,069
Total	0	13,259,069	0	13,259,069
Total derivates liabilities	6,125	19,774,400	0	19,780,525

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

Derivative	Valuation Technique	Inputs used	Level
Organized Markets	Quoted prices	Observable quoted prices in active markets	1-2
Over the Counter (OTC)	Discounted cash flow	Yield curves Yield foreign exchange Credit spreads Assumed recovery Volatility	2

See Note 6, for the description of these Levels.

(31) Fair Value of Financial Instruments

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 that are presented in Note 6, to calculate their investments 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.

(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 consolidated statement of financial position:

	2020 Book Value	2020 Fair Value	2019 Book Value	2019 Fair Value
Assets:				
Time deposits with banks	199,371,557	201,622,481	191,762,241	192,443,555
Investments at amortized cost, net	53,415,461	53,431,848	0	0
Loans, net	11,023,582,558	10,985,309,747	11,875,227,765	11,821,782,344
	11,276,369,576	11,240,364,076	12,066,990,006	12,014,225,899
Liabilities:				
Deposits	13,449,536,465	13,496,331,618	12,455,267,947	12,486,978,013
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	1,294,148,583	1,355,221,790	2,536,208,713	2,519,252,592
	14,743,685,048	14,851,553,408	14,991,476,660	15,006,230,605

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

	2020	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	201,622,481	0	0	201,622,481
Investments at amortized cost, net	53,431,848	0	47,600,000	5,831,848
Loans, net	10,985,309,747	0	0	10,985,309,747
	11,240,364,076	0	47,600,000	11,192,764,076
Liabilities:				
Deposits	13,496,331,618	0	0	13,496,331,618
Borrowings, debt securities issued and perpetual bonds	1,355,221,790	0	0	1,355,221,790
	14,851,553,408	0	0	14,851,553,408

	2019	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	192,443,555	0	0	192,443,555
Loans, net	11,821,782,344	0	0	11,821,782,344
	12,014,225,899	0	0	12,014,225,899
Liabilities:				
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
	15,006,230,605	0	0	15,006,230,605

See Note 6, for the description of these levels.

(32) 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 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 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 polices and limits in order to 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

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.

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 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 (ECL) maintained by the Bank:

	2020 (in thousands)			
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans at amortized cost				
Grade 1: Standard	10,004,724	29,881	4	10,034,609
Grade 2: Special mention	50,859	740,304	11,125	802,288
Grade 3: Sub-standard	3,759	69,777	309,296	382,832
Grade 4: Doubtful	1,060	631	49,479	51,170
Grade 5: Uncollectible	371	490	92,679	93,540
Gross amount	10,060,773	841,083	462,583	11,364,439
Allowance for impairment	(225,582)	(71,631)	(85,563)	(382,776)
Net carrying amount	9,835,191	769,452	377,020	10,981,663
Finance leases				
Grade 1: Standard	67,594	2,919	14	70,527
Grade 2: Special mention	4,165	1,628	3	5,796
Grade 3: Sub-standard	935	426	560	1,921
Grade 4: Doubtful	25	0	212	237
Grade 5: Uncollectible	0	0	1,503	1,503
Gross amount	72,719	4,973	2,292	79,984
Allowance for impairment	(141)	(328)	(550)	(1,019)
Net carrying amount	72,578	4,645	1,742	78,965
Total loans	10,133,492	846,056	464,875	11,444,423
Allowance for impairment	(225,723)	(71,959)	(86,113)	(383,795)
Net carrying amount	9,907,769	774,097	378,762	11,060,628
Restructured loans				
Gross amount	6,047	77,707	135,064	218,818
Allowance for impairment	(251)	(8,887)	(32,629)	(41,767)
Net carrying amount	5,796	68,820	102,435	177,051

	2019 (in thousands)			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortized cost				
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	11,001,223	588,441	228,946	11,818,610
Finance leases				
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	95,629	2,995	1,296	99,920
Total loans	11,180,460	622,147	281,082	12,083,689
Allowance for impairment	(83,608)	(30,711)	(50,840)	(165,159)
Net carrying amount	11,096,852	591,436	230,242	11,918,530
Restructured loans				
Gross amount	6,662	124,487	98,447	229,596
Allowance for impairment	(128)	(3,293)	(20,145)	(23,566)
Net carrying amount	6,534	121,194	78,302	206,030

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

	2020		
	Banco General, S. A.	Subsidiaries	Total
Current	10,058,383,706	860,057,083	10,918,440,789
From 31 to 90 days	340,469,729	9,471,795	349,941,524
More than 90 days (capital or interest)	157,146,230	9,267,295	166,413,525
More than 30 days past due (capital at maturity)	9,604,301	23,197	9,627,498
Total	10,565,603,966	878,819,370	11,444,423,336

	2019		
	Banco General, S. A.	Subsidiaries	Total
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)	8,482,860	1,443	8,484,303
Total	11,092,745,040	990,943,854	12,083,688,894

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/.37,811,079 (2019: B/.45,000,477), which are not subject to credit risk:

			2020		
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
At Amortized Cost					
Foreign:					
AAA	47,600,000	0	0	0	47,600,000
Lower than BBB-	5,831,848	0	0	0	5,831,848
Carrying amount	53,431,848	0	0	0	53,431,848
Loss allowance	(16,387)	0	0	0	(16,387)
Total carrying amount, net	53,415,461	0	0	0	53,415,461
At FVOCI					
Local:					
AA+ to BBB-	877,504,377	0	0	0	877,504,377
Lower than BBB-	442,155,673	8,939,289	28,665,030	0	479,759,992
Carrying amount	1,319,660,050	8,939,289	28,665,030	0	1,357,264,369
Valuation of credit risk	(1,945,002)	(508,899)	(7,562,805)	0	(10,016,706)
Foreign:					
AAA	1,835,823,833	0	0	0	1,835,823,833
AA+ to BBB-	995,579,158	0	0	0	995,579,158
Lower than BBB-	221,746,137	12,240,671	127,333	532,545	234,646,686
Carrying amount	3,053,149,128	12,240,671	127,333	532,545	3,066,049,677
Valuation of credit risk	(4,582,143)	(26,753)	0	0	(4,608,896)
Total carrying amount	4,372,809,178	21,179,960	28,792,363	532,545	4,423,314,046
Total valuation of credit risk	(6,527,145)	(535,652)	(7,562,805)	0	(14,625,602)
At Fair Value TPL					
Local:					
AA+ to BBB-	1,590,697				
Lower than BBB-	60,951,549				
Carrying amount	62,542,246				
Foreign:					
AAA	605,443,899				
AA+ to BBB-	172,480,656				
Lower than BBB-	266,001,494				
NR	3,775,246				
Carrying amount	1,047,701,295				
Total carrying amount	1,110,243,541				

			2019		
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
At FVOCI					
Local:					
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
Carrying amount	1,405,451,617	25,606,021	13,634,364	0	1,444,692,002
Valuation of credit risk	(1,598,162)	(681,472)	(5,272,890)	0	(7,552,524)
Foreign:					
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
Carrying amount	2,843,221,632	5,659,420	145,740	487,551	2,849,514,343
Valuation of credit risk	(3,296,414)	(19,701)	0	0	(3,316,115)
Total carrying amount	4,248,673,249	31,265,441	13,780,104	487,551	4,294,206,345
Total valuation of credit risk	(4,894,576)	(701,173)	(5,272,890)	0	(10,868,639)
At Fair Value through profit or loss					
Local:					
AA+ to BBB-	4,992,935				
Lower than BBB-	53,412,587				
Carrying amount	58,405,522				
Foreign:					
AAA	397,570,376				
AA+ to BBB-	68,132,407				
Lower than BBB-	107,983,718				
NR	2,141,860				
Carrying amount	575,828,361				
Total carrying amount	634,233,883				

Investments were classified based on their highest international risk rating amongst Fitch Ratings Inc., Moody's and Standard and Poor´s. 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.

Time deposits with banks

The time deposits with banks are held with central banks and financial institution counterparties that are rated at least between AAA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to B/.198,838,484 (2019: B/.191,239,591).

According to the calculations made by management, the amounts of reserves for expected credit losses associated with these instruments are not significant.

Factors of major influence in the credit risk of the Bank and the assumptions used for this disclosure are as follows:

- *Impairment of loans and investments and other financial assets and deposits with banks:*
  Impairment of loans, investments and other financial assets and deposits with banks is determined by comparing the carrying value of the asset to its estimated recoverable amount. At December 31, 2020 and 2019 the Bank has no impaired deposits.

- *Past due but not impaired loans and investments and other financial assets:*
  Loans and investments and other financial assets that hold enough collateral and/or sources of repayment to cover the carrying value of such loans or investments and other financial assets are considered past due but not impaired, i.e., no losses incurred.

- *Restructured loans:*
  Restructured loans are those that, due to material difficulties in the debtor´s ability to pay, have been formally documented with a significant variation in the original terms of the loan (balance, term, payment schedule, rate and guarantees), and the result of the assessment of their current condition does not allow them to be reclassified as standard.

  In instances when the Bank considers material the impact on renegotiated loans, then an assessment is made to determine whether the modifications will result in (i) keeping the original date of the renegotiated loan or (ii) derecognizing the renegotiated loan, and recognizing at fair value on the date of modification of the new loan.

  A restructured debtor needs to demonstrate consistent and up-to-date payment behavior for a minimum period of 6 months, before being excluded as impaired credit.

- *Impairment reserves:*
  The Bank has established reserves for impairment of financial instruments, which are described in Note 3, literal h.

- *Write-off policy:*
  The Bank periodically reviews its impaired or restructured corporate loan portfolio to identify credits that are deemed to be written off based on the collectability of the balance and for the amount of its real guarantees. For unsecured consumer loans, write-offs are carried out based on the accrued level of delinquency. In the case of mortgage and consumer loans, write-offs are recognized for the estimated portion of the carrying value that is not covered by loan collateral.

As a complement to the normal write-off policies, which are based on the number of days of delinquency, as a result of the situation caused by COVID-19, temporary and exceptional write-off policy was approved and applied for consumer loans that have been deferred and that demonstrate inability to pay. This operation is based on analyzing a combination of factors other than delinquency, such as the debtor's employment situation and his family environment, the economic activity of his employer, the situation of deferral of his credit obligations, the guarantees that protect the obligation, the customer's internal risk category, and the number of deferred installments. In the case of corporate loans, the individual analyzes additionally consider the financial strength of the debtor and its shareholders. This operation may be suspended by the Bank's management at any time.

Collateral to Reduce Credit Risk and its Financial Effect
The Bank holds collateral to reduce its exposure to credit risk and to ensure the collection of its financial assets exposed to credit risk.

The table below presents the principal types of collateral held against financial assets.

	% of exposure that is subject to Collateral requirements		Type of Collateral
	2020	2019	
Loans	78.07%	77.12%	Cash, Properties, Equipment, and Others
Investments and Other Financial Assets	50.48%	52.91%	Cash, Properties, and Equipment

Residential mortgage loans
The table below presents the value of residential mortgage loans held within ranges of loan-to-value (LTV). The LTV is calculated as the ratio of the gross loan balance to the value of the collateral. The gross loan balances exclude any impairment allowance. The value of collateral for residential mortgage loans is based on the collateral value at loan origination, which in certain instances is updated on a periodic basis.

	2020	2019
Residential mortgages loans:		
Less than 50%	758,957,316	755,856,680
51% - 70%	1,235,968,287	1,212,599,938
71% - 90%	2,172,808,450	2,127,115,621
More than 90%	427,799,292	449,474,544
Total	4,595,533,345	4,545,046,783

Concentration of Credit Risk
The Bank monitors credit risk concentration by sector and geographic location. The analysis of credit risk concentration is presented below:

	Loans		Investments and other financial assets	
	2020	**2019**	**2020**	**2019**
	(in thousands)		(in thousands)	
Concentration by Sector:				
Corporate	4,711,735	5,200,377	3,198,309	2,664,213
Consumer	6,369,158	6,457,529	0	0
Government and Government Agencies	0	0	2,426,475	2,309,228
Other Sectors	363,530	425,783	0	0
	11,444,423	12,083,689	5,624,784	4,973,441
Geographical Concentration:				
Panama	10,214,253	10,708,602	1,472,595	1,557,986
Latin America and the Caribbean	1,230,140	1,375,057	204,391	224,084
United States of America and Other	30	30	3,947,798	3,191,371
	11,444,423	12,083,689	5,624,784	4,973,441

The geographic concentration of loans is based on the debtor's location, and location of investments is based on the issuer's location.

The risk committee, in response to COVID-19, has increased the frequency of detailed reviews of the exposure concentrations maintained by the Bank by type of segment, product, sector, country, among others. These reviews include monitoring compliance with exposure limits for clients and / or economic groups in economic sectors and countries that have been seriously affected.

(b) Counterparty Risk
Counterparty risk is the risk that a counterparty does not comply with the settlement of a purchase or sale of securities or other instruments traded in financial markets.

Risk management policies set counterparty limits that determine, at every moment, the maximum amount of net exposure of unsettled transactions that the Bank can hold with a counterparty. The Assets and Liabilities Committee is responsible for identifying those acceptable counterparties taking into consideration the counterparty's history with respect to the fulfillment of obligations, as well as indications of its capability and position to comply with is obligations.

(c) Market Risk
Market risk is the risk that the value of the Bank's financial assets are reduced as a result of changes in interest rates, foreign currency exchange rates, stock prices, and also the impact of other financial variables that are not controlled by the Bank.

Management of market risk:
Policies and global limits of exposure to investments, provided in the Investment Manual, are established and approved by the Bank's Board of Directors based on the Assets and Liabilities Committee's recommendation; which take into consideration the portfolio and the assets that comprise it.

The Bank's investment policies provide for the compliance of limits by total amount of the investments portfolio and other financial assets, individual limits by type of asset, by institution, by issuer and/or issue and maximum term by portfolio; for each portfolio the instruments to be included and their credit risk rating are specified.

In addition, the Bank has established maximum limits for market risk losses in its investment and other financial assets portfolio that may be caused by movements in interest rates, credit risk and fluctuations in the market values of equity investments.

Currently, the investment policy of the Bank does not contemplate investments in commodities.

The Assets and Liabilities Committee approves the use of derivatives as part of its strategy to manage the financial assets and liabilities of the Bank. It is the responsibility of the Treasury Unit of the Bank, to carry out interest rate derivative transactions based on the policies and approvals adopted by the Assets and Liabilities Committee as well as future monitoring of existing positions.

Exposure to market risk:
The portfolio of held for trading securities of the Bank has the sole purpose of maintaining an inventory of securities to meet the demands of investment clients. The Bank's investment policies do not include investment portfolios that seek to generate short-term gains.

The composition and analysis of each type of market risk is presented as follows:

- *Exchange rate risk*:
  Is the risk that the value of a financial instrument fluctuates as a consequence of variations in foreign currency exchange rates, and other financial variables, as well as the market participants' reactions to political and economic events. For accounting standard purposes, this risk does not originate from financial instruments that are non-monetary items, or financial instruments denominated in the functional currency.

  Currently, foreign exchange exposures are low considering the Bank's policy is not to hold foreign exchange positions, unless their purpose is to cover clients' needs or those arising from portfolios managed by third parties which have maximum exposure limits, according to those established by Bank's Board of Directors.

The table below sets out the Bank´s maximum exposure to foreign currencies. The assets and liabilities are presented at their carrying amount, except derivatives which are presented at their nominal value within other assets/other liabilities.

	2020							
	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	1.22	617.30	1.36	103.25	19.92	6.53		
Assets								
Cash and cash items	1,749,791	5,377,259	846,707	11,817	25,713	7,641	233,314	8,252,242
Investments and other financial assets	171,082,841	5,875,116	80,053,556	0	2,144,604	0	6,479,159	265,635,276
Loans	0	11,588,873	0	0	0	0	0	11,588,873
Other assets	9,134,693	3,549,999	2,324,337	0	73,239	179,487	574,424	15,836,179
	181,967,325	26,391,247	83,224,600	11,817	2,243,556	187,128	7,286,897	301,312,570
Liabilities								
Deposits	0	19,340,480	0	0	0	0	0	19,340,480
Borrowings and debt securities issued	0	3,919,251	0	0	0	0	0	3,919,251
Other liabilities	182,190,008	0	83,474,114	0	2,196,887	179,487	7,107,652	275,148,148
	182,190,008	23,259,731	83,474,114	0	2,196,887	179,487	7,107,652	298,407,879
Net currency positions	(222,683)	3,131,516	(249,514)	11,817	46,669	7,641	179,245	2,904,691

	2019							
	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	1.12	570.09	1.32	108.68	18.86	6.96		
Assets								
Cash and cash items	374,302	7,979,697	326,036	1,094,382	40,724	7,660	270,266	10,093,067
Investments and other financial assets	74,257,082	7,064,616	32,845,952	18,109,537	0	0	0	132,277,187
Loans	0	5,891,445	0	0	0	0	0	5,891,445
Other assets	2,990,183	1,329,214	118,009	0	98,489	729,236	11,851,499	17,116,630
	77,621,567	22,264,972	33,289,997	19,203,919	139,213	736,896	12,121,765	165,378,329
Liabilities								
Deposits	0	17,534,017	0	0	0	0	0	17,534,017
Borrowings and debt securities issued	0	1,818,620	0	0	0	0	0	1,818,620
Other liabilities	77,349,064	16,292	33,200,119	19,226,308	98,172	729,236	11,869,200	142,488,391
	77,349,064	19,368,929	33,200,119	19,226,308	98,172	729,236	11,869,200	161,841,028
Net currency positions	272,503	2,896,043	89,878	(22,389)	41,041	7,660	252,565	3,537,301

* *Other currencies include Australian Dollar, Swiss Franc, Singapore Dollar, South African Rand, Colombian Peso, Canadian Dollar, Guatemalan Quetzal, Peruvian New Sun, Turkish Lira, Hong Kong Dollar, Norwegian Krone, Danish Krone, Swedish Krona and New Zealand Dollar.*

- *Interest rate risk on cash flows and fair value:*
  The interest rate risk on cash flows and the interest rate risk on fair value are the risks of fluctuation of both the future cash flows and the value of a financial instrument due to changes in market interest rates.

  The net interest margin of the Bank may vary as a result of unanticipated movements in interest rates.

  In order to mitigate this risk, the Bank's management has defined exposure limits to the interest rate risk.

  The table below summarizes the Bank's exposure based on the re-pricing terms of interest rates on financial assets and liabilities:

				2020			
	Up to 3 months	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**From 5 to 10 years**	**More than 10 years**	**Total**
Assets:							
Time deposits with banks	38,818,808	13,040,523	147,512,226	0	0	0	199,371,557
Investments and other financial assets	1,593,439,084	135,995,055	249,727,405	1,765,287,559	1,037,403,042	273,288,595	5,055,140,740
Loans	10,690,956,064	335,144,544	136,605,415	202,838,190	38,885,380	39,993,743	11,444,423,336
Total	12,323,213,956	484,180,122	533,845,046	1,968,125,749	1,076,288,422	313,282,338	16,698,935,633
Liabilities:							
Deposits	6,867,948,258	725,562,056	1,417,393,284	2,661,602,321	1,345,276	0	11,673,851,195
Borrowings, debt securities issued and perpetual bonds	266,072,789	25,000,000	28,241,734	167,742,368	589,411,692	217,680,000	1,294,148,583
Total	7,134,021,047	750,562,056	1,445,635,018	2,829,344,689	590,756,968	217,680,000	12,967,999,778
Total interest sensitivity gap	5,189,192,909	(266,381,934)	(911,789,972)	(861,218,940)	485,531,454	95,602,338	3,730,935,855

				2019			
	Up to 3 months	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**From 5 to 10 years**	**More than 10 years**	**Total**
Assets:							
Time deposits with banks	48,305,437	26,044,166	117,412,638	0	0	0	191,762,241
Investments and other financial assets	1,458,062,815	197,107,189	349,812,712	1,564,915,151	781,018,651	243,742,651	4,594,659,169
Loans	11,198,426,852	479,886,712	77,762,096	257,634,090	32,400,583	37,578,561	12,083,688,894
Total	12,704,795,104	703,038,067	544,987,446	1,822,549,241	813,419,234	281,321,212	16,870,110,304
Liabilities:							
Deposits	5,829,484,280	767,352,017	1,358,998,946	2,882,846,709	1,183,980	0	10,839,865,932
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	888,564,571	215,309,062	20,225,336	190,931,403	599,550,930	217,680,000	2,132,261,302
Total	7,121,996,262	982,661,079	1,379,224,282	3,073,778,112	600,734,910	217,680,000	13,376,074,645
Total interest sensitivity gap	5,582,798,842	(279,623,012)	(834,236,836)	(1,251,228,871)	212,684,324	63,641,212	3,494,035,659

In order to assess the interest rate risks and their impact on the fair value of financial assets and liabilities, the Bank's management performs simulations to determine the sensitivity on financial assets and liabilities.

The Bank has defined a standard scenario for the management of interest rate risk and to monitor the sensitivity of financial assets and liabilities. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. The following is an analysis of the Bank's sensitivity to variations in market interest rates:

	Sensitivity of the net interest income			
	100bp Increase		**100bp decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	24,721,927	14,457,446	(21,133,556)	(14,148,014)
Average for the year	19,161,289	12,339,745	(16,942,554)	(11,716,187)
Maximum for the year	24,721,927	14,457,446	(21,133,556)	(14,448,014)
Minimum for the year	15,183,167	11,327,138	(13,787,577)	(9,885,060)

	Sensitivity in profit or loss for investments at fair value			
	100pb Increase		**100pb decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	(34,380,838)	(20,335,902)	6,860,047	16,816,565
Average for the year	(28,759,818)	(18,748,582)	2,401,894	14,513,437
Maximum for the year	(34,380,838)	(20,417,858)	6,860,047	16,816,565
Minimum for the year	(23,308,888)	(16,198,011)	(2,826,453)	13,032,899

	Sensitivity of other comprehensive income			
	100pb Increase		**100pb decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	(142,555,810)	(112,739,656)	91,590,277	114,205,754
Average for the year	(122,584,994)	(102,352,776)	64,509,976	103,986,909
Maximum for the year	(142,555,810)	(112,739,656)	91,590,277	114,205,754
Minimum for the year	(101,152,380)	(96,908,698)	48,922,819	99,535,353

Reform of the main Reference rates (IBOR)
Globally, there is a process of replacing the use of the main received interbank rates (IBORs) with risk-free interest rates. This reform has generated uncertainty in global markets and will have an impact on products referenced to IBOR. In order to carry out a smooth and orderly transition for the replacement of the IBOR rate, the Bank has established a multidisciplinary committee to evaluate the assets and liabilities agreed upon based on IBOR to determine the transition and impact. The committee is conformed by senior executives from Treasury, Corporate Credit, Risk, Legal, Finance and Operations. The committee reports its progress to the Bank's Assets and Liabilities Committee on a quarterly basis or more frequently if necessary.

The objective of the committee is to evaluate all the assets and liabilities of the Bank referenced to IBOR to determine the changes that, if necessary, are required by the financial assets and liabilities contracts. Additionally, the committee must determine the operational and systems risks that the transition may have and will coordinate the operations to be carried out in the different areas of the Bank for an orderly transition. The committee will coordinate communication and action plans with Bank clients so that the transition is transparent and efficient. The committee has reviewed the current IBOR replacement clauses of the Bank's loan contracts and has worked on new IBOR replacement clauses that it will begin to use in order to strengthen the IBOR replacement language of the contracts. Likewise, the Bank will endeavor to use rates not referenced to IBOR in its new loans in order to reduce the number of operations that must be amended when IBOR ceases to exist.

The Bank considers that the current risk to which it is exposed, as a result of the IBOR reform, is low since there are B/.541MM in loans or 4.72% of the total that is referenced to IBOR only; additionally there are B/.1,572MM in loans referenced to IBOR or 13.74%, but which have a floor rate. 75% of these operations expire after December 31, 2021. On the other hand, almost 87% of these loans are corporate loans, so the number of operations with loans referenced to IBOR is low. Regarding investments, less than 22% of them are referenced to IBOR and of these 43.92% have a floor rate. For liabilities, only B/.233MM of its institutional financings are referenced to IBOR and expire after 2021.

In relation to derivative transactions, the Bank maintains low amounts of accounting hedge derivative transactions referenced to IBOR. As of December 31, 2020, it maintains interest rate risk hedges referenced to IBOR for a total of B/.387MM of notional value of fair value hedges and a total of B / .30MM of notional value of cash flow hedge cash. Of these operations, B/.410MM expire after December 31, 2021, therefore, no material impact is anticipated due to differences in the baseline between derivatives and hedged assets and liabilities.

(d) *Liquidity and Financing Risk*
Liquidity and financing risk is the risk that the Bank is unable to meet all its obligations as a result of, among other reasons, unexpected withdrawals of funds by depositors, impairment of the quality of the loan portfolio, the devaluation of investments and other financial assets, the excessive concentration of liabilities in one particular source, a gap between assets and liabilities, a shortage of asset liquidity and the mismatch of long-term asset financing with short-term liabilities.

Liquidity Risk Management:
Risk management policies establish a liquidity limit in order to determine the amount of the Bank's assets that should be maintained in highly liquid instruments. It also sets out; financing limits, leverage limits and maturity limits.

The Bank is exposed to daily calls on its available cash resources due to withdrawals of demand and savings deposits, maturity of time deposits and borrowings, and also draw downs on loans and guarantees.

Liquidity is monitored on a daily basis by the Treasury Unit of the Bank and simulations of withdrawals are carried out periodically to determine the capacity of the Bank to deal with crisis scenarios with the available liquidity levels. All policies and procedures for liquidity management are subject to review and approval by the Assets and Liabilities Committee.

The table below summarizes the Bank's assets and liabilities grouped by their residual maturities with respect to the contractual maturity date:

2020	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	157,149,834	0	0	0	0	0	0	157,149,834
Deposits with banks	470,593,776	25,329,089	147,512,226	0	0	0	0	643,435,091
Investments and other financial assets, net	533,354,687	202,757,773	357,682,830	2,448,480,009	1,500,419,076	544,278,672	59,497,030	5,646,470,077
Loans, net	1,632,610,094	726,803,457	1,189,713,825	6,530,081,150	744,476,857	199,897,175	0	11,023,582,558
Accrued interest receivable	1,142,077	212,631	44,709,748	109,428,367	0	0	0	155,492,823
Other assets	255,368,764	3,527,421	153,467,863	9,418,453	4,644,849	686,258	563,538,964	990,652,572
Total	3,050,219,232	958,630,371	1,893,086,492	9,097,407,979	2,249,540,782	744,862,105	623,035,994	18,616,782,955
Liabilities:								
Deposits	8,641,296,270	725,562,056	1,419,730,542	2,661,602,321	1,345,276	0	0	13,449,536,465
Borrowings, debt securities issued and perpetual bonds	23,066,784	16,660,042	64,326,463	380,323,602	592,091,692	0	217,680,000	1,294,148,583
Lease Liabilities	782,851	790,168	1,520,466	9,535,151	5,319,640	1,748,040	0	19,696,316
Accrued interest payable	15,713	0	114,661,714	0	0	0	0	114,677,427
Other liabilities	835,499,746	1,093,052	20,664,292	24,229,134	0	0	224,027,206	1,105,513,430
Total	9,500,661,364	744,105,318	1,620,903,477	3,075,690,208	598,756,608	1,748,040	441,707,206	15,983,572,221
Net position	(6,450,442,132)	214,525,053	272,183,015	6,021,717,771	1,650,784,174	743,114,065	181,328,788	2,633,210,734

2019	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	206,185,414	0	0	0	0	0	0	206,185,414
Deposits with banks	334,933,791	30,487,805	128,683,244	30,183,850	0	0	0	524,288,690
Investments and other financial assets, net	438,371,584	175,825,553	420,883,387	2,276,724,764	1,096,372,595	520,262,343	69,881,664	4,998,321,890
Loans, net	1,075,792,073	1,136,417,393	1,471,864,677	7,085,008,198	861,523,593	244,621,831	0	11,875,227,765
Accrued interest receivable	1,304,577	223,594	47,110,216	0	0	0	0	48,638,387
Other assets	475,666,212	1,440,113	118,983,382	16,614,944	5,159,244	608,390	452,586,657	1,071,058,942
Total	2,532,253,651	1,344,394,458	2,187,524,906	9,408,531,756	1,963,055,432	765,492,564	522,468,321	18,723,721,088
Liabilities:								
Deposits	7,442,671,043	767,352,019	1,359,814,889	2,884,246,016	1,183,980	0	0	12,455,267,947
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	44,782,228	106,809,062	550,401,117	610,357,965	602,230,930	0	217,680,000	2,132,261,302
Lease Liabilities	826,485	789,901	1,572,402	10,914,470	6,020,687	745,821	0	20,869,766
Accrued interest payable	15,713	0	128,281,787	0	0	0	0	128,297,500
Other liabilities	850,853,905	2,777,012	47,457,016	1,413,573	0	0	197,836,755	1,100,338,261
Total	8,743,096,785	877,727,994	2,087,527,211	3,506,932,024	609,435,597	745,821	415,516,755	16,240,982,187
Net position	(6,210,843,134)	466,666,464	99,997,695	5,901,599,732	1,353,619,835	764,746,743	106,951,566	2,482,738,901

Management estimates that the Bank's investment portfolio consists of highly liquid investments and other financial assets (with ratings from AAA to BBB-) for B/.3,521,460,619 (2019: B/.3,289,215,105), which can be readily convertible to cash, in a period of less than a week.

Exposure to Liquidity Risk:
The Bank uses the index of primary liquid assets to total deposits plus borrowings to measure and monitor its targeted liquidity levels. The primary liquid assets are defined as assets that may be exchanged into cash in a term equal or less than 90 days, except deposits with bank that might have a term of up to 365 days. The Board of Directors has approved that the following assets be classified as primary liquidity: cash, cash items, deposits due from banks, securities purchased under resell agreements in which the underlying value is liquid and highly graded, short-term securities mutual funds, US Government Treasury Bills, foreign commercial paper with minimum credit risk rating of A2/P2/F2, and lastly liquid bonds and syndicated loans with minimum credit risk rating of BBB- and an active secondary market.

The liquidity index of the Bank, that is primary liquid assets to total deposits and borrowings, measured at the consolidated statement of financial position date, is detailed as follows:

	2020	**2019**
At the end of the year	29.40%	27.29%
Average for the year	28.91%	27.62%
Maximum for the year	30.62%	28.53%
Minimum for the year	26.78%	26.16%

(e) Operational Risk
Operational risk is the risk that losses may occur due to failure or insufficiency of processes, personnel, internal systems or external events. This definition includes the legal risk associated with these factors.

The Bank has designed an operational risk management model under a decentralized management structure through risk managers within functional areas.

The Operational Risk Management model, addresses within its key functions the following:

- Definition of strategies and implementation of Business Continuity Plans for the critical processes
- Identification and assessment of risks
- Reporting of incidents and loss events
- Evaluation and follow-up of risk mitigating actions
- Assessment of operational risks in new initiatives
- Periodic training with the areas staff.

In addition to the Operational Risk Unit, the following areas manage operational risk intrinsically within its functions:

- Operational Risk Unit
- Risk Management of Information Technology
- Information Security
- Prevention and Fraud Control
- Corporate Security.

As part of the Corporate Governance Model; strategy, methodology and monitoring of action plans for events and risks measured as critical and high are reported to the Executive Committee of Operational Risk and, on a quarterly basis, to the Board's Risk Committee.

The Corporate Internal Audit Department reviews and validates compliance of defined policies and methodologies in accordance with existing regulations, the results of which are presented to the Corporate Audit Committee.

(f) *Capital Management*

For purposes of calculating the capital adequacy of the Bank, is based on the Agreements No.1-2015, No.3-2016, No.11-2018 and No.6-2019 issued by the Superintendence of Banks of Panama. The Bank´s Capital is separated in two tiers: ordinary and additional primary capital (Tier I), and secondary capital (Tier II). Ordinary primary capital consists of capital stock paid, capital paid in excess, reserves declared, retained earnings, non-controlling interests and other items of accumulated comprehensive income, less regulatory adjustments such as: goodwill from acquisitions and other intangible assets. The additional primary capital consists of instruments issued by the Bank or consolidated subsidiaries that comply with the established characteristics for inclusion, issue premiums, less regulatory adjustments applicable to the additional primary capital. Secondary capital consists of instruments issued by the Bank or consolidated subsidiaries that comply with the established characteristics for inclusion, issue premiums and reserves set up for future losses minus regulatory adjustments applicable to the secondary capital.

In the following table, the Bank presents its consolidated regulatory capital to its risk-weighted assets in accordance with the requirements established by the Superintendence of Banks of Panama:

	2020	**2019**
Ordinary Primary Capital (Tier 1)		
Common shares	500,000,000	500,000,000
Legal reserve	188,395,818	186,240,059
Other items of comprehensive income	159,987,401	89,124,875
Retained earnings	1,772,980,479	1,703,099,551
Less: regulatory adjustments	53,674,143	50,073,596
Total	2,567,689,555	2,428,390,889
Additional Primary Capital (Tier 1)		
Subordinated debt – perpetual bonds	217,680,000	217,680,000
Total	217,680,000	217,680,000
Total primary capital	2,785,369,555	2,646,070,889
Total capital	2,785,369,555	2,646,070,889
Credit risk-weighted assets	11,273,084,468	11,931,119,738
Market risk-weighted assets	1,551,595,690	422,022,914
Operative risk-weighted assets	607,185,552	630,171,927
Total Risk-weighted assets	13,431,865,710	12,983,314,579
Capital ratios		
Total capital	20.74%	20.38%
Total primary capital	20.74%	20.38%

(33) Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank's management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, results, commitments and contingencies, based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Any changes in assumptions or criteria could significantly affect estimates.

(a) *Impairment losses on loans:*

The Bank reviews its loan portfolio at each consolidated statement of financial position date to determine if there is objective evidence of impairment in a loan or loan portfolio that should be recognized in the profit or loss of the year.

The Bank makes its best judgment as to whether there is any observable data indicating that there is a measurable impairment in a loan portfolio using estimates based on historical and expected loss experience for loans with similar characteristics at the moment of forecasting the future recoverable cash flows of these operations.

(b) *Fair value of derivative instruments:*
The fair value of derivative instruments that are not quoted in active markets is determined by using valuation techniques. Models are reviewed before they are used and are calibrated to ensure that outputs reflect actual data and comparative fair values of market prices of similar instruments.

To the extent of practicality, only observable data are used as inputs, although certain inputs such as counterparty credit risk, volatility measures and correlations require management to make certain estimates.

(c) *Impairment of investments and other financial assets:*
The Bank determines that investments and other financial assets are impaired when there has been a significant and prolonged decline in their fair value below their respective cost, if its rating was reduced below B+, or there has been default on payment, bankruptcy, debt restructuring, or similar events that change in a material way the original terms and conditions.

(d) *Goodwill impairment:*
The Bank reviews the carrying value of goodwill, on an annual basis or when there is an indication of impairment. The estimate of value in use requires management to estimate future cash flows of the related assets or businesses acquired, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(34) Main Applicable Laws and Regulations

(a) *Banking Law in the Republic of Panama*
Banking operations are regulated and supervised by the Superintendence of Banks of Panama, according to the regulations established by Executive Decree No.52 of April 30, 2008, adopting the single text of Decree Law 9 of February 26, 1998, as amended by Decree Law No.2 of February 22, 2008, whereby establishing the banking system in Panama and creating the Superintendence of Banks and the rules that govern it.

Liquidity Ratio
The liquidity ratio reported by Banco General S. A. to the regulator, based on the parameters established in the Agreement No.4-2008, was 40.45% (2019: 38.21%).

Capital Adequacy
The Law mandates general license banks to maintain a minimum paid-in capital or assigned capital of not less than ten million balboas (B/.10,000,000) and a capital adequacy ratio of not less than 8%, including off-balance sheet operations.

The Bank has a ratio of consolidated regulatory capital to its risk-weighted assets of 20.74% (2019: 20.38%) in accordance with Agreements No.1-2015, No.3-2016, No.11-2018 and No.6-2019 issued by the Superintendence of Banks of Panama.

Agreement No.1-2015 establishes applicable capital adequacy standards for banks and banking groups, which came into effect on January 1, 2016. Agreement No.3-2016, which came into effect on July 1, 2016, establishes standards for the calculation of risk-weighted assets for credit and counterparty risks. Agreements No.11-2018 and No.6-2019 establishes the standards for the determination of assets weighted by operational risk and market risk, respectively, begin on December 31, 2019.

Market Risk Weighted Assets
The Bank's policy to establish the composition of the trading portfolio for the purposes of calculating market risk is based on Agreement No.3-2018 modified by Agreement No.6-2019, which establishes the general criteria for portfolio composition trading for the purposes of calculating market risk.

Any financial instrument with any of the following characteristics is part of the trading portfolio:

- Instrument held for accounting purposes, according to IFRS, as an asset or liability for trading purposes (so that it would be valued daily at market prices, recognizing the valuation differences in the income statement)
- Instruments resulting from market-making activities
- Instruments used to underwrite securities issuance
- Investment in a fund, except when it is not possible to have daily market prices to know its valuation
- Representative value of listed capital
- Short position without coverage
- Derivatives, except those that fulfill functions of hedging positions that are not registered in the trading portfolio.
- Financial instruments that include derivatives, whether explicit or implicit, that are part of the banking book and whose underlying is related to equity risk or credit risk.

In addition, the financial instruments decided by the Superintendency of Banks based on their special characteristics, and whose economic background responds to the purposes indicated above, will be included in the trading portfolio, regardless of the classification of the financial instrument according to the International Financial Reporting Standards (IFRS).

The composition of the calculation of market risk-weighted assets based in the type of assets is detailed as follow:

	Market Risk-Weighted Assets	
	2020	**2019**
Category		
Fixed income	639,665,880	245,354,792
Variable income	611,628,937	79,420,848
Derivatives	300,300,873	97,247,274
Market risk-weighted assets	1,551,595,690	422,022,914

The net gain obtained during 2020 in the trading portfolio amounts to B/.2,548,785.

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.

Loans and Loan Allowances
Specific provisions
The Agreement No.4-2013 indicates that specific reserves shall be established when there is objective evidence of impairment. These reserves and their applicable percentages must be established for credit facilities classified under the following risk categories for both individual loans and loan portfolios: special mention 20%, substandard 50%, doubtful 80%, and uncollectible 100%. both for individual credit facilities and for a group of such facilities.

Banks must calculate and maintain, at a minimum, the specific reserves determined by the criteria established in this Agreement at all times, which considers the balance of each credit facility classified in any of the categories subject to reserve, and the amount of collateral mitigating any possible loss and a table with weighted values for collateral detailed in this Agreement.

If there is a surplus in the specific reserve with respect to the allowance estimated in accordance with IFRS, such surplus will be recorded as a regulatory reserve within equity and its variations are applied against retained earnings. This regulatory reserve shall not be considered as regulatory capital used in calculations of ratios or any other prudential relationships mentioned in the Agreement.

The following table summarizes the classification of the loan portfolio and loan loss allowance of Banco General, S. A., based on Agreement No.4-2013:

2020
(in thousands)

	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	3,290,537	758,101	295,907	24,683	33,142	4,402,370
Consumer loans	6,069,647	88,105	33,714	24,950	55,341	6,271,757
Total	9,360,184	846,206	329,621	49,633	88,483	10,674,127
Specific Reserve	0	33,418	34,478	17,543	12,869	98,308

2019
(in thousands)

	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	4,202,740	446,476	152,338	17,416	22,638	4,841,608
Consumer loans	6,120,631	133,733	47,958	35,695	32,321	6,370,338
Total	10,323,371	580,209	200,296	53,111	54,959	11,211,946
Specific Reserve	0	21,308	33,606	19,897	9,702	84,513

In accordance with Agreement No.4-2013, loans whose payment of principal and/or interest present more than 90 days past due in arrears from the contractual payment date will be classified as delinquent. Delinquency days are calculated from the date in which payment was required. Single-payment transactions and overdrafts will be considered delinquent when the payment is over 30 days in arrears from the contractual payment date.

The following table presents the balance of the loan portfolio by maturity of Banco General, S.A. based on the Agreement No.4-2013, not including contagion:

	2020 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,240,803	117,443	44,124	4,402,370
Consumer loans	5,923,046	222,648	126,063	6,271,757
Total	10,163,849	340,091	170,187	10,674,127

	2019 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,715,562	89,817	36,229	4,841,608
Consumer loans	6,022,678	235,430	112,230	6,370,338
Total	10,738,240	325,247	148,459	11,211,946

The following table presents the balance of the loan portfolio by maturity of Banco General, S.A. based on the Agreement No.4-2013, including contagion:

	2020 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,240,803	117,443	44,124	4,402,370
Consumer loans	5,914,648	229,146	127,963	6,271,757
Total	10,155,451	346,589	172,087	10,674,127

	2019 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,665,578	136,967	39,063	4,841,608
Consumer loans	5,995,480	244,518	130,340	6,370,338
Total	10,661,058	381,485	169,403	11,211,946

Furthermore, based on Agreement No.4-2013, modified by Agreement No. 8-2014 the recognition of interest is suspended for income purposes based on the days of delay in the payment of principal and/or interest and the type of credit operation according to the following:

a) Consumer and corporate loans, if more than 90 days overdue, and
b) Residential mortgage loans, if more than 120 days overdue.

Total loans of Banco General, S. A. in non-accrual status of interest based on Agreement No.4-2013, modified by Agreement No. 8-2014, amounts to B/.156,928,663 (2019: B/.115,035,743). Total interest income not recognized on these loans is of B/.13.472,425 (2019: B/.8,034,444).

As a result of the situation caused by COVID-19, the Bank approved and applied a complementary and exceptional policy of non-calculation of interest for consumer loans that have been modified based on Agreement No.4-2013, modified by Agreement No.8-2014. This policy is based on the analysis of a combination of client factors in addition to delinquency, such as employment status, income generation, the type of credit product and its guarantees, the client's internal risk category and the number of deferred payments. This policy may be suspended or adjusted by the Bank's management.

The total of Banco General, S. A. loans in a non-calculation of interest status in accordance with the provisions of this complementary policy amounts to B/.279,606,351. The total unrecognized interest in income on these loans is B/.14,092,299.

Modified special mention category loans
As follow, a detail of the modified special mention category loan portfolio and their respective provisions and regulatory reserves is presented as of December 31, 2020, classified according to stages 1, 2 and 3 contemplated by IFRS 9, in accordance with the requirements of the Agreement No.2-2020 modified by Agreement No.9-2020:

	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified loans	4,650,041,610	612,943,746	10,448,633	5,273,433,989
Persons	3,154,776,508	78,913,699	10,448,633	3,244,138,840
Corporate	1,495,265,102	534,030,047	0	2,029,295,149
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	(3,532)	0	0	(3,532)
(+) Accrued interest receivable	109,515,667	18,529,016	0	128,044,683
(-) Unearned discounted interest and commissions	0	0	0	0
Total portfolio subject to provisions Agreement No. 9-2020	4,759,553,745	631,472,762	10,448,633	5,401,475,140
Provisions				
IFRS 9 provision	160,906,389	58,882,333	929,929	220,718,651
Generic provision (supplement to 1.5%)				0
Regulatory reserve (supplement to 3%)				0
Total provisions and reserves				220,718,651

The IFRS reserve for modified special mention category loans amounts to B/.220,718,651 or 4.09% of the total portfolio subject to provisions, which in excess covers the regulatory requirement to maintain a 3% reserve on these loans, for the sum of B/.162,044,254.

The following table details the modified special mention category loans according to the fulfillment of their letters:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Modified special mention category loans				
Modified loans	4,650,041,610	612,943,746	10,448,633	5,273,433,989
Persons	3,154,776,508	78,913,699	10,448,633	3,244,138,840
Fulfilled contractual payment	1,211,309,411	24,319,269	4,067,770	1,239,696,450
Deferred	1,943,467,097	54,594,430	6,380,863	2,004,442,390
To corporate	1,495,265,102	534,030,047	0	2,029,295,149
Fulfilled contractual payment	1,075,723,283	305,138,529	0	1,380,861,812
Deferred	419,541,819	228,891,518	0	648,433,337

Of the total of special mention category loans modified by B/.5,273,433,989 as of December 31, 2020, B/.2,620,558,262 complied with the contractual payment of their installments during the month of December and B/.2,652,875,727 were deferred.

The modified special mention category loans are broken down into the following classifications: normal B/.4,629,393,657 and special mention B/.644,040,332.

The following table presents the composition of the modified special mention category loans and deferred loans to December where the total mortgage-backed product loans are observed:

	Modified	**Deferred**
Residential mortgages	2,630,578,838	1,743,759,227
Personal, auto and credit cards	616,166,691	262,731,902
Commercial mortgages	1,282,332,235	377,415,079
Lines of credit and commercial loans	368,365,351	85,196,662
Interim financing	375,987,342	183,772,857
Other secured loans and Overdrafts	3,532	0
Total	5,273,433,989	2,652,875,727
Total motgage-backed loans	3,912,911,073	2,121,174,306
% of mortgage-backed loans	74.2%	80.0%

As of March 31, 2020, the Bank granted a grace period to clients affected in their commercial or personal activities by COVID-19, until June 30, 2020. As of that date, and as a result of a signed agreement between the Government of Panama and the Banking Association of Panama, as well as the issuance of Law No.156 of moratorium, the financial relief was extended until December 31, 2020 to those who were affected by COVID-19 and who requested the financial relief and those that were approved by the Bank.

These financial relief measures consist mainly of granting grace periods for principal and interest to clients whose income has been affected by COVID-19.

The Bank's risk management, which considers the impact of COVID-19, is described in Note 32 on Risk Management of Financial Instruments.

The outbreak of the virus known as Covid-19 has spread like a pandemic among the world's population during the year 2020, significantly affecting macroeconomic variables in Panama, impacting our financial position and operating results , which are particularly dependent on our clients' ability to meet their credit obligations. Although its effects continue to materialize, COVID-19 has caused a significant decrease in commercial activity throughout Panama. This decrease in commercial activity may cause our clients (individuals and companies), suppliers and counterparties to be unable to fulfill their payments or other obligations with the Bank.

The following table details the percentage of the value of loans, including interest, classified as modified special mention that as of December 31, 2020 their installments have not been paid as of the last installment payment recorded at the time of the loan modification:

	Up to 90 days	**From 91 to 120 days**	**Form 121 to 180 days**	**From 181 to 270 days**
Consumer loans	40.00%	2.11%	5.76%	52.13%
Corporate loans	100.00%	0.00%	0.00%	0.00%

The following table summarizes the amounts of the loans that were in the subnormal, doubtful or uncollectible category and that benefited from the moratorium of Law No. 156 of June 30, 2020, and that as of December 31, 2020 do not present payment in to their installments as of last payment of the contractual installment:

	From 91 to 120 days	**From 121 to 180 dyas**	**Form 181 to 270 days**	**More than 270 days**
	(in thousands)			
Consumer loans in high risk category under the Law No. 156	626	1,886	8,353	32,920
Corporate loans in high risk category under the Law No. 156	3,433	0	0	186

On September 11, 2020, the Superintendency of Banks issued Agreement No.9-2020 that modifies Agreement No.2-2020 of March 16, 2020, by which it defines that loans classified as standard and special mention, as well such as restructured loans that are not in arrears, may be modified in accordance with the guidelines established in the aforementioned Agreement. On the other hand, these modified loans in standard and special mention categories will be classified in the category “modified special mention” for the purpose of determining the respective provisions. The modified restructured loans that were in the sub-standard, doubtful or uncollectible category will maintain the credit classification they had at the time of their modification with their respective provision.

In accordance with the Agreement mentioned in the previous paragraph, on the modified special mention loan portfolio, the banks will constitute a provision equivalent to the higher value between the provision according to IFRS 9 of the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including accrued interest receivable and capitalized expenses, and those modified loans guaranteed with deposits pledged in the same bank may be excluded from this calculation up to the guaranteed amount. For this, the following scenarios will be considered:

1. In cases where the IFRS 9 provision is equal to or greater than the generic provision of 3% established in this article, the bank will record the corresponding IFRS provision in the results of the year.

2. In the cases in which the IFRS provision is lower than the generic provision of 3% established in this article, the bank will record said IFRS provision in results and the difference must be recorded in results or in a regulatory reserve in equity, considering the following aspects:

   a. When the IFRS provision is equal to or greater than 1.5%, the bank must record said IFRS provision in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

   b. When the IFRS provision is less than 1.5%, the bank must ensure that this percentage is completed and recorded in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

On October 21, 2020, the Superintendency of Banks of Panama issued Agreement No.13-2020, which modifies Agreement No.2-2020 where additional, exceptional and temporary measures are established on credit risk and an additional term is established. for financial relief measures.

Banking entities will have until June 30, 2021 to continue evaluating the credits of those debtors whose cash flow and payment capacity have been affected by the COVID-19 situation and who at the original time of its modification presented a delay of up to 90 days.

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 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:

	2020	**2019**
Banco General, S. A.	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	4,951,850
Total	152,254,380	152,254,380

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.

Through the General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020, the Superintendence of Banks of Panama established the temporary suspension of the obligation to constitute dynamic provision according to articles 36, 37 and 38 of Agreement No.4- 2013 on credit risk, effective provision from the second quarter of 2020 and will remain until it is revoked.

Provision of assets for loans in the process of awarding

Article 27 of Agreement No.4-2013, modified by Agreement No.11-2019, establishes mortgage loans and consumer loans and corporate loans with real estate guarantees must be written off in a period not exceeding two years from the date they were classified as unrecoverable; except for mortgage loans and consumer loans, the term of which may be extended for an additional year prior approval of the Superintendent. After the established deadlines, a reserve must be created in the equity account, through the appropriation of its retained earnings to which the net loan value charges of the provisions already constituted will be made, according to the percentages established in the following table:

Type of loan	**Period**	**Applicable Percentage**
Mortgages loans and consumer loans with real state guarantees	At the beginning of the first year after the extension (fourth year)	50%
	At the beginning of the second year after the extension (fifth year)	50%
Corporative Loans with real state guarantees	At the beginning of the third year	50%
	At the beginning of the fourth year	50%

The balance of the equity provision of assets for loans in the process of awarding is of B/.9,188,381 (2019: B/.3,145,657), which will be maintained until the effective adjudication of the assets is made and will not be computed for the purpose of calculating the capital adequacy index.

Foreclosed Assets

Agreement No.3-2009 enacted by the Superintendence of Banks of Panama, through which provisions pertaining to the disposal of property are updated, sets a five (5) year period to dispose real estate acquired in settlement of unpaid loans.

Foreclosed assets held for sale are recognized at the lower of the carrying amount of the outstanding loans or the estimated realizable value of the properties. The agreement establishes that the provision of foreclosed properties is progressively within a range of 10% from the first year of registration up to 90% by the fifth year of adjudication, through the establishment of an equity reserve. The progressive reserve table in present to continue:

Years	Minimum reserve percentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

Banco General, S. A. holds foreclosed assets held for sale in the amount of B/.24,935,326 (2019: B/.23,882,702) and a provision in the amount of B/.3,740,299 (2019: B/.3,582,405). The regulatory provision was estimated based on Agreements No.1-2000 and No.3-2009 in the amounts of B/.2,791,827 (2019: B/.1,261,931).

Off-Balance Sheet Operations

Management has classified off-balance sheet operations and estimated the Bank´s reserve requirements in accordance with Agreement No.4-2013, enacted by the Superintendence of Banks of Panama, as presented below:

	2020 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	66,655	1,956	1,160	131	0	69,902
Bank guarantees and promissory notes	499,147	13,133	663	0	26	512,969
Total	565,802	15,089	1,823	131	26	582,871
Reserve required	0	1,887	166	105	0	2,158

	2019 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	80,458	1,911	1,365	0	131	83,865
Bank guarantees and promissory notes	647,768	10,641	651	456	0	659,516
Total	728,226	12,552	2,016	456	131	743,381
Reserve required	0	1,891	335	0	40	2,266

Investments
Banco General, S. A. considers for the management, register, classification and measurement of securities, the Agreement No. 012-2019 issued by the Superintendence of Banks of Panama established dispositions over securities investments.

Until November 30, 2019, the Bank considered for the classification of its investment portfolio Agreement No.7-2000, which was repealed as of December 1, 2019.

(b) *Banking Law of Costa Rica*
The subsidiary Banco General (Costa Rica), S. A. is regulated by the National Banking System Act, the Costa Rica Central Bank Act, the National Council of Financial System Supervision (CONASSIF), and the General Superintendence of Financial Entities (SUGEF).

(c) *Banking Law of the Cayman Islands*
The operations of Banco General (Overseas), Inc. is regulated by the Bank and Fiduciary Institutions Law of May 15, 1989, which was last revised on October 11, 2013, issued by the Government of the Cayman Islands.

(d) *Financing Companies Law*
The operations of financing companies in the Republic of Panama are regulated by the Office of Financial Entities of the Ministry of Commerce and Industry in accordance with provisions established under Law No.42 of July 23, 2001.

(e) *Finance leases Law*
The operations of finance leases in the Republic of Panama are regulated by the Office of Financial Entities of the Ministry of Commerce and Industry in accordance with provisions established under Law No.7 of July 10, 1990.

(f) *Insurance and Reinsurance Law*
Insurance and reinsurance operations in the Republic of Panama are regulated by the Superintendence of Insurance and Reinsurance of Panama, in accordance with provisions established under the Insurance Law No.12 of April 3, 2012 and Reinsurance Law No.63 of September 19, 1996.

(g) *Insurance Law of the British Virgin Islands*
The operations of Commercial Re Overseas Limited are regulated by the Insurance Law of the February 7, 2008 promulgated by the British Virgin Islands legislature and by statutory instrument 2009 No.62 denominated “2009 Insurance Regulations”.

(h) *Securities Law*
Brokerage operations in Panama are regulated by the Superintendence of the Securities Markets in accordance with legislation established in Law Decree No.1 of July 8, 1999 as revised by Law No.67 of September 1, 2011.

The operations of brokerage firms in Panama are regulated by Agreement No.4-2011, modified by provisions of Agreement No.8-2013 and Agreement No.3-2015, established by the Superintendence of the Securities Markets, which obliges brokerage operations to comply with capital adequacy regulations.

(i) *Fiduciary Law*
Fiduciary operations in the Republic of Panama are regulated by the Superintendence of Banks in accordance with provisions established under Law No.1 of January 5, 1984 and modified by provisions of Law No.21 of May 10, 2017.

(j) *Labor Law of the Ministry of Labor and Labor Development (MITRADEL)*
The operations of issuing and printing food vouchers, medicines, school supplies and / or electronic cards in Panama are established under Law No.59 of August 7, 2003, as amended by Law No. 60 of October 23, 2009 and Executive Decree No.263 of September 17, 2010.