

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

**Condensed Consolidated Interim
Financial Information**

March 31, 2021

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Condensed Consolidated Statement of Financial Position

March 31, 2021, December 31, 2020 and March 31, 2020

(Expressed in Balboas)

		(Unaudited) March 2021	(Audited) December 2020	(Unaudited) March 2020
Assets	Note			
Cash and cash items	5	217,609,900	157,149,834	204,313,948
Deposits with banks:				
Demand deposits		467,706,179	444,063,534	566,527,482
Time deposits		264,298,006	199,371,557	239,274,864
Accrued interest receivable		2,921,049	2,602,452	2,980,931
Total deposits with banks		734,925,234	646,037,543	808,783,277
Total cash, cash items and deposits with banks		952,535,134	803,187,377	1,013,097,225
Investments and other financial assets at FVTPL		828,346,418	1,148,054,620	997,830,021
Investments and other financial assets at FVOCI		4,724,066,893	4,423,314,046	4,025,432,984
Investments and other financial at amortized cost, net		63,111,649	53,415,461	5,107,513
Accrued interest receivable		121	388	177
Investments and other financial assets, net		5,615,525,081	5,624,784,515	5,028,370,695
Loans	6	11,263,751,607	11,444,423,336	12,181,364,780
Accrued interest receivable		162,449,899	152,889,983	44,024,882
Less:				
Loan losses allowance		409,773,996	383,795,407	171,902,382
Unearned commissions		35,984,022	37,045,371	43,230,782
Loans, net		10,980,443,488	11,176,472,541	12,010,256,498
Investments in associates		23,846,682	21,685,950	27,036,160
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	234,446,216	236,834,035	240,327,205
Right-of-Use Assets, net	8	19,559,217	18,464,615	19,231,975
Investments and other financial assets sold pending settlement		357,886,499	218,340,211	938,880,032
Deferred tax assets		97,723,080	93,796,753	41,986,931
Goodwill and other intangible assets, net	9	53,617,081	54,271,429	56,566,977
Other assets		377,968,112	368,945,529	329,980,510
Total assets		18,713,550,590	18,616,782,955	19,705,734,208

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

		(Unaudited) March 2021	(Audited) December 2020	(Unaudited) March 2020
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		3,126,212,727	2,978,841,673	2,701,553,066
Savings		4,585,110,729	4,470,044,517	3,714,583,671
Time:				
Customers		5,878,313,116	5,994,362,467	6,094,519,960
Banks		7,145,242	6,287,808	89,344,794
Accrued interest payable		95,839,385	102,336,968	103,954,007
Total deposits		<u>13,692,621,199</u>	<u>13,551,873,433</u>	<u>12,703,955,498</u>
Financing:				
Securities sold under repurchase agreements		0	0	404,145,000
Borrowings and debt securities issued, net	11	1,007,952,606	1,076,468,583	1,950,200,534
Perpetual bonds		217,680,000	217,680,000	217,680,000
Accrued interest payable		5,659,644	12,340,459	10,550,704
Total financing		<u>1,231,292,250</u>	<u>1,306,489,042</u>	<u>2,582,576,238</u>
Lease Liabilities	12	20,885,277	19,696,316	20,043,282
Investments and other financial assets purchased pending settlement		695,025,421	730,935,003	1,398,361,768
Reserves of insurance operations	13	19,146,475	18,580,951	19,087,825
Deferred tax liabilities		2,961,352	3,047,343	4,093,412
Other liabilities	10	457,574,760	352,950,133	494,748,834
Total liabilities		<u>16,119,506,734</u>	<u>15,983,572,221</u>	<u>17,222,866,857</u>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		198,565,989	199,242,854	192,166,280
Capital reserves		99,881,642	160,987,401	(8,488,399)
Retained earnings		1,795,596,225	1,772,980,479	1,799,189,470
Total equity		<u>2,594,043,856</u>	<u>2,633,210,734</u>	<u>2,482,867,351</u>
Total liabilities and equity		<u>18,713,550,590</u>	<u>18,616,782,955</u>	<u>19,705,734,208</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Income

For the three months ended March 31, 2021 and 2020

(Expressed in Balboas)

		(Unaudited) (Accumulated)	
	Note	March 2021	March 2020
Interest and commission income:			
Interest:			
Loans		176,718,350	209,013,852
Deposits with banks		1,488,991	2,310,056
Investments and other financial assets		35,588,607	42,177,993
Commissions on loans		7,373,403	10,391,411
Total interest and commission income		221,169,351	263,893,312
Interest expenses:			
Deposits		59,733,076	66,941,477
Financing		10,978,762	22,593,759
Total interest expenses		70,711,838	89,535,236
Net interest and commission income		150,457,513	174,358,076
Provision for loan losses, net	6	39,811,546	11,682,814
Provision for impairment of investments, net		1,081,093	9,164,736
(Reversal) provision for foreclosed assets, net		(471,977)	651,842
Net interest and commission income, after provisions		110,036,851	152,858,684
Other income (expenses):			
Fees and other commissions		54,476,793	57,551,621
Insurance premiums, net		6,725,414	9,367,690
Gain (loss) on financial instruments, net		719,590	(19,309,297)
Other income, net		6,221,382	5,133,785
Commission expenses and other expenses	12	(22,118,527)	(25,020,504)
Total other income, net		46,024,652	27,723,295
General and administrative expenses:			
Salaries and other personnel expenses	16	40,485,648	45,347,746
Depreciation and amortization	7 and 8	7,007,304	7,286,629
Properties, furniture and equipment expenses		6,123,718	5,785,886
Other expenses		18,776,716	19,743,881
Total general and administrative expenses		72,393,386	78,164,142
Net operating income		83,668,117	102,417,837
Equity participation in associates		2,232,552	2,226,795
Net income before tax		85,900,669	104,644,632
Income tax, estimated		9,854,034	13,708,336
Income tax, deferred		(4,012,767)	(1,710,873)
Income tax, net	17	5,841,267	11,997,463
Net income		80,059,402	92,647,169

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2021 and 2020

(Expressed in Balboas)

	(Unaudited)	
	March <u>2021</u>	March <u>2020</u>
Net income	<u>80,059,402</u>	<u>92,647,169</u>
Other comprehensive income (expenses):		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(71,505,995)	(116,672,647)
Transfer to profit or loss for sales of investments at FVOCI	8,715,903	14,766,627
Valuation of investment credit risk at FVOCI	1,087,047	9,164,736
Valuation of hedging instruments	<u>597,286</u>	<u>(5,871,990)</u>
Total other comprehensive expenses, net	<u>(61,105,759)</u>	<u>(98,613,274)</u>
Total comprehensive income (expenses)	<u><u>18,953,643</u></u>	<u><u>(5,966,105)</u></u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2021 and 2020

(Expressed in Balboas)

	Capital reserves							
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Valuation of hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2020 (Audited)	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
Net income	0	0	0	0	0	0	80,059,402	80,059,402
Other comprehensive income (expenses):								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(71,505,995)	0	(71,505,995)	0	(71,505,995)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	8,715,903	0	8,715,903	0	8,715,903
Valuation of investment credit risk at FVOCI	0	0	0	1,087,047	0	1,087,047	0	1,087,047
Valuation of hedging instruments	0	0	0	0	597,286	597,286	0	597,286
Total other comprehensive (expenses) income, net	0	0	0	(61,703,045)	597,286	(61,105,759)	0	(61,105,759)
Total comprehensive income	0	0	0	(61,703,045)	597,286	(61,105,759)	80,059,402	18,953,643
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(58,750,000)	(58,750,000)
Dividends tax	0	0	0	0	0	0	(1,757,928)	(1,757,928)
Complementary tax	0	0	0	0	0	0	2,387,407	2,387,407
Reversal transfer of retained earnings	0	(676,865)	0	0	0	0	676,865	0
Total transactions attributable to the shareholder	0	(676,865)	0	0	0	0	(57,443,656)	(58,120,521)
Balance as of March 31, 2021 (Unaudited)	500,000,000	198,565,989	1,000,000	98,881,642	0	99,881,642	1,795,596,225	2,594,043,856
Balance as of December 31, 2019 (Audited)	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	92,647,169	92,647,169
Other comprehensive income (expenses):								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(116,672,647)	0	(116,672,647)	0	(116,672,647)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	14,766,627	0	14,766,627	0	14,766,627
Valuation of investment credit risk at FVOCI	0	0	0	9,164,736	0	9,164,736	0	9,164,736
Valuation of hedging instruments	0	0	0	0	(5,871,990)	(5,871,990)	0	(5,871,990)
Total other comprehensive expenses, net	0	0	0	(92,741,284)	(5,871,990)	(98,613,274)	0	(98,613,274)
Total comprehensive loss	0	0	0	(92,741,284)	(5,871,990)	(98,613,274)	92,647,169	(5,966,105)
Transactions with owner:								
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	7,311,004	7,311,004
Transfer of retained earnings	0	2,651,805	0	0	0	0	(2,651,805)	0
Total transactions attributable to the shareholder	0	2,651,805	0	0	0	0	3,442,750	6,094,555
Balance as of March 31, 2020 (Unaudited)	500,000,000	192,166,280	1,000,000	3,531,320	(13,019,719)	(8,488,399)	1,799,189,470	2,482,867,351

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

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

Condensed Consolidated Statement of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2021	March 2020
Operating activities:			
Net income		80,059,402	92,647,169
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	39,811,546	11,682,814
Provision for valuation of investments, net		1,081,093	9,164,736
(Reversal) provision for foreclosed assets, net		(471,977)	651,842
Unrealized loss on investments and other financial assets		14,901,852	13,154,165
Unrealized (gain) loss on derivative instruments		(4,186,338)	12,747,944
Gain on sale of investments and other financial assets at FVTPL, net		(1,012,623)	(6,829,062)
Gain on sale of investments and other financial assets at FVOCI		(7,632,734)	(720,837)
Realized (gain) loss on derivative instruments		(2,789,747)	957,087
Foreign exchange fluctuations, net		346	14,790
Gain on sale of fixed assets, net		(401,152)	(14,014)
Depreciation and amortization	7 and 8	7,007,304	7,286,629
Amortization of intangible assets	9	654,348	654,348
Equity participation in associates		(2,232,552)	(2,226,795)
Income tax, net		5,841,267	11,997,463
Interest and commission income		(221,169,351)	(263,893,312)
Interest expense		70,711,838	89,535,236
Changes in operating assets and liabilities:			
Time deposits with banks		114,178	9,487,377
Investments and other financial assets at FVTPL		313,504,043	(319,633,938)
Loans		166,838,772	(102,615,118)
Unearned commissions		6,312,054	10,319,864
Tax credit from preferential interest		(12,850,540)	(12,212,410)
Other assets		(134,472,244)	(523,549,994)
Demand deposits		147,371,054	93,289,776
Savings deposits		115,066,212	116,338,444
Time deposits		(115,191,917)	(64,894,676)
Reserves of insurance operations		565,524	63,842
Other liabilities		64,961,140	684,992,522
Cash provided by operations:			
Interest received		198,344,459	251,467,036
Interest paid		(83,909,506)	(103,327,267)
Dividends received		335,802	398,539
Total		567,102,151	(75,712,969)
Cash flows from operating activities		647,161,553	16,934,200
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(1,716,625,053)	(1,017,614,165)
Sale and redemptions of investments and other financial assets at FVOCI		1,346,204,890	1,283,304,907
Purchases of securities at amortized cost		(80,106,338)	(5,107,513)
Redemptions of securities at amortized cost		70,416,104	0
Dividends received from associates		71,820	71,820
Sale of properties, furniture and equipment		452,804	2,948,426
Purchases of properties, furniture and equipment	7	(3,760,005)	(8,172,914)
Cash flows (used) from investing activities		(383,345,778)	255,430,561
Financing activities:			
Borrowings and debt securities issued		0	68,864,374
Redemption of debt securities issued and cancellation of borrowings		(55,735,143)	(57,565,228)
Securities sold under repurchase agreements		0	197,589
Payment of lease liabilities		(816,773)	(826,484)
Dividends paid on common shares		(58,750,000)	0
Complementary and dividends tax		629,479	6,094,555
Cash flows (used) from financing activities		(114,672,437)	16,764,806
Net increase in cash and cash equivalents		149,143,338	289,129,567
Cash and cash equivalents at the beginning of the period		601,213,368	538,711,863
Cash and cash equivalents at the end of the period	5	750,356,706	827,841,430

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2021

(Expressed in Balboas)

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2021

(Expressed in Balboas)

(1) General Information

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

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

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

Grupo Financiero BG, S. A., a 59.89% (December 31, 2020: 59.86%) 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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management issue on April 28, 2021.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2020.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 2021			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>147,663,454</u>	<u>36,647,254</u>	<u>184,310,708</u>
Loans	<u>11,329,833</u>	<u>164,284,836</u>	<u>12,350,832</u>	<u>187,965,501</u>
Investments in associates	<u>0</u>	<u>23,846,682</u>	<u>0</u>	<u>23,846,682</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,312,552	106,451,953	85,217,389	192,981,894
Savings	8,952,378	84,600,502	26,452,325	120,005,205
Time	<u>2,931,534</u>	<u>302,632,679</u>	<u>131,076,923</u>	<u>436,641,136</u>
	<u>13,196,464</u>	<u>493,685,134</u>	<u>242,746,637</u>	<u>749,628,235</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>1,648,670</u>	<u>5,627,672</u>	<u>35,955,000</u>	<u>43,231,342</u>
<u>Interest income:</u>				
Loans	<u>121,448</u>	<u>2,235,686</u>	<u>176,485</u>	<u>2,533,619</u>
Investments and other financial assets	<u>0</u>	<u>1,612,186</u>	<u>468,750</u>	<u>2,080,936</u>
<u>Interest expenses:</u>				
Deposits	<u>36,037</u>	<u>3,186,829</u>	<u>322,254</u>	<u>3,545,120</u>
Financing	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>2,232,552</u>	<u>0</u>	<u>2,232,552</u>
Received dividends	<u>0</u>	<u>170,967</u>	<u>0</u>	<u>170,967</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>140,791</u>	<u>0</u>	<u>0</u>	<u>140,791</u>
Benefits to key management personnel	<u>599,974</u>	<u>0</u>	<u>0</u>	<u>599,974</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>146,924,601</u>	<u>36,739,463</u>	<u>183,664,064</u>
Loans	<u>10,993,872</u>	<u>174,406,513</u>	<u>13,210,417</u>	<u>198,610,802</u>
Investments in associates	<u>0</u>	<u>21,685,950</u>	<u>0</u>	<u>21,685,950</u>
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	<u>2,892,117</u>	<u>316,782,997</u>	<u>129,153,846</u>	<u>448,828,960</u>
	<u>10,274,410</u>	<u>544,448,315</u>	<u>235,128,993</u>	<u>789,851,718</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>6,102,346</u>	<u>35,955,000</u>	<u>42,057,346</u>
	March 31, 2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>148,933,512</u>	<u>36,487,332</u>	<u>185,420,844</u>
Loans	<u>10,581,921</u>	<u>118,999,718</u>	<u>15,786,742</u>	<u>145,368,381</u>
Investments in associates	<u>0</u>	<u>27,036,160</u>	<u>0</u>	<u>27,036,160</u>
Liabilities:				
Deposits:				
Demand	1,214,726	115,906,033	56,181,912	173,302,671
Savings	4,627,241	58,224,292	1,704,654	64,556,187
Time	<u>3,094,558</u>	<u>360,717,389</u>	<u>76,384,615</u>	<u>440,196,562</u>
	<u>8,936,525</u>	<u>534,847,714</u>	<u>134,271,181</u>	<u>678,055,420</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>162,800</u>	<u>8,313,305</u>	<u>31,333,000</u>	<u>39,809,105</u>

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

	March 31, 2020			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Interest income:</u>				
Loans	<u>117,606</u>	<u>1,748,148</u>	<u>210,829</u>	<u>2,076,583</u>
Investments and other financial assets	<u>0</u>	<u>1,765,657</u>	<u>482,569</u>	<u>2,248,226</u>
<u>Interest expenses:</u>				
Deposits	<u>32,466</u>	<u>4,106,562</u>	<u>562,603</u>	<u>4,701,631</u>
Financing	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>2,226,795</u>	<u>0</u>	<u>2,226,795</u>
Received dividends	<u>0</u>	<u>174,665</u>	<u>0</u>	<u>174,665</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>106,744</u>	<u>0</u>	<u>0</u>	<u>106,744</u>
Benefits to key management personnel	<u>661,649</u>	<u>0</u>	<u>0</u>	<u>661,649</u>

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

(5) Cash and Cash Equivalents

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

	March 31	
	<u>2021</u>	<u>2020</u>
Cash and cash items	217,609,900	204,313,948
Demand deposits with banks	467,706,179	566,527,482
Time deposits with banks	<u>264,298,006</u>	<u>239,274,864</u>
Total deposits with banks	<u>732,004,185</u>	<u>805,802,346</u>
Less: Deposits with banks, with original maturities greater than three months	<u>199,257,379</u>	<u>182,274,864</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>750,356,706</u>	<u>827,841,430</u>

Demand deposits with banks include cash collateral accounts for B/.32,328,264 (December 31, 2020: B/.37,692,362) that secure derivative operations, Repos, and the next quarterly payments of principal, interest and expenses of certain obligations.

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

The composition of the loan portfolio is summarized as follows:

	March 31 2021	December 31 2020	March 31 2020
Internal sector:			
Residential mortgages	4,399,244,473	4,390,972,007	4,367,416,832
Personal, auto and credit cards	1,724,125,267	1,759,519,908	1,894,640,685
Commercial mortgages	1,928,684,198	1,952,980,797	2,027,306,163
Lines of credit and commercial loans	1,199,138,332	1,247,970,214	1,460,356,927
Interim financing	463,080,600	482,879,078	543,227,816
Financial leases, net	76,791,588	79,984,276	96,718,302
Other secured loans	185,609,272	186,758,212	215,363,692
Overdrafts	111,946,294	113,189,064	144,921,747
Total internal sector	<u>10,088,620,024</u>	<u>10,214,253,556</u>	<u>10,749,952,164</u>
External sector:			
Residential mortgages	199,651,940	204,561,338	216,970,044
Personal, auto and credit cards	10,927,943	11,965,524	14,429,386
Commercial mortgages	180,548,496	188,603,109	207,610,811
Lines of credit and commercial loans	720,234,058	759,317,604	925,210,514
Other secured loans	13,662,330	12,317,737	11,122,993
Overdrafts	50,106,816	53,404,468	56,068,868
Total external sector	<u>1,175,131,583</u>	<u>1,230,169,780</u>	<u>1,431,412,616</u>
Total	<u>11,263,751,607</u>	<u>11,444,423,336</u>	<u>12,181,364,780</u>

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

		March 31, 2021		
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	225,723,115	71,959,280	86,113,012	383,795,407
Transferred to 12-month ECL	6,888,273	(5,691,645)	(1,196,628)	0
Transferred to lifetime ECL not credit-impaired	(902,020)	1,578,270	(676,250)	0
Transferred to lifetime ECL credit-impaired	(452,097)	(5,311,555)	5,763,652	0
Net remeasurement of portfolio	(62,329,700)	1,182,644	104,337,681	43,190,625
New Loans	2,153,671	796,194	2,903,242	5,853,107
Loans that have been derecognized	(2,007,885)	(1,855,971)	(5,368,330)	(9,232,186)
Recovery of loan write-off	0	0	4,941,895	4,941,895
Loans written-off	0	0	(18,774,852)	(18,774,852)
Balance at the end of the period	<u>169,073,357</u>	<u>62,657,217</u>	<u>178,043,422</u>	<u>409,773,996</u>

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

	December 31, 2020			Total
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	
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	<u>225,723,115</u>	<u>71,959,280</u>	<u>86,113,012</u>	<u>383,795,407</u>

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

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/.122,445,215 (December 31, 2020 B/.109,428,367)

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

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

	March 31, 2021					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Additions	0	0	2,665,945	825,364	268,696	3,760,005
Sales and disposals	6,180	258,094	0	648,935	0	913,209
At the end of the period	<u>32,559,924</u>	<u>136,852,883</u>	<u>145,549,993</u>	<u>113,646,699</u>	<u>42,213,302</u>	<u>470,822,801</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	37,058,835	84,121,051	78,790,441	31,171,643	231,141,970
Expense of the period	0	876,905	2,655,617	2,061,190	502,460	6,096,172
Sales and disposal	0	212,622	0	648,935	0	861,557
At the end of the period	<u>0</u>	<u>37,723,118</u>	<u>86,776,668</u>	<u>80,202,696</u>	<u>31,674,103</u>	<u>236,376,585</u>
Net balance	<u>32,559,924</u>	<u>99,129,765</u>	<u>58,773,325</u>	<u>33,444,003</u>	<u>10,539,199</u>	<u>234,446,216</u>

	December 31, 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	<u>32,566,104</u>	<u>137,110,977</u>	<u>142,884,048</u>	<u>113,470,270</u>	<u>41,944,606</u>	<u>467,976,005</u>
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	<u>0</u>	<u>37,058,835</u>	<u>84,121,051</u>	<u>78,790,441</u>	<u>31,171,643</u>	<u>231,141,970</u>
Net balance	<u>32,566,104</u>	<u>100,052,142</u>	<u>58,762,997</u>	<u>34,679,829</u>	<u>10,772,963</u>	<u>236,834,035</u>

	March 31, 2020					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,336,433	136,146,696	128,773,929	113,627,560	40,978,957	451,863,575
Additions	229,671	0	3,555,881	1,330,486	3,056,876	8,172,914
Sales and disposals	0	396,447	132,188	3,824,152	0	4,352,787
At the end of the period	<u>32,566,104</u>	<u>135,750,249</u>	<u>132,197,622</u>	<u>111,133,894</u>	<u>44,035,833</u>	<u>455,683,702</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the period	0	893,356	2,681,117	2,238,038	532,244	6,344,755
Sales and disposal	0	166,776	132,188	1,119,411	0	1,418,375
At the end of the period	<u>0</u>	<u>34,410,001</u>	<u>76,172,397</u>	<u>74,207,031</u>	<u>30,567,068</u>	<u>215,356,497</u>
Net balance	<u>32,566,104</u>	<u>101,340,248</u>	<u>56,025,225</u>	<u>36,926,863</u>	<u>13,468,765</u>	<u>240,327,205</u>

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

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

	March 31 2021	December 31 2020	March 31 2020
Cost:			
At the beginning of the period	25,538,433	23,922,360	23,922,360
New contracts	2,005,734	2,204,652	0
Cancellations	<u>0</u>	<u>(588,579)</u>	<u>0</u>
At the end of the period	<u>27,544,167</u>	<u>25,538,433</u>	<u>23,922,360</u>
Accumulated depreciation:			
At the beginning of the period	7,073,818	3,748,511	3,748,511
Expense of the period	911,132	3,574,928	941,874
Cancellations	<u>0</u>	<u>(249,621)</u>	<u>0</u>
At the end of the period	<u>7,984,950</u>	<u>7,073,818</u>	<u>4,690,385</u>
Net balance	<u>19,559,217</u>	<u>18,464,615</u>	<u>19,231,975</u>

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

(9) Goodwill and Intangible Assets, Net

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

<u>Company</u>	<u>Date of acquisition</u>	<u>Participation acquired</u>	<u>% of Acquired Participation</u>	<u>Balance</u>
Banco General, S. A.	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A.	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A.	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A.	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A.	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	<u>398,238</u>
Total				<u>41,489,737</u>

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Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

	<u>March 31, 2021</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the period	<u>41,489,737</u>	<u>47,462,084</u>	<u>88,951,821</u>
Accumulated amortization:			
Balance at the beginning of the period	0	34,680,392	34,680,392
Amortization of the period	<u>0</u>	<u>654,348</u>	<u>654,348</u>
Balance at the end of the period	<u>0</u>	<u>35,334,740</u>	<u>35,334,740</u>
Net balance at the end of the period	<u>41,489,737</u>	<u>12,127,344</u>	<u>53,617,081</u>
	<u>December 31, 2020</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the year	41,822,241	47,462,084	89,284,325
Impairment loss	<u>(332,504)</u>	<u>0</u>	<u>(332,504)</u>
Net balance at the end of the year	<u>41,489,737</u>	<u>47,462,084</u>	<u>88,951,821</u>
Accumulated amortization:			
Balance at the beginning of the year	0	32,063,000	32,063,000
Amortization of the year	<u>0</u>	<u>2,617,392</u>	<u>2,617,392</u>
Balance at the end of the year	<u>0</u>	<u>34,680,392</u>	<u>34,680,392</u>
Net balance at the end of the year	<u>41,489,737</u>	<u>12,781,692</u>	<u>54,271,429</u>
	<u>March 31, 2020</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,822,241</u>	<u>47,462,084</u>	<u>89,284,325</u>
Accumulated amortization:			
Balance at the beginning of the period	0	32,063,000	32,063,000
Amortization of the period	<u>0</u>	<u>654,348</u>	<u>654,348</u>
Balance at the end of the period	<u>0</u>	<u>32,717,348</u>	<u>32,717,348</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>14,744,736</u>	<u>56,566,977</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of March 31, 2021, no evaluation was necessary.

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Notes to the Condensed Consolidated Interim Financial Information**(10) Other Financial Liabilities at Fair Value**

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

	<u>Level</u>	<u>March 31 2021</u>	<u>December 31 2020</u>	<u>March 31 2020</u>
Mortgage Backed Securities (MBS)	2	<u>84,409,615</u>	<u>32,653,464</u>	<u>70,469,589</u>
Total		<u>84,409,615</u>	<u>32,653,464</u>	<u>70,469,589</u>

See the description of the levels in Note 19.

(11) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	<u>March 31 2021</u>	<u>December 31 2020</u>	<u>March 31 2020</u>
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000	537,217,000
Borrowings with maturity in 2020, at interest rates of 3 and 6 month Libor plus a margin	0	0	607,809,062
Borrowings with maturity in 2021, at interest rates of 3, 6 and 12 month Libor plus a margin	27,500,000	42,851,563	83,527,344
Borrowings with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	0	30,000,000	245,000,000
Borrowings with maturity in 2023, at interest rates of 6 month Libor plus a margin	0	0	25,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	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	3,082,646	3,232,835	3,864,374
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,514,121	2,747,512	2,972,848
Notes with maturities in 2024, at a fixed interest rate	140,000,000	150,000,000	180,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Subtotal of borrowings and debt securities issued	<u>988,068,767</u>	<u>1,043,803,910</u>	<u>1,913,145,628</u>
Revaluation coverage	<u>19,883,839</u>	<u>32,664,673</u>	<u>37,054,906</u>
Total borrowings and debt securities issued, net	<u>1,007,952,606</u>	<u>1,076,468,583</u>	<u>1,950,200,534</u>

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

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

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

	March 31	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the period	1,076,468,583	1,914,581,302
New borrowings and debt securities issued	0	68,864,374
Redemption of debt securities issued and cancellation of borrowings	(55,735,143)	(57,565,228)
Revaluation coverage	(12,780,834)	24,320,086
Balance at the end of the period	<u>1,007,952,606</u>	<u>1,950,200,534</u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	March 31	December 31	March 31
	<u>2021</u>	<u>2020</u>	<u>2020</u>
Balance at the beginning of the period	19,696,316	20,869,766	20,869,766
New contracts	2,005,734	2,204,652	0
Payments	(816,773)	(3,006,084)	(826,484)
Cancellations	0	(372,018)	0
Balance at the end of the period	<u>20,885,277</u>	<u>19,696,316</u>	<u>20,043,282</u>

Interest expense on lease liabilities for B/.226,006 (2020: B/.220,462) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

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

Reserves of insurance operations amounted to B/.19,146,475 (December 31, 2020: B/.18,580,951) and (March 31, 2020 B/.19,087,825) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	March 31 2021	December 31 2020	March 31 2020
Unearned Premiums			
Balance at the beginning of the period	21,103,378	21,385,439	21,385,439
Issued premiums	10,413,200	38,862,438	10,888,980
Earned premiums	<u>(10,707,415)</u>	<u>(39,144,499)</u>	<u>(10,683,313)</u>
Balance at the end of the period	20,809,163	21,103,378	21,591,106
Reinsurers participation	<u>(4,467,027)</u>	<u>(4,904,557)</u>	<u>(4,866,899)</u>
Unearned premiums, net	<u>16,342,136</u>	<u>16,198,821</u>	<u>16,724,207</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	3,413,785	2,952,326	2,952,326
Incurred claims	4,698,305	9,774,685	1,935,637
Paid claims	<u>(4,365,053)</u>	<u>(9,313,226)</u>	<u>(1,922,938)</u>
Balance at the end of the period	3,747,037	3,413,785	2,965,025
Reinsurer participation	<u>(942,698)</u>	<u>(1,031,655)</u>	<u>(601,407)</u>
Estimated insurance claims incurred, net	<u>2,804,339</u>	<u>2,382,130</u>	<u>2,363,618</u>
Total reserves of insurance operations	<u>19,146,475</u>	<u>18,580,951</u>	<u>19,087,825</u>

(14) Segment Information

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

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

Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of 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

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Notes to the Condensed Consolidated Interim Financial Information

(14) Segment Information, continued

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

	Banking and Financial Activities	Insurance and Reinsurance	March 31, 2021 Pension and retirement Fund	Eliminations	Total
Interest and commission income	220,279,896	1,734,794	373,642	1,218,981	221,169,351
Interest and provision expenses	112,374,569	(23,088)	0	1,218,981	111,132,500
Other income, net	37,091,845	5,349,625	3,585,785	2,603	46,024,652
General and administrative expenses	63,547,883	613,862	1,226,940	2,603	65,386,082
Depreciation and amortization expense	6,879,849	56,249	71,206	0	7,007,304
Equity participation in associates	2,232,552	0	0	0	2,232,552
Net income before income tax	76,801,992	6,437,396	2,661,281	0	85,900,669
Net Income tax, estimated	8,651,520	610,446	592,068	0	9,854,034
Net Income tax, deferred	(4,012,767)	0	0	0	(4,012,767)
Net Income tax	4,638,753	610,446	592,068	0	5,841,267
Net income	72,163,239	5,826,950	2,069,213	0	80,059,402
Total assets	18,586,729,957	291,955,530	45,827,468	210,962,365	18,713,550,590
Total liabilities	16,256,796,084	50,096,567	4,170,386	191,556,303	16,119,506,734

	Banking and Financial Activities	Insurance and Reinsurance	March 31, 2020 Pension and retirement Fund	Eliminations	Total
Interest and commission income	262,822,015	1,912,008	338,779	1,179,490	263,893,312
Interest and provision expenses	112,213,135	983	0	1,179,490	111,034,628
Other income, net	16,521,651	7,604,464	3,600,129	2,949	27,723,295
General and administrative expenses	68,869,689	691,073	1,319,700	2,949	70,877,513
Depreciation and amortization expense	7,151,269	58,765	76,595	0	7,286,629
Equity participation in associates	2,226,795	0	0	0	2,226,795
Net income before income tax	93,336,368	8,765,651	2,542,613	0	104,644,632
Net Income tax, estimated	11,542,434	1,562,799	603,103	0	13,708,336
Net Income tax, deferred	(1,710,873)	0	0	0	(1,710,873)
Net Income tax	9,831,561	1,562,799	603,103	0	11,997,463
Net income	83,504,807	7,202,852	1,939,510	0	92,647,169
Total assets	19,586,945,874	286,522,179	40,559,607	208,293,452	19,705,734,208
Total liabilities	17,343,984,434	63,768,156	4,001,657	188,887,390	17,222,866,857

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

	Panama	March 31, 2021 Latin America and the Caribbean	United States of America and Others	Total
Total income, net	220,541,011	23,968,970	24,916,574	269,426,555
Non-financial	284,391,642	3,671,655	0	288,063,297
	Panama	March 31, 2020 Latin America and the Caribbean	United States of America and Others	Total
Total income, net	254,214,175	25,218,397	14,410,831	293,843,402
Non-financial	292,817,030	4,077,152	0	296,894,182

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

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (December 31, 2020: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (December 31, 2020: 9,787,108 common shares).

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

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

March 31, 2021						
Reserves						
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	3,146,880	7,470,404	0	0	144,494,760
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	33,899,850	33,899,850
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>3,146,880</u>	<u>7,470,404</u>	<u>1,794,475</u>	<u>33,899,850</u>	<u>198,565,989</u>

December 31, 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.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>2,658,655</u>	<u>9,188,381</u>	<u>1,794,475</u>	<u>33,346,963</u>	<u>199,242,854</u>

(Reversal) transfer from retained earnings of the period	<u>0</u>	<u>488,225</u>	<u>(1,717,977)</u>	<u>0</u>	<u>552,887</u>	<u>(676,865)</u>
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The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and catastrophic risks as established by the Superintendence of Insurance and Reinsurance of Panama. The use and restitution of these reserves shall be regulated by the Superintendence of Insurance and Reinsurance of the Republic of Panama.

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.313,597 (2020: B/.493,442). These options may be exercised by the executives until the year 2027.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended March 31, 2021 and 2020.

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/.20,400 (2020: B/.21,645) and the disbursements to former employees who are covered under the retirement plan amount to B/.41,194 (2020: B/.41,194).

(17) Income Tax

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

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Net income tax is detailed as follows:

	March 31	
	<u>2021</u>	<u>2020</u>
Estimated income tax	10,396,625	13,708,336
Prior year income tax adjustments	(542,591)	0
Deferred income tax	<u>(4,012,767)</u>	<u>(1,710,873)</u>
Total income tax, net	<u>5,841,267</u>	<u>11,997,463</u>

(18) Derivative Financial Instruments

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

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

Below is the summary of derivative contracts is as follow:

	Over the Counter (OTC)							
	Total		Exchange-Traded		Liquidated in a securities exchange		Other bilateral counterparties	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>March 31, 2021</u>								
Derivative assets	1,477,408,248	37,237,685	164,800,000	0	339,356,181	6,557,074	973,252,067	30,680,611
Derivative liabilities	863,516,076	15,640,080	289,443,370	0	132,744,764	8,229,319	441,327,942	7,410,761
<u>December 31, 2020</u>								
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
<u>March 31, 2020</u>								
Derivative assets	783,667,169	46,793,134	53,500,000	0	444,982,116	45,127,806	285,185,053	1,665,328
Derivative liabilities	953,912,713	50,172,077	89,747,540	0	644,020,410	46,379,149	220,144,763	3,792,928

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/.20.4MM (December 31, 2020: B/.20.6MM) and (March 31, 2020: B/.38.6MM).

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

Other Derivatives classified by Risk:

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	1,410,238	1,998,864	1,385,484	844,999	27,378	6,912,218
Interest	6,968,588	8,442,343	1,773,228	1,953,672	8,300,119	13,163,236
Currency	19,539	15,001	12,398	9,631	12,981	9,065
Total	<u>8,398,365</u>	<u>10,456,208</u>	<u>3,171,110</u>	<u>2,808,302</u>	<u>8,340,478</u>	<u>20,084,519</u>

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

Hedge Derivatives for Risk Management:

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
<u>Exposure to risk:</u>						
<u>Interest rate</u>						
Fair value hedge	19,683,940	3,995,894	32,464,775	9,238,523	36,855,008	29,456,170
Cash flow hedge	0	0	0	597,286	0	0
Others	0	315,206	0	386,588	0	0
Total interest rate	<u>19,683,940</u>	<u>4,311,100</u>	<u>32,464,775</u>	<u>10,222,397</u>	<u>36,855,008</u>	<u>29,456,170</u>
<u>Currency</u>						
Others	9,155,380	404,459	108,086	5,548,103	1,597,648	631,388
Total Currency	<u>9,155,380</u>	<u>404,459</u>	<u>108,086</u>	<u>5,548,103</u>	<u>1,597,648</u>	<u>631,388</u>
<u>Credit</u>						
Others	0	468,313	0	830,238	0	0
Total Credits	<u>0</u>	<u>468,313</u>	<u>0</u>	<u>830,238</u>	<u>0</u>	<u>0</u>
Total derivatives for risk exposure	<u>28,839,320</u>	<u>5,183,872</u>	<u>32,572,861</u>	<u>16,600,738</u>	<u>38,452,656</u>	<u>30,087,558</u>

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

	<u>March 31, 2021</u>				
	<u>Maturity</u>				
<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<u>Interest rate risk</u>					
<u>Hedging of Bonds</u>					
Notional Value	0	0	7,250,000	0	19,820,484
Average interest rate			7.60%		6.00%
<u>Hedging of Bonds and Notes</u>					
Notional Value	0	0	0	70,000,000	250,000,000
Average interest rate				1.23%	1.85%

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>December 31, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	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%

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

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

	<u>March 31, 2021</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	27,070,484	0	3,995,894	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	320,000,000	19,683,940	0	Other assets (liabilities)	0
Total interest rate risk	<u>347,070,484</u>	<u>19,683,940</u>	<u>3,995,894</u>		

	<u>December 31, 2020</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	62,070,484	0	9,238,523	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	325,000,000	32,464,775	0	Other assets (liabilities)	0
Total interest rate risk	<u>387,070,484</u>	<u>32,464,775</u>	<u>9,238,523</u>		

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

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

March 31, 2021							
	Book Value		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Bonds	28,269,377		3,995,239	0	Investment securities FVOCI	0	0
Bonds and notes		320,000,000	0	19,883,839	Borrowing and debt securities issued	0	0

December 31, 2020							Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	<u>Book Value</u>		Accumulated amount of fair value hedge item adjustments included in the carrying amount of <u>the hedge item</u>		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
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

<u>March 31, 2020</u>							
	<u>Book Value</u>		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	120,282,283		15,889,958	0	Investment securities FVOCI	0	0
Bonds and notes		<u>340,000,000</u>	<u>0</u>	<u>37,054,906</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>Risk Category</u>	<u>December 31, 2020</u> <u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	30,000,000	0
Average interest rate				2.84%	

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

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

				<u>December 31, 2020</u>		
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
Interest rate risk:		<u>Assets</u>	<u>Liabilities</u>			
Derivatives of interest rate – Borrowings Hedge	30,000,000	0	597,286	Other assets (liabilities)	0	0

		<u>Book Value</u>		<u>March 31, 2020</u> Item in the condensed consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	245,000,000	0	13,019,720	Other assets (liabilities)	0	0

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

		March 31, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Assets</u>					
Other derivatives:					
Credit	0	1,410,238	0	1,410,238	
Interest	0	6,968,588	0	6,968,588	
Currency	<u>0</u>	<u>19,539</u>	<u>0</u>	<u>19,539</u>	
Total	<u>0</u>	<u>8,398,365</u>	<u>0</u>	<u>8,398,365</u>	
Hedge derivatives for risk management:					
Interest	0	19,683,940	0	19,683,940	
Currency	<u>0</u>	<u>9,155,380</u>	<u>0</u>	<u>9,155,380</u>	
Total	<u>0</u>	<u>28,839,320</u>	<u>0</u>	<u>28,839,320</u>	
Total derivatives assets	<u>0</u>	<u>37,237,685</u>	<u>0</u>	<u>37,237,685</u>	

<u>Liabilities</u>				
Other derivatives:				
Credit	0	1,998,864	0	1,998,864
Interest	1,000	8,441,343	0	8,442,343
Currency	0	15,001	0	15,001
Total	1,000	10,455,208	0	10,456,208
Hedge derivatives for risk management:				
Credit	0	468,313	0	468,313
Interest	0	4,311,100	0	4,311,100
Currency	0	404,459	0	404,459
Total	0	5,183,872	0	5,183,872
Total derivatives liabilities	1,000	15,639,080	0	15,640,080

		December 31, 2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	1,385,484	0	1,385,484
Interest	0	1,773,228	0	1,773,228
Currency	<u>0</u>	<u>12,398</u>	<u>0</u>	<u>12,398</u>
Total	<u>0</u>	<u>3,171,110</u>	<u>0</u>	<u>3,171,110</u>
Hedge derivatives for risk management:				
Interest	0	32,464,775	0	32,464,775
Currency	<u>0</u>	<u>108,086</u>	<u>0</u>	<u>108,086</u>
Total	<u>0</u>	<u>32,572,861</u>	<u>0</u>	<u>32,572,861</u>
Total derivatives assets	<u>0</u>	<u>35,743,971</u>	<u>0</u>	<u>35,743,971</u>

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 derivatives 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 derivatives liabilities	0	19,409,040	0	19,409,040

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	March 31 2021	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	60,086,571	0	0	60,086,571
Bonds of the Republic of Panama	1,065,355	0	1,065,355	0
Local Corporate Shares	37,593,989	3,041	0	37,590,948
Foreign Treasury Bills	250,962	250,962	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	533,772,130	0	533,772,130	0
Asset Backed Securities (ABS)	67,782,238	0	67,782,238	0
Foreign Corporate Bonds and Fixed Income Funds	127,721,059	49,968	11,249,330	116,421,761
Foreign Share capital	74,114	0	0	74,114
Total	828,346,418	303,971	613,869,053	214,173,394

	December 31 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

	March 31 2020	Level 1	Level 2	Level 3
Local Commercial Paper	1,047,308			1,047,308
Local Corporate Bonds and Fixed Income Funds	53,493,342	0	0	53,493,342
Bonds of the Republic of Panama	1,526,523	0	1,526,523	0
Local Corporate Shares	44,768,338	2,072	0	44,766,266
Foreign Treasury Bills	254,834	254,834	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	657,630,273	0	657,630,273	0
Asset Backed Securities (ABS)	34,914,635	0	34,914,635	0
Foreign Fixed Income Funds	204,006,569	0	92,985,972	111,020,597
Foreign Share capital and Variable Income Mutual Funds	188,199	0	96,092	92,107
Total	997,830,021	256,906	787,153,495	210,419,620

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	March 31			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	6,937,405	0	0	6,937,405
Local Corporate Bonds	1,108,737,809	0	365,817,553	742,920,256
Bonds of the Republic of Panama	118,492,857	0	118,492,857	0
Bonds of the US Government and Agency	91,535,111	87,580,022	3,955,089	0
Foreign Commercial Paper and Treasury Bills	593,933,381	452,305,946	141,627,435	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,310,519,376	0	1,310,519,376	0
Asset Backed Securities (ABS)	201,414,777	0	201,414,777	0
Foreign Corporate Bonds	1,231,594,397	203,472	1,231,390,925	0
Bonds of Other Governments	<u>60,901,780</u>	<u>0</u>	<u>60,901,780</u>	<u>0</u>
Total	<u>4,724,066,893</u>	<u>540,089,440</u>	<u>3,434,119,792</u>	<u>749,857,661</u>
	December 31			
	<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>55,482,112</u>	<u>0</u>	<u>55,482,112</u>	<u>0</u>
Total	<u>4,423,314,046</u>	<u>352,982,060</u>	<u>3,298,471,419</u>	<u>771,860,567</u>
	March 31			
	<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	13,225,472	0	0	13,225,472
Local Corporate Bonds	1,038,825,928	0	170,307,689	868,518,239
Bonds of the Republic of Panama	225,000,768	0	225,000,768	0
Bonds of the US Government	56,001,973	55,301,973	700,000	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	93,867,252	42,599,048	48,668,359	2,599,845
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,440,290,189	0	1,439,592,648	697,541
Asset Backed Securities (ABS)	179,252,912	0	179,252,912	0
Foreign Corporate Bonds	939,677,615	0	939,677,615	0
Bonds of Other Governments	<u>39,290,875</u>	<u>4,007,600</u>	<u>35,283,275</u>	<u>0</u>
Total	<u>4,025,432,984</u>	<u>101,908,621</u>	<u>3,038,483,266</u>	<u>885,041,097</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	<u>Changes in Fair Value Measurement of Level 3 hierarchy</u>		
	<u>Investments and other financial assets</u>		<u>Total</u>
	<u>Fair Value through Profit or Loss</u>	<u>Fair Value through OCI</u>	
December 31, 2020	212,951,434	771,860,567	984,812,001
Gain recognized in income	2,010,297	0	2,010,297
Loss recognized in equity	0	(5,090,335)	(5,090,335)
Purchases	2,451,107	3,977,880	6,428,987
Amortization, sales and redemptions	(3,239,444)	(18,290,451)	(21,529,895)
Transfers from level 3	0	(2,600,000)	(2,600,000)
March 31, 2021	<u>214,173,394</u>	<u>749,857,661</u>	<u>964,031,055</u>
Total (loss) gains related to instruments held as of March 31, 2021	<u>1,842,137</u>	<u>(5,090,244)</u>	<u>(3,248,107)</u>
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	<u>212,951,434</u>	<u>771,860,567</u>	<u>984,812,001</u>
Total gains (loss) related to instruments held as of December 31, 2020	<u>(7,987,108)</u>	<u>18,073,471</u>	<u>10,086,363</u>
December 31, 2019	211,073,725	905,608,976	1,116,682,701
Loss recognized in income	(3,869,180)	(79)	(3,869,259)
Loss recognized in equity	0	(8,969,824)	(8,969,824)
Purchases	11,605,896	28,000,639	39,606,535
Transfers from level 3	(8,390,821)	(39,598,615)	(47,989,436)
March 31, 2020	<u>210,419,620</u>	<u>885,041,097</u>	<u>1,095,460,717</u>
Total loss related to instruments held as of March 31, 2020	<u>(3,919,529)</u>	<u>(8,472,234)</u>	<u>(12,391,763)</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

<u>Instruments</u>	<u>Valuation technique</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>			<u>Fair value sensitivity to unobservable inputs</u>
			<u>March 31 2021</u>	<u>December 31 2020</u>	<u>March 31 2020</u>	
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 4.75% Max 11.11%	Min 4.75% Max 11.11%	Min 4.75% Max 8.37%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Min (120.34%) Max 3714.09%	Min (120.34%) Max 3714.09%	Min (20.23%) Max 22.14%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Min 1.09% Max 10.51% Ave 2.65%	Min 0.99% Max 12.55% Ave 2.54%	Min 0.57% Max 26.68% Ave 4.94%	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:

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

<u>Instrument</u>	<u>Valuation technique</u>	<u>Inputs used</u>	<u>Level</u>
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	1-2-3

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:

	<u>March 31, 2021</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	49,518	(104,013)	6,806,906	(6,985,633)
Corporate Shares	<u>2,193,078</u>	<u>(1,844,591)</u>	<u>0</u>	<u>0</u>
Total	<u>2,242,596</u>	<u>(1,948,604)</u>	<u>6,806,906</u>	<u>(6,985,633)</u>

	<u>December 31, 2020</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	2,256	(65,675)	6,362,446	(6,473,423)
Corporate Shares	<u>2,181,826</u>	<u>(1,835,647)</u>	<u>0</u>	<u>0</u>
Total	<u>2,184,082</u>	<u>(1,901,322)</u>	<u>6,362,446</u>	<u>(6,473,423)</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 2021		December 31, 2020		March 31, 2020	
	Book Value	Fair Value	Book Value	Book Value	Book Value	Fair Value
Assets:						
Time deposits with banks	264,298,006	266,172,331	199,371,557	201,622,481	239,274,864	240,564,418
Investments at amortized cost, net	63,111,649	63,122,082	53,415,461	53,431,848	5,107,513	5,107,513
Loans, net	<u>10,817,993,589</u>	<u>10,762,457,419</u>	<u>11,023,582,558</u>	<u>10,985,309,747</u>	<u>11,966,231,616</u>	<u>11,865,529,766</u>
	<u>11,145,403,244</u>	<u>11,091,751,832</u>	<u>11,276,369,576</u>	<u>11,240,364,076</u>	<u>12,210,613,993</u>	<u>12,111,201,697</u>
Liabilities:						
Deposits	13,596,781,814	13,636,837,523	13,449,536,465	13,496,331,618	12,600,001,491	12,639,601,498
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>1,225,632,606</u>	<u>1,237,919,734</u>	<u>1,294,148,583</u>	<u>1,355,221,790</u>	<u>2,572,025,534</u>	<u>2,548,869,672</u>
	<u>14,822,414,420</u>	<u>14,874,757,257</u>	<u>14,743,685,048</u>	<u>14,851,553,408</u>	<u>15,172,027,025</u>	<u>15,188,471,170</u>

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

	March 31 2021	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	266,172,331	0	0	266,172,331
Investments at amortized cost, net	63,122,082	0	58,900,000	4,222,082
Loans, net	<u>10,762,457,419</u>	<u>0</u>	<u>0</u>	<u>10,762,457,419</u>
	<u>11,091,751,832</u>	<u>0</u>	<u>58,900,000</u>	<u>11,032,851,832</u>
Liabilities:				
Deposits	13,636,837,523	0	0	13,636,837,523
Borrowings, debt securities issued and perpetual bonds	<u>1,237,919,734</u>	<u>0</u>	<u>0</u>	<u>1,237,919,734</u>
	<u>14,874,757,257</u>	<u>0</u>	<u>0</u>	<u>14,874,757,257</u>
	December 31 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	<u>10,985,309,747</u>	<u>0</u>	<u>0</u>	<u>10,985,309,747</u>
	<u>11,240,364,076</u>	<u>0</u>	<u>47,600,000</u>	<u>11,192,764,076</u>
Liabilities:				
Deposits	13,496,331,618	0	0	13,496,331,618
Borrowings, debt securities issued and perpetual bonds	<u>1,355,221,790</u>	<u>0</u>	<u>0</u>	<u>1,355,221,790</u>
	<u>14,851,553,408</u>	<u>0</u>	<u>0</u>	<u>14,851,553,408</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(20) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established policies and limits in order to 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 condensed consolidated statement of financial position of the Bank.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	March 31, 2021 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,561,401	227,209	100,116	9,888,726
Grade 2: Special mention	83,127	620,907	15,070	719,104
Grade 3: Sub-standard	2,160	59,507	367,522	429,189
Grade 4: Doubtful	615	439	54,936	55,990
Grade 5: Uncollectible	367	489	93,095	93,951
Gross amount	9,647,670	908,551	630,739	11,186,960
Allowance for impairment	(168,965)	(62,452)	(177,337)	(408,754)
Net carrying amount	<u>9,478,705</u>	<u>846,099</u>	<u>453,402</u>	<u>10,778,206</u>
<u>Finance leases</u>				
Grade 1: Standard	64,604	922	194	65,720
Grade 2: Special mention	260	4,701	37	4,998
Grade 3: Sub-standard	13	1,302	4,052	5,367
Grade 4: Doubtful	23	0	567	590
Grade 5: Uncollectible	0	0	117	117
Gross amount	64,900	6,925	4,967	76,792
Allowance for impairment	(108)	(205)	(707)	(1,020)
Net carrying amount	<u>64,792</u>	<u>6,720</u>	<u>4,260</u>	<u>75,772</u>
Total loans	<u>9,712,570</u>	<u>915,476</u>	<u>635,706</u>	<u>11,263,752</u>
Allowance for impairment	<u>(169,073)</u>	<u>(62,657)</u>	<u>(178,044)</u>	<u>(409,774)</u>
Net carrying amount	<u>9,543,497</u>	<u>852,819</u>	<u>457,662</u>	<u>10,853,978</u>
<u>Restructured loans</u>				
Gross amount	9,056	56,847	161,835	227,738
Allowance for impairment	(290)	(2,411)	(43,299)	(46,000)
Net carrying amount	<u>8,766</u>	<u>54,436</u>	<u>118,536</u>	<u>181,738</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2020 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	10,004,724	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	<u>9,835,191</u>	<u>769,452</u>	<u>377,020</u>	<u>10,981,663</u>
<u>Finance leases</u>				
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	<u>72,578</u>	<u>4,645</u>	<u>1,742</u>	<u>78,965</u>
Total loans	<u>10,133,492</u>	<u>846,056</u>	<u>464,875</u>	<u>11,444,423</u>
Allowance for impairment	(225,723)	(71,959)	(86,113)	(383,795)
Net carrying amount	<u>9,907,769</u>	<u>774,097</u>	<u>378,762</u>	<u>11,060,628</u>
<u>Restructured loans</u>				
Gross amount	6,047	77,707	135,064	218,818
Allowance for impairment	(251)	(8,887)	(32,629)	(41,767)
Net carrying amount	<u>5,796</u>	<u>68,820</u>	<u>102,435</u>	<u>177,051</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	<u>March 31, 2021</u>		<u>Total</u>
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
Current	9,938,358,033	825,012,440	10,763,370,473
From 31 to 90 days	314,843,405	9,587,732	324,431,137
More than 90 days (capital or interest)	158,561,171	7,260,795	165,821,966
More than 30 days past due (capital at maturity)	<u>10,077,720</u>	<u>50,311</u>	<u>10,128,031</u>
Total	<u>10,421,840,329</u>	<u>841,911,278</u>	<u>11,263,751,607</u>

	<u>December 31, 2020</u>		<u>Total</u>
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
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)	<u>9,604,301</u>	<u>23,197</u>	<u>9,627,498</u>
Total	<u>10,565,603,966</u>	<u>878,819,370</u>	<u>11,444,423,336</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.37,668,103 (December 31, 2020: B/.37,811,079) and (March 31, 2020: B/.44,956,537) which are not subject to credit risk:

			March 31, 2021		
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	58,900,000	0	0	0	58,900,000
Lower than BBB-	<u>4,222,082</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,222,082</u>
Carrying amount	<u>63,122,082</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,122,082</u>
Loss allowance	<u>(10,433)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,433)</u>
Total carrying amount, net	<u>63,111,649</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,111,649</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	676,285,986	0	0	0	676,285,986
Lower than BBB-	<u>519,787,195</u>	<u>9,096,924</u>	<u>28,997,966</u>	<u>0</u>	<u>557,882,085</u>
Carrying amount	<u>1,196,073,181</u>	<u>9,096,924</u>	<u>28,997,966</u>	<u>0</u>	<u>1,234,168,071</u>
Valuation of credit risk	<u>(1,902,931)</u>	<u>(584,062)</u>	<u>(7,567,474)</u>	<u>0</u>	<u>(10,054,467)</u>
<i>Foreign:</i>					
AAA	2,006,030,415	0	0	0	2,006,030,415
AA+ to BBB-	<u>1,236,082,523</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,236,082,523</u>
Lower than BBB-	<u>235,003,275</u>	<u>12,223,400</u>	<u>125,771</u>	<u>433,438</u>	<u>247,785,884</u>
Carrying amount	<u>3,477,116,213</u>	<u>12,223,400</u>	<u>125,771</u>	<u>433,438</u>	<u>3,489,898,822</u>
Valuation of credit risk	<u>(5,612,471)</u>	<u>(45,711)</u>	<u>0</u>	<u>0</u>	<u>(5,658,182)</u>
Total carrying amount	<u>4,673,189,394</u>	<u>21,320,324</u>	<u>29,123,737</u>	<u>433,438</u>	<u>4,724,066,893</u>
Total valuation of credit risk	<u>(7,515,402)</u>	<u>(629,773)</u>	<u>(7,567,474)</u>	<u>0</u>	<u>(15,712,649)</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,065,355				
Lower than BBB-	<u>60,086,571</u>				
Carrying amount	<u>61,151,926</u>				
<i>Foreign:</i>					
AAA	474,547,833				
AA+ to BBB-	<u>138,202,102</u>				
Lower than BBB-	<u>113,071,095</u>				
NR	<u>3,705,359</u>				
Carrying amount	<u>729,526,389</u>				
Total carrying amount	<u>790,678,315</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2020				
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	47,600,000	0	0	0	47,600,000
Lower than BBB-	<u>5,831,848</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,831,848</u>
Carrying amount	<u>53,431,848</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,431,848</u>
Loss allowance	<u>(16,387)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,387)</u>
Total carrying amount, net	<u><u>53,415,461</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>53,415,461</u></u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	877,504,377	0	0	0	877,504,377
Lower than BBB-	<u>442,155,673</u>	<u>8,939,289</u>	<u>28,665,030</u>	<u>0</u>	<u>479,759,992</u>
Carrying amount	<u>1,319,660,050</u>	<u>8,939,289</u>	<u>28,665,030</u>	<u>0</u>	<u>1,357,264,369</u>
Valuation of credit risk	<u>(1,945,002)</u>	<u>(508,899)</u>	<u>(7,562,805)</u>	<u>0</u>	<u>(10,016,706)</u>
<i>Foreign:</i>					
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-	<u>221,746,137</u>	<u>12,240,671</u>	<u>127,333</u>	<u>532,545</u>	<u>234,646,686</u>
Carrying amount	<u>3,053,149,128</u>	<u>12,240,671</u>	<u>127,333</u>	<u>532,545</u>	<u>3,066,049,677</u>
Valuation of credit risk	<u>(4,582,143)</u>	<u>(26,753)</u>	<u>0</u>	<u>0</u>	<u>(4,608,896)</u>
Total carrying amount	<u>4,372,809,178</u>	<u>21,179,960</u>	<u>28,792,363</u>	<u>532,545</u>	<u>4,423,314,046</u>
Total valuation of credit risk	<u>(6,527,145)</u>	<u>(535,652)</u>	<u>(7,562,805)</u>	<u>0</u>	<u>(14,625,602)</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,590,697				
Lower than BBB-	<u>60,951,549</u>				
Carrying amount	<u>62,542,246</u>				
<i>Foreign:</i>					
AAA	605,443,899				
AA+ to BBB-	172,480,656				
Lower than BBB-	266,001,494				
NR	<u>3,775,246</u>				
Carrying amount	<u>1,047,701,295</u>				
Total carrying amount	<u>1,110,243,541</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

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.

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

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

	March 31, 2021			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	6,527,145	535,652	7,562,805	14,625,602
Transferred to 12-month ECL	0	0	0	0
Transferred to lifetime ECL not credit-impaired	(1,821)	1,821	0	0
Transferred to lifetime ECL credit-impaired	0	0	0	0
Net remeasurement of portfolio	241,192	92,300	4,669	338,161
New investment securities purchased	1,416,893	0	0	1,416,893
Investment securities that have been derecognized	<u>(668,007)</u>	<u>0</u>	<u>0</u>	<u>(668,007)</u>
Balance at the end of the period	<u>7,515,402</u>	<u>629,773</u>	<u>7,567,474</u>	<u>15,712,649</u>

	December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the year	4,894,576	701,173	5,272,890	10,868,639
Transferred to 12-month ECL	0	0	0	0
Transferred to lifetime ECL not credit-impaired	(25,909)	25,909	0	0
Transferred to lifetime ECL credit-impaired	0	0	0	0
Net remeasurement of portfolio	665,261	(189,491)	2,289,915	2,765,685
New investment securities purchased	3,204,978	0	334,144	3,539,122
Investment securities that have been derecognized	<u>(2,211,761)</u>	<u>(1,939)</u>	<u>(334,144)</u>	<u>(2,547,844)</u>
Balance at the end of the year	<u>6,527,145</u>	<u>535,652</u>	<u>7,562,805</u>	<u>14,625,602</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of March 31, 2021, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2020.

Regulatory Reserves

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

Dynamic Provision

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

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

	March 31 <u>2021</u>	December 31 <u>2020</u>	March 31 <u>2020</u>
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>4,951,850</u>	<u>4,951,850</u>
Total	<u>152,254,380</u>	<u>152,254,380</u>	<u>152,254,380</u>

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