

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

**Condensed Consolidated Interim
Financial Information**

June 30, 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)

Table of Contents

Condensed Consolidated Statement of Financial Position
Condensed Consolidated Statement of Income
Condensed Consolidated Statement of Comprehensive Income
Condensed Consolidated Statement of Changes in Equity
Condensed Consolidated Statement of Cash Flows
Notes to the Condensed Consolidated Interim Financial Information

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

Condensed Consolidated Statement of Financial Position

June 30, 2021, December 31, 2020 and June 30, 2020

(Expressed in Balboas)

		(Unaudited) June 2021	(Audited) December 2020	(Unaudited) June 2020
Assets	Note			
Cash and cash items	5	179,803,477	157,149,834	189,357,167
Deposits with banks:				
Demand deposits		452,940,676	444,063,534	502,543,751
Time deposits		216,217,561	199,371,557	169,234,467
Accrued interest receivable		3,907,853	2,602,452	3,432,112
Total deposits with banks		673,066,090	646,037,543	675,210,330
Total cash, cash items and deposits with banks		852,869,567	803,187,377	864,567,497
Investments and other financial assets at FVTPL		1,019,060,373	1,148,054,620	1,050,028,582
Investments and other financial assets at FVOCI		4,802,552,335	4,423,314,046	4,468,644,271
Investments and other financial at amortized cost, net		37,359,009	53,415,461	31,649,715
Accrued interest receivable		50	388	9,979
Investments and other financial assets, net		5,858,971,767	5,624,784,515	5,550,332,547
Loans	6	11,302,423,416	11,444,423,336	11,986,079,650
Accrued interest receivable		153,605,528	152,889,983	91,321,776
Less:				
Loan losses allowance		439,146,967	383,795,407	212,900,409
Unearned commissions		36,289,973	37,045,371	40,611,875
Loans, net		10,980,592,004	11,176,472,541	11,823,889,142
Investments in associates		26,230,439	21,685,950	27,805,548
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	237,666,514	236,834,035	238,914,764
Right-of-Use Assets, net	8	18,428,372	18,464,615	18,315,009
Investments and other financial assets sold pending settlement		260,769,992	218,340,211	486,840,945
Deferred tax assets		104,757,211	93,796,753	51,975,332
Goodwill and other intangible assets, net	9	52,962,733	54,271,429	55,912,629
Other assets		417,890,872	368,945,529	340,750,189
Total assets		18,811,139,471	18,616,782,955	19,459,303,602

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

		(Unaudited) June 2021	(Audited) December 2020	(Unaudited) June 2020
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		3,140,200,752	2,978,841,673	2,784,120,015
Savings		4,647,908,064	4,470,044,517	4,091,730,099
Time:				
Customers		5,800,549,172	5,994,362,467	6,015,567,063
Banks		5,711,616	6,287,808	46,048,724
Accrued interest payable		95,601,737	102,336,968	102,418,270
Total deposits		<u>13,689,971,341</u>	<u>13,551,873,433</u>	<u>13,039,884,171</u>
Financing:				
Securities sold under repurchase agreements		0	0	279,670,000
Borrowings and debt securities issued, net	11	997,988,657	1,076,468,583	1,844,969,037
Perpetual bonds		400,000,000	217,680,000	217,680,000
Accrued interest payable		14,505,655	12,340,459	16,509,392
Total financing		<u>1,412,494,312</u>	<u>1,306,489,042</u>	<u>2,358,828,429</u>
Lease Liabilities	12	19,823,191	19,696,316	19,241,023
Investments and other financial assets purchased pending settlement		519,327,981	730,935,003	988,260,019
Reserves of insurance operations	13	19,106,760	18,580,951	19,179,985
Deferred tax liabilities		2,566,140	3,047,343	3,705,320
Other liabilities	10	496,918,096	352,950,133	422,608,489
Total liabilities		<u>16,160,207,821</u>	<u>15,983,572,221</u>	<u>16,851,707,436</u>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		199,613,658	199,242,854	193,231,426
Capital reserves		108,354,602	160,987,401	86,713,711
Retained earnings		1,842,963,390	1,772,980,479	1,827,651,029
Total equity		<u>2,650,931,650</u>	<u>2,633,210,734</u>	<u>2,607,596,166</u>
Total liabilities and equity		<u>18,811,139,471</u>	<u>18,616,782,955</u>	<u>19,459,303,602</u>

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

Condensed Consolidated Statement of Income

For the six months ended June 30, 2021 and 2020

(Expressed in Balboas)

		(Unaudited) (2nd Quarter)		(Unaudited) (Accumulated)	
	Note	June 2021	June 2020	June 2021	June 2020
Interest and commission income:					
Interest:					
Loans		183,213,632	206,589,022	359,931,982	415,602,874
Deposits with banks		1,461,572	1,496,543	2,950,563	3,806,599
Investments and other financial assets		36,129,268	39,893,875	71,717,875	82,071,868
Commissions on loans		8,387,039	5,302,046	15,760,442	15,693,457
Total interest and commission income		229,191,511	253,281,486	450,360,862	517,174,798
Interest expenses:					
Deposits		58,693,444	64,964,655	118,426,520	131,906,132
Financing		12,178,990	20,391,160	23,157,752	42,984,919
Total interest expenses		70,872,434	85,355,815	141,584,272	174,891,051
Net interest and commission income		158,319,077	167,925,671	308,776,590	342,283,747
Provision for loan losses, net	6	37,107,429	58,136,210	76,918,975	69,819,024
Provision (reversal) for impairment of investments, net		(842,103)	(2,906,828)	238,990	6,257,908
(Reversal) provision for foreclosed assets, net		314,962	(439,836)	(157,015)	212,006
Net interest and commission income, after provisions		121,738,789	113,136,125	231,775,640	265,994,809
Other income (expenses):					
Fees and other commissions		59,997,989	37,070,567	114,474,782	94,622,188
Insurance premiums, net		8,558,449	9,756,132	15,283,863	19,123,822
Gain (loss) on financial instruments, net		10,004,063	14,334,098	10,723,653	(4,975,199)
Other income, net		8,278,239	7,310,715	14,499,621	12,444,500
Commission expenses and other expenses	12	(23,668,402)	(14,987,480)	(45,786,929)	(40,007,984)
Total other income, net		63,170,338	53,484,032	109,194,990	81,207,327
General and administrative expenses:					
Salaries and other personnel expenses	16	40,226,833	41,975,664	80,712,481	87,323,410
Depreciation and amortization	7 and 8	7,116,618	7,221,137	14,123,922	14,507,766
Properties, furniture and equipment expenses		6,260,051	5,416,066	12,383,769	11,201,952
Other expenses		20,398,954	15,595,287	39,175,670	35,339,168
Total general and administrative expenses		74,002,456	70,208,154	146,395,842	148,372,296
Net operating income		110,906,671	96,412,003	194,574,788	198,829,840
Equity participation in associates		2,479,516	1,711,960	4,712,068	3,938,755
Net income before tax		113,386,187	98,123,963	199,286,856	202,768,595
Income tax, estimated		13,650,506	10,474,650	23,504,540	24,182,986
Income tax, deferred		(7,429,153)	(10,376,493)	(11,441,920)	(12,087,366)
Income tax, net	17	6,221,353	98,157	12,062,620	12,095,620
Net income		107,164,834	98,025,806	187,224,236	190,672,975

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021 and 2020

(Expressed in Balboas)

	(Unaudited)	
	June <u>2021</u>	June <u>2020</u>
Net income	<u>187,224,236</u>	<u>190,672,975</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	(65,573,664)	(21,567,304)
Transfer to profit or loss for sales of investments at FVOCI	12,093,947	17,751,921
Valuation of investment credit risk at FVOCI	249,632	6,244,702
Valuation of hedging instruments	<u>597,286</u>	<u>(5,840,483)</u>
Total other comprehensive expenses, net	<u>(52,632,799)</u>	<u>(3,411,164)</u>
Total comprehensive income	<u><u>134,591,437</u></u>	<u><u>187,261,811</u></u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 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	187,224,236	187,224,236
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	(65,573,664)	0	(65,573,664)	0	(65,573,664)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	12,093,947	0	12,093,947	0	12,093,947
Valuation of investment credit risk at FVOCI	0	0	0	249,632	0	249,632	0	249,632
Valuation of hedging instruments	0	0	0	0	597,286	597,286	0	597,286
Total other comprehensive (expenses) income, net	0	0	0	(53,230,085)	597,286	(52,632,799)	0	(52,632,799)
Total comprehensive income	0	0	0	(53,230,085)	597,286	(52,632,799)	187,224,236	134,591,437
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(117,500,000)	(117,500,000)
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
Transfer of retained earnings	0	370,804	0	0	0	0	(370,804)	0
Total transactions attributable to the shareholder	0	370,804	0	0	0	0	(117,241,325)	(116,870,521)
Balance as of June 30, 2021 (Unaudited)	500,000,000	199,613,658	1,000,000	107,354,602	0	108,354,602	1,842,963,390	2,650,931,650
Balance as of December 31, 2019 (Audited)	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	190,672,975	190,672,975
Other comprehensive income (expenses):								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(21,567,304)	0	(21,567,304)	0	(21,567,304)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	17,751,921	0	17,751,921	0	17,751,921
Valuation of investment credit risk at FVOCI	0	0	0	6,244,702	0	6,244,702	0	6,244,702
Valuation of hedging instruments	0	0	0	0	(5,840,483)	(5,840,483)	0	(5,840,483)
Total other comprehensive (expenses) income, net	0	0	0	2,429,319	(5,840,483)	(3,411,164)	0	(3,411,164)
Total comprehensive income	0	0	0	2,429,319	(5,840,483)	(3,411,164)	190,672,975	187,261,811
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(59,715,532)	(59,715,532)
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	(1,472,565)	(1,472,565)
Transfer of retained earnings	0	3,716,951	0	0	0	0	(3,716,951)	0
Total transactions attributable to the shareholder	0	3,716,951	0	0	0	0	(66,121,497)	(62,404,546)
Balance as of June 30, 2020 (Unaudited)	500,000,000	193,231,426	1,000,000	98,701,923	(12,988,212)	86,713,711	1,827,651,029	2,607,596,166

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Balboas)

		(Unaudited)	
	Note	June 2021	June 2020
Operating activities:			
Net income		187,224,236	190,672,975
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	76,918,975	69,819,024
Provision for valuation of investments, net		238,990	6,257,908
(Reversal) provision for foreclosed assets, net		(157,015)	212,006
Unrealized loss on investments and other financial assets		9,524,235	15,811,685
Unrealized (gain) loss on derivative instruments		(2,521,528)	1,839,887
Loss (gain) on sale of investments and other financial assets at FVTPL, net		294,206	(16,476,542)
Gain on sale of investments and other financial assets at FVOCI		(12,221,632)	(3,938,324)
Realized (gain) loss on derivative instruments		(5,798,934)	7,738,493
Foreign exchange fluctuations, net		28,378	10,708
Gain on sale of fixed assets, net		(771,820)	(14,014)
Other net income from cancellations of right-of-use assets		(17,548)	0
Depreciation and amortization	7 and 8	14,123,922	14,507,766
Amortization of intangible assets	9	1,308,696	1,308,696
Equity participation in associates		(4,712,068)	(3,938,755)
Income tax, net		12,062,620	12,095,620
Interest and commission income		(450,360,862)	(517,174,798)
Interest expense		141,584,272	174,891,051
Changes in operating assets and liabilities:			
Time deposits with banks		13,153,996	22,527,774
Investments and other financial assets at FVTPL		126,716,000	(365,197,581)
Loans		120,432,505	75,531,829
Unearned commissions		15,005,044	13,003,003
Tax credit from preferential interest		(25,695,827)	(25,066,072)
Other assets		(57,245,523)	(122,594,857)
Demand deposits		161,359,079	175,856,725
Savings deposits		177,863,547	493,484,872
Time deposits		(194,389,487)	(187,143,643)
Reserves of insurance operations		525,809	156,002
Other liabilities		(95,259,652)	295,120,027
Cash provided by operations:			
Interest received		429,985,347	505,753,357
Interest paid		(146,155,122)	(184,275,259)
Dividends received		680,931	817,473
Total		306,499,534	460,924,061
Cash flows from operating activities		493,723,770	651,597,036
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(3,658,278,472)	(2,828,780,884)
Sale and redemptions of investments and other financial assets at FVOCI		3,225,829,532	2,655,084,738
Purchases of securities at amortized cost		(167,264,754)	(459,233,574)
Redemptions of securities at amortized cost		183,331,848	427,570,653
Dividends received from associates		167,579	1,014,392
Sale of properties, furniture and equipment		901,152	2,276,199
Purchases of properties, furniture and equipment	7	(13,278,116)	(12,392,417)
Cash flows used from in investing activities		(428,591,231)	(214,460,893)
Financing activities:			
Borrowings and debt securities issued		0	118,993,541
Redemption of debt securities issued and cancellation of borrowings		(67,424,282)	(214,629,929)
Perpetual bonds issuance		400,000,000	0
Perpetual bonds redemption		(217,680,000)	0
Securities sold under repurchase agreements		0	(124,277,411)
Payment of lease liabilities		(1,626,951)	(1,628,743)
Dividends paid on common shares		(117,500,000)	(59,715,532)
Complementary and dividends tax		629,479	(2,689,014)
Cash flows used from in financing activities		(3,601,754)	(283,947,088)
Net increase in cash and cash equivalents		61,530,785	153,189,055
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	662,744,153	691,900,918

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 2021

Index of Notes to the Condensed Consolidated Interim Financial Information:

1. General Information
2. Basis of Preparation
3. Summary of Significant Accounting Policies
4. Balances and Transactions with Related Parties
5. Cash and Cash Equivalents
6. Loans
7. Properties, Furniture, Equipment and Improvements
8. Right-of-use assets
9. Goodwill and Intangible Assets, Net
10. Other Financial Liabilities at Fair Value
11. Borrowings and Debt Securities Issued, net
12. Lease Liabilities
13. Reserves of Insurance Operations
14. Segment Information
15. Equity
16. Personnel Benefits
17. Income Tax
18. Derivative Financial Instruments
19. Fair Value of Financial Instruments
20. Financial Instruments Risk Management
21. Main Applicable Laws and Regulations

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 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 59.80% (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

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management issue on July 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:

	June 30, 2021			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>147,768,040</u>	<u>36,398,238</u>	<u>184,166,278</u>
Loans	<u>11,010,954</u>	<u>177,990,938</u>	<u>11,645,151</u>	<u>200,647,043</u>
Investments in associates	<u>0</u>	<u>26,230,439</u>	<u>0</u>	<u>26,230,439</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,023,289	134,129,022	90,228,944	225,381,255
Savings	9,761,081	93,051,566	26,868,686	129,681,333
Time	<u>2,734,735</u>	<u>281,003,558</u>	<u>131,482,377</u>	<u>415,220,670</u>
	<u>13,519,105</u>	<u>508,184,146</u>	<u>248,580,007</u>	<u>770,283,258</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>103,770,000</u>	<u>103,770,000</u>
Commitments and contingencies	<u>1,648,670</u>	<u>5,900,025</u>	<u>35,955,000</u>	<u>43,503,695</u>
<u>Interest income:</u>				
Loans	<u>245,710</u>	<u>4,530,531</u>	<u>415,158</u>	<u>5,191,399</u>
Investments and other financial assets	<u>0</u>	<u>3,254,551</u>	<u>926,641</u>	<u>4,181,192</u>
<u>Interest expenses:</u>				
Deposits	<u>70,760</u>	<u>6,240,611</u>	<u>712,254</u>	<u>7,023,625</u>
Financing	<u>0</u>	<u>0</u>	<u>3,511,033</u>	<u>3,511,033</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>4,712,068</u>	<u>0</u>	<u>4,712,068</u>
Received dividends	<u>0</u>	<u>341,933</u>	<u>0</u>	<u>341,933</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>271,137</u>	<u>0</u>	<u>0</u>	<u>271,137</u>
Benefits to key management personnel	<u>1,255,059</u>	<u>0</u>	<u>0</u>	<u>1,255,059</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>

	June 30, 2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>142,631,877</u>	<u>36,858,767</u>	<u>179,490,644</u>
Loans	<u>9,415,136</u>	<u>117,944,883</u>	<u>14,928,297</u>	<u>142,288,316</u>
Investments in associates	<u>0</u>	<u>27,805,548</u>	<u>0</u>	<u>27,805,548</u>
Liabilities:				
Deposits:				
Demand	1,174,089	101,614,007	50,113,831	152,901,927
Savings	4,585,554	107,157,642	21,004,654	132,747,850
Time	<u>3,181,356</u>	<u>312,114,013</u>	<u>71,307,692</u>	<u>386,603,061</u>
	<u>8,940,999</u>	<u>520,885,662</u>	<u>142,426,177</u>	<u>672,252,838</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>5,935,561</u>	<u>31,333,000</u>	<u>37,268,561</u>

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**

	June 30, 2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
Interest income:				
Loans	<u>245,542</u>	<u>3,479,645</u>	<u>409,854</u>	<u>4,135,041</u>
Investments and other financial assets	<u>0</u>	<u>3,439,283</u>	<u>952,222</u>	<u>4,391,505</u>
Interest expenses:				
Deposits	<u>69,296</u>	<u>7,767,439</u>	<u>953,793</u>	<u>8,790,528</u>
Financing	<u>0</u>	<u>0</u>	<u>2,925,000</u>	<u>2,925,000</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>3,938,755</u>	<u>0</u>	<u>3,938,755</u>
Received dividends	<u>0</u>	<u>345,631</u>	<u>0</u>	<u>345,631</u>
General and administrative expenses:				
Directors' fees	<u>230,489</u>	<u>0</u>	<u>0</u>	<u>230,489</u>
Benefits to key management personnel	<u>1,375,078</u>	<u>0</u>	<u>0</u>	<u>1,375,078</u>

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

(5) Cash and Cash Equivalents

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

	June 30	
	<u>2021</u>	<u>2020</u>
Cash and cash items	179,803,477	189,357,167
Demand deposits with banks	452,940,676	502,543,751
Time deposits with banks	<u>216,217,561</u>	<u>169,234,467</u>
Total deposits with banks	<u>669,158,237</u>	<u>671,778,218</u>
Less: Deposits with banks, with original maturities greater than three months	<u>186,217,561</u>	<u>169,234,467</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>662,744,153</u>	<u>691,900,918</u>

Demand deposits with banks include cash collateral accounts for B/.30,686,780 (December 31, 2020: B/.37,692,362) that secure derivative operations and the next quarterly payments of principal, interest and expenses of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	June 30 2021	December 31 2020	June 30 2020
Internal sector:			
Residential mortgages	4,430,643,761	4,390,972,007	4,357,513,755
Personal, auto and credit cards	1,729,977,546	1,759,519,908	1,823,857,911
Commercial mortgages	1,960,384,472	1,952,980,797	2,037,237,484
Lines of credit and commercial loans	1,120,310,054	1,247,970,214	1,475,866,824
Interim financing	451,150,882	482,879,078	532,259,210
Financial leases, net	72,248,674	79,984,276	90,538,410
Other secured loans	189,211,953	186,758,212	198,924,391
Overdrafts	108,981,355	113,189,064	125,883,373
Total internal sector	<u>10,062,908,697</u>	<u>10,214,253,556</u>	<u>10,642,081,358</u>
External sector:			
Residential mortgages	196,694,376	204,561,338	213,355,136
Personal, auto and credit cards	10,398,376	11,965,524	13,300,187
Commercial mortgages	187,017,079	188,603,109	202,728,118
Lines of credit and commercial loans	784,218,501	759,317,604	848,130,923
Other secured loans	12,840,674	12,317,737	11,290,463
Overdrafts	48,345,713	53,404,468	55,193,465
Total external sector	<u>1,239,514,719</u>	<u>1,230,169,780</u>	<u>1,343,998,292</u>
Total	<u>11,302,423,416</u>	<u>11,444,423,336</u>	<u>11,986,079,650</u>

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

	12-month ECL	June 30, 2021 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	7,965,663	(6,848,233)	(1,117,430)	0
Transferred to lifetime ECL not credit-impaired	(1,088,174)	7,028,791	(5,940,617)	0
Transferred to lifetime ECL credit-impaired	(5,428,757)	(7,804,179)	13,232,936	0
Net remeasurement of portfolio	(19,950,080)	1,090,604	101,045,005	82,185,529
New Loans	4,969,198	1,668,870	3,915,024	10,553,092
Loans that have been derecognized	(4,125,904)	(4,531,338)	(7,162,404)	(15,819,646)
Recovery of loan write-off	0	0	10,615,671	10,615,671
Loans written-off	0	0	(32,183,086)	(32,183,086)
Balance at the end of the period	<u>208,065,061</u>	<u>62,563,795</u>	<u>168,518,111</u>	<u>439,146,967</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2020			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the year	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	22,593,609	(18,368,851)	(4,224,758)	0
Transferred to lifetime ECL not credit-impaired	(4,770,813)	10,912,196	(6,141,383)	0
Transferred to lifetime ECL credit-impaired	(1,086,177)	(9,563,591)	10,649,768	0
Net remeasurement of portfolio	125,514,934	65,302,719	112,571,124	303,388,777
New Loans	9,218,766	2,398,602	9,767,176	21,384,544
Loans that have been derecognized	(9,354,756)	(9,432,602)	(25,039,171)	(43,826,529)
Recovery of loan write-off	0	0	20,907,477	20,907,477
Loans written-off	0	0	(83,217,662)	(83,217,662)
Balance at the end of the year	225,723,115	71,959,280	86,113,012	383,795,407

	June 30, 2020			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	9,900,277	(7,816,951)	(2,083,326)	0
Transferred to lifetime ECL not credit-impaired	(2,542,929)	3,426,426	(883,497)	0
Transferred to lifetime ECL credit-impaired	(596,122)	(3,753,400)	4,349,522	0
Net remeasurement of portfolio	28,692,755	11,876,826	35,132,208	75,701,789
New Loans	5,228,614	1,458,515	6,698,830	13,385,959
Loans that have been derecognized	(4,580,056)	(6,438,551)	(15,853,664)	(26,872,271)
Model changes	(2,238,201)	10,475,845	(634,097)	7,603,547
Recovery of loan write-off	0	0	9,908,522	9,908,522
Loans written-off	0	0	(31,985,937)	(31,985,937)
Balance at the end of the period	117,471,890	39,939,517	55,489,002	212,900,409

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/.116,474,043 (December 31, 2020 B/.109,428,367)

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 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	10,294,401	2,435,702	548,013	13,278,116
Sales and disposals	<u>41,479</u>	<u>494,940</u>	<u>104,018</u>	<u>1,201,012</u>	<u>232,753</u>	<u>2,074,202</u>
At the end of the period	<u>32,524,625</u>	<u>136,616,037</u>	<u>153,074,431</u>	<u>114,704,960</u>	<u>42,259,866</u>	<u>479,179,919</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	1,751,411	5,415,114	4,140,807	1,008,973	12,316,305
Sales and disposal	<u>0</u>	<u>410,439</u>	<u>104,018</u>	<u>1,197,660</u>	<u>232,753</u>	<u>1,944,870</u>
At the end of the period	<u>0</u>	<u>38,399,807</u>	<u>89,432,147</u>	<u>81,733,588</u>	<u>31,947,863</u>	<u>241,513,405</u>
Net balance	<u>32,524,625</u>	<u>98,216,230</u>	<u>63,642,284</u>	<u>32,971,372</u>	<u>10,312,003</u>	<u>237,666,514</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	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>2,926,838</u>	<u>1,008,863</u>	<u>4,464,336</u>
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	<u>0</u>	<u>166,776</u>	<u>132,172</u>	<u>2,922,209</u>	<u>1,008,861</u>	<u>4,230,018</u>
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>

	June 30, 2020					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
Additions	229,671	0	7,173,236	2,772,989	184,011	10,359,907
Sales and disposals	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>1,376,772</u>	<u>0</u>	<u>1,905,407</u>
At the end of the period	<u>32,566,104</u>	<u>137,110,977</u>	<u>135,814,977</u>	<u>111,796,966</u>	<u>43,029,051</u>	<u>460,318,075</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the period	0	1,779,482	5,378,469	4,421,766	1,069,209	12,648,926
Sales and disposal	<u>0</u>	<u>166,776</u>	<u>132,188</u>	<u>1,376,768</u>	<u>0</u>	<u>1,675,732</u>
At the end of the period	<u>0</u>	<u>35,296,127</u>	<u>78,869,749</u>	<u>76,133,402</u>	<u>31,104,033</u>	<u>221,403,311</u>
Net balance	<u>32,566,104</u>	<u>101,814,850</u>	<u>56,945,228</u>	<u>35,663,564</u>	<u>11,925,018</u>	<u>238,914,764</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 2021	December 31 2020	June 30 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>(366,188)</u>	<u>(588,579)</u>	<u>0</u>
At the end of the period	<u>27,177,979</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	1,807,617	3,574,928	1,858,840
Cancellations	<u>(131,828)</u>	<u>(249,621)</u>	<u>0</u>
At the end of the period	<u>8,749,607</u>	<u>7,073,818</u>	<u>5,607,351</u>
Net balance	<u>18,428,372</u>	<u>18,464,615</u>	<u>18,315,009</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:

Company	Date of acquisition	Participation acquired	% of Acquired Participation	Balance
Banco General, S. A. (1)	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A. (1)	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2)	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A. (1)	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A. (1)	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	<u>398,238</u>
Total				<u>41,489,737</u>
(1) UGE Banking				
(2) Pension and Retirement Fund				

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

Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

	<u>June 30, 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>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>35,989,088</u>	<u>35,989,088</u>
Net balance at the end of the period	<u>41,489,737</u>	<u>11,472,996</u>	<u>52,962,733</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>June 30, 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>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>33,371,696</u>	<u>33,371,696</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>14,090,388</u>	<u>55,912,629</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of June 30, 2021, no evaluation was necessary.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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>June 30 2021</u>	<u>December 31 2020</u>	<u>June 30 2020</u>
Mortgage Backed Securities (MBS)	2	<u>90,089,318</u>	<u>32,653,464</u>	<u>78,362,712</u>
Total		<u>90,089,318</u>	<u>32,653,464</u>	<u>78,362,712</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>June 30 2021</u>	<u>December 31 2020</u>	<u>June 30 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	474,999,999
Borrowings with maturity in 2021, at interest rates of 3, 6 and 12 month Libor plus a margin	26,000,000	42,851,563	74,527,344
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	0	30,000,000	240,000,000
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	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	2,893,507	3,232,835	3,737,903
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	130,000,000	150,000,000	170,000,000
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>976,379,628</u>	<u>1,043,803,910</u>	<u>1,806,210,094</u>
Revaluation coverage	<u>21,609,029</u>	<u>32,664,673</u>	<u>38,758,943</u>
Total borrowings and debt securities issued, net	<u>997,988,657</u>	<u>1,076,468,583</u>	<u>1,844,969,037</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The 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:

	June 30	
	<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	118,993,541
Redemption of debt securities issued and cancellation of borrowings	(67,424,282)	(214,629,929)
Revaluation coverage	<u>(11,055,644)</u>	<u>26,024,123</u>
Balance at the end of the period	<u>997,988,657</u>	<u>1,844,969,037</u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	June 30	December 31	June 30
	<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	(1,626,951)	(3,006,084)	(1,628,743)
Cancellations	<u>(251,908)</u>	<u>(372,018)</u>	<u>0</u>
Balance at the end of the period	<u>19,823,191</u>	<u>19,696,316</u>	<u>19,241,023</u>

Interest expense on lease liabilities for B/.441,263 (2020: B/.435,064) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Reserves of insurance operations amounted to B/.19,106,760 (December 31, 2020: B/.18,580,951) and (June 30, 2020 B/.19,179,985) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	June 30 2021	December 31 2020	June 30 2020
Unearned Premiums			
Balance at the beginning of the period	21,103,378	21,385,439	21,385,439
Issued premiums	20,624,022	38,862,438	19,872,964
Earned premiums	<u>(20,657,344)</u>	<u>(39,144,499)</u>	<u>(20,550,451)</u>
Balance at the end of the period	21,070,056	21,103,378	20,707,952
Reinsurers participation	<u>(4,646,158)</u>	<u>(4,904,557)</u>	<u>(4,364,531)</u>
Unearned premiums, net	<u>16,423,898</u>	<u>16,198,821</u>	<u>16,343,421</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	3,413,785	2,952,326	2,952,326
Incurred claims	7,331,804	9,774,685	3,659,271
Paid claims	<u>(5,719,464)</u>	<u>(9,313,226)</u>	<u>(3,109,425)</u>
Balance at the end of the period	5,026,125	3,413,785	3,502,172
Reinsurer participation	<u>(2,343,263)</u>	<u>(1,031,655)</u>	<u>(665,608)</u>
Estimated insurance claims incurred, net	<u>2,682,862</u>	<u>2,382,130</u>	<u>2,836,564</u>
Total reserves of insurance operations	<u>19,106,760</u>	<u>18,580,951</u>	<u>19,179,985</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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(14) Segment Information, continued

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

			<u>June 30, 2021</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	448,624,156	3,460,216	762,486	2,485,996	450,360,862
Interest and provision expenses	221,108,178	(36,960)	0	2,485,996	218,585,222
Other income, net	89,777,661	12,129,664	7,292,825	5,160	109,194,990
General and administrative expenses	128,280,626	1,507,161	2,489,293	5,160	132,271,920
Depreciation and amortization expense	13,869,566	112,072	142,284	0	14,123,922
Equity participation in associates	4,712,068	0	0	0	4,712,068
Net income before income tax	179,855,515	14,007,607	5,423,734	0	199,286,856
Net Income tax, estimated	20,462,005	1,835,920	1,206,615	0	23,504,540
Net Income tax, deferred	(11,441,920)	0	0	0	(11,441,920)
Net Income tax	9,020,085	1,835,920	1,206,615	0	12,062,620
Net income	170,835,430	12,171,687	4,217,119	0	187,224,236
Total assets	18,689,360,523	299,278,017	48,815,275	226,314,344	18,811,139,471
Total liabilities	16,310,983,627	51,122,189	5,010,287	206,908,282	16,160,207,821

			<u>June 30, 2020</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	515,172,258	3,741,452	695,037	2,433,949	517,174,798
Interest and provision expenses	253,562,535	51,403	0	2,433,949	251,179,989
Other income, net	58,165,713	15,987,244	7,059,884	5,514	81,207,327
General and administrative expenses	129,975,001	1,419,153	2,475,890	5,514	133,864,530
Depreciation and amortization expense	14,241,185	117,602	148,979	0	14,507,766
Equity participation in associates	3,938,755	0	0	0	3,938,755
Net income before income tax	179,498,005	18,140,538	5,130,052	0	202,768,595
Net Income tax, estimated	19,780,096	3,235,640	1,167,250	0	24,182,986
Net Income tax, deferred	(12,087,366)	0	0	0	(12,087,366)
Net Income tax	7,692,730	3,235,640	1,167,250	0	12,095,620
Net income	171,805,275	14,904,898	3,962,802	0	190,672,975
Total assets	19,352,269,636	292,865,059	42,937,320	228,768,413	19,459,303,602
Total liabilities	16,994,028,499	62,660,118	4,381,170	209,362,351	16,851,707,436

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

		<u>June 30, 2021</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Total income, net	464,483,765	48,101,654	51,682,501	564,267,920
Non-financial	286,870,570	3,758,677	0	290,629,247
		<u>June 30, 2020</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Total income, net	500,362,171	51,816,601	50,142,108	602,320,880
Non-financial	290,788,463	4,038,930	0	294,827,393

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (December 31, 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:

June 30, 2021						
Reserves						
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	2,972,671	8,151,724	0	0	145,001,871
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	34,440,408	34,440,408
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>2,972,671</u>	<u>8,151,724</u>	<u>1,794,475</u>	<u>34,440,408</u>	<u>199,613,658</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>

Transfer (reversal) from retained earnings of the period	<u>0</u>	<u>314,016</u>	<u>(1,036,657)</u>	<u>0</u>	<u>1,093,445</u>	<u>370,804</u>
---	----------	----------------	--------------------	----------	------------------	----------------

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(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/.627,164 (2020: B/.994,414). These options may be exercised by the executives until the year 2028.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended June 30, 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/.40,800 (2020: B/.43,290) and the disbursements to former employees who are covered under the retirement plan amount to B/.80,238 (2020: B/.82,388).

(17) Income Tax

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

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Net income tax is detailed as follows:

	<u>2nd Quarter</u> <u>June 30</u>		<u>Accumulated</u> <u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Estimated income tax	13,650,506	10,384,647	24,047,131	24,092,983
Prior year income tax adjustments	0	90,003	(542,591)	90,003
Deferred income tax	<u>(7,429,153)</u>	<u>(10,376,493)</u>	<u>(11,441,920)</u>	<u>(12,087,366)</u>
Total income tax, net	<u>6,221,353</u>	<u>98,157</u>	<u>12,062,620</u>	<u>12,095,620</u>

(18) Derivative Financial Instruments

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

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

Below is the summary of derivative contracts is as follow:

	<u>Over the Counter (OTC)</u>							
	<u>Total</u>		<u>Exchange-Traded</u>		<u>Liquidated in a securities exchange</u>		<u>Other bilateral counterparts</u>	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>June 30, 2021</u>								
Derivative assets	1,430,956,660	34,466,827	194,500,000	0	346,550,051	4,797,096	889,906,609	29,669,731
Derivative liabilities	948,266,529	11,737,054	306,417,330	0	114,781,663	4,441,458	527,067,536	7,295,596
<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>June 30, 2020</u>								
Derivative assets	846,672,806	45,353,208	37,700,000	0	464,637,279	44,525,977	344,335,527	827,231
Derivative liabilities	1,099,147,252	40,888,024	148,050,030	0	588,292,217	39,004,996	362,805,005	1,883,028

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/.18.9MM (December 31, 2020: B/.20.6MM) and (June 30, 2020: B/.27.2MM).

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>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	1,614,289	1,102,236	1,385,484	844,999	575,765	2,069,996
Interest	4,478,612	4,376,385	1,773,228	1,953,672	5,772,867	8,339,363
Currency	16,519	9,310	12,398	9,631	3,295	1,428
Total	<u>6,109,420</u>	<u>5,487,931</u>	<u>3,171,110</u>	<u>2,808,302</u>	<u>6,351,927</u>	<u>10,410,787</u>

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

Hedge Derivatives for Risk Management:

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 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	21,409,130	5,238,627	32,464,775	9,238,523	38,559,004	29,614,057
Cash flow hedge	0	0	0	597,286	0	0
Others	0	278,614	0	386,588	0	0
Total interest rate	<u>21,409,130</u>	<u>5,517,241</u>	<u>32,464,775</u>	<u>10,222,397</u>	<u>36,559,004</u>	<u>29,614,057</u>
<u>Currency</u>						
Others	6,948,277	110,472	108,086	5,548,103	442,237	863,180
Total Currency	<u>6,948,277</u>	<u>110,472</u>	<u>108,086</u>	<u>5,548,103</u>	<u>442,237</u>	<u>863,180</u>
<u>Credit</u>						
Others	0	621,410	0	830,238	0	0
Total Credits	<u>0</u>	<u>621,410</u>	<u>0</u>	<u>830,238</u>	<u>0</u>	<u>0</u>
Total derivatives for risk exposure	<u>28,357,407</u>	<u>6,249,123</u>	<u>32,572,861</u>	<u>16,600,738</u>	<u>39,001,281</u>	<u>30,477,237</u>

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

	<u>June 30, 2021</u>				
<u>Risk Category</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>
<u>Interest rate risk</u>					
<u>Hedging of Bonds</u>					
Notional Value	0	0	7,250,000	0	19,724,865
Average interest rate			7.60%		6.00%
<u>Hedging of Bonds and Notes</u>					
Notional Value	0	0	0	65,000,000	250,000,000
Average interest rate				1.19%	1.83%

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>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>June 30, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	54,911,587
Average interest rate				3.03%	3.99%
Hedging of Bonds and Notes					
Notional Value	0	0	0	85,000,000	250,000,000
Average interest rate				1.43%	2.13%

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

	<u>June 30, 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	26,974,865	0	5,238,627	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	315,000,000	21,409,130	0	Other assets (liabilities)	0
Total interest rate risk	<u>341,974,865</u>	<u>21,409,130</u>	<u>5,238,627</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

				June 30, 2020		
	Notional Value	Book Value		Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
		Assets	Liabilities			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	117,161,587	0	16,154,687	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	335,000,000	38,559,044	0	Other assets (liabilities)	0	0
Total interest rate risk	452,161,587	38,559,044	16,154,687			

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

<u>June 30, 2021</u>						
<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>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>
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	28,686,392	5,237,972	0	Investment securities FVOCI	0	0
Bonds and notes	315,000,000	0	21,609,029	Borrowing and debt securities issued	0	0

<u>December 31, 2020</u>						
<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	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 <u>gains and losses</u>
<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>June 30, 2020</u>						
<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	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	121,176,208	16,052,095	0	Investment securities FVOCI	0	0
Bonds and notes	<u>335,000,000</u>	<u>0</u>	<u>38,758,943</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

The 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>June 30, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	240,000,000	0
Average interest rate				2.86%	

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>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Derivatives of interest rate – Borrowings Hedge	30,000,000	0	597,286	Other assets (liabilities)	0

	<u>June 30, 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>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Derivatives of interest rate – Borrowings Hedge	240,000,000	0	12,988,212	Other assets (liabilities)	0

BANCO GENERAL, S. A. AND SUBSIDIARIES

(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:

		June 30, 2021			
		Level 1	Level 2	Level 3	Total
	<u>Assets</u>				
Other derivatives:					
Credit	0	1,614,289	0	1,614,289	
Interest	0	4,478,612	0	4,478,612	
Currency	0	16,519	0	16,519	
Total	0	6,109,420	0	6,109,420	
Hedge derivatives for risk management:					
Interest	0	21,409,130	0	21,409,130	
Currency	0	6,948,277	0	6,948,277	
Total	0	28,357,407	0	28,357,407	
Total derivatives assets	0	34,466,827	0	34,466,827	
	<u>Liabilities</u>				
Other derivatives:					
Credit	0	1,102,236	0	1,102,236	
Interest	0	4,376,385	0	4,376,385	
Currency	0	9,310	0	9,310	
Total	0	5,487,931	0	5,487,931	
Hedge derivatives for risk management:					
Credit	0	621,410	0	621,410	
Interest	0	5,517,241	0	5,517,241	
Currency	0	110,472	0	110,472	
Total	0	6,249,123	0	6,249,123	
Total derivatives liabilities	0	11,737,054	0	11,737,054	
		December 31, 2020			
		Level 1	Level 2	Level 3	Total
	<u>Assets</u>				
Other derivatives:					
Credit	0	1,385,484	0	1,385,484	
Interest	0	1,773,228	0	1,773,228	
Currency	0	12,398	0	12,398	
Total	0	3,171,110	0	3,171,110	
Hedge derivatives for risk management:					
Interest	0	32,464,775	0	32,464,775	
Currency	0	108,086	0	108,086	
Total	0	32,572,861	0	32,572,861	
Total derivatives assets	0	35,743,971	0	35,743,971	
	<u>Liabilities</u>				
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**

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

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**

	June 30			
	2021	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	60,398,263	0	0	60,398,263
Bonds of the Republic of Panama	2,121,290	0	2,121,290	0
Local Corporate Shares	38,021,524	3,089	0	38,018,435
Foreign Treasury Bills	250,827	250,827	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	523,690,890	0	523,690,890	0
Asset Backed Securities (ABS)	66,078,628	0	66,078,628	0
Foreign Corporate Bonds and Fixed Income Funds	328,424,837	0	217,429,927	110,994,910
Foreign Share capital	74,114	0	0	74,114
Total	1,019,060,373	253,916	809,320,735	209,485,722

	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

	June 30			
	2020	Level 1	Level 2	Level 3
Local Commercial Paper	459,002			459,002
Local Corporate Bonds and Fixed Income Funds	57,610,407	0	0	57,610,407
Bonds of the Republic of Panama	1,542,758	0	1,542,758	0
Local Corporate Shares	41,063,016	2,311	0	41,060,705
Foreign Treasury Bills	250,617	250,617	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	694,411,932	0	694,411,932	0
Asset Backed Securities (ABS)	50,314,499	0	50,314,499	0
Foreign Fixed Income Funds	204,283,665	0	99,298,597	104,985,068
Foreign Share capital and Variable Income Mutual Funds	92,686	0	579	92,107
Total	1,050,028,582	252,928	845,568,365	204,207,289

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	1,953,683	0	0	1,953,683
Local Corporate Bonds	1,127,407,956	0	392,315,988	735,091,968
Bonds of the Republic of Panama	114,826,372	0	114,826,372	0
Bonds of the US Government and Agency	148,126,659	147,134,909	991,750	0
Foreign Commercial Paper and Treasury Bills	587,058,532	509,632,233	77,426,299	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,257,968,016	0	1,257,968,016	0
Asset Backed Securities (ABS)	199,531,342	0	199,531,342	0
Foreign Corporate Bonds	1,304,247,750	0	1,304,247,750	0
Bonds of Other Governments	61,432,025	0	61,432,025	0
Total	<u>4,802,552,335</u>	<u>656,767,142</u>	<u>3,408,739,542</u>	<u>737,045,651</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	55,482,112	0	55,482,112	0
Total	<u>4,423,314,046</u>	<u>352,982,060</u>	<u>3,298,471,419</u>	<u>771,860,567</u>
	June 30			
	<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	8,861,191	0	0	8,861,191
Local Corporate Bonds	1,035,545,174	0	164,395,102	871,150,072
Bonds of the Republic of Panama	197,268,717	0	197,268,717	0
Bonds of the US Government	49,803,008	49,803,008	0	0
Foreign Commercial Paper and Treasury Bills	386,172,826	360,355,796	23,217,668	2,599,362
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,482,410,070	0	1,481,729,500	680,570
Asset Backed Securities (ABS)	197,851,566	0	197,851,566	0
Foreign Corporate Bonds	1,074,934,754	199,544	1,074,735,210	0
Bonds of Other Governments	35,796,965	0	35,796,965	0
Total	<u>4,468,644,271</u>	<u>410,358,348</u>	<u>3,174,994,728</u>	<u>883,291,195</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	2,800,008	0	2,800,008
Loss recognized in equity	0	(4,250,676)	(4,250,676)
Purchases	6,263,466	63,977,880	70,241,346
Amortization, sales and redemptions	(12,529,186)	(91,942,120)	(104,471,306)
Transfers from level 3	0	(2,600,000)	(2,600,000)
June 30, 2021	<u>209,485,722</u>	<u>737,045,651</u>	<u>946,531,373</u>
Total gain (loss) related to instruments held as of June 30, 2021	<u>3,691,950</u>	<u>(3,451,646)</u>	<u>240,304</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	(13,418,014)	0	(13,418,014)
Gain recognized in equity	0	1,563,822	1,563,822
Purchases	22,132,435	44,794,608	66,927,043
Amortization, sales and redemptions	(15,580,857)	(68,676,211)	(84,257,068)
June 30, 2020	<u>204,207,289</u>	<u>883,291,195</u>	<u>1,087,498,484</u>
Total (loss) gain related to instruments held as of June 30, 2020	<u>(13,525,804)</u>	<u>2,105,396</u>	<u>(11,420,408)</u>

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

(Panama, Republic of Panama)

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>June 30 2021</u>	<u>December 31 2020</u>	<u>June 30 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 (102.34%) Max 3714.09%	Min (102.34%) 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 13.07% Ave 2.62%	Min 0.99% Max 12.55% Ave 2.54%	Min 0.75% Max 17.89% Ave 3.55%	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	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>June 30, 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	4,165	(12,221)	7,556,087	(7,550,276)
Corporate Shares	<u>2,188,289</u>	<u>(1,841,353)</u>	<u>0</u>	<u>0</u>
Total	<u>2,192,454</u>	<u>(1,853,574)</u>	<u>7,556,087</u>	<u>(7,550,276)</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>June 30, 2020</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	89,755	(87,559)	5,115,987	(6,012,289)
Corporate Shares	<u>3,882,527</u>	<u>(3,021,520)</u>	<u>0</u>	<u>0</u>
Total	<u>3,972,282</u>	<u>(3,109,079)</u>	<u>5,115,987</u>	<u>(6,012,289)</u>

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 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:

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Assets:						
Time deposits with banks	216,217,561	217,261,484	199,371,557	201,622,481	169,234,467	170,093,050
Investments at amortized cost, net	37,359,009	37,364,754	53,415,461	53,431,848	31,649,715	31,662,921
Loans, net	<u>10,826,986,476</u>	<u>10,766,258,317</u>	<u>11,023,582,558</u>	<u>10,985,309,747</u>	<u>11,732,567,366</u>	<u>11,671,315,670</u>
	<u>11,080,563,046</u>	<u>11,020,884,555</u>	<u>11,276,369,576</u>	<u>11,240,364,076</u>	<u>11,933,451,548</u>	<u>11,873,071,641</u>
Liabilities:						
Deposits	13,594,369,604	13,653,764,707	13,449,536,465	13,496,331,618	12,937,465,901	12,970,861,752
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>1,397,988,657</u>	<u>1,421,966,315</u>	<u>1,294,148,583</u>	<u>1,355,221,790</u>	<u>2,342,319,037</u>	<u>2,311,379,021</u>
	<u>14,992,358,261</u>	<u>15,075,731,022</u>	<u>14,743,685,048</u>	<u>14,851,553,408</u>	<u>15,279,784,938</u>	<u>15,282,240,773</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:

	<u>June 30</u> <u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Time deposits with banks	217,261,484	0	0	217,261,484
Investments at amortized cost, net	37,364,754	0	36,400,000	964,754
Loans, net	<u>10,766,258,317</u>	<u>0</u>	<u>0</u>	<u>10,766,258,317</u>
	<u>11,020,884,555</u>	<u>0</u>	<u>36,400,000</u>	<u>10,984,484,555</u>
Liabilities:				
Deposits	13,653,764,707	0	0	13,653,764,707
Borrowings, debt securities issued and perpetual bonds	<u>1,421,966,315</u>	<u>0</u>	<u>0</u>	<u>1,421,966,315</u>
	<u>15,075,731,022</u>	<u>0</u>	<u>0</u>	<u>15,075,731,022</u>
	<u>December 31</u> <u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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**

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

(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:

	June 30, 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	9,688,123	234,956	86,819	10,009,898
Grade 2: Special mention	39,558	580,104	14,202	633,864
Grade 3: Sub-standard	3,037	82,107	346,277	431,421
Grade 4: Doubtful	532	213	57,175	57,920
Grade 5: Uncollectible	<u>5,468</u>	<u>164</u>	<u>91,440</u>	<u>97,072</u>
Gross amount	9,736,718	897,544	595,913	11,230,175
Allowance for impairment	<u>(207,742)</u>	<u>(62,256)</u>	<u>(167,132)</u>	<u>(437,130)</u>
Net carrying amount	<u>9,528,976</u>	<u>835,288</u>	<u>428,781</u>	<u>10,793,045</u>
<u>Finance leases</u>				
Grade 1: Standard	61,062	974	131	62,167
Grade 2: Special mention	252	3,222	0	3,474
Grade 3: Sub-standard	46	1,327	4,178	5,551
Grade 4: Doubtful	26	15	397	438
Grade 5: Uncollectible	<u>7</u>	<u>13</u>	<u>598</u>	<u>618</u>
Gross amount	61,393	5,551	5,304	72,248
Allowance for impairment	<u>(323)</u>	<u>(308)</u>	<u>(1,386)</u>	<u>(2,017)</u>
Net carrying amount	<u>61,070</u>	<u>5,243</u>	<u>3,918</u>	<u>70,231</u>
Total loans	<u>9,798,111</u>	<u>903,095</u>	<u>601,217</u>	<u>11,302,423</u>
Allowance for impairment	<u>(208,065)</u>	<u>(62,564)</u>	<u>(168,518)</u>	<u>(439,147)</u>
Net carrying amount	<u>9,590,046</u>	<u>840,531</u>	<u>432,699</u>	<u>10,863,276</u>
<u>Restructured loans</u>				
Gross amount	28,744	41,321	136,658	206,723
Allowance for impairment	<u>(313)</u>	<u>(2,262)</u>	<u>(40,708)</u>	<u>(43,283)</u>
Net carrying amount	<u>28,431</u>	<u>39,059</u>	<u>95,950</u>	<u>163,440</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	<u>(225,723)</u>	<u>(71,959)</u>	<u>(86,113)</u>	<u>(383,795)</u>
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**

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(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>June 30, 2021</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	9,970,379,401	852,004,491	10,822,383,892
From 31 to 90 days	289,731,151	8,855,163	298,586,314
More than 90 days (capital or interest)	162,283,909	8,076,723	170,360,632
More than 30 days past due (capital at maturity)	<u>11,014,159</u>	<u>78,419</u>	<u>11,092,578</u>
Total	<u>10,433,408,620</u>	<u>869,014,796</u>	<u>11,302,423,416</u>

	<u>December 31, 2020</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</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>June 30, 2020</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,514,262,951	938,245,737	11,452,508,688
From 31 to 90 days	358,742,050	11,251,411	369,993,461
More than 90 days (capital or interest)	146,111,853	8,341,373	154,453,226
More than 30 days past due (capital at maturity)	<u>7,890,936</u>	<u>1,233,339</u>	<u>9,124,275</u>
Total	<u>11,027,007,790</u>	<u>959,071,860</u>	<u>11,986,079,650</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.38,095,638 (December 31, 2020: B/.37,811,079) and (June 30, 2020: B/.41,155,702) which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>June 30, 2021 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	36,400,000	0	0	0	36,400,000
Lower than BBB-	964,754	0	0	0	964,754
Carrying amount	37,364,754	0	0	0	37,364,754
Loss allowance	(5,745)	0	0	0	(5,745)
Total carrying amount, net	37,359,009	0	0	0	37,359,009
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	664,507,710	0	0	0	664,507,710
Lower than BBB-	541,504,432	9,078,656	29,097,213	0	579,680,301
Carrying amount	1,206,012,142	9,078,656	29,097,213	0	1,244,188,011
Valuation of credit risk	(1,900,624)	(570,072)	(7,282,092)	0	(9,752,788)
<i>Foreign:</i>					
AAA	2,060,507,542	0	0	0	2,060,507,542
AA+ to BBB-	1,232,593,812	0	0	0	1,232,593,812
Lower than BBB-	252,722,247	12,000,695	119,188	420,840	265,262,970
Carrying amount	3,545,823,601	12,000,695	119,188	420,840	3,558,364,324
Valuation of credit risk	(5,045,927)	(76,519)	0	0	(5,122,446)
Total carrying amount	4,751,835,743	21,079,351	29,216,401	420,840	4,802,552,335
Total valuation of credit risk	(6,946,551)	(646,591)	(7,282,092)	0	(14,875,234)
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,121,290				
Lower than BBB-	60,398,263				
Carrying amount	62,519,553				
<i>Foreign:</i>					
AAA	463,441,522				
AA+ to BBB-	340,071,967				
Lower than BBB-	111,383,726				
NR	3,547,967				
Carrying amount	918,445,182				
Total carrying amount	980,964,735				

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-	5,831,848	0	0	0	5,831,848
Carrying amount	53,431,848	0	0	0	53,431,848
Loss allowance	(16,387)	0	0	0	(16,387)
Total carrying amount, net	53,415,461	0	0	0	53,415,461
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	877,504,377	0	0	0	877,504,377
Lower than BBB-	442,155,673	8,939,289	28,665,030	0	479,759,992
Carrying amount	1,319,660,050	8,939,289	28,665,030	0	1,357,264,369
Valuation of credit risk	(1,945,002)	(508,899)	(7,562,805)	0	(10,016,706)
<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-	221,746,137	12,240,671	127,333	532,545	234,646,686
Carrying amount	3,053,149,128	12,240,671	127,333	532,545	3,066,049,677
Valuation of credit risk	(4,582,143)	(26,753)	0	0	(4,608,896)
Total carrying amount	4,372,809,178	21,179,960	28,792,363	532,545	4,423,314,046
Total valuation of credit risk	(6,527,145)	(535,652)	(7,562,805)	0	(14,625,602)
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,590,697				
Lower than BBB-	60,951,549				
Carrying amount	62,542,246				
<i>Foreign:</i>					
AAA	605,443,899				
AA+ to BBB-	172,480,656				
Lower than BBB-	266,001,494				
NR	3,775,246				
Carrying amount	1,047,701,295				
Total carrying amount	1,110,243,541				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 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	(383,186)	69,277	(280,713)	(594,622)
New investment securities purchased	1,893,395	41,069	0	1,934,464
Investment securities that have been derecognized	<u>(1,088,982)</u>	<u>(1,228)</u>	<u>0</u>	<u>(1,090,210)</u>
Balance at the end of the period	<u>6,946,551</u>	<u>646,591</u>	<u>7,282,092</u>	<u>14,875,234</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>

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

	June 30 <u>2021</u>	December 31 <u>2020</u>	June 30 <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.