

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

**Condensed Consolidated Interim  
Financial Information**

September 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)

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

**Condensed Consolidated Statement of Financial Position**

September 30, 2021, December 31, 2020 and September 30, 2020

(Expressed in Balboas)

<b><u>Assets</u></b>	<b><u>Note</u></b>	<b>(Unaudited) September 2021</b>	<b>(Audited) December 2020</b>	<b>(Unaudited) September 2020</b>
Cash and cash items	5	213,224,085	157,149,834	74,927,808
Deposits with banks:				
Demand deposits		423,802,002	444,063,534	456,140,516
Time deposits		176,214,178	199,371,557	202,332,028
Accrued interest receivable		1,965,231	2,602,452	2,615,425
<b>Total deposits with banks</b>		<b>601,981,411</b>	<b>646,037,543</b>	<b>661,087,969</b>
<b>Total cash, cash items and deposits with banks</b>		<b>815,205,496</b>	<b>803,187,377</b>	<b>736,015,777</b>
Investments and other financial assets at FVTPL		996,697,792	1,148,054,620	1,066,222,683
Investments and other financial assets at FVOCI		4,817,110,366	4,423,314,046	4,418,928,377
Investments and other financial at amortized cost, net		82,011,000	53,415,461	32,099,896
Accrued interest receivable		172	388	213
<b>Investments and other financial assets, net</b>		<b>5,895,819,330</b>	<b>5,624,784,515</b>	<b>5,517,251,169</b>
Loans	6	11,357,158,120	11,444,423,336	11,680,135,598
Accrued interest receivable		119,277,159	152,889,983	138,321,136
Less:				
Loan losses allowance		476,650,663	383,795,407	308,316,638
Unearned commissions		36,683,452	37,045,371	38,691,808
<b>Loans, net</b>		<b>10,963,101,164</b>	<b>11,176,472,541</b>	<b>11,471,448,288</b>
Investments in associates		27,770,293	21,685,950	29,572,921
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	237,631,136	236,834,035	238,477,899
Right-of-Use Assets, net	8	17,653,216	18,464,615	19,069,996
Investments and other financial assets sold pending settlement		270,442,698	218,340,211	149,236,201
Deferred tax assets		114,026,710	93,796,753	75,382,982
Goodwill and other intangible assets, net	9	52,308,385	54,271,429	55,258,281
Other assets		407,738,480	368,945,529	479,475,901
<b>Total assets</b>		<b>18,801,696,908</b>	<b>18,616,782,955</b>	<b>18,771,189,415</b>

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

		(Unaudited) September 2021	(Audited) December 2020	(Unaudited) September 2020
<b><u>Liabilities and Equity</u></b>	<b><u>Note</u></b>			
Liabilities:				
Deposits:				
Local:				
Demand		3,077,976,153	2,978,841,673	2,812,368,859
Savings		4,778,888,660	4,470,044,517	4,215,066,457
Time:				
Customers		5,683,965,381	5,994,362,467	6,012,518,428
Banks		5,613,935	6,287,808	17,424,924
Accrued interest payable		92,509,708	102,336,968	99,800,382
<b>Total deposits</b>		<b>13,638,953,837</b>	<b>13,551,873,433</b>	<b>13,157,179,050</b>
Financing:				
Securities sold under repurchase agreements		0	0	149,480,351
Borrowings and debt securities issued, net	11	917,407,816	1,076,468,583	1,390,870,332
Perpetual bonds		400,000,000	217,680,000	217,680,000
Accrued interest payable		13,050,219	12,340,459	7,357,000
<b>Total financing</b>		<b>1,330,458,035</b>	<b>1,306,489,042</b>	<b>1,765,387,683</b>
Lease Liabilities	12	19,127,637	19,696,316	20,196,397
Investments and other financial assets purchased pending settlement		555,600,567	730,935,003	676,455,541
Reserves of insurance operations	13	19,402,613	18,580,951	19,447,382
Deferred tax liabilities		2,565,754	3,047,343	3,221,539
Other liabilities	10	528,372,188	352,950,133	468,678,862
<b>Total liabilities</b>		<b>16,094,480,631</b>	<b>15,983,572,221</b>	<b>16,110,566,454</b>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		200,049,460	199,242,854	194,357,349
Capital reserves		110,066,576	160,987,401	114,503,754
Retained earnings		1,897,100,241	1,772,980,479	1,851,761,858
<b>Total equity</b>		<b>2,707,216,277</b>	<b>2,633,210,734</b>	<b>2,660,622,961</b>
<b>Total liabilities and equity</b>		<b>18,801,696,908</b>	<b>18,616,782,955</b>	<b>18,771,189,415</b>

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

**Condensed Consolidated Statement of Income**

For the nine months ended September 30, 2021 and 2020

(Expressed in Balboas)

		<b>(Unaudited)</b> <b>(3rd Quarter)</b>		<b>(Unaudited)</b> <b>(Accumulated)</b>	
	<b>Note</b>	<b>September</b> <b>2021</b>	<b>September</b> <b>2020</b>	<b>September</b> <b>2021</b>	<b>September</b> <b>2020</b>
Interest and commission income:					
Interest:					
Loans		189,368,324	202,616,854	549,300,306	618,219,728
Deposits with banks		1,292,754	1,596,283	4,243,317	5,402,882
Investments and other financial assets		35,691,102	38,610,438	107,408,977	120,682,306
Commissions on loans		8,899,357	6,530,589	24,659,799	22,224,046
<b>Total interest and commission income</b>		<b>235,251,537</b>	<b>249,354,164</b>	<b>685,612,399</b>	<b>766,528,962</b>
Interest expenses:					
Deposits		57,143,703	63,761,582	175,570,223	195,667,714
Financing		12,855,080	16,902,054	36,012,832	59,886,973
<b>Total interest expenses</b>		<b>69,998,783</b>	<b>80,663,636</b>	<b>211,583,055</b>	<b>255,554,687</b>
<b>Net interest and commission income</b>		<b>165,252,754</b>	<b>168,690,528</b>	<b>474,029,344</b>	<b>510,974,275</b>
Provision for loan losses, net	6	41,031,003	94,313,804	117,949,978	164,132,828
Provision (reversal) for impairment of investments, net		57,757	(1,014,151)	296,747	5,243,757
(Reversal) provision for foreclosed assets, net		141,991	(257,797)	(15,024)	(45,791)
<b>Net interest and commission income, after provisions</b>		<b>124,022,003</b>	<b>75,648,672</b>	<b>355,797,643</b>	<b>341,643,481</b>
Other income (expenses):					
Fees and other commissions		68,787,921	50,392,888	183,262,703	145,015,076
Insurance premiums, net		8,938,674	8,116,249	24,222,537	27,240,071
Gain on financial instruments, net		6,239,238	13,702,072	16,962,891	8,726,873
Other income, net		6,954,563	7,744,095	21,454,184	20,188,595
Commission expenses and other expenses	12	(25,154,828)	(18,069,773)	(70,941,757)	(58,077,757)
<b>Total other income, net</b>		<b>65,765,568</b>	<b>61,885,531</b>	<b>174,960,558</b>	<b>143,092,858</b>
General and administrative expenses:					
Salaries and other personnel expenses	16	40,122,259	39,845,257	120,834,740	127,168,667
Depreciation and amortization	7 and 8	7,038,503	7,057,345	21,162,425	21,565,111
Properties, furniture and equipment expenses		6,492,121	5,381,000	18,875,890	16,582,952
Other expenses		20,645,849	17,273,671	59,821,519	52,612,839
<b>Total general and administrative expenses</b>		<b>74,298,732</b>	<b>69,557,273</b>	<b>220,694,574</b>	<b>217,929,569</b>
<b>Net operating income</b>		<b>115,488,839</b>	<b>67,976,930</b>	<b>310,063,627</b>	<b>266,806,770</b>
Equity participation in associates		2,634,775	1,767,373	7,346,843	5,706,128
<b>Net income before tax</b>		<b>118,123,614</b>	<b>69,744,303</b>	<b>317,410,470</b>	<b>272,512,898</b>
Income tax, estimated		14,071,240	8,683,451	37,575,780	32,866,437
Income tax, deferred		(9,270,279)	(23,891,431)	(20,712,199)	(35,978,797)
<b>Income tax, net</b>	17	<b>4,800,961</b>	<b>(15,207,980)</b>	<b>16,863,581</b>	<b>(3,112,360)</b>
<b>Net income</b>		<b>113,322,653</b>	<b>84,952,283</b>	<b>300,546,889</b>	<b>275,625,258</b>

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

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

(Panama, Republic of Panama)

**Condensed Consolidated Statement of Comprehensive Income**

For the nine months ended September 30, 2021 and 2020

(Expressed in Balboas)

	(Unaudited)	
	September <u>2021</u>	September <u>2020</u>
Net income	<u>300,546,889</u>	<u>275,625,258</u>
<b>Other comprehensive income (expenses):</b>		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(75,948,352)	121,478
Transfer to profit or loss for sales of investments at FVOCI	24,134,992	23,429,049
Valuation of investment credit risk at FVOCI	295,249	5,226,234
Valuation of hedging instruments	<u>597,286</u>	<u>(4,397,882)</u>
<b>Total other comprehensive (expenses) income, net</b>	<u>(50,920,825)</u>	<u>24,378,879</u>
<b>Total comprehensive income</b>	<u><u>249,626,064</u></u>	<u><u>300,004,137</u></u>

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

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

(Panama, Republic of Panama)

**Condensed Consolidated Statement of Changes in Equity**

For the nine months ended September 30, 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
<b>Balance as of December 31, 2020 (Audited)</b>	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	300,546,889	300,546,889
<b>Other comprehensive income (expenses):</b>								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(75,948,352)	0	(75,948,352)	0	(75,948,352)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	24,134,992	0	24,134,992	0	24,134,992
Valuation of investment credit risk at FVOCI	0	0	0	295,249	0	295,249	0	295,249
Valuation of hedging instruments	0	0	0	0	597,286	597,286	0	597,286
<b>Total other comprehensive (expenses) income, net</b>	0	0	0	(51,518,111)	597,286	(50,920,825)	0	(50,920,825)
<b>Total comprehensive income</b>	0	0	0	(51,518,111)	597,286	(50,920,825)	300,546,889	249,626,064
<b>Transactions with owner:</b>								
Dividends paid on common shares	0	0	0	0	0	0	(176,250,000)	(176,250,000)
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	806,606	0	0	0	0	(806,606)	0
<b>Total transactions attributable to the shareholder</b>	0	806,606	0	0	0	0	(176,427,127)	(175,620,521)
<b>Balance as of September 30, 2021 (Unaudited)</b>	500,000,000	200,049,460	1,000,000	109,066,576	0	110,066,576	1,897,100,241	2,707,216,277
<b>Balance as of December 31, 2019 (Audited)</b>	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	275,625,258	275,625,258
<b>Other comprehensive income (expenses):</b>								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	121,478	0	121,478	0	121,478
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	23,429,049	0	23,429,049	0	23,429,049
Valuation of investment credit risk at FVOCI	0	0	0	5,226,234	0	5,226,234	0	5,226,234
Valuation of hedging instruments	0	0	0	0	(4,397,882)	(4,397,882)	0	(4,397,882)
<b>Total other comprehensive income (expenses), net</b>	0	0	0	28,776,761	(4,397,882)	24,378,879	0	24,378,879
<b>Total comprehensive income</b>	0	0	0	28,776,761	(4,397,882)	24,378,879	275,625,258	300,004,137
<b>Transactions with owner:</b>								
Dividends paid on common shares	0	0	0	0	0	0	(119,431,063)	(119,431,063)
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	(1,472,565)	(1,472,565)
Transfer of retained earnings	0	4,842,874	0	0	0	0	(4,842,874)	0
<b>Total transactions attributable to the shareholder</b>	0	4,842,874	0	0	0	0	(126,962,951)	(122,120,077)
<b>Balance as of September 30, 2020 (Unaudited)</b>	500,000,000	194,357,349	1,000,000	125,049,365	(11,545,611)	114,503,754	1,851,761,858	2,660,622,961

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

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

(Panama, Republic of Panama)

**Condensed Consolidated Statement of Cash Flows**

For the nine months ended September 30, 2021 and 2020

(Expressed in Balboas)

		<b>(Unaudited)</b>	
	<b>Note</b>	<b>September 2021</b>	<b>September 2020</b>
<b>Operating activities:</b>			
Net income		300,546,889	275,625,258
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	117,949,978	164,132,828
Provision for valuation of investments, net		296,747	5,243,757
Reversal of provision for foreclosed assets, net		(15,024)	(45,791)
Unrealized loss on investments and other financial assets		17,338,998	6,035,276
Unrealized (gain) loss on derivative instruments		(484,614)	2,716,797
Gain on sale of investments and other financial assets at FVTPL, net		(1,046,670)	(22,074,217)
Gain on sale of investments and other financial assets at FVOCI, net		(21,601,430)	(10,861,422)
Realized (gain) loss on derivative instruments		(11,169,175)	15,456,693
Foreign exchange fluctuations, net		14,275	36,434
Gain on sale of fixed assets, net		(789,326)	(14,014)
Other net income from cancellations of right-of-use assets		(17,548)	(25,876)
Depreciation and amortization	7 and 8	21,162,425	21,565,111
Amortization of intangible assets	9	1,963,044	1,963,044
Equity participation in associates		(7,346,843)	(5,706,128)
Income tax, net		16,863,581	(3,112,360)
Interest and commission income		(685,612,399)	(766,528,962)
Interest expense		211,583,055	255,554,687
Changes in operating assets and liabilities:			
Time deposits with banks		23,157,379	(10,569,787)
Investments and other financial assets at FVTPL		148,943,037	(371,842,040)
Loans		62,170,494	382,578,306
Unearned commissions		24,297,880	17,613,525
Tax credit from preferential interest		(38,645,640)	(37,884,625)
Other assets		(47,006,647)	135,251,411
Demand deposits		99,134,480	204,105,569
Savings deposits		308,844,143	616,821,230
Time deposits		(311,070,959)	(218,816,078)
Reserves of insurance operations		821,662	423,399
Other liabilities		(30,222,865)	44,908,672
Cash provided by operations:			
Interest received		689,199,253	650,507,985
Interest paid		(220,712,262)	(276,740,233)
Dividends received		1,018,471	1,146,771
<b>Total</b>		<b>369,017,500</b>	<b>801,839,962</b>
<b>Cash flows from operating activities</b>		<b>669,564,389</b>	<b>1,077,465,220</b>
<b>Investing activities:</b>			
Purchases of investments and other financial assets at FVOCI		(5,077,010,875)	(4,430,276,191)
Sale and redemptions of investments and other financial assets at FVOCI		4,628,667,033	4,318,827,463
Purchases of securities at amortized cost		(138,828,885)	(62,801,583)
Redemptions of securities at amortized cost		110,231,848	30,684,164
Dividends received from associates		1,262,500	1,014,392
Sale of properties, furniture and equipment		918,660	2,276,201
Purchases of properties, furniture and equipment	7	(19,410,846)	(18,158,569)
<b>Cash flows used from in investing activities</b>		<b>(494,170,565)</b>	<b>(158,434,123)</b>
<b>Financing activities:</b>			
Borrowings and debt securities issued		0	124,993,541
Redemption of debt securities issued and cancellation of borrowings		(143,862,838)	(672,824,230)
Perpetual bonds issuance		400,000,000	0
Perpetual bonds redemption		(217,680,000)	0
Securities sold under repurchase agreements		0	(254,467,060)
Payment of lease liabilities		(2,417,746)	(2,256,810)
Dividends paid on common shares		(176,250,000)	(119,431,063)
Complementary and dividends tax		629,479	(2,689,014)
<b>Cash flows used from in financing activities</b>		<b>(139,581,105)</b>	<b>(926,674,636)</b>
<b>Net increase (decreased) in cash and cash equivalents</b>		<b>35,812,719</b>	<b>(7,643,539)</b>
Cash and cash equivalents at the beginning of the period		601,213,368	538,711,863
<b>Cash and cash equivalents at the end of the period</b>	5	<b>637,026,087</b>	<b>531,068,324</b>

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



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

(Panama, Republic of Panama)

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

September 30, 2021

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

(Panama, Republic of Panama)

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

September 30, 2021

(Expressed in Balboas)

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### **(1) General Information**

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

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

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

Grupo Financiero BG, S. A., a 59.81% (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.
- Yappy, S. A.: digital platform for money transfers and payments between people and businesses in Panama.

The Bank’s main office is located at Banco General Tower, Marbella Urbanization, Aquilino de la Guardia Avenue, Panama City, Republic of Panama.

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

(Panama, Republic of Panama)

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

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#### **(2) Basis of Preparation**

##### *(a) Statement of Compliance*

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

These condensed consolidated interim financial information were authorized by management issue on October 27, 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:

	<b>September 30, 2021</b>			
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b><u>Assets:</u></b>				
Investments and other financial assets	<u>0</u>	<u>133,294,338</u>	<u>36,396,069</u>	<u>169,690,407</u>
Loans	<u>10,844,103</u>	<u>142,552,010</u>	<u>10,631,537</u>	<u>164,027,650</u>
Investments in associates	<u>0</u>	<u>27,770,293</u>	<u>0</u>	<u>27,770,293</u>
<b><u>Liabilities:</u></b>				
Deposits:				
Demand	944,763	136,625,773	87,285,587	224,856,123
Savings	9,126,765	108,315,969	29,431,186	146,873,920
Time	<u>2,800,560</u>	<u>259,612,926</u>	<u>135,399,487</u>	<u>397,812,973</u>
	<u>12,872,088</u>	<u>504,554,668</u>	<u>252,116,260</u>	<u>769,543,016</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>3,804,114</u>	<u>35,955,000</u>	<u>41,407,784</u>
<b><u>Interest income:</u></b>				
Loans	<u>370,347</u>	<u>6,503,758</u>	<u>560,764</u>	<u>7,434,869</u>
Investments and other financial assets	<u>0</u>	<u>4,670,122</u>	<u>1,368,853</u>	<u>6,038,975</u>
<b><u>Interest expenses:</u></b>				
Deposits	<u>104,263</u>	<u>9,005,005</u>	<u>1,087,358</u>	<u>10,196,626</u>
Financing	<u>0</u>	<u>0</u>	<u>4,873,014</u>	<u>4,873,014</u>
<b><u>Other income:</u></b>				
Equity participation in associates	<u>0</u>	<u>7,346,843</u>	<u>0</u>	<u>7,346,843</u>
Received dividends	<u>0</u>	<u>512,900</u>	<u>0</u>	<u>512,900</u>
<b><u>General and administrative expenses:</u></b>				
Directors' fees	<u>404,484</u>	<u>0</u>	<u>0</u>	<u>404,484</u>
Benefits to key management personnel	<u>1,910,644</u>	<u>0</u>	<u>0</u>	<u>1,910,644</u>

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

(Panama, Republic of Panama)

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

	<b>December 31, 2020</b>			
	<b><u>Directors and Management</u></b>	<b><u>Related Companies</u></b>	<b><u>Affiliated Companies</u></b>	<b><u>Total</u></b>
<b><u>Assets:</u></b>				
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>
<b><u>Liabilities:</u></b>				
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>

	<b>September 30, 2020</b>			
	<b><u>Directors and Management</u></b>	<b><u>Related Companies</u></b>	<b><u>Affiliated Companies</u></b>	<b><u>Total</u></b>
<b><u>Assets:</u></b>				
Investments and other financial assets	<u>0</u>	<u>142,143,255</u>	<u>36,641,101</u>	<u>178,784,356</u>
Loans	<u>10,239,597</u>	<u>171,037,019</u>	<u>14,069,472</u>	<u>195,346,088</u>
Investments in associates	<u>0</u>	<u>29,572,921</u>	<u>0</u>	<u>29,572,921</u>
<b><u>Liabilities:</u></b>				
Deposits:				
Demand	1,265,805	132,867,222	67,196,410	201,329,437
Savings	5,317,318	96,624,514	20,004,654	121,946,486
Time	<u>3,178,592</u>	<u>320,795,179</u>	<u>71,230,769</u>	<u>395,204,540</u>
	<u>9,761,715</u>	<u>550,286,915</u>	<u>158,431,833</u>	<u>718,480,463</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>5,855,167</u>	<u>31,333,000</u>	<u>37,188,167</u>

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

(Panama, Republic of Panama)

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

	<b>September 30, 2020</b>			
	<b><u>Directors and Management</u></b>	<b><u>Related Companies</u></b>	<b><u>Affiliated Companies</u></b>	<b><u>Total</u></b>
<b><u>Interest income:</u></b>				
Loans	<u>362,934</u>	<u>5,922,540</u>	<u>599,652</u>	<u>6,885,126</u>
Investments and other financial assets	<u>0</u>	<u>5,134,856</u>	<u>1,440,000</u>	<u>6,574,856</u>
<b><u>Interest expenses:</u></b>				
Deposits	<u>106,614</u>	<u>11,194,563</u>	<u>1,265,557</u>	<u>12,566,734</u>
Financing	<u>0</u>	<u>0</u>	<u>4,387,500</u>	<u>4,387,500</u>
<b><u>Other income:</u></b>				
Equity participation in associates	<u>0</u>	<u>5,706,128</u>	<u>0</u>	<u>5,706,128</u>
Received dividends	<u>0</u>	<u>512,927</u>	<u>0</u>	<u>512,927</u>
<b><u>General and administrative expenses:</u></b>				
Directors' fees	<u>359,973</u>	<u>0</u>	<u>0</u>	<u>359,973</u>
Benefits to key management personnel	<u>2,030,584</u>	<u>0</u>	<u>0</u>	<u>2,030,584</u>

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

**(5) Cash and Cash Equivalents**

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

	<b>September 30</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and cash items	213,224,085	74,927,808
Demand deposits with banks	423,802,002	456,140,516
Time deposits with banks	<u>176,214,178</u>	<u>202,332,028</u>
Total deposits with banks	<u>600,016,180</u>	<u>658,472,544</u>
Less: Deposits with banks, with original maturities greater than three months	<u>176,214,178</u>	<u>202,332,028</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>637,026,087</u>	<u>531,068,324</u>

Demand deposits with banks include cash collateral accounts for B/.23,882,536 (December 31, 2020: B/.37,692,362) that secure derivative operations and the next quarterly payments of principal and interest of certain obligations.

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

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	<b>September 30 2021</b>	<b>December 31 2020</b>	<b>September 30 2020</b>
Internal sector:			
Residential mortgages	4,489,134,668	4,390,972,007	4,369,769,412
Personal, auto and credit cards	1,731,829,840	1,759,519,908	1,805,315,054
Commercial mortgages	1,950,317,375	1,952,980,797	2,049,307,335
Lines of credit and commercial loans	1,136,457,146	1,247,970,214	1,301,405,637
Interim financing	414,521,023	482,879,078	516,761,996
Financial leases, net	67,423,099	79,984,276	84,594,017
Other secured loans	198,624,979	186,758,212	187,155,802
Overdrafts	116,906,379	113,189,064	128,535,398
Total internal sector	<u>10,105,214,509</u>	<u>10,214,253,556</u>	<u>10,442,844,651</u>
External sector:			
Residential mortgages	192,313,511	204,561,338	207,720,654
Personal, auto and credit cards	9,812,503	11,965,524	12,601,256
Commercial mortgages	173,026,669	188,603,109	197,148,418
Lines of credit and commercial loans	822,217,970	759,317,604	752,225,457
Other secured loans	10,035,203	12,317,737	11,970,798
Overdrafts	44,537,755	53,404,468	55,624,364
Total external sector	<u>1,251,943,611</u>	<u>1,230,169,780</u>	<u>1,237,290,947</u>
Total	<u>11,357,158,120</u>	<u>11,444,423,336</u>	<u>11,680,135,598</u>

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

	<b>September 30, 2021</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
Balance at the beginning of the period	225,723,115	71,959,280	86,113,012	383,795,407
Transferred to 12-month ECL	8,355,496	(7,290,121)	(1,065,375)	0
Transferred to lifetime ECL not credit-impaired	(4,450,385)	10,458,739	(6,008,354)	0
Transferred to lifetime ECL credit-impaired	(4,579,727)	(8,411,757)	12,991,484	0
Net remeasurement of portfolio	(52,802,198)	81,079,892	93,273,532	121,551,226
New Loans	7,916,564	4,328,191	11,492,373	23,737,128
Loans that have been derecognized	(5,982,641)	(7,632,194)	(13,723,541)	(27,338,376)
Recovery of loan write-off	0	0	17,749,098	17,749,098
Loans written-off	0	0	(42,843,820)	(42,843,820)
Balance at the end of the period	<u>174,180,224</u>	<u>144,492,030</u>	<u>157,978,409</u>	<u>476,650,663</u>

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

(Panama, Republic of Panama)

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

	<b>December 31, 2020</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	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)
<b>Balance at the end of the year</b>	<u>225,723,115</u>	<u>71,959,280</u>	<u>86,113,012</u>	<u>383,795,407</u>

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

The interest receivable from the loans to which the Bank applied deferral of installments as a measure of financial relief for COVID-19 amounts to B/.78,157,951 (December 31, 2020 B/.109,428,367) and (September 30, 2020 B/.92,107,132).



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

(Panama, Republic of Panama)

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

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

	<b>September 30, 2021</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At the beginning of the period	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Additions	0	243,602	14,655,974	1,927,142	2,584,128	19,410,846
Sales and disposals	<u>41,479</u>	<u>494,940</u>	<u>104,018</u>	<u>1,821,952</u>	<u>730,081</u>	<u>3,192,470</u>
At the end of the period	<u>32,524,625</u>	<u>136,859,639</u>	<u>157,436,004</u>	<u>113,575,460</u>	<u>43,798,653</u>	<u>484,194,381</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	2,630,590	8,139,503	6,173,026	1,541,292	18,484,411
Sales and disposal	<u>0</u>	<u>410,439</u>	<u>104,018</u>	<u>1,818,598</u>	<u>730,081</u>	<u>3,063,136</u>
At the end of the period	<u>0</u>	<u>39,278,986</u>	<u>92,156,536</u>	<u>83,144,869</u>	<u>31,982,854</u>	<u>246,563,245</u>
Net balance	<u>32,524,625</u>	<u>97,580,653</u>	<u>65,279,468</u>	<u>30,430,591</u>	<u>11,815,799</u>	<u>237,631,136</u>

  

	<b>December 31, 2020</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At the beginning of the 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>

  

	<b>September 30, 2020</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At the beginning of the period	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
Additions	229,671	0	10,410,173	5,361,875	124,340	16,126,059
Sales and disposals	<u>0</u>	<u>396,447</u>	<u>132,188</u>	<u>2,066,583</u>	<u>1,008,863</u>	<u>3,604,081</u>
At the end of the period	<u>32,566,104</u>	<u>137,110,977</u>	<u>139,051,914</u>	<u>113,696,041</u>	<u>41,960,517</u>	<u>464,385,553</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the period	0	2,661,821	8,001,315	6,551,045	1,637,760	18,851,941
Sales and disposal	<u>0</u>	<u>166,776</u>	<u>132,188</u>	<u>2,066,578</u>	<u>1,008,862</u>	<u>3,374,404</u>
At the end of the period	<u>0</u>	<u>36,178,466</u>	<u>81,492,595</u>	<u>77,572,871</u>	<u>30,663,722</u>	<u>225,907,654</u>
Net balance	<u>32,566,104</u>	<u>100,932,511</u>	<u>57,559,319</u>	<u>36,123,170</u>	<u>11,296,795</u>	<u>238,477,899</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:

	<b>September 30 2021</b>	<b>December 31 2020</b>	<b>September 30 2020</b>
<b>Cost:</b>			
At the beginning of the period	25,538,433	23,922,360	23,922,360
New contracts	2,100,975	2,204,652	1,933,641
Cancellations	<u>(366,188)</u>	<u>(588,579)</u>	<u>505,035</u>
At the end of the period	<u>27,273,220</u>	<u>25,538,433</u>	<u>25,350,966</u>
<b>Accumulated depreciation:</b>			
At the beginning of the period	7,073,818	3,748,511	3,748,511
Expense of the period	2,678,014	3,574,928	2,713,170
Cancellations	<u>(131,828)</u>	<u>(249,621)</u>	<u>180,711</u>
At the end of the period	<u>9,620,004</u>	<u>7,073,818</u>	<u>6,280,970</u>
<b>Net balance</b>	<u>17,653,216</u>	<u>18,464,615</u>	<u>19,069,996</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:

<b>Company</b>	<b>Date of acquisition</b>	<b>Participation acquired</b>	<b>% of Acquired Participation</b>	<b>Balance</b>
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>
<b>Total</b>				<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:

	<b><u>September 30, 2021</u></b>		
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning of the period	<u>41,489,737</u>	<u>47,462,084</u>	<u>88,951,821</u>
<b>Accumulated amortization:</b>			
Balance at the beginning of the period	0	34,680,392	34,680,392
Amortization of the period	<u>0</u>	<u>1,963,044</u>	<u>1,963,044</u>
Balance at the end of the period	<u>0</u>	<u>36,643,436</u>	<u>36,643,436</u>
Net balance at the end of the period	<u>41,489,737</u>	<u>10,818,648</u>	<u>52,308,385</u>
	<b><u>December 31, 2020</u></b>		
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning 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>
<b>Accumulated amortization:</b>			
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>
	<b><u>September 30, 2020</u></b>		
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning and end of the period	41,822,241	47,462,084	89,284,325
<b>Accumulated amortization:</b>			
Balance at the beginning of the period	0	32,063,000	32,063,000
Amortization of the period	<u>0</u>	<u>1,963,044</u>	<u>1,963,044</u>
Balance at the end of the period	<u>0</u>	<u>34,026,044</u>	<u>34,026,044</u>
Net balance at the end of the period	<u>41,822,241</u>	<u>13,436,040</u>	<u>55,258,281</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of September 30, 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>September 30 2021</u>	<u>December 31 2020</u>	<u>September 30 2020</u>
Mortgage Backed Securities (MBS)	2	<u>88,141,023</u>	<u>32,653,464</u>	<u>44,773,595</u>
Total		<u>88,141,023</u>	<u>32,653,464</u>	<u>44,773,595</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>September 30 2021</u>	<u>December 31 2020</u>	<u>September 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	85,000,000
Borrowings with maturity in 2021, at interest rates of 6 and 12 month Libor plus a margin	20,000,000	42,851,563	52,851,563
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	0	30,000,000	235,000,000
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	2,696,685	3,232,835	3,444,718
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,272,387	2,747,512	2,747,512
Notes with maturities in 2024, at a fixed interest rate	60,000,000	150,000,000	160,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
<b>Subtotal of borrowings and debt securities issued</b>	<b>899,941,072</b>	<b>1,043,803,910</b>	<b>1,354,015,793</b>
Revaluation coverage	<u>17,466,744</u>	<u>32,664,673</u>	<u>36,854,539</u>
<b>Total borrowings and debt securities issued, net</b>	<b><u>917,407,816</u></b>	<b><u>1,076,468,583</u></b>	<b><u>1,390,870,332</u></b>

**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:

	<b>September 30</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Balance at the beginning of the period	1,076,468,583	1,914,581,302
New borrowings and debt securities issued	0	124,993,541
Redemption of debt securities issued and cancellation of borrowings	(143,862,838)	(672,824,230)
Revaluation coverage	<u>(15,197,929)</u>	<u>24,119,719</u>
Balance at the end of the period	<u><u>917,407,816</u></u>	<u><u>1,390,870,332</u></u>

**(12) Lease Liabilities**

The movement of lease liabilities is detailed as follows:

	<b>September 30</b>	<b>December 31</b>	<b>September 30</b>
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2020</u></b>
Balance at the beginning of the period	19,696,316	20,869,766	20,869,766
New contracts	2,100,975	2,204,652	1,933,641
Payments	(2,417,746)	(3,006,084)	(2,256,810)
Cancellations	<u>(251,908)</u>	<u>(372,018)</u>	<u>(350,200)</u>
Balance at the end of the period	<u><u>19,127,637</u></u>	<u><u>19,696,316</u></u>	<u><u>20,196,397</u></u>

Interest expense on lease liabilities for B/.648,443 (2020: B/.796,681) 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/.19,402,613 (December 31, 2020: B/.18,580,951) and (September 30, 2020 B/.19,447,382) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	<b>September 30 2021</b>	<b>December 31 2020</b>	<b>September 30 2020</b>
<b>Unearned Premiums</b>			
Balance at the beginning of the period	21,103,378	21,385,439	21,385,439
Issued premiums	30,672,065	38,862,438	29,232,590
Earned premiums	<u>(30,834,775)</u>	<u>(39,144,499)</u>	<u>(30,376,958)</u>
Balance at the end of the period	20,940,668	21,103,378	20,241,071
Reinsurers participation	<u>(4,312,357)</u>	<u>(4,904,557)</u>	<u>(3,931,131)</u>
Unearned premiums, net	<u>16,628,311</u>	<u>16,198,821</u>	<u>16,309,940</u>
<b>Estimated Insurance Claims Incurred</b>			
Balance at the beginning of the period	3,413,785	2,952,326	2,952,326
Incurred claims	9,884,115	9,774,685	6,990,639
Paid claims	<u>(8,014,017)</u>	<u>(9,313,226)</u>	<u>(6,122,048)</u>
Balance at the end of the period	5,283,883	3,413,785	3,820,917
Reinsurer participation	<u>(2,509,581)</u>	<u>(1,031,655)</u>	<u>(683,475)</u>
Estimated insurance claims incurred, net	<u>2,774,302</u>	<u>2,382,130</u>	<u>3,137,442</u>
<b>Total reserves of insurance operations</b>	<u>19,402,613</u>	<u>18,580,951</u>	<u>19,447,382</u>

**(14) Segment Information**

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

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

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (14) Segment Information, continued

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

	<u>September 30, 2021</u>				
	<u>Banking and Financial Activities</u>	<u>Insurance and Reinsurance</u>	<u>Pension and retirement Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	683,053,877	5,181,612	1,156,827	3,779,917	685,612,399
Interest and provision expenses	333,631,633	(36,960)	0	3,779,917	329,814,756
Other income, net	144,398,489	19,465,095	11,104,649	7,675	174,960,558
General and administrative expenses	193,652,167	2,176,779	3,710,878	7,675	199,532,149
Depreciation and amortization expense	20,788,302	167,063	207,060	0	21,162,425
Equity participation in associates	<u>7,346,843</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,346,843</u>
Net income before income tax	286,727,107	22,339,825	8,343,538	0	317,410,470
Net Income tax, estimated	32,772,295	2,947,345	1,856,140	0	37,575,780
Net Income tax, deferred	<u>(20,712,199)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,712,199)</u>
Net Income tax	<u>12,060,096</u>	<u>2,947,345</u>	<u>1,856,140</u>	<u>0</u>	<u>16,863,581</u>
Net income	<u>274,667,011</u>	<u>19,392,480</u>	<u>6,487,398</u>	<u>0</u>	<u>300,546,889</u>
Total assets	<u>18,660,982,003</u>	<u>309,100,953</u>	<u>51,765,474</u>	<u>220,151,522</u>	<u>18,801,696,908</u>
Total liabilities	<u>16,235,811,552</u>	<u>53,724,332</u>	<u>5,690,207</u>	<u>200,745,460</u>	<u>16,094,480,631</u>

	<u>September 30, 2020</u>				
	<u>Banking and Financial Activities</u>	<u>Insurance and Reinsurance</u>	<u>Pension and retirement Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	763,643,262	5,652,497	1,075,053	3,841,850	766,528,962
Interest and provision expenses	428,675,928	51,403	0	3,841,850	424,885,481
Other income, net	109,648,763	22,857,061	10,595,172	8,138	143,092,858
General and administrative expenses	190,707,860	1,989,778	3,674,958	8,138	196,364,458
Depreciation and amortization expense	21,168,119	176,450	220,542	0	21,565,111
Equity participation in associates	<u>5,706,128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,706,128</u>
Net income before income tax	238,446,246	26,291,927	7,774,725	0	272,512,898
Net Income tax, estimated	26,610,842	4,486,646	1,768,949	0	32,866,437
Net Income tax, deferred	<u>(35,978,797)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,978,797)</u>
Net Income tax	<u>(9,367,955)</u>	<u>4,486,646</u>	<u>1,768,949</u>	<u>0</u>	<u>(3,112,360)</u>
Net income	<u>247,814,201</u>	<u>21,805,281</u>	<u>6,005,776</u>	<u>0</u>	<u>275,625,258</u>
Total assets	<u>18,657,693,057</u>	<u>301,090,996</u>	<u>45,623,316</u>	<u>233,217,954</u>	<u>18,771,189,415</u>
Total liabilities	<u>16,255,900,481</u>	<u>63,453,673</u>	<u>5,024,192</u>	<u>213,811,892</u>	<u>16,110,566,454</u>

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

	<u>September 30, 2021</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	<u>720,210,507</u>	<u>72,608,120</u>	<u>75,101,173</u>	<u>867,919,800</u>
Non-financial	<u>286,266,503</u>	<u>3,673,018</u>	<u>0</u>	<u>289,939,521</u>

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

(Panama, Republic of Panama)

**Notes to the Condensed Consolidated Interim Financial Information****(14) Segment Information, continued**

	<u>September 30, 2020</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	<u>757,533,854</u>	<u>74,133,012</u>	<u>83,661,082</u>	<u>915,327,948</u>
Non-financial	<u>289,852,404</u>	<u>3,883,776</u>	<u>0</u>	<u>293,736,180</u>

**(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:

	<u>September 30, 2021</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	3,022,650	7,977,623	0	0	144,877,749
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	35,000,332	35,000,332
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
<b>Total</b>	<u>152,254,380</u>	<u>3,022,650</u>	<u>7,977,623</u>	<u>1,794,475</u>	<u>35,000,332</u>	<u>200,049,460</u>

	<u>December 31, 2020</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
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>
<b>Total</b>	<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>

<b>Transfer (reversal) from retained earnings of the period</b>	<u>0</u>	<u>363,995</u>	<u>(1,210,758)</u>	<u>0</u>	<u>1,653,369</u>	<u>806,606</u>
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## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

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

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#### **(15) Equity, continued**

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.

#### **(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/.923,048 (2020: B/.1,284,984). 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 September 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/.61,200 (2020: B/.64,935) and the disbursements to former employees who are covered under the retirement plan amount to B/.119,282 (2020: B/.123,582).

#### **(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.

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

(Panama, Republic of Panama)

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

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.

Net income tax is detailed as follows:

	<u>3rd Quarter</u> <u>September 30</u>		<u>Accumulated</u> <u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Estimated income tax	14,071,240	8,624,153	38,118,371	32,717,136
Prior year income tax adjustments	0	59,298	(542,591)	149,301
Deferred income tax	<u>(9,270,279)</u>	<u>(23,891,431)</u>	<u>(20,712,199)</u>	<u>(35,978,797)</u>
Total income tax, net	<u>4,800,961</u>	<u>(15,207,980)</u>	<u>16,863,581</u>	<u>(3,112,360)</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

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

(Panama, Republic of Panama)

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

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>September 30, 2021</u>								
Derivative assets	1,651,356,976	31,466,748	227,981,250	0	377,274,534	5,482,435	1,046,101,192	25,984,313
Derivative liabilities	1,045,441,011	13,271,489	355,683,740	0	99,391,874	4,889,095	590,365,397	8,382,394
<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>September 30, 2020</u>								
Derivative assets	1,056,588,127	45,723,924	53,813,000	0	128,858,679	4,940,969	873,916,448	40,782,955
Derivative liabilities	1,191,912,189	34,763,669	219,939,380	0	256,715,030	10,314,839	715,257,779	24,448,830

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/.17.5MM (December 31, 2020: B/.20.6MM) and (September 30, 2020: B/.28.2MM).

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

**Other Derivatives classified by Risk:**

	<b><u>September 30, 2021</u></b>		<b><u>December 31, 2020</u></b>		<b><u>September 30, 2020</u></b>	
	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>
Others derivatives:						
Credit	1,472,389	1,242,115	1,385,484	844,999	663,771	2,273,903
Interest	6,242,344	6,023,195	1,773,228	1,953,672	4,567,555	8,825,611
Currency	13,113	9,331	12,398	9,631	11,121	5,069
Total	<u>7,727,846</u>	<u>7,274,641</u>	<u>3,171,110</u>	<u>2,808,302</u>	<u>5,242,447</u>	<u>11,104,583</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 following table presents assets and liabilities derivatives hedge for risk management:

Hedge Derivatives for Risk Management:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
<b>Exposure to risk:</b>						
<b>Interest rate</b>						
Fair value hedge	18,056,846	0	32,464,775	9,238,523	36,654,641	23,079,699
Cash flow hedge	0	0	0	597,286	0	0
Others	0	5,174,985	0	386,588	0	0
Total interest rate	<u>18,056,846</u>	<u>5,174,985</u>	<u>32,464,775</u>	<u>10,222,397</u>	<u>36,654,641</u>	<u>23,079,699</u>
<b>Currency</b>						
Others	5,682,056	276,383	108,086	5,548,103	3,826,836	241,874
Total Currency	<u>5,682,056</u>	<u>276,383</u>	<u>108,086</u>	<u>5,548,103</u>	<u>3,826,836</u>	<u>241,874</u>
<b>Credit</b>						
Others	0	545,480	0	830,238	0	337,513
Total Credits	<u>0</u>	<u>545,480</u>	<u>0</u>	<u>830,238</u>	<u>0</u>	<u>337,513</u>
Total derivatives for risk exposure	<u>23,738,902</u>	<u>5,996,848</u>	<u>32,572,861</u>	<u>16,600,738</u>	<u>40,481,477</u>	<u>23,659,086</u>

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

	<u>September 30, 2021</u>				
	<u>Maturity</u>				
<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	0	20,000,000
Average interest rate					5.13%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	0	250,000,000
Average interest rate					1.79%

	<u>December 31, 2020</u>				
	<u>Maturity</u>				
<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	7,250,000	0	54,820,484
Average interest rate			7.60%		3.99%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	75,000,000	250,000,000
Average interest rate				1.26%	1.87%

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>September 30, 2020</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	7,250,000	54,911,587
Average interest rate				7.60%	3.99%
<b>Hedging of Bonds and Notes</b>					
Notional Value	0	0	0	85,000,000	250,000,000
Average interest rate				1.32%	1.90%

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

	September 30, 2021					
	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
Interest rate risk:		Assets	Liabilities			
Interest rate derivatives – Bonds Hedge	20,000,000	590,102	0	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	250,000,000	17,466,744	0	Other assets (liabilities)	0	0
<b>Total interest rate risk</b>	<b>270,000,000</b>	<b>18,056,846</b>	<b>0</b>			

	<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>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
<b>Interest rate risk:</b>						
Interest rate derivatives – Bonds Hedge	62,070,484	0	9,238,523	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	<u>325,000,000</u>	<u>32,464,775</u>	<u>0</u>	Other assets (liabilities)	0	0
<b>Total interest rate risk</b>	<u>387,070,484</u>	<u>32,464,775</u>	<u>9,238,523</u>			

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

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Condensed Consolidated Interim Financial Information

### (18) Derivative Financial Instruments, continued

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

<u>September 30, 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	20,940,000		0	590,102	Investment securities FVOCI	0	0
Bonds and notes		<u>250,000,000</u>	<u>0</u>	<u>17,466,744</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>
<u>December 31, 2020</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	68,602,082		9,237,868	0	Investment securities FVOCI	0	0
Bonds and notes		<u>325,000,000</u>	<u>0</u>	<u>32,664,673</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>
<u>September 30, 2020</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	65,750,793		11,111,114	0	Investment securities FVOCI	0	0
Bonds and notes		<u>330,000,000</u>	<u>0</u>	<u>36,854,539</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>
<b>Interest rate risk</b>					
<b>Hedging of Borrowings</b>					
Notional Value	0	0	0	30,000,000	0
Average interest rate				2.84%	

<u>Risk Category</u>	<u>September 30, 2020</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Borrowings</b>					
Notional Value	0	0	0	235,000,000	0
Average interest rate				2.86%	

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

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

  

	<u>Notional Value</u>	<u>Book Value</u>		<u>September 30, 2020</u> Item in the condensed consolidated statement of financial position that include hedge instruments	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
<b>Interest rate risk:</b>						
Derivatives of interest rate – Borrowings Hedge	235,000,000	0	11,545,611	Other assets (liabilities)	0	0

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

(Panama, Republic of Panama)

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

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

		September 30, 2021			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	1,472,389	0		1,472,389
Interest	0	6,242,344	0		6,242,344
Currency	0	13,113	0		13,113
Total	0	7,727,846	0		7,727,846
Hedge derivatives for risk management:					
Interest	0	18,056,846	0		18,056,846
Currency	0	5,682,056	0		5,682,056
Total	0	23,738,902	0		23,738,902
<b>Total derivatives assets</b>	0	31,466,748	0		31,466,748
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,242,115	0		1,242,115
Interest	0	6,023,195	0		6,023,195
Currency	0	9,331	0		9,331
Total	0	7,274,641	0		7,274,641
Hedge derivatives for risk management:					
Credit	0	545,480	0		545,480
Interest	0	5,174,985	0		5,174,985
Currency	0	276,383	0		276,383
Total	0	5,996,848	0		5,996,848
<b>Total derivatives liabilities</b>	0	13,271,489	0		13,271,489

		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
<b>Total derivatives assets</b>	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
<b>Total derivatives liabilities</b>	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**

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

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

(Panama, Republic of Panama)

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

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#### **(19) Fair Value of Financial Instruments**

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

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

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

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

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

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

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

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

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

(Panama, Republic of Panama)

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

	<b>September 30</b>			
	<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Corporate Bonds and Fixed Income Funds	60,338,871	0	0	60,338,871
Bonds of the Republic of Panama	2,102,680	0	2,102,680	0
Local Corporate Shares	38,912,087	3,526	0	38,908,561
Foreign Treasury Bills	250,862	250,862	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	470,815,757	0	470,815,757	0
Asset Backed Securities (ABS)	92,280,366	0	92,280,366	0
Foreign Corporate Bonds and Fixed Income Funds	331,923,055	0	218,722,260	113,200,795
Foreign Share capital	74,114	0	0	74,114
<b>Total</b>	<b>996,697,792</b>	<b>254,388</b>	<b>783,921,063</b>	<b>212,522,341</b>

  

	<b>December 31</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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
<b>Total</b>	<b>1,148,054,620</b>	<b>253,975</b>	<b>934,849,211</b>	<b>212,951,434</b>

  

	<b>September 30</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	462,536	0	0	462,536
Local Corporate Bonds and Fixed Income Funds	58,911,076	0	7,190	58,903,886
Bonds of the Republic of Panama	1,567,568	0	1,567,568	0
Local Corporate Shares	38,822,974	2,442	0	38,820,532
Foreign Treasury Bills	250,755	250,755	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	690,800,063	0	690,800,063	0
Asset Backed Securities (ABS)	64,073,906	0	64,073,906	0
Foreign Fixed Income Funds	211,240,832	0	101,202,405	110,038,427
Foreign Share Capital and Variable Income Mutual Funds	92,973	0	257	92,716
<b>Total</b>	<b>1,066,222,683</b>	<b>253,197</b>	<b>857,651,389</b>	<b>208,318,097</b>

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

(Panama, Republic of Panama)

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

	<b>September 30</b>			
	<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	2,460,654	0	0	2,460,654
Local Corporate Bonds	1,079,513,560	0	388,760,717	690,752,843
Bonds of the Republic of Panama	113,270,611	0	113,270,611	0
Bonds of the US Government and Agency	186,139,566	185,147,686	991,880	0
Foreign Commercial Paper and Treasury Bills	617,233,811	548,470,068	68,763,743	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,249,613,867	0	1,249,613,867	0
Asset Backed Securities (ABS)	221,122,658	0	221,122,658	0
Foreign Corporate Bonds	1,289,610,879	0	1,289,610,879	0
Bonds of Other Governments	58,144,760	0	58,144,760	0
<b>Total</b>	<b>4,817,110,366</b>	<b>733,617,754</b>	<b>3,390,279,115</b>	<b>693,213,497</b>
	<b>December 31</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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
<b>Total</b>	<b>4,423,314,046</b>	<b>352,982,060</b>	<b>3,298,471,419</b>	<b>771,860,567</b>
	<b>September 30</b>			
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	6,958,978	0	0	6,958,978
Local Corporate Bonds	1,130,711,305	0	312,427,869	818,283,436
Bonds of the Republic of Panama	201,461,500	0	201,461,500	0
Bonds of the US Government	58,279,477	54,274,339	4,005,138	0
Foreign Commercial Paper and Treasury Bills	192,681,026	119,505,723	70,575,413	2,599,890
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,504,708,319	0	1,504,049,529	658,790
Asset Backed Securities (ABS)	189,455,738	0	189,455,738	0
Foreign Corporate Bonds	1,086,189,459	201,979	1,085,987,480	0
Bonds of Other Governments	48,482,575	0	48,482,575	0
<b>Total</b>	<b>4,418,928,377</b>	<b>173,982,041</b>	<b>3,416,445,242</b>	<b>828,501,094</b>

**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**

	<b><u>Changes in Fair Value Measurement of Level 3 hierarchy</u></b>		
	<b><u>Investments and other financial assets</u></b>		<b><u>Total</u></b>
	<b><u>Fair Value through Profit or Loss</u></b>	<b><u>Fair Value through OCI</u></b>	
<b>December 31, 2020</b>	212,951,434	771,860,567	984,812,001
Gain recognized in income	3,692,470	0	3,692,470
Gain recognized in equity	0	1,356,154	1,356,154
Purchases	12,756,158	66,259,880	79,016,038
Amortization, sales and redemptions	(16,877,721)	(143,663,104)	(160,540,825)
Transfers from level 3	0	(2,600,000)	(2,600,000)
<b>September 30, 2021</b>	<u>212,522,341</u>	<u>693,213,497</u>	<u>905,735,838</u>
<b>Total gain related to instruments held as of September 30, 2021</b>	<u>4,582,220</u>	<u>2,756,689</u>	<u>7,338,909</u>
<b>December 31, 2019</b>	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)
<b>December 31, 2020</b>	<u>212,951,434</u>	<u>771,860,567</u>	<u>984,812,001</u>
<b>Total gains (loss) related to instruments held as of December 31, 2020</b>	<u>(7,987,108)</u>	<u>18,073,471</u>	<u>10,086,363</u>
<b>December 31, 2019</b>	211,073,725	905,608,976	1,116,682,701
(Loss) gain recognized in income	(10,769,506)	2,281,900	(8,487,606)
Gain recognized in equity	0	2,274,722	2,274,722
Purchases	27,983,256	228,597,647	256,580,903
Amortization, sales and redemptions	(19,969,378)	(310,262,151)	(330,231,529)
<b>September 30, 2020</b>	<u>208,318,097</u>	<u>828,501,094</u>	<u>1,036,819,191</u>
<b>Total (loss) gains related to instruments held as of September 30, 2020</b>	<u>(10,901,981)</u>	<u>9,839,140</u>	<u>(1,062,841)</u>

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>September 30 2021</u>	<u>December 31 2020</u>	<u>September 30 2020</u>	
<b>Corporate Shares</b>	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
<b>Fixed Income</b>	Discounted cash flow	Credit spreads	Min 1.09% Max 16.39% Ave 2.63%	Min 0.99% Max 12.55% Ave 2.54%	Min 1.09% Max 9.82% Ave 3.36%	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>
<b>Local Fixed Income</b>	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
<b>Local Shares</b>	Quoted market prices	Quoted prices in active markets	1-3
	Dividend discount model Discount free cash flows model (DCF), which are compared to the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
	Carrying amount model	Equity Issued and outstanding shares	
<b>Foreign Fixed Income</b>	Quoted market prices	Quoted prices in active markets	1-2-3
	Quoted observable market prices for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Buying/Selling prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	
<b>Agencies' MBS / CMOs</b>	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2

**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>September 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	6,536	(23,051)	5,687,604	(5,889,350)
Corporate Shares	<u>2,216,080</u>	<u>(1,867,174)</u>	<u>0</u>	<u>0</u>
Total	<u>2,222,616</u>	<u>(1,890,225)</u>	<u>5,687,604</u>	<u>(5,889,350)</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>September 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	87,138	(118,254)	6,499,386	(7,505,183)
Corporate Shares	<u>3,655,632</u>	<u>(2,843,992)</u>	<u>0</u>	<u>0</u>
Total	<u>3,742,770</u>	<u>(2,962,246)</u>	<u>6,499,386</u>	<u>(7,505,183)</u>

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Condensed Consolidated Interim Financial Information

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#### (19) Fair Value of Financial Instruments, 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:

	<b>September 30, 2021</b>		<b>December 31, 2020</b>		<b>September 30, 2020</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Book Value</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Assets:</b>						
Time deposits with banks	176,214,178	177,642,170	199,371,557	201,622,481	202,332,028	204,749,533
Investments at amortized cost, net	82,011,000	82,028,885	53,415,461	53,431,848	32,099,896	32,117,419
Loans, net	<u>10,843,824,005</u>	<u>10,809,957,470</u>	<u>11,023,582,558</u>	<u>10,985,309,747</u>	<u>11,333,127,152</u>	<u>11,296,168,360</u>
	<u>11,102,049,183</u>	<u>11,069,628,525</u>	<u>11,276,369,576</u>	<u>11,240,364,076</u>	<u>11,567,559,076</u>	<u>11,533,035,312</u>
<b>Liabilities:</b>						
Deposits	13,546,444,129	13,602,071,878	13,449,536,465	13,496,331,618	13,057,378,668	13,091,705,922
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>1,317,407,816</u>	<u>1,330,819,738</u>	<u>1,294,148,583</u>	<u>1,355,221,790</u>	<u>1,758,030,683</u>	<u>1,789,396,469</u>
	<u>14,863,851,945</u>	<u>14,932,891,616</u>	<u>14,743,685,048</u>	<u>14,851,553,408</u>	<u>14,815,409,351</u>	<u>14,881,102,391</u>

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

	<b>September 30 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>				
Time deposits with banks	177,642,170	0	0	177,642,170
Investments at amortized cost, net	82,028,885	0	77,900,000	4,128,885
Loans, net	<u>10,809,957,470</u>	<u>0</u>	<u>0</u>	<u>10,809,957,470</u>
	<u>11,069,628,525</u>	<u>0</u>	<u>77,900,000</u>	<u>10,991,728,525</u>
<b>Liabilities:</b>				
Deposits	13,602,071,878	0	0	13,602,071,878
Borrowings, debt securities issued and perpetual bonds	<u>1,330,819,738</u>	<u>0</u>	<u>0</u>	<u>1,330,819,738</u>
	<u>14,932,891,616</u>	<u>0</u>	<u>0</u>	<u>14,932,891,616</u>
	<b>December 31 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>				
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>
<b>Liabilities:</b>				
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**

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

**(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:

	<b>September 30, 2021</b> <b>(in Thousands)</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b><u>Loans at amortized cost</u></b>				
Grade 1: Standard	9,082,903	289,899	13,386	9,386,188
Grade 2: Special mention	41,237	1,113,101	46,364	1,200,702
Grade 3: Sub-standard	2,310	116,860	394,571	513,741
Grade 4: Doubtful	644	970	78,857	80,471
Grade 5: Uncollectible	<u>7,288</u>	<u>175</u>	<u>101,170</u>	<u>108,633</u>
Gross amount	9,134,382	1,521,005	634,348	11,289,735
Loan losses allowance	<u>(173,259)</u>	<u>(144,314)</u>	<u>(157,062)</u>	<u>(474,635)</u>
Net carrying amount	<u>8,961,123</u>	<u>1,376,691</u>	<u>477,286</u>	<u>10,815,100</u>
<b><u>Finance leases</u></b>				
Grade 1: Standard	58,064	2,231	0	60,295
Grade 2: Special mention	0	3,185	1	3,186
Grade 3: Sub-standard	0	422	2,386	2,808
Grade 4: Doubtful	20	0	571	591
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>543</u>	<u>543</u>
Gross amount	58,084	5,838	3,501	67,423
Loan losses allowance	<u>(921)</u>	<u>(178)</u>	<u>(917)</u>	<u>(2,016)</u>
Net carrying amount	<u>57,163</u>	<u>5,660</u>	<u>2,584</u>	<u>65,407</u>
<b>Total loans</b>	<u>9,192,466</u>	<u>1,526,843</u>	<u>637,849</u>	<u>11,357,158</u>
Loan losses allowance	<u>(174,180)</u>	<u>(144,492)</u>	<u>(157,979)</u>	<u>(476,651)</u>
Net carrying amount	<u>9,018,286</u>	<u>1,382,351</u>	<u>479,870</u>	<u>10,880,507</u>
<b><u>Restructured loans</u></b>				
Gross amount	144,175	493,879	253,405	891,459
Loan losses allowance	<u>(899)</u>	<u>(32,107)</u>	<u>(64,825)</u>	<u>(97,831)</u>
Net carrying amount	<u>143,276</u>	<u>461,772</u>	<u>188,580</u>	<u>793,628</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**

	<b>December 31, 2020</b> <b>(in Thousands)</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b><u>Loans at amortized cost</u></b>				
Grade 1: Standard	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	<u>371</u>	<u>490</u>	<u>92,679</u>	<u>93,540</u>
Gross amount	10,060,773	841,083	462,583	11,364,439
Loan losses allowance	<u>(225,582)</u>	<u>(71,631)</u>	<u>(85,563)</u>	<u>(382,776)</u>
Net carrying amount	<u>9,835,191</u>	<u>769,452</u>	<u>377,020</u>	<u>10,981,663</u>
<b><u>Finance leases</u></b>				
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	<u>0</u>	<u>0</u>	<u>1,503</u>	<u>1,503</u>
Gross amount	72,719	4,973	2,292	79,984
Loan losses allowance	<u>(141)</u>	<u>(328)</u>	<u>(550)</u>	<u>(1,019)</u>
Net carrying amount	<u>72,578</u>	<u>4,645</u>	<u>1,742</u>	<u>78,965</u>
<b>Total loans</b>	<u>10,133,492</u>	<u>846,056</u>	<u>464,875</u>	<u>11,444,423</u>
Loan losses allowance	<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>
<b><u>Restructured loans</u></b>				
Gross amount	6,047	77,707	135,064	218,818
Loan losses allowance	<u>(251)</u>	<u>(8,887)</u>	<u>(32,629)</u>	<u>(41,767)</u>
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**

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

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

(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:

<b><u>September 30, 2021</u></b>			
	<b><u>Banco General, S. A.</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
Current	9,573,770,190	844,068,092	10,417,838,282
From 31 to 90 days	620,099,877	8,185,566	628,285,443
More than 90 days (capital or interest)	291,975,547	7,187,118	299,162,665
More than 30 days past due (capital at maturity)	<u>11,838,855</u>	<u>32,875</u>	<u>11,871,730</u>
Total	<u>10,497,684,469</u>	<u>859,473,651</u>	<u>11,357,158,120</u>

  

<b><u>December 31, 2020</u></b>			
	<b><u>Banco General, S. A.</u></b>	<b><u>Subsidiaries</u></b>	<b><u>Total</u></b>
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>

  

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

**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/.38,986,201 (December 31, 2020: B/.37,811,079) and (September 30, 2020: B/.38,915,947) which are not subject to credit risk:

		<u>September 30, 2021</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Purchased credit-impaired</u>	<u>Total</u>
<b><u>At Amortized Cost</u></b>					
<i>Foreign:</i>					
AAA	77,900,000	0	0	0	77,900,000
Lower than BBB-	4,128,885	0	0	0	4,128,885
Carrying amount	82,028,885	0	0	0	82,028,885
Loss allowance	(17,885)	0	0	0	(17,885)
<b>Total carrying amount, net</b>	<b>82,011,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82,011,000</b>
<b><u>At FVOCI</u></b>					
<i>Local:</i>					
AA+ to BBB-	603,377,054	0	0	0	603,377,054
Lower than BBB-	553,539,444	9,033,740	29,294,587	0	591,867,771
Carrying amount	1,156,916,498	9,033,740	29,294,587	0	1,195,244,825
Valuation of credit risk	(1,829,160)	(600,547)	(7,379,625)	0	(9,809,332)
<i>Foreign:</i>					
AAA	2,126,225,064	0	0	0	2,126,225,064
AA+ to BBB-	1,224,002,382	0	0	0	1,224,002,382
Lower than BBB-	259,535,282	11,601,201	113,075	388,537	271,638,095
Carrying amount	3,609,762,728	11,601,201	113,075	388,537	3,621,865,541
Valuation of credit risk	(5,095,986)	(15,533)	0	0	(5,111,519)
<b>Total carrying amount</b>	<b>4,766,679,226</b>	<b>20,634,941</b>	<b>29,407,662</b>	<b>388,537</b>	<b>4,817,110,366</b>
<b>Total valuation of credit risk</b>	<b>(6,925,146)</b>	<b>(616,080)</b>	<b>(7,379,625)</b>	<b>0</b>	<b>(14,920,851)</b>
<b><u>At Fair Value TPL</u></b>					
<i>Local:</i>					
AA+ to BBB-	2,102,680				
Lower than BBB-	60,338,871				
Carrying amount	62,441,551				
<i>Foreign:</i>					
AAA	403,617,375				
AA+ to BBB-	371,785,981				
Lower than BBB-	116,347,813				
NR	3,518,871				
Carrying amount	895,270,040				
<b>Total carrying amount</b>	<b>957,711,591</b>				

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

(Panama, Republic of Panama)

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

		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>
<b><u>At Amortized Cost</u></b>					
<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)
<b>Total carrying amount, net</b>	<u>53,415,461</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,415,461</u>
<b><u>At FVOCI</u></b>					
<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)
<b>Total carrying amount</b>	<u>4,372,809,178</u>	<u>21,179,960</u>	<u>28,792,363</u>	<u>532,545</u>	<u>4,423,314,046</u>
<b>Total valuation of credit risk</b>	<u>(6,527,145)</u>	<u>(535,652)</u>	<u>(7,562,805)</u>	<u>0</u>	<u>(14,625,602)</u>
<b><u>At Fair Value TPL</u></b>					
<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				
<b>Total carrying amount</b>	<u>1,110,243,541</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**

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

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:

	<b>September 30, 2021</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the period</b>	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	(339,701)	79,835	(183,180)	(443,046)
New investment securities purchased	2,380,525	0	0	2,380,525
Investment securities that have been derecognized	<u>(1,641,002)</u>	<u>(1,228)</u>	<u>0</u>	<u>(1,642,230)</u>
<b>Balance at the end of the period</b>	<u>6,925,146</u>	<u>616,080</u>	<u>7,379,625</u>	<u>14,920,851</u>

	<b>December 31, 2020</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	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>
<b>Balance at the end of the year</b>	<u>6,527,145</u>	<u>535,652</u>	<u>7,562,805</u>	<u>14,625,602</u>

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Condensed Consolidated Interim Financial Information

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

As of September 30, 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:

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

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