BANCO GENERAL, S. A.
AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2021

(With Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM THE SPANISH VERSION)

"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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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Banco General, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Allowance for Loan Losses
See Notes 3(h), 7 and 31 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions, including the impact of the Covid-19 pandemic, by the administration in the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 58% of the Bank's total assets as of December 31, 2021. The allowance for loan losses at amortized cost comprises the ECL as a result of the loan rating and the mechanism used to determine the loans' probability of default according to the impairment stage assigned. The ECL is determined according to the grouping of loans with similar credit risk characteristics, segregated in models for Consumer Banking and Business Banking. Both models are comprised of estimates of the probability of default, loss due to default, prospective analysis, and exposure to default. The evaluation of whether there has been a significant increase in the credit risk of the loans entails the application of important judgments in these models. This constitutes a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of the Bank's judgment.	Our audit procedures, considering the use of specialists, included: • Evaluating key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies. • The judgments applied by the Bank on assumptions related to the current conditions of the economy were evaluated, including the impact of Covid-19 in these judgments and the considerations on the prospective analysis that may change the level of ECL, based on our experience and industry knowledge. • For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, collateral values as determined by qualified appraisers that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the credit risk rating assigned by the Bank's risk officers. • Assessing the Bank's applied methodologies in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance. • Performing an independent assessment of the inputs used in the Consumer and Corporate Banking methodologies and recalculating according to the estimation model of ECL for both methodologies.

Investments Valuation
See Notes 3(b), 3(h), 6 and 31 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
As of December 31, 2021, investment securities at fair value through profit or loss (FVTPL) and investment securities measured at fair value through other comprehensive income (FVOCI) represent together 32% of total assets. The Bank uses external price vendors that provide pricing for most of these investments and uses internal valuation methodologies for those securities for which pricing is not provided by external price vendors. The fair value of investments determined through internal valuation models involve judgments made by the Bank and the use of some inputs that are not readily available in active markets. Furthermore, the valuation of investments, for which prices are provided by an external price vendor, require additional effort from auditors to assert the reasonableness of their valuation. The judgment involved in estimating the fair value of an investment when some valuation inputs are not observable (i.e. investments categorized as Level 3 in the fair value hierarchy), are significant. As of December 31, 2021, investments classified as level 3 represented 15% of total investments measured at fair value and 5% of total assets.	Our audit procedures, considering the use of specialists, included: Evaluation of the key controls in the process of identification, measurement and management of valuation risk, and the evaluation of the methodologies, inputs and assumptions used by the Bank in determining fair values. Testing valuation of instruments categorized as level 1, by comparing the fair value applied by the Bank with public and observable market data. Evaluation of the fair value models and the inputs used in the valuation of level 2 instruments by comparing observable market inputs with independent sources and external market data available. For a sample of investments with significant unobservable valuation inputs (level 3), assessing the models used and approved by the Bank's Corporate Governance and independent calculation of prices for such investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other legal information requirements

In compliance with Law 280 of December 30th, 2021, which regulates the certified public accounting profession in the Republic of Panama, we declare the following:

- That the direction, execution and supervision of this audit engagement has been physically performed in the Panamanian territory for those entities or business activities within the Group that performed operations that are perfected, consumed or take effect within the Republic of Panama.

- The audit partner that has prepared this independent auditors' report is Jorge Castrellón.

- The engagement team that has participated in the group audit to which this report refers, is formed by Jorge Castrellón, Partner; Nicole Ramsauer, Partner; Karim Shaik, Director; Jony Afú, Director; Alejandro Morcillo, Senior Manager; Antonella Alarcón, Senior Manager; Paulo Rodríguez, Senior Manager; Nedo Cingolani, Manager; Rubén Carrillo, Senior Supervisor; Patricia Casasola, Senior Supervisor; Melvin Gutierrez, Senior Supervisor.

KPMG (SIGNED)

PARTNER NAME (SIGNED)

Panama, Republic of Panama
February 7, 2022

Jorge Castrellón
Partner
C.P.A. 5505

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

Consolidated Statement of Financial Position

December 31, 2021

(Expressed in Balboas)

	Note	2021	2020
Assets			
Cash and cash items		167,237,035	157,149,834
Deposits with banks:			
Local demand deposits		141,855,691	143,149,342
Foreign demand deposits		142,108,784	300,914,192
Local time deposits		194,252,658	199,371,557
Accrued interest receivable		1,817,299	2,602,452
Total deposits with banks		480,034,432	646,037,543
Total cash, cash items and deposits with banks	5	647,271,467	803,187,377
Investments and other financial assets at FVTPL		1,022,366,494	1,148,054,620
Investments and other financial assets at FVOCI		5,030,577,545	4,423,314,046
Investments and other financial at amortized cost, net		122,185,542	53,415,461
Accrued interest receivable		280	388
Investments and other financial assets, net	6	6,175,129,861	5,624,784,515
Loans	7	11,297,778,963	11,444,423,336
Accrued interest receivable		96,487,962	152,889,983
Less:			
Loan losses allowance		467,706,062	383,795,407
Unearned commissions		36,092,068	37,045,371
Loans, net		10,890,468,795	11,176,472,541
Investments in associates	8	25,020,643	21,685,950
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	9	239,125,837	236,834,035
Right-of-Use Assets, net	10	16,997,658	18,464,615
Customer liabilities under acceptances		31,127,694	12,536,897
Investments and other financial assets sold pending settlement	11	222,866,524	218,340,211
Deferred tax assets	25	112,034,447	93,796,753
Goodwill and other intangible assets, net	12	51,546,799	54,271,429
Foreclosed assets, net	13	25,981,170	26,738,930
Other assets		344,426,709	329,669,702
Total assets		18,781,997,604	18,616,782,955

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

Liabilities and Equity	Note	2021	2020
Liabilities:			
Deposits:			
Local:			
Demand		3,091,190,353	2,895,449,425
Savings		4,771,422,932	4,269,350,963
Time:			
Customers		5,428,455,379	5,724,270,786
Banks		2,095,137	6,287,808
Foreign:			
Demand		71,805,865	83,392,248
Savings		193,972,130	200,693,554
Time:			
Customers		241,669,875	270,091,681
Accrued interest payable		93,520,570	102,336,968
Total deposits		13,894,132,241	13,551,873,433
Financing:			
Borrowings and debt securities issued, net	15	893,646,075	1,076,468,583
Perpetual bonds	16	400,000,000	217,680,000
Accrued interest payable		14,084,902	12,340,459
Total financing		1,307,730,977	1,306,489,042
Lease Liabilities	17	18,545,622	19,696,316
Acceptances outstanding		31,127,694	12,536,897
Investments and other financial assets purchased pending settlement	11	422,824,601	730,935,003
Reserves of insurance operations	18	19,702,364	18,580,951
Deferred tax liabilities	25	2,471,413	3,047,343
Other liabilities	14	394,414,406	340,413,236
Total liabilities		16,090,949,318	15,983,572,221
Equity:	21		
Common shares		500,000,000	500,000,000
Legal reserves		199,882,419	199,242,854
Capital reserves		75,007,984	160,987,401
Retained earnings		1,916,157,883	1,772,980,479
Total equity		2,691,048,286	2,633,210,734
Commitments and contingencies	26		
Total liabilities and equity		18,781,997,604	18,616,782,955

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

Consolidated Statement of Income

For the year ended December 31, 2021

(Expressed in Balboas)

	Note	2021	2020
Interest and commission income:			
Interest:			
Loans		734,958,289	797,753,954
Deposits with banks		5,371,823	7,098,601
Investments and other financial assets		142,617,907	160,067,401
Commissions on loans		32,539,207	29,551,361
Total interest and commission income		915,487,226	994,471,317
Interest expenses:			
Deposits		231,028,577	258,142,100
Financing	29	48,017,153	73,590,209
Total interest expenses		279,045,730	331,732,309
Net interest and commission income		636,441,496	662,739,008
Provision for loan losses, net	7	155,642,011	280,946,792
(Reversal) provision for impairment of investments, net	6	(5,097,865)	3,773,350
Provision (reversal) for foreclosed assets, net	13	1,706,627	(727,848)
Net interest and commission income, after provisions		484,190,723	378,746,714
Other income (expenses):			
Fees and other commissions	23 and 28	256,689,530	204,466,234
Insurance premiums, net		32,687,679	35,593,118
Gain on financial instruments, net	6 and 22	8,345,661	19,251,565
Other income, net	23	29,230,287	30,438,561
Commission expenses and other expenses	12 and 17	(92,081,416)	(78,686,190)
Total other income, net		234,871,741	211,063,288
General and administrative expenses:			
Salaries and other personnel expenses	24	162,629,168	166,277,636
Depreciation and amortization	9 and 10	28,385,224	28,516,799
Properties, furniture and equipment expenses		25,119,282	22,727,469
Other expenses		80,735,820	72,717,088
Total general and administrative expenses		296,869,494	290,238,992
Net operating income		422,192,970	299,571,010
Equity participation in associates	8	10,833,143	7,329,335
Net income before tax		433,026,113	306,900,345
Income tax, estimated		43,653,643	40,307,387
Income tax, deferred		(18,815,020)	(54,567,490)
Income tax, net	25	24,838,623	(14,260,103)
Net income		408,187,490	321,160,448

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

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

(Expressed in Balboas)

	2021	2020
Net income	408,187,490	321,160,448
Other comprehensive (expense) income:		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(105,913,139)	30,407,033
Transfer to profit or loss for sales of investments at FVOCI	24,439,733	30,148,087
Valuation of investment credit risk at FVOCI	(5,103,297)	3,756,963
Valuation of hedging instruments	597,286	6,550,443
Total other comprehensive (expense) income, net	(85,979,417)	70,862,526
Total comprehensive income	322,208,073	392,022,974

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

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(Expressed in Balboas)

	Common shares	Legal reserves	Capital reserves: Insurance reserve	Capital reserves: Valuation of investments and other financial assets	Capital reserves: Valuation of hedging instruments	Capital reserves: Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2019	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	321,160,448	321,160,448
Other comprehensive income:								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	30,407,033	0	30,407,033	0	30,407,033
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	30,148,087	0	30,148,087	0	30,148,087
Valuation of investment credit risk at FVOCI	0	0	0	3,756,963	0	3,756,963	0	3,756,963
Valuation of hedging instruments	0	0	0	0	6,550,443	6,550,443	0	6,550,443
Total other comprehensive income, net	0	0	0	64,312,083	6,550,443	70,862,526	0	70,862,526
Total comprehensive income	0	0	0	64,312,083	6,550,443	70,862,526	321,160,448	392,022,974
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(238,862,127)	(238,862,127)
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	(1,472,565)	(1,472,565)
Transfer of retained earnings	0	9,728,379	0	0	0	0	(9,728,379)	0
Total transactions attributable to the shareholder	0	9,728,379	0	0	0	0	(251,279,520)	(241,551,141)
Balance as of December 31, 2020	500,000,000	199,242,854	1,000,000	160,584,687	(597,286)	160,987,401	1,772,980,479	2,633,210,734
Net income	0	0	0	0	0	0	408,187,490	408,187,490
Other comprehensive (expense) income:								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(105,913,139)	0	(105,913,139)	0	(105,913,139)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	24,439,733	0	24,439,733	0	24,439,733
Valuation of investment credit risk at FVOCI	0	0	0	(5,103,297)	0	(5,103,297)	0	(5,103,297)
Valuation of hedging instruments	0	0	0	0	597,286	597,286	0	597,286
Total other comprehensive (expense) income, net	0	0	0	(86,576,703)	597,286	(85,979,417)	0	(85,979,417)
Total comprehensive income	0	0	0	(86,576,703)	597,286	(85,979,417)	408,187,490	322,208,073
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(265,000,000)	(265,000,000)
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	639,565	0	0	0	0	(639,565)	0
Total transactions attributable to shareholder	0	639,565	0	0	0	0	(265,010,086)	(264,370,521)
Balance as of December 31, 2021	500,000,000	199,882,419	1,000,000	74,007,984	0	75,007,984	1,916,157,883	2,691,048,286

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

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(Expressed in Balboas)

	Note	2021	2020
Operating activities:			
Net income		408,187,490	321,160,448
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	7	155,642,011	280,946,792
(Reversal) provision for valuation of investments, net	6	(5,097,865)	3,773,350
Provision (reversal) for foreclosed assets, net	13	1,706,627	(727,848)
Unrealized loss (gain) on investments and other financial assets	22	23,417,697	(12,178,270)
Unrealized loss on derivative instruments	22	3,781,966	8,010,787
Loss (gain) on sale of investments and other financial assets at FVTPL, net	22	808,645	(21,926,937)
Gain on sale of investments and other financial assets at FVOCI, net	22	(16,045,232)	(19,134,530)
Realized (gain) loss on derivative instruments	22	(20,308,737)	25,977,385
Foreign exchange fluctuations, net	23	(28,746)	(10,689)
Gain on sale of fixed assets, net	23	(852,008)	(14,014)
Other net income from cancellations of right-of-use assets		(17,548)	(33,060)
Depreciation and amortization	9 and 10	28,385,224	28,516,799
Impairment loss of goodwill and amortization of intangible assets	12	2,724,630	2,949,896
Equity participation in associates	8	(10,833,143)	(7,329,335)
Income tax, net	25	24,838,623	(14,260,103)
Interest and commission income		(915,487,226)	(994,471,317)
Interest expense		279,045,730	331,732,309
Changes in operating assets and liabilities:			
Time deposits with banks		5,118,899	(7,609,316)
Investments and other financial assets at FVTPL		118,076,423	(445,048,645)
Loans		74,913,017	576,955,373
Unearned commissions		31,585,904	23,294,403
Tax credit from preferential interest	7	(52,005,855)	(50,413,881)
Other assets		17,310,756	190,004,258
Demand deposits		184,154,545	370,578,383
Savings deposits		495,350,545	871,799,290
Time deposits		(328,429,884)	(248,109,155)
Reserves of insurance operations		1,121,413	(443,032)
Other liabilities		(248,397,611)	39,751,049
Cash provided by operations:			
Income tax paid		(14,677,591)	(32,421,197)
Interest received		935,969,452	860,311,677
Interest paid		(286,136,337)	(345,392,927)
Dividends received	23	1,795,614	1,881,975
Total		487,429,938	1,416,959,470
Cash flows from operating activities		895,617,428	1,738,119,918
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(6,738,666,103)	(5,814,599,694)
Sale and redemptions of investments and other financial assets at FVOCI		6,038,444,271	5,716,110,156
Purchases of securities at amortized cost		(150,507,361)	(103,157,170)
Redemptions of securities at amortized cost		81,731,848	49,725,322
Dividends received from associates		7,498,450	10,524,570
Sale of properties, furniture and equipment		983,259	248,332
Purchases of properties, furniture and equipment	9	(27,241,381)	(20,576,766)
Cash flows used from investing activities		(787,757,017)	(161,725,250)
Financing activities:			
Borrowings and debt securities issued	15	4,999,999	129,993,541
Redemption of debt securities issued and cancellation of borrowings	15	(169,165,000)	(988,036,113)
Perpetual bond issuance	16	400,000,000	0
Redemption of perpetual bonds	16	(217,680,000)	0
Securities sold under repurchase agreements		0	(403,947,411)
Payment of lease liabilities	17	(3,233,085)	(3,006,084)
Dividends paid on common shares		(265,000,000)	(238,862,127)
Complementary tax paid		(6,036,255)	(8,818,520)
Dividend tax		(1,757,928)	(1,216,449)
Cash flows used from financing activities		(257,872,269)	(1,513,893,163)
Net (decrease) increase in cash and cash equivalents		(150,011,858)	62,501,505
Cash and cash equivalents at the beginning of the year		601,213,368	538,711,863
Cash and cash equivalents at the end of the year	5	451,201,510	601,213,368

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

Index of Notes to the Consolidated Financial Statements:

(1) General Information

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

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

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

Grupo Financiero BG, S. A., a 59.78% (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: digital platform for money transfers and payments between people and businesses in Panama, which began operations in September 2021.

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These consolidated financial statements were reviewed by the Board of Directors' Audit Committee and authorized for issuance by the Board of Directors on January 27, 2022.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies detailed as follows have been consistently applied by the Bank to all periods presented in these consolidated financial statements:

(a) Basis of Consolidation

- *Subsidiaries*

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

- *Investment Entities and Separate Vehicles*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The business model includes three classification categories for financial assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) Impairment of Financial Instruments

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

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

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

Impairment losses on equity instruments investments are not recognized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From March 2020 to June 2021, the Bank made deferrals to the loan payments of clients affected by COVID-19. In addition to the deferrals, relief measures have been established in order to achieve payment feasibility by affected clients based on their financial situation, without affecting clients' delinquencies of customers who comply with their new contractual conditions. The relief measures are of a temporary nature and are reviewed as economic activities are reactivated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The extraordinary situation caused by COVID-19 forced our authorities to impose restrictions on mobility and the closure of commercial activities during different periods, causing an economic contraction in Panama and the countries of our region, as well as in most of the world economies. Given the economic impact, the Government and the Superintendency of Banks of Panama established and authorized relief mechanisms in payments to obligations that were extended until June 30, 2021.

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

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

(i) *Properties, Furniture, Equipment and Improvements*

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

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

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

(j) *Right-of-Use Assets*

The Bank recognized a right-of-use asset, representing its right to use the underlying assets, and a lease liability, representing its obligation to make future lease payments.

The Bank applied the exemption from the standard for lease contracts identified as leases in accordance with IAS 17 and IFRIC 4, applying the following practical options for current contracts:

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

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

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

(k) *Goodwill and Intangible Assets*

Goodwill

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

Intangible Assets

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

(l) *Foreclosed Assets*

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

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

(m) *Impairment of Non-Financial Assets*

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

(n) *Deposits, Borrowings and Debt Securities Issued*

Deposits from customers, borrowings and debt securities issued are initially measured at fair value. Subsequently, they are measured at their amortized cost using the effective interest rate method.

(o) *Financial Liabilities*

The changes in the fair value of liabilities designated as FVTPL are presented as follows:

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

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

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

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

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

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

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

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

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

(t) *Commission Income*
Generally, the commissions on short-term loans, letters of credit and other banking services are recognized as income on a cash basis due to their short-term maturity.

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

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

Unearned premiums and reinsurers' participation in unearned premiums are calculated using the daily quota method.

Estimated claims pending settlement are represented by claims incurred but not settled at the reporting date, whether or not they are reported and the related internal and external claims handling expenses.

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

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

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

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

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

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

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

(x) *Stock Purchase Option Plan and Restricted Stock Plan*
The Board of Directors of Grupo Financiero BG, S. A. authorized a grant to key executives of the Bank, hereinafter the “participants”, the following plans:

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

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

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

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

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

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

(aa) *New International Financial Reporting Standars (IFRS) and Interpretations no adopted*
New standards, interpretations and amendments to IFRS have been published, but are not mandatory as of December 31, 2021, and have not been adopted in advance by the Bank.

(4) Balances and Transactions with Related Parties

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

	2021			
	Directors and Management	**Related Companies**	**Affiliated Companies**	**Total**
Assets:				
Investments and other financial assets	0	129,358,138	39,864,967	169,223,105
Loans	11,075,005	141,476,316	9,771,613	162,322,934
Investments in associates	0	25,020,643	0	25,020,643
Accrued interest receivable				
Investment Securities	0	199,527	262,202	461,729
Loans	29,925	426,462	41,815	498,202
	29,925	625,989	304,017	959,931
Liabilities:				
Deposits:				
Demand	1,667,080	129,028,616	100,272,250	230,967,946
Savings	10,757,893	158,521,073	28,655,931	197,934,897
Time	2,836,197	277,502,878	132,621,047	412,960,122
	15,261,170	565,052,567	261,549,228	841,862,965
Perpetual bonds	0	15,000,000	103,770,000	118,770,000
Accrued interest payable:				
Deposits	58,127	3,776,099	747,209	4,581,435
Perpetual bonds	0	118,125	831,772	949,897
	58,127	3,894,224	1,578,981	5,531,332
Commitments and contingencies	1,648,670	5,118,798	35,955,000	42,722,468
Interest income:				
Loans	492,573	8,358,765	695,194	9,546,532
Investments and other financial assets	0	6,067,222	1,813,814	7,881,036
Interest expenses:				
Deposits	136,860	11,594,328	1,494,933	13,226,121
Financing	0	511,875	6,234,995	6,746,870
Other income:				
Equity participation in associates	0	10,833,143	0	10,833,143
Received dividends	0	805,307	0	805,307
General and administrative expenses:				
Directors' fees	538,294	0	0	538,294
Benefits to key management personnel	5,215,186	0	0	5,215,186

	2020			
	Directors and Management	**Related Companies**	**Affiliated Companies**	**Total**
Assets:				
Investments and other financial assets	0	146,924,601	36,739,463	183,664,064
Loans	10,993,872	174,406,513	13,210,417	198,610,802
Investments in associates	0	21,685,950	0	21,685,950
Accrued interest receivable				
Investment securities	0	372,575	276,042	648,617
Loans	27,921	653,355	57,011	738,287
	27,921	1,025,930	333,053	1,386,904
Liabilities:				
Deposits:				
Demand	1,327,813	109,265,903	83,070,493	193,664,209
Savings	6,054,480	118,399,415	22,904,654	147,358,549
Time	2,892,117	316,782,997	129,153,846	448,828,960
	10,274,410	544,448,315	235,128,993	789,851,718
Perpetual bonds	0	0	90,000,000	90,000,000
Accrued interest payable:				
Deposits	60,999	4,156,958	179,142	4,397,099
Perpetual bonds	0	0	260,000	260,000
	60,999	4,156,958	439,142	4,657,099
Commitments and contingencies	0	6,102,346	35,955,000	42,057,346
Interest income:				
Loans	480,115	8,429,540	778,291	9,687,946
Investments and other financial assets	0	6,757,302	1,919,167	8,676,469
Interest expenses:				
Deposits	142,942	14,638,404	1,520,765	16,302,111
Financing	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	7,329,335	0	7,329,335
Received dividends	0	683,894	0	683,894
General and administrative expenses:				
Directors' fees	492,038	0	0	492,038
Benefits to key management personnel	4,997,943	0	0	4,997,943

The benefits to key management personnel include salaries and other expenses for B/.4,974,841 (2020: B/.4,641,573) and options to purchase shares for B/.240,345 (2020: B/.356,370).

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

(5) Cash and Cash Equivalents

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

	2021	2020
Cash and cash items	167,237,035	157,149,834
Demand deposits with banks	283,964,475	444,063,534
Time deposits with banks	194,252,658	199,371,557
Total deposits with banks	478,217,133	643,435,091
Less: Deposits with banks, with original maturities greater than three months	194,252,658	199,371,557
Cash and cash equivalents in the consolidated statement of cash flows	451,201,510	601,213,368

Demand deposits with banks include cash collateral accounts for B/.25,765,294 (2020: B/.37,692,362) that secure derivative operations, and the payments of principal, interest of certain obligations.

(6) Investments and Other Financial Assets

Investments and other financial assets are detailed as follows:

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

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

	2021	2020
Local Commercial Paper	0	465,047
Local Corporate Bonds and Fixed Income Funds	58,912,965	60,486,502
Bonds of the Republic of Panama	2,078,478	1,590,697
Local Corporate Shares	39,088,966	37,736,965
Foreign Treasury Bills	250,705	250,793
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	446,305,888	662,872,298
Asset Backed Securities	94,190,941	63,530,323
Foreign Corporate Bonds and Fixed Income Funds	377,608,762	321,047,881
Foreign Corporate Shares and Variable Income Mutual Funds	3,929,789	74,114
Total	1,022,366,494	1,148,054,620

The Bank sold from the portfolio of investments and other financial assets at fair value through profit or loss the amount of B/.10,010,312,875 (2020: B/.11,659,598,599). These sales generated a net loss of B/.551,192 (2020: net gain of B/.24,871,658) which is presented in the consolidated statement of income a gain on financial instruments, net.

Investments and Other Financial Assets at Fair Value Through OCI

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

	2021		2020	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Local Commercial Papers	2,448,350	2,441,000	6,982,274	6,900,000
Local Corporate Bonds	1,069,499,505	1,024,039,936	1,144,518,892	1,081,951,634
Bonds of the Republic of Panama	111,494,153	100,281,557	205,763,203	182,592,578
Bonds of the US Government and Agency	222,843,072	225,081,840	43,469,116	43,476,528
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	793,881,401	793,893,885	367,546,062	367,501,342
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,198,867,495	1,189,806,819	1,380,112,611	1,347,329,648
Asset Backed Securities (ABS)	213,641,045	212,592,853	180,218,685	179,509,897
Foreign Corporate Bonds	1,362,888,491	1,363,240,361	1,039,221,091	1,006,286,176
Other Government Bonds	55,014,033	54,731,258	55,482,112	52,570,745
Total	5,030,577,545	4,966,109,509	4,423,314,046	4,268,118,548

The Bank sold investments and other financial assets at fair value through OCI for the amount of B/.2,032,379,421 (2020: B/.2,444,842,724). These sales generated a net gain of B/.16,045,232 (2020: B/.19,134,530), which is presented in the consolidated statement of income as gain on financial instruments, net.

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

	2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	6,527,145	535,652	7,562,805	14,625,602
Transferred to 12-month ECL	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(1,821)	1,821	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0
Net remeasurement of portfolio	(79,156)	61,808	(3,881,353)	(3,898,701)
New investment securities purchased	2,816,804	0	0	2,816,804
Investment securities that have been derecognized	(2,096,390)	(24,140)	(1,900,870)	(4,021,400)
Balance at the end of the year	7,166,582	575,141	1,780,582	9,522,305

	2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	4,894,576	701,173	5,272,890	10,868,639
Transferred to 12-month ECL	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(25,909)	25,909	0	0
Transfer of 12-month ECL 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	(2,211,761)	(1,939)	(334,144)	(2,547,844)
Balance at the end of the year	6,527,145	535,652	7,562,805	14,625,602

Investments at Amortized Cost

The investments and other financial assets at amortized cost amounts to B/.122,207,361 (2020: B/.53,431,848) less a 12-month expected credit loss allowance of B/.21,819 (2020: B/.16,387) which are detailed below:

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Foreign securities purchased under resold agreements, net	119,192,848	119,200,000	47,597,144	47,600,000
Foreign Bank Acceptances, net	2,992,694	3,007,361	5,818,317	5,831,848
Total	122,185,542	122,207,361	53,415,461	53,431,848

The movement of the reserve for expected credit losses at 12 months of investments at amortized cost is detailed below:

	2021	2020
Balance at the beginning of the year	16,387	0
Provisions charged to expenses	5,432	16,387
Balance at the end of the year	21,819	16,387

The investments and other financial assets at amortized cost are summarized as follows:

	2021	2020
Investments portfolio and other financial assets at amortized cost, net	122,185,542	53,415,461
Accrued interest receivable	280	388
Total of investments and other financial assets at amortized cost	122,185,822	53,415,849

Foreign securities purchased under resold agreements, net for B/.119,192,848 (2020: B/.47,597,144) are guaranteed with foreign securities for B/.121,597,575 (2020: B/.48,728,954).

The payment of capital and interest on 99.9% of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 46.1% (2020: 64.2%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 3.39 years and CMOs is of 1.78 years (2020: 2.84 years for MBS and 1.49 years for CMOS).

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

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

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

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

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

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

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

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

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

	2021	**Level 1**	**Level 2**	**Level 3**
Local Corporate Bonds and Fixed Income Funds	58,912,965	0	0	58,912,965
Bonds of the Republic of Panama	2,078,478	0	2,078,478	0
Local Corporate Shares	39,088,966	3,337	0	39,085,629
Foreign Treasury Bills	250,705	250,705	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	446,305,888	0	446,305,888	0
Asset Backed Securities (ABS)	94,190,941	0	94,190,941	0
Foreign Corporate Bonds and Fixed Income Funds	377,608,762	0	211,675,895	165,932,867
Foreign Share capital and Variable Income Mutual Funds	3,929,789	0	0	3,929,789
Total	1,022,366,494	254,042	754,251,202	267,861,250

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

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

	2021	Level 1	Level 2	Level 3
Local Commercial Paper	2,448,350	0	0	2,448,350
Local Corporate Bonds	1,069,499,505	0	406,999,672	662,499,833
Bonds of the Republic of Panama	111,494,153	0	111,494,153	0
Bonds of the US Government and Agency	222,843,072	221,864,782	978,290	0
Foreign Commercial Paper and Treasury Bills	793,881,401	614,903,330	178,978,071	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,198,867,495	0	1,198,867,495	0
Asset Backed Securities (ABS)	213,641,045	0	213,641,045	0
Foreign Corporate Bonds	1,362,888,491	0	1,362,888,491	0
Bonds of Other Governments	55,014,033	0	55,014,033	0
Total	5,030,577,545	836,768,112	3,528,861,250	664,948,183

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

Changes in Fair Value Measurement of Level 3 hierarchy

	Investments and other financial assets		
	Fair Value through Profit or Loss	Fair Value through OCI	Total
December 31, 2020	212,951,434	771,860,567	984,812,001
(Loss) Gain recognized in income	3,747,026	(5,589,586)	(1,842,560)
Gain recognized in equity	0	157,132	157,132
Purchases	71,209,313	83,759,880	154,969,193
Amortization, sales and redemptions	(20,046,523)	(182,639,810)	(202,686,333)
Transfers from level 3	0	(2,600,000)	(2,600,000)
December 31, 2021	267,861,250	664,948,183	932,809,433
Total gains related to instruments held as of December 31, 2021	4,645,900	1,553,645	6,199,545
December 31, 2019	211,073,725	905,608,976	1,116,682,701
(Loss) gain recognized in income	(7,850,882)	2,281,900	(5,568,982)
Gain recognized in equity	0	9,096,814	9,096,814
Purchases	30,707,898	431,197,075	461,904,973
Amortization, sales and redemptions	(20,979,307)	(575,692,393)	(596,671,700)
Transfers from level 3	0	(631,805)	(631,805)
December 31, 2020	212,951,434	771,860,567	984,812,001
Total gains (loss) related to instruments held as of December 31, 2020	(7,987,108)	18,073,471	10,086,363

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

During the 2021, by changes in the source of estimation of the fair value level of a Commercial Paper, a non-significant transfer was made from level 3 to level 2 in the fair value through OCI category.

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

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

Instruments	Valuation technique	Unobservable inputs used	Range for unobservable inputs 2021	Range for unobservable inputs 2020	Fair value sensitivity to unobservable inputs
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Minimum 5.77% Maximum 8.18%	Minimum 4.75% Maximum 11.11%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Minimum (54.09%) Maximum 239.91%	Minimum (102.34%) Maximum 3714.09%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Minimum 1.09% Maximum 17.12% Average 2.61%	Minimum 0.99% Maximum 12.55% Average 2.54%	If the credit spreads increase, the price decreases and vice versa

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

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

Instrument	Valuation technique	Inputs used	Level
Agencies' MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2
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:

	2021			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	3,972	(15,039)	6,505,473	(7,223,338)
Corporate Shares	3,457,321	(2,891,752)	0	0
Total	3,461,293	(2,906,791)	6,505,473	(7,223,338)

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

(7) Loans

The composition of the loan portfolio is summarized as follows:

	2021	2020
Internal sector:		
Residential mortgages	4,527,930,938	4,390,972,007
Personal, auto and credit cards	1,707,750,625	1,759,519,908
Commercial mortgages	1,919,260,832	1,952,980,797
Lines of credit and commercial loans	1,131,776,747	1,247,970,214
Interim financing	378,674,071	482,879,078
Financial leases, net	65,341,390	79,984,276
Other secured loans	202,229,996	186,758,212
Overdrafts	101,481,801	113,189,064
Total internal sector	10,034,446,400	10,214,253,556
External sector:		
Residential mortgages	185,841,411	204,561,338
Personal, auto and credit cards	9,253,456	11,965,524
Commercial mortgages	161,100,420	188,603,109
Lines of credit and commercial loans	863,454,316	759,317,604
Other secured loans	10,084,442	12,317,737
Overdrafts	33,598,518	53,404,468
Total external sector	1,263,332,563	1,230,169,780
Total	11,297,778,963	11,444,423,336

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

	2021			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	225,723,115	71,959,280	86,113,012	383,795,407
Transferred to 12-month ECL	9,522,524	(7,962,443)	(1,560,081)	0
Transferred to lifetime ECL not credit-impaired	(3,280,154)	7,221,285	(3,941,131)	0
Transferred to lifetime ECL credit-impaired	(3,726,247)	(5,099,589)	8,825,836	0
Net remeasurement of portfolio	(32,103,894)	69,747,097	123,484,328	161,127,531
New loans	9,846,913	4,705,781	15,124,479	29,677,173
Loans that have been derecognized	(8,593,373)	(10,758,495)	(15,810,825)	(35,162,693)
Recovery of loan write-off	0	0	25,312,873	25,312,873
Loans written-off	0	0	(97,044,229)	(97,044,229)
Balance at the end of the year	197,388,884	129,812,916	140,504,262	467,706,062

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

Loan loss allowance for consumer loans:

	2021			
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	208,838,240	21,244,074	14,437,948	244,520,262
Transferred to 12-month ECL	7,257,469	(6,009,959)	(1,247,510)	0
Transferred to lifetime ECL not credit-impaired	(3,019,044)	3,806,251	(787,207)	0
Transferred to lifetime ECL credit-impaired	(3,688,030)	(2,995,494)	6,683,524	0
Net remeasurement of portfolio	(23,670,722)	74,131,304	100,086,428	150,547,010
New loans	7,109,779	620,572	267,001	7,997,352
Loans that have been derecognized	(6,083,013)	(6,297,411)	(4,919,327)	(17,299,751)
Recovery of loans write-off	0	0	24,665,767	24,665,767
Loans written-off	0	0	(88,229,330)	(88,229,330)
Balance at end of the year	186,744,679	84,499,337	50,957,294	322,201,310

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

Loan loss allowance for corporate loans:

2021	12-month ECL	Lifetime ECL Not credit - impaired	Lifetime ECL credit-impaired	Total
Balance at beginning of the year	16,884,875	50,715,206	71,675,064	139,275,145
Transferred to 12 months ECL	2,265,055	(1,952,484)	(312,571)	0
Transferred to lifetime ECL not credit impaired	(261,110)	3,415,034	(3,153,924)	0
Transferred to lifetime ECL credit impaired	(38,217)	(2,104,095)	2,142,312	0
Net remeasurement of portfolio	(8,433,172)	(4,384,207)	23,397,900	10,580,521
New loans	2,737,134	4,085,209	14,857,478	21,679,821
Loans that have been derecognized	(2,510,360)	(4,461,084)	(10,891,498)	(17,862,942)
Recovery of loans write-off	0	0	647,106	647,106
Loans written-off	0	0	(8,814,899)	(8,814,899)
Balance at end of the year	10,644,205	45,313,579	89,546,968	145,504,752

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

The main factors that influenced the increase in the loan loss allowance as of December 31 2021 and 2020 were the following:

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

The balance of accrued interest receivable from loans to which the Bank applied a postponement of installments between March 2020 and June 2021 as a financial relief measure due to COVID-19 amounts to B/.57,831,652 (2020: B/.109,428,367).

A 60% (2020: 59%) of the Bank's credit portfolio is constituted by residential and commercial mortgage loans backed by residential units and commercial or industrial buildings.

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

	2021	2020
	(in Thousands)	
Mortgages on real estate	7,648,038	7,740,265
Mortgages on moveable property	553,755	618,339
Deposits	309,374	305,813
Other guaranties	191,467	269,780
Unsecured	2,595,145	2,510,226
Total	11,297,779	11,444,423

For loans pledged to secure borrowings, see Note 15.

The Bank recognized a tax credit in the amount of B/.52,005,855 (2020: B/.50,413,881), originating from the annual benefit awarded on mortgage loans granted with preferential interest rates.

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

Finance Leases, Net

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

	2021	2020
Minimum payments up to 1 year	33,018,809	40,100,105
Minimum payments from 1 to 6 years	39,573,120	48,098,653
Total minimum payments	72,591,929	88,198,758
Less unearned interest	7,250,539	8,214,482
Total finance leases, net	65,341,390	79,984,276

(8) Investments in Associates

The investments in associates are detailed as follows:

Associates	Activity	Equity Participation 2021	Equity Participation 2020	2021	2020
Telered, S. A.	Processing of electronic transactions	40%	40%	14,715,974	11,964,585
Proyectos de Infraestructura, S. A.	Real estate investors	38%	38%	5,937,537	6,267,042
Processing Center, S. A.	Credit card processing	49%	49%	1,486,356	833,338
Financial Warehousing of Latin America, Inc.	Administrator of trust funds	38%	38%	2,880,776	2,620,985
				25,020,643	21,685,950

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

2021

Associates	Financial Information Date	Assets	Liabilities	Equity	Income	Expenses	Net income	Participation recognized in profit or loss
Telered, S. A.	30-nov-2021	55,254,713	14,431,200	40,823,513	45,778,734	33,200,215	12,578,519	5,372,456
Proyectos de Infraestructura, S. A.	31-dec-2021	15,561,919	0	15,561,919	1,388,530	616	1,387,914	530,669
Processing Center, S. A.	31-oct-2021	20,225,581	11,151,897	9,073,684	17,464,978	9,390,396	8,074,582	4,290,608
Financial Warehousing of Latin America, Inc.	30-nov-2021	12,399,417	4,187,211	8,212,206	4,173,638	2,460,304	1,713,334	639,410
Total								10,833,143

2020

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

(9) Properties, Furniture, Equipment and Improvements

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

2021

	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Additions	0	243,602	20,896,561	2,390,321	3,710,897	27,241,381
Sales and disposals	41,479	494,940	426,276	2,522,870	730,081	4,215,646
At the end of the year	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Accumulated depreciation and amortization:						
At the beginning of the year	0	37,058,835	84,121,051	78,790,441	31,171,643	231,141,970
Expense of the year	0	3,512,402	10,967,719	8,282,965	2,055,242	24,818,328
Sales and disposal	0	410,439	425,785	2,518,090	730,081	4,084,395
At the end of the year	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Net balance	32,524,625	96,698,841	68,691,348	28,782,405	12,428,618	239,125,837

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

(10) Right-of-Use Assets

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

	2021	**2020**
Cost:		
At the beginning of the year	25,538,433	23,922,360
New contracts	2,379,616	2,204,652
Cancellations	(1,213,535)	(588,579)
At the end of the year	26,704,514	25,538,433
Accumulated depreciation:		
At the beginning of the year	7,073,818	3,748,511
Expense of the year	3,566,896	3,574,928
Cancellations	(933,858)	(249,621)
At the end of the year	9,706,856	7,073,818
Net balance	16,997,658	18,464,615

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

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

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

Investments and other financial assets pending settlement amounted to B/.222,866,524 (2020: B/.218,340,211) for sales of investments and other financial assets and B/.422,824,601 (2020: B/.730,935,003) for purchases of investments and other financial assets.

(12) Goodwill and Intangible Assets, Net

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

Company	Date of acquisition	Participation acquired	% of Acquired Participation	Balance
Banco General, S. A. (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%	291,000
Total				41,382,499

(1) UGE Banking
(2) Pension and Retirement Fund

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

		2021	
	Goodwill	**Intangible assets**	**Total**
Cost:			
Balance at the beginning of the year	41,489,737	47,462,084	88,951,821
Impairment loss	(107,238)	0	(107,238)
Net balance at the end of the year	41,382,499	47,462,084	88,844,583
Accumulated amortization:			
Balance at the beginning of the year	0	34,680,392	34,680,392
Amortization of the year	0	2,617,392	2,617,392
Balance at the end of the year	0	37,297,784	37,297,784
Net balance at the end of the year	41,382,499	10,164,300	51,546,799

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

To test for impairment of goodwill or other intangible assets, a valuation of several assets (contracts, portfolios) or businesses acquired by the Bank is made goodwill or intangible to determine if the recoverable amount of an asset or business is greater than is carrying amount. The Bank has identified three cash-generating units (CGUs): Banking, Insurance and Reinsurance, and the Pension and Retirement Fund. For the purposes of impairment tests, goodwill is assigned to the Banking CGU and the Pension and Retirement Fund. In assessing value in use, the Bank mainly uses a discounted future net cash flows model or alternative valuation models including multiples of earnings and equity, as applicable.

It is the Bank's policy to conduct an impairment test annually or more frequently when there is some indication that an asset may be impaired (a trigger event). During 2021, the subsidiary Vale General, S. A. had an impairment loss of B/.107,238 in the goodwill generated from participation acquired in Pases Alimenticios S.A (2020: B/. 332,504). Additionally, the valuation calculated by discounting the future cash flows generated from the acquisition of assets or businesses resulted in a present value which exceeded their carrying value.

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

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

To calculate the present value of future cash flows and determine the value of the assets or businesses being evaluated, the Bank’s estimated average cost of capital was used as a discount rate for the periods referred to, when the business unit being assessed is the Bank; when discounting cash flows of assets or units with a profile other than that of the Bank, the applicable cost of capital to that unit is used. The Bank's capital cost is based on the average interest rates of long-term AAA dollar instruments, the country risk premium and return premium applicable for capital investments. The cost of capital used fluctuates between 9% and 10% and changes over time.

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

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

(13) Foreclosed Assets, Net

The Bank holds foreclosed assets, amounting to B/.28,309,715 (2020: B/.28,343,710), less a reserve of B/.2,328,545 (2020: B/.1,604,780).

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

	2021	2020
Balance at the beginning of the year	1,604,780	3,591,452
Provisions charged to expenses	3,855,740	1,064,821
Reversal of provision	(2,149,113)	(1,792,669)
Foreclosed assets sold	(982,862)	(1,258,824)
Balance at the end of the year	2,328,545	1,604,780

(14) Other Financial Liabilities at Fair Value

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

	Level	2021	2020
Mortgage Backed Securities (MBS)	2	83,296,219	32,653,464
Total		83,296,219	32,653,464

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

(15) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	2021	2020
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	0	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000
Borrowings with maturity in 2021, at interest rates of 3, 6 and 12 month Libor plus a margin	0	42,851,563
Borrowings with maturity in 2022, at interest rates of 3 and 12 month Libor plus a margin	5,000,000	30,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	2,469,522	3,232,835
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,272,387	2,747,512
Notes with maturities in 2024, at a fixed interest rate	55,000,000	150,000,000
Notes with maturities in 2027, at a fixed interest rate	75,000,000	75,000,000
Subtotal of borrowings and debt securities issued	879,638,909	1,043,803,910
Revaluation coverage	14,007,166	32,664,673
Total borrowings and debt securities issued, net	893,646,075	1,076,468,583

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

	2021	2020
Borrowings and debt securities issued, net	893,646,075	1,076,468,583
Accrued interest payable	10,934,902	11,711,606
Borrowings and debt securities issued at amortized cost	904,580,977	1,088,180,189

The borrowing obtained in 1995 under the USAID Housing Program resulted from the Bank's participation in the Housing Program No.525-HG-013 with the United States of America Agency for International Development (USAID), which involves the financing of low cost housing by foreign investors. These borrowings have a maturity of thirty (30) years, and a grace period of ten (10) years for repayment of principal. These borrowings are guaranteed by USAID. In turn, the Bank must maintain these borrowings secured by mortgage loans pledged on behalf of USAID for B/.2,840,484 (2020: B/.3,434,390), through assignment under suspensive condition of mortgage portfolio in favor of USAID that represents an amount equal to 1.25 times the amount of financing received.

The Bank is the residual beneficiary of the liquid assets of Banco General DPR Funding Limited, a special purpose entity. The following transactions have been executed through this entity: in 2016 a notes issued for B/.200,000,000 and notes issued for B/.75,000,000 in 2017; collateralized with future cash flows of remittances received (MT103). The Bank maintains a money market deposit with an amount equivalent to the next quarterly payment of principal, interest and expense, which is presented within the Deposits with banks line. The balance of these transactions is B/.130,000,000 (2020: B/.255,000,000).

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

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

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

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

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

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

	2021	**2021**
Balance at the beginning of the year	1,076,468,583	1,914,581,302
New borrowings and debt securities issued	4,999,999	129,993,541
Redemption of debt securities issued and cancellation of borrowings	(169,165,000)	(988,036,113)
Revaluation coverage	(18,657,507)	19,929,853
Balance at the end of the year	893,646,075	1,076,468,583

(16) Perpetual Bonds

Under Resolution No.366-08 of November 24, 2008, issued by the Superintendence of the Securities Market of the Republic of Panama, Banco General, SA is authorized to offer through Public Offer, Perpetual Bonds for a total face value of up to B/.250,000,000. The Bonds will be issued in nominative, registered form, without coupons, in a series, in denominations of B/.10,000 and in integral multiples of B/.1,000, with no expiration or specific redemption date, which were fully redeemed on June 15, 2021 in accordance with the process established in the informative prospectus.

Under Resolution No.SMV-200-2021 of April 22, 2021, issued by the Superintendence of the Securities Market of the Republic of Panama, Banco General, S.A. is authorized to offer, through a Public Offer, non-cumulative Perpetual Subordinated Bonds for a total face value of up to B/.500,000,000. The Bonds will be issued in nominative, registered form, without coupons, in a series, in denominations of B/.200,000 and in integral multiples of B/.1,000, without specific expiration or redemption date. Likewise, they may be redeemed by the Issuer, at its discretion in whole or in part, from the tenth year after the issue date and on any interest payment day after said first redemption date. The Bonds will accrue an interest rate during the first ten years of 5.25% and the interest will be paid semi-annually. The Bank, under some circumstances described in the informative prospectus, may suspend the payment of interest without considering it an event of default. The Bonds are subordinated, in terms of payment priority, to all existing and future preferential credits of the issuer, and are backed only by the general credit of Banco General, S. A.

The movement of perpetual bonds are summarized as follows:

	2021	**2020**
Balance at the beginning of the year	217,680,000	217,680,000
Issue	400,000,000	0
Redemption	(217,680,000)	0
Balance at the end of the year	400,000,000	217,680,000

The perpetual bonds at amortized cost are summarized as follows:

	2021	**2020**
Perpetual bonds	400,000,000	217,680,000
Accrued interest payable	3,150,000	628,853
Perpetual bonds at amortized cost	403,150,000	218,308,853

(17) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	2021	**2020**
Balance at the beginning of the year	19,696,316	20,869,766
New contracts	2,379,616	2,204,652
Payments	(3,233,085)	(3,006,084)
Cancellations	(297,225)	(372,018)
Balance at the end of the year	18,545,622	19,696,316

Interest expense on lease liabilities for B/.854,222 (2020: B/.1,019,385) is included in the line as of commission expenses and other expenses in the consolidated statement of income.

The Bank held lease liabilities whose contracts range from 1 to 20 years (2020: 1 to 20 years) and were calculated using discount rates between 3.00% and 5.88% and (2020: 4.13% and 5.88%).

(18) Reserves of Insurance Operations

Reserves of insurance operations amounted to B/.19,702,364 (2020: B/.18,580,951) and are comprised of unearned premiums and estimated insurance claims incurred.

The movement of the reserves of insurance operations is summarized as follows:

	2021	2020
Unearned Premiums		
Balance at the beginning of the year	21,103,378	21,385,439
Issued premiums	40,003,701	38,862,438
Earned premiums	(40,634,057)	(39,144,499)
Balance at the end of the year	20,473,022	21,103,378
Reinsurers participation	(3,990,237)	(4,904,557)
Unearned premiums, net	16,482,785	16,198,821
Estimated Insurance Claims Incurred		
Balance at the beginning of the year	3,413,785	2,952,326
Incurred claims	13,093,422	9,774,685
Paid claims	(11,932,357)	(9,313,226)
Balance at the end of the year	4,574,850	3,413,785
Reinsurer participation	(1,355,271)	(1,031,655)
Estimated insurance claims incurred, net	3,219,579	2,382,130
Total reserves of insurance operations	19,702,364	18,580,951

(19) Concentration of Financial Assets and Liabilities

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

	2021			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Assets:				
Deposits with banks:				
Demand	57,463,523	84,602,921	141,898,031	283,964,475
Time	193,837,296	415,362	0	194,252,658
Investments and other financial assets at fair value through profit or loss	82,116,645	37,161,623	903,088,226	1,022,366,494
Investments and other financial assets at FVOCI	1,213,767,486	258,586,337	3,558,223,722	5,030,577,545
Investments and other financial assets at amortized cost, net	0	2,992,694	119,192,848	122,185,542
Loans	10,034,446,400	1,238,039,842	25,292,721	11,297,778,963
Total	11,581,631,350	1,621,798,779	4,747,695,548	17,951,125,677
Liabilities:				
Deposits:				
Demand	3,032,819,682	113,073,704	17,102,832	3,162,996,218
Saving	4,860,924,017	91,664,791	12,806,254	4,965,395,062
Time	5,429,204,249	238,273,639	4,742,503	5,672,220,391
Borrowings and debt securities issued, net	2,680,000	2,469,523	888,496,552	893,646,075
Perpetual bonds	0	0	400,000,000	400,000,000
Lease liabilities	17,565,239	980,383	0	18,545,622
Other liabilities/securities sold in short	0	0	83,296,219	83,296,219
Total	13,343,193,187	446,462,040	1,406,444,360	15,196,099,587
Commitments and contingencies	519,692,000	7,120,909	0	526,812,909

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

(20) Segment Information

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

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

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

2021	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	912,132,238	6,877,389	1,560,119	5,082,520	915,487,226
Interest and provision expenses	436,415,983	(36,960)	0	5,082,520	431,296,503
Other income, net	193,497,574	26,384,786	15,000,147	10,766	234,871,741
General and administrative expenses	260,526,905	2,868,310	5,099,821	10,766	268,484,270
Depreciation and amortization expense	27,890,423	221,813	272,988	0	28,385,224
Equity participation in associates	10,833,143	0	0	0	10,833,143
Net income before income tax	391,629,644	30,209,012	11,187,457	0	433,026,113
Net Income tax, estimated	36,842,745	4,277,441	2,533,457	0	43,653,643
Net Income tax, deferred	(18,815,020)	0	0	0	(18,815,020)
Net Income tax	18,027,725	4,277,441	2,533,457	0	24,838,623
Net income	373,601,919	25,931,571	8,654,000	0	408,187,490
Total assets	18,638,532,659	311,248,851	49,109,128	216,893,034	18,781,997,604
Total liabilities	16,238,235,892	49,333,139	867,259	197,486,972	16,090,949,318

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

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

	2021			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Income from interest and commissions, other net income and equity participation in associates	966,200,286	96,473,135	98,518,689	1,161,192,110
Non-financial assets	287,033,376	3,639,260	0	290,672,636

	2020			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Income from interest and commissions, other net income and equity participation in associates	1,005,768,132	97,379,824	109,715,984	1,212,863,940
Non-financial assets	287,311,590	3,793,874	0	291,105,464

(21) Equity

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

	2021 Reserves					
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	2,665,161	7,610,900	0	0	144,153,537
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	35,557,503	35,557,503
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	2,665,161	7,610,900	1,794,475	35,557,503	199,882,419

	2020 Reserves					
	Dynamic	**Foreclosed Assets**	**Loans in the process of awarding**	**Legal**	**Insurance**	**Total**
Banco General, S. A.	133,877,476	2,658,655	9,188,381	0	0	145,724,512
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	33,346,963	33,346,963
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	2,658,655	9,188,381	1,794,475	33,346,963	199,242,854
Transfer from retained earnings of the year	0	6,506	(1,577,481)	0	2,210,540	639,565

The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and reserves for 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.

(22) Gain on Financial Instruments, Net

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

	2021	**2020**
Unrealized (loss) gain on investments and other financial assets	(23,417,697)	12,178,270
Unrealized loss on derivative instruments	(3,781,966)	(8,010,787)
Net (loss) gain on sale of investments and other financial assets at FV through profit or loss	(808,645)	21,926,937
Net gain on sale of investments and other financial assets at FVOCI	16,045,232	19,134,530
Realized gain (loss) on derivative instruments	20,308,737	(25,977,385)
Net gain on financial instruments	8,345,661	19,251,565

The net (loss) gain on the sale of investments and other financial assets at FV through profit or loss includes loss on sale of financial instruments of debt for short sales for B/.257,453 (2020: B/.2,944,721).

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

(23) Fees and Other Commissions and Other Income, Net

Fees and other commissions included in the consolidated statement of income, is summarized as follows:

	2021	**2020**
Credit and debit card bankings services	153,733,189	112,304,780
Other banking services	60,837,187	46,827,750
Management of funds and trusts	22,119,188	21,273,311
Securities brokerage	16,341,225	19,499,426
Insurance and reinsurance operations	2,017,768	2,156,435
Food voucher business	1,640,973	2,404,532
Total fees and other commissions	256,689,530	204,466,234

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

	2021	**2020**
Dividends	1,795,614	1,881,975
Foreign exchange fluctuations, net	28,746	10,689
Various banking services	12,650,288	11,782,631
Gain on sale of fixed assets, net	852,008	14,014
Fiduciary services	101,525	97,160
Other income	13,802,106	16,652,092
Total other income, net	29,230,287	30,438,561

(24) Personnel Benefits

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

Share-Based Compensation Plan

During 2021, the Bank granted options to purchase shares for 231,375 (2020:147,125). The options balance is 1,728,856 (2020: 1,820,668), which have an average exercise price of B/.69.97 (2020: B/.67.47). The total expense of the options granted to the participants based on their fair value, amounted to B/.1,290,769 (2020: B/.1,598,577). These options may be exercised by the executives until the year 2029.

Restricted Share Plan

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

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

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

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

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

In 2021, 56,700 (2020: 51,317) shares were granted under the restricted share plan and recognized as an expense of B/.3,936,835 (2020: B/. B/.3,564,861). The reconciliation of the balance for these shares is as follows:

	2021	2020
Shares at the beginning of the year	205,636	256,953
Shares issued	(56,700)	(51,317)
Balance at the end of the year	148,936	205,636

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/.81,600 (2020: B/.86,580) and the disbursements to former employees who are covered under the retirement plan amount to B/.158,325 (2020: B/.164,776).

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

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

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

Country	Tax rate
Panama	25%
Costa Rica	30%

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

The income tax, estimated is of B/.43,238,201 (2020: B/.39,618,254) on a financial income generated by companies incorporated in the Republic of Panama of B/.367,540,026 (2020: B/.226,190,484) and the average effective estimated income tax rate is 12% (2020: 18%). The income tax rate applicable according to current legislation in the Republic of Panama is 25% (2020: 25%) or based on the alternative calculation, whichever is greater.

Net income tax is detailed as follows:

	2021	**2020**
Estimated income tax	44,196,234	40,098,788
Prior year income tax adjustments	(542,591)	208,599
Deferred income tax	(18,815,020)	(54,567,490)
Total income tax, net	24,838,623	(14,260,103)

The increase in deferred income tax for the year 2021 is mainly due to the increase of more than B/.80MM (2020: B/.200MM) in the loan losses allowance, which is calculated at the tax rate according to current legislation of 25%.

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

	2021	**2020**
Financial income before income tax	367,540,026	226,190,484
Net foreign income, exempt and non-taxable	(382,280,081)	(314,659,328)
Non-deductible costs and expenses	187,692,859	246,941,861
Fiscal net income	172,952,804	158,473,017

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

	2021	**2020**	**Effects on results**
Deferred income tax – asset:			
Loan loss allowance	111,748,611	93,524,942	18,223,669
Allowance for foreclosed assets for sale	285,836	271,811	14,025
Total deferred income tax – asset	112,034,447	93,796,753	18,237,694
Deferred income tax – liability:			
Allowance for uncollectible finance leases	(573,587)	(323,586)	(250,001)
Loan loss allowance	959,409	959,409	0
Allowance for foreclosed assets for sale	(1,488)	0	(1,488)
Investment loss allowance	(8,728)	(8,728)	0
Financial lease operations	1,812,635	2,053,620	(240,985)
Deferred commissions	283,172	366,628	(83,456)
Total deferred income tax – liability	2,471,413	3,047,343	(575,930)
Effect of exchange rate differencial			(1,396)
Total deferred income tax			18,815,020

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

(26) Commitments and Contingencies

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

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

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

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

		2021	
	0 – 1 Year	**1 – 5 Years**	**Total**
Letters of credit	99,236,056	1,491,798	100,727,854
Financial guarantees	78,890,226	1,410,916	80,301,142
Mortgage disbursement commitment	345,783,913	0	345,783,913
Total	523,910,195	2,902,714	526,812,909

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

Credit Quality Analysis of Commitments and Contingencies
The table below presents information about the credit quality of commitments and contingencies held by the Bank:

	2021	2020
Maximum exposure		
Carrying amount	526,812,909	606,085,132
Letters of credit		
Grade 1: Standard	92,681,980	81,634,740
Grade 2: Special mention	5,488,416	1,955,825
Grade 3: Sub-standard	2,557,458	1,159,881
Grade 4: Doubtful	0	131,350
Gross amount	100,727,854	84,881,796
Financial guarantees		
Grade 1: Standard	76,422,126	62,747,543
Grade 2: Special mention	3,460,682	9,035,342
Grade 3: Sub-standard	418,334	665,392
Gross amount	80,301,142	72,448,277
Mortgage disbursement commitment		
Grade 1: Standard	341,567,839	444,166,803
Grade 2: Special mention	2,564,842	4,562,524
Grade 3: Sub-standard	1,405,327	0
Grade 4: Doubtful	245,905	0
Grade 5: Uncollectible	0	25,732
Gross amount	345,783,913	448,755,059

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

(27) Investment Entities and Separate Vehicles

The Bank managed trust funds and fiduciary contracts at client's own behalf and risk in the amount of B/.3,127,352,917 (2020: B/.3,003,814,922), and the custody of securities in investment accounts at client's own behalf and risk amounting to B/.12,139,629,125 (2020: B/.11,300,280,989). According to the nature of these services, the Bank's management considers that there are no significant risks attributable to the Bank.

The Bank does not hold assets under discretionary management.

(28) Structured Entities

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

Type of Structured Entity	Nature and Purpose	Interest Held by the Bank
- Investment funds	To offer an alternative to investors through a diversified portfolio while preserving capital	10.71% (2020: 10.97%)

The funds managed at client's own behalf and risk amount to B/.585,039,157 (2020: B/.592,261,084); income fees for administration and custody amount to B/.6,295,780 (2020: B/.6,197,581), and are presented as fees and other commissions in the consolidated statement of income.

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

(29) Derivative Financial Instruments

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

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

Below is the summary of derivative contracts is as follow:

					Over the Counter (OTC)			
	Total		Exchange-Traded		Liquidated in a securities exchange		Other bilateral counterparts	
	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value
2021								
Derivative assets	1,263,735,354	22,934,447	201,388,390	0	684,608,574	21,273,884	377,738,390	1,660,563
Derivative liabilities	1,207,734,348	15,017,331	325,280,070	0	214,815,903	10,686,601	667,638,375	4,330,730
2020								
Derivative assets	869,170,304	35,743,971	139,253,520	0	469,146,454	35,024,834	260,770,330	719,137
Derivative liabilities	888,479,225	19,409,040	280,152,190	0	191,346,218	12,220,418	416,980,817	7,188,622

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AAA and AA- (2020: AA a BBB+), which support derivative operations in the amount of B/.19.4MM (2020: B/.20.6MM).

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

Other Derivatives classified by Risk:	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Other Derivatives				
Credit	1,942,548	1,719,786	1,385,484	844,999
Interest	6,654,943	5,025,807	1,773,228	1,953,672
Currency	5,782	3,803	12,398	9,631
Total	8,603,273	6,749,396	3,171,110	2,808,302

The Bank has derivative contracts in books for a notional value of B/.2,471,469,702 (2020: B/.1,757,649,529), of which B/.2,143,832,329 (2020: B/.1,300,506,389) are part of the portfolios given under management to third parties. Of these derivatives managed by third parties B/.1,715,920,928 (2020: B/.911,171,178) are aimed at manage the duration and interest rate risk of these portfolios.

The net impact of derivative instruments on financing interest expense in the consolidated statement of income was B/.101,743 (2020: B/.4,299,708).

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

Hedge Derivatives for Risk Management:	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exposure to risk:				
Interest rate				
Fair value hedge	14,024,134	0	32,464,775	9,238,523
Cash flow hedge	0	0	0	597,286
Others	0	5,252,274	0	386,588
Total interest rate	14,024,134	5,252,274	32,464,775	10,222,397
Currency				
Others	307,040	2,512,351	108,086	5,548,103
Total Currency	307,040	2,512,351	108,086	5,548,103
Credit				
Others	0	503,310	0	830,238
Total Credits	0	503,310	0	830,238
Total derivatives for risk exposure	14,331,174	8,267,935	32,572,861	16,600,738

Interest rate risk derivatives hedge

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

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

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

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

	2021 Maturity				
Risk Category	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	0	20,000,000
Average interest rate					5.13%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	250,000,000
Average interest rate					1.80%

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

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

	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**
		Assets	**Liabilities**			
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	20,000,000	16,968	0	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	250,000,000	14,007,166	0	Other assets (liabilities)	0	0
Total interest rate risk	270,000,000	14,024,134	0			

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

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

	2021						
	Book Value Assets	**Book Value Liabilities**	**Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets**	**Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities**	**Item in the statement of financial position in which the hedge item is included**	**Change in the value used for calculating hedge ineffectiveness**	**Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses**
Bonds	20,925,000		0	16,968	Investment securities FVOCI	0	0
Bonds and notes		250,000,000	0	14,007,166	Borrowing and debt securities issued	0	0

	2020						
	Book Value Assets	**Book Value Liabilities**	**Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets**	**Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities**	**Item in the statement of financial position in which the hedge item is included**	**Change in the value used for calculating hedge ineffectiveness**	**Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses**
Bonds	68,602,082		9,237,868	0	Investment securities FVOCI	0	0
Bonds and notes		325,000,000	0	32,664,673	Borrowing and debt securities issued	0	0

As of December 31, 2020, the interest rate derivatives designed as cash flow hedge derivatives for risk management are detailed as follow:

	2021 Maturity				
Risk Category	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	30,000,000	0
Average interest rate				2.84%	

As of December 31, 2020, the effects of hedge accounting on the financial situation are detailed as follows:

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

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

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Other derivatives:				
Credit	0	1,942,548	0	1,942,548
Interest	0	6,654,943	0	6,654,943
Currency	0	5,782	0	5,782
Total	0	8,603,273	0	8,603,273
Hedge derivates for risk management:				
Interest	0	14,024,134	0	14,024,134
Currency	0	307,040	0	307,040
Total	0	14,331,174	0	14,331,174
Total derivatives assets	0	22,934,447	0	22,934,447
Liabilities				
Other derivatives:				
Credit	0	1,719,786	0	1,719,786
Interest	6,875	5,018,932	0	5,025,807
Currency	0	3,803	0	3,803
Total	6,875	6,742,521	0	6,749,396
Hedge derivates for risk management:				
Credit	0	503,310	0	503,310
Interest	0	5,252,274	0	5,252,274
Currency	0	2,512,351	0	2,512,351
Total	0	8,267,935	0	8,267,935
Total derivates liabilities	6,875	15,010,456	0	15,017,331

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

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

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

See Note 6, for the description of these Levels.

(30) Fair Value of Financial Instruments

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

(a) *Investments and other financial assets*
For investments and others financial assets, the fair value measurement is determined using quoted prices in active markets, prices from a third party pricing vendors, brokers, custodians, investment management companies and banks. In addition, for some cases the Bank uses valuation techniques that are presented in Note 6, to calculate their investments mainly by discounting cash flows at the appropriate discount rate for that instrument.

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

(c) *Demand deposits from customers/savings deposits from customers*
For these financial instruments described above, the carrying value approximates their fair value due to their short-term nature.

(d) *Time deposits from banks/time deposits from customers/borrowings and debt securities issued /perpetual bonds*
The fair value of these financial instruments was determined by discounting the future cash flows at an interest rate that reflects: (i) current market rates, and (ii) the future expected interest rates, for a term that shows the remaining life of these instruments.

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

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

	2021		2020	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Assets:				
Time deposits with banks	194,252,658	195,440,521	199,371,557	201,622,481
Investments at amortized cost, net	122,185,542	122,207,361	53,415,461	53,431,848
Loans, net	10,793,980,833	10,723,349,532	11,023,582,558	10,985,309,747
	11,110,419,033	11,040,997,414	11,276,369,576	11,240,364,076
Liabilities:				
Deposits	13,800,611,671	13,848,788,141	13,449,536,465	13,496,331,618
Borrowings, debt securities issued and perpetual bonds	1,293,646,075	1,307,365,910	1,294,148,583	1,355,221,790
	15,094,257,746	15,156,154,051	14,743,685,048	14,851,553,408

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

	2021	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	195,440,521	0	0	195,440,521
Investments at amortized cost, net	122,207,361	0	119,200,000	3,007,361
Loans, net	10,723,349,532	0	0	10,723,349,532
	11,040,997,414	0	119,200,000	10,921,797,414
Liabilities:				
Deposits	13,848,788,141	0	0	13,848,788,141
Borrowings, debt securities issued and perpetual bonds	1,307,365,910	0	0	1,307,365,910
	15,156,154,051	0	0	15,156,154,051

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

See Note 6, for the description of these levels.

(31) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the credit, liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established polices and limits in order to control and manage these risks. There is also an Audit Committee, composed of members of the Bank's Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

The main risks identified by the Bank are credit, counter-party, market, liquidity and financing, operational and capital management risks which are described as follows:

(a) *Credit Risk*
Credit Risk is the risk that the debtor or issuer of a financial asset owned by the Bank does not fully and timely comply with any required payment, in conformity with terms and conditions agreed upon when the respective financial asset was acquired or originated by the Bank.

To mitigate credit risk, risk management policies establish limits by country, industry, and debtor. The Credit Committee appointed by the Board of Directors, periodically watches over the financial condition of debtors and issuers of financial instruments in the consolidated statement of financial position of the Bank.

Credit Quality Analysis
The table below sets out information on the credit quality of the loan portfolio including contagion of operations for classification and calculation of the expected credit loss reserve (ECL) maintained by the Bank:

	2021 (in thousands)			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortized cost				
Grade 1: Standard	8,986,171	71,574	0	9,057,745
Grade 2: Special mention	60,602	1,276,221	32,214	1,369,037
Grade 3: Sub-standard	26,892	115,980	442,253	585,125
Grade 4: Doubtful	2,334	5,228	97,843	105,405
Grade 5: Uncollectible	7,977	1,183	105,966	115,126
Gross amount	9,083,976	1,470,186	678,276	11,232,438
Loan losses allowance	(196,386)	(129,687)	(139,618)	(465,691)
Net carrying amount	8,887,590	1,340,499	538,658	10,766,747
Finance leases				
Grade 1: Standard	58,587	447	0	59,034
Grade 2: Special mention	70	2,493	12	2,575
Grade 3: Sub-standard	8	917	1,367	2,292
Grade 4: Doubtful	19	0	710	729
Grade 5: Uncollectible	0	0	711	711
Gross amount	58,684	3,857	2,800	65,341
Loan losses allowance	(1,003)	(126)	(886)	(2,015)
Net carrying amount	57,681	3,731	1,914	63,326
Total loans	9,142,660	1,474,043	681,076	11,297,779
Loan losses allowance	(197,389)	(129,813)	(140,504)	(467,706)
Net carrying amount	8,945,271	1,344,230	540,572	10,830,073
Restructured loans				
Gross amount	87,824	723,633	297,113	1,108,570
Loan losses allowance	(6,841)	(57,663)	(67,869)	(132,373)
Net carrying amount	80,983	665,970	229,244	976,197

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

Of the total restructured loans for B/.1,108,570 (2020: B/.218,818), B/.990,006 correspond to loans with mortgage guarantee (2020: B/.129,170).

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

2021	Banco General, S. A.	Subsidiaries	Total
Current	9,738,448,309	840,770,267	10,579,218,576
From 31 to 90 days	329,934,555	7,505,767	337,440,322
More than 90 days (capital or interest)	361,985,782	7,112,831	369,098,613
More than 30 days past due (capital at maturity)	11,824,552	196,900	12,021,452
Total	10,442,193,198	855,585,765	11,297,778,963

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

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/.43,018,755 (2020: B/.37,811,079), which are not subject to credit risk:

			2021		
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
At Amortized Cost					
Foreign:					
AAA	119,200,000	0	0	0	119,200,000
Lower than BBB-	3,007,361	0	0	0	3,007,361
Carrying amount	122,207,361	0	0	0	122,207,361
Loss allowance	(21,819)	0	0	0	(21,819)
Total carrying amount, net	122,185,542	0	0	0	122,185,542
At FVOCI					
Local:					
AA+ to BBB-	602,798,599	0	0	0	602,798,599
Lower than BBB-	558,917,490	8,984,289	12,741,630	0	580,643,409
Carrying amount	1,161,716,089	8,984,289	12,741,630	0	1,183,442,008
Valuation of credit risk	(1,923,040)	(563,828)	(1,779,625)	0	(4,266,493)
Foreign:					
AAA	2,163,215,904	0	0	0	2,163,215,904
AA+ to BBB-	1,428,546,405	0	0	0	1,428,546,405
Lower than BBB-	243,881,367	10,952,982	105,894	432,985	255,373,228
Carrying amount	3,835,643,676	10,952,982	105,894	432,985	3,847,135,537
Valuation of credit risk	(5,243,542)	(11,313)	(957)	0	(5,255,812)
Total carrying amount	4,997,359,765	19,937,271	12,847,524	432,985	5,030,577,545
Total valuation of credit risk	(7,166,582)	(575,141)	(1,780,582)	0	(9,522,305)
At Fair Value TPL					
Local:					
AA+ to BBB-	2,078,478				
Lower than BBB-	58,912,965				
Carrying amount	60,991,443				
Foreign:					
AAA	365,481,523				
AA+ to BBB-	435,106,393				
Lower than BBB-	114,329,948				
NR	3,438,432				
Carrying amount	918,356,296				
Total carrying amount	979,347,739				

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

Investments were classified based on their highest international risk rating amongst Fitch Ratings Inc., Moody’s and Standard and Poor´s. In the case of local investments that do not have an international rating, the Bank uses an internal rating, which is consistent with international risk ratings.

Time deposits with banks

The time deposits with banks are held with central banks and financial institution counterparties that are rated at least between AAA to BBB-, based on ratings by Standard & Poor’s, Moody’s and Fitch Ratings Inc., amount to B/.103,837,296 (2020: B/.198,838,484).

According to the calculations made by management, the amounts of reserves for expected credit losses associated with these instruments are not significant.
Factors of major influence in the credit risk of the Bank and the assumptions used for this disclosure are as follows:

- *Impairment of loans and investments and other financial assets and deposits with banks:*
  Impairment of loans, investments and other financial assets and deposits with banks is determined by comparing the carrying value of the asset to its estimated recoverable amount. At December 31, 2021 and 2020 the Bank has no impaired deposits.

- *Past due but not impaired loans and investments and other financial assets:*
  Loans and investments and other financial assets that have a level of collateral and/or sources of payment sufficient to cover the book value of said loan and investment and other financial assets are considered in default without impairment, that is, without expected losses.

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

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

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

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

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

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

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

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

	% of exposure that is subject to Collateral requirements		Type of Collateral
	2021	2020	
Loans	77.03%	78.07%	Cash, Properties, Equipment, and Others
Investments and Other Financial Assets	39.85%	50.48%	Cash, Properties, and Equipment

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

	2021	2020
Residential mortgages loans:		
Less than 50%	739,884,664	758,957,316
51% - 70%	1,222,052,344	1,235,968,287
71% - 90%	2,258,538,096	2,172,808,450
More than 90%	493,297,245	427,799,292
Total	4,713,772,349	4,595,533,345

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

	Loans		Investments and other financial assets	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Concentration by Sector:				
Corporate	4,519,608	4,711,735	3,845,973	3,160,498
Consumer	6,433,159	6,369,158	0	0
Government and Government Agencies	0	0	2,286,138	2,426,475
Other Sectors	345,012	363,530	0	0
	11,297,779	11,444,423	6,132,111	5,586,973
Geographical Concentration:				
Panama	10,034,446	10,214,253	1,256,795	1,434,858
Latin America and the Caribbean	1,238,040	1,230,140	298,741	204,391
United States of America and Other	25,293	30	4,576,575	3,947,724
	11,297,779	11,444,423	6,132,111	5,586,973

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	2021							
	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	**1.14**	**645.25**	**1.35**	**115.13**	**20.49**	**6.36**		
Assets								
Cash and cash items	1,473,649	6,586,130	940,316	11,054	47,401	101,735	476,987	9,637,272
Investments and other financial assets	181,824,977	1,048,787	68,452,829	15,536,848	1,371,883	0	3,186,516	271,421,840
Loans	0	14,747,043	0	0	0	0	0	14,747,043
Other assets	2,840,646	3,491,664	3,461,305	0	113,332	122,651	1,268,275	11,297,873
	186,139,272	25,873,624	72,854,450	15,547,902	1,532,616	224,386	4,931,778	307,104,028
Liabilities								
Deposits	0	18,704,486	0	0	0	0	0	18,704,486
Borrowings and debt securities issued	0	2,858,044	0	0	0	0	0	2,858,044
Other liabilities	185,947,123	683	73,244,189	15,539,533	1,475,632	216,667	4,681,139	281,104,966
	185,947,123	21,563,213	73,244,189	15,539,533	1,475,632	216,667	4,681,139	302,667,496
Net currency positions	192,149	4,310,411	(389,739)	8,369	56,984	7,719	250,639	4,436,532

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

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

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

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

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

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

				2021			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
Assets:							
Time deposits with banks	38,701,640	0	155,551,018	0	0	0	194,252,658
Investments and other financial assets	1,912,791,663	148,771,768	398,440,498	2,041,701,736	1,006,851,820	325,185,778	5,833,743,263
Loans	10,613,600,779	223,032,758	178,715,789	207,838,817	34,038,808	40,552,012	11,297,778,963
Total	12,565,094,082	371,804,526	732,707,305	2,249,540,553	1,040,890,628	365,737,790	17,325,774,884
Liabilities:							
Deposits	7,279,273,801	773,562,328	1,503,515,557	2,286,994,821	1,087,725	0	11,844,434,232
Borrowings, debt securities issued and perpetual bonds	210,399,901	5,000,000	22,759,327	96,762,681	958,724,166	0	1,293,646,075
Total	7,489,673,702	778,562,328	1,526,274,884	2,383,757,502	959,811,891	0	13,138,080,307
Total interest sensitivity gap	5,075,420,380	(406,757,802)	(793,567,579)	(134,216,949)	81,078,737	365,737,790	4,187,694,577

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

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

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

	Sensitivity of the net interest income			
	100bp Increase		100bp decrease	
	2021	2020	2021	2020
At the end of the year	27,369,331	24,721,927	(20,830,806)	(21,133,556)
Average for the year	27,494,518	19,161,289	(21,289,734)	(16,942,554)
Maximum for the year	28,064,787	24,721,927	(22,752,787)	(21,133,556)
Minimum for the year	27,005,828	15,183,167	(20,516,646)	(13,787,577)

	Sensitivity in profit or loss for investments at fair value			
	100pb Increase		100pb decrease	
	2021	2020	2021	2020
At the end of the year	(22,451,083)	(34,380,838)	17,790,942	6,860,047
Average for the year	(23,367,415)	(28,759,818)	14,259,185	2,401,894
Maximum for the year	(25,313,835)	(34,380,838)	17,790,942	6,860,047
Minimum for the year	(22,451,083)	(23,308,888)	12,254,480	(2,826,453)

	Sensitivity of other comprehensive income			
	100pb Increase		100pb decrease	
	2021	2020	2021	2020
At the end of the year	(154,757,912)	(142,555,810)	154,212,191	91,590,277
Average for the year	(154,879,636)	(122,584,994)	138,435,199	64,509,976
Maximum for the year	(158,046,152)	(142,555,810)	154,212,191	91,590,277
Minimum for the year	(151,071,002)	(101,152,380)	125,076,552	48,922,819

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

The objective of the committee is to evaluate all the assets and liabilities of the Bank referenced to IBOR to determine the changes that, if necessary, are required by the financial assets and liabilities contracts. Additionally, the committee must determine the operational and systems risks that the transition may have and will coordinate the operations to be carried out in the different areas of the Bank for an orderly transition. The committee will coordinate communication and action plans with Bank clients so that the transition is transparent and efficient. The committee has reviewed the current IBOR replacement clauses of the Bank's loan contracts and has worked on new IBOR replacement clauses that it will begin to use in order to strengthen the IBOR replacement language of the contracts. Likewise, the Bank will endeavor to use rates not referenced to IBOR in its new loans in order to reduce the number of operations that must be amended when IBOR ceases to exist and has implemented an operation to migrate to new reference rates or adjustable fixed rates at the option of the Bank in those loans that mature after June 30, 2023.

The Bank considers that the current risk to which it is exposed, as a result of the IBOR reform, is low since there are B/.679MM in loans or 6.01% of the total (2020: B/.541MM or 4.72%) that is referenced to IBOR only; additionally, there are B/.1,090MM (2020 B/.1,572MM) in loans referenced to IBOR or 9.64% (2020: 13.74%), but which have a floor rate. 72.32% of these operations expire after June 30, 2023 (2020: 74.99% expire after December 31, 2021). On the other hand, 86.13% of these loans referenced to IBOR that expire after June 30, 2023 are corporate loans, so the number of operations with loans referenced to IBOR is low. Regarding investments, less than 16.86% (2020: 21.36%) from the same B/.1,041MM (2020: B/.1,201MM) of them are referenced to IBOR and of these 47.32% (2020: 43.92%) have a floor rate. For liabilities, only B/.208MM (2020: B/. 271MM) of its institutional financings are referenced to IBOR.

In relation to derivative transactions, the Bank maintains low amounts of accounting hedge derivative transactions referenced to IBOR. As of December 31, 2021, it maintains interest rate risk hedges referenced to IBOR for a total of B/.250MM (2020: B/.387MM) of notional value of fair value hedges. Of these operations, B/.250MM (2020: B/.380MM) expire after June 30, 2023, therefore, no material impact is anticipated due to differences in the baseline between derivatives and hedged assets and liabilities.

(d) *Liquidity and Financing Risk*

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

Liquidity Risk Management:

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

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

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

The table below summarizes the Bank's assets and liabilities grouped by their residual maturities with respect to the contractual maturity date, other assets and liabilities are included for reconciliation purposes with the consolidated statement of financial position:

				2021				
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	167,237,035	0	0	0	0	0	0	167,237,035
Deposits with banks	308,725,379	13,940,736	155,551,018	0	0	0	0	478,217,133
Investments and other financial assets, net	856,242,851	177,951,677	462,904,231	2,543,740,140	1,520,781,732	570,490,195	68,039,398	6,200,150,224
Loans, net	1,421,840,037	888,484,542	1,248,428,249	6,452,847,003	630,464,764	151,916,238	0	10,793,980,833
Accrued interest receivable	931,743	0	39,698,801	57,674,997	0	0	0	98,305,541
Other assets	299,169,997	3,372,314	186,152,973	16,900,136	3,996,055	1,086,188	533,429,175	1,044,106,838
Total	3,054,147,042	1,083,749,269	2,092,735,272	9,071,162,276	2,155,242,551	723,492,621	601,468,573	18,781,997,604
Liabilities:								
Deposits	9,233,641,232	773,562,328	1,505,325,565	2,286,994,821	1,087,725	0	0	13,800,611,671
Borrowings, debt securities issued and perpetual bonds	5,417,560	5,170,319	23,113,322	301,220,708	558,724,166	0	400,000,000	1,293,646,075
Lease Liabilities	785,656	785,411	1,551,575	8,640,785	4,619,886	2,162,309	0	18,545,622
Accrued interest payable	15,150	0	107,590,322	0	0	0	0	107,605,472
Other liabilities	603,953,684	51,196	21,055,365	23,275,602	0	0	222,204,631	870,540,478
Total	9,843,813,282	779,569,254	1,658,636,149	2,620,131,916	564,431,777	2,162,309	622,204,631	16,090,949,318
Net position	(6,789,666,240)	304,180,015	434,099,123	6,451,030,360	1,590,810,774	721,330,312	(20,736,058)	2,691,048,286

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

Management estimates that the Bank's investment portfolio consists of highly liquid investments and other financial assets (with ratings from AAA to BBB-) for B/.4,544,698,356 (2020: B/.3,521,460,619), which can be readily convertible to cash, in a period of less than a week.

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

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

	2021	**2020**
At the end of the year	35.25%	29.40%
Average for the year	33.84%	28.91%
Maximum for the year	35.98%	30.62%
Minimum for the year	30.90%	26.78%

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

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

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

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

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

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

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

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

(f) *Capital Management*

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

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

	2021	2020
Ordinary Primary Capital (Tier 1)		
Common shares	500,000,000	500,000,000
Legal reserve	190,606,358	188,395,818
Other items of comprehensive income	74,007,984	159,987,401
Retained earnings	1,916,157,883	1,772,980,479
Less: regulatory adjustments	51,546,799	53,674,143
Total	2,629,225,426	2,567,689,555
Additional Primary Capital (Tier 1)		
Subordinated debt – perpetual bonds	400,000,000	217,680,000
Total	400,000,000	217,680,000
Total primary capital	3,029,225,426	2,785,369,555
Total capital	3,029,225,426	2,785,369,555
Credit risk-weighted assets	11,506,120,807	11,273,084,468
Market risk-weighted assets	1,154,480,676	1,551,595,690
Operative risk-weighted assets	654,451,743	607,185,552
Total Risk-weighted assets	13,315,053,226	13,431,865,710
Capital ratios		
Total capital	22.75%	20.74%
Total primary capital	22.75%	20.74%

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

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

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

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

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

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

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

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

(33) Main Applicable Laws and Regulations

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

Liquidity Ratio
The liquidity ratio reported by Banco General S. A. to the regulator, based on the parameters established in the Agreement No.4-2008, was 44.84% (2020: 40.45%).

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

The Bank has a ratio of consolidated regulatory capital to its risk-weighted assets of 22.75% (2020: 20.74%) in accordance with Agreements No.1-2015, No.3-2016, No.11-2018 and No.6-2019 issued by the Superintendence of Banks of Panama.

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

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

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

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

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

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

	Market Risk-Weighted Assets	
	2021	**2020**
Category		
Fixed income	243,914,208	639,665,880
Variable income	619,354,348	611,628,937
Derivatives	291,212,120	300,300,873
Market risk-weighted assets	1,154,480,676	1,551,595,690

The net gain obtained during 2021 in the trading portfolio amounts to B/.17,902,222 (2020: B/.2,548,785).

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

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

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

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

The amounts presented as of December 31, 2021, summarize the classification of the loan portfolio and reserves for loan losses of Banco General, S.A. based on Agreement No.4-2013 and in accordance with the requirements of Circular No.SBP-DR-0137-2021 of December 29, 2021:

	2021 (in thousands)					
	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	3,046,111	458,276	424,413	24,380	33,887	3,987,067
Consumer loans	4,619,087	90,212	699,868	40,502	74,003	5,523,672
Total	7,665,198	548,488	1,124,281	64,882	107,890	9,510,739
Specific Reserve	0	18,311	64,091	16,665	24,861	123,928

The amounts presented as of December 31, 2020, summarize the classification of the loan portfolio and reserves for loan losses of Banco General, S.A. based on Agreement No.4-2013:

			2020 (in thousands)			
	Standard	**Special mention**	**Sub-standard**	**Doubtful**	**Uncollectible**	**Total**
Corporate loans	3,290,537	758,101	295,907	24,683	33,142	4,402,370
Consumer loans	6,069,647	88,105	33,714	24,950	55,341	6,271,757
Total	9,360,184	846,206	329,621	49,633	88,483	10,674,127
Specific Reserve	0	33,418	34,478	17,543	12,869	98,308

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

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

		2021 (in thousands)		
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,038,118	67,771	51,771	4,157,660
Consumer loans	5,775,810	261,700	324,470	6,361,980
Total	9,813,928	329,471	376,241	10,519,640

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

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

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

Total loans of Banco General, S. A. in non-accrual status of interest based on Agreement No.4-2013, modified by Agreement No.8-2014, amounts to B/.332,667,713 (2020: B/.156,928,663). Total interest income not recognized on these loans is of B/.20,513,328 (2020: B/.13.472,425).

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

The total of Banco General, S. A. loans in a non-calculation of interest status in accordance with the provisions of this complementary policy amounts to B/.107,406,160 (2020: B/.279,606,351). The total unrecognized interest in income on these loans is B/.16,804,721 (2020: B/.14,092,299).

Modified special mention category loans

As follow, a detail of the modified special mention category loan portfolio is presented, classified for December 31, 2021 according to the codes indicated in the General Resolution of the Board of Directors SBP-GJD-0003-2021, and also incorporating their respective provisions and regulatory reserves, classified according to stages 1, 2 and 3 contemplated by IFRS 9, and in accordance with the requirements of Article 8 of Agreement No.6-2021 of December 22, 2021.

		2021		
	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified standard	393,089,162	25,677,451	37,582	418,804,195
Modified special mention	49,141	0	0	49,141
Modified sub-standard	207,356,472	120,569,365	844,459	328,770,296
Modified doubtful	8,934,076	25,453,664	60,787,645	95,175,385
Doubtful uncollectible	49,486,071	60,999,328	55,616,352	166,101,751
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	0	0	0	0
(+) Accrued interest receivable	18,301,997	7,634,975	9,024,715	34,961,687
(-)Unearned discounted interest and commissions	0	0	0	0
Total portfolio subject to provisions Agreement No. 9-2020	677,216,919	240,334,783	126,310,753	1,043,862,455
Provisions				
IFRS 9 provision	54,962,881	33,825,098	25,690,807	114,478,786
Regulatory provision	0	0	0	0
Total provisions and reserves	54,962,881	33,825,098	25,690,807	114,478,786

The amounts presented as of December 31, 2020, are broken down in accordance with the requirements of Agreement No.2-2020 modified by Agreement No.9-2020 under coding guidelines different from those reported for 2021:

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

The IFRS reserve for modified special mention category loans amounts to B/.114,478,786 o 10.97% (2020: B/.220,718,651 or 4.09%) of the total portfolio subject to provisions.

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

	2021	**2020**
Residential mortgages	620,897,873	2,630,578,838
Personal, auto and credit cards	204,435,484	616,166,691
Commercial mortgages	132,839,225	1,282,332,235
Lines of credit and commercial loans	6,142,067	368,365,351
Interim financing	44,586,119	375,987,342
Other secured loans and Overdrafts	0	3,532
Total	1,008,900,768	5,273,433,989
Total motgage-backed loans	798,323,217	4,288,898,415
% of mortgage-backed loans	79.1%	81.3%

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

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

The Bank's risk management, which considers the impact of COVID-19, is described in Note 3 on Risk Management of Financial Instruments.

The outbreak of the virus known as Covid-19 has spread like a pandemic among the world's population during the year 2020 and 2021, significantly affecting macroeconomic variables in Panama, impacting our financial position and operating results, which are particularly dependent on our clients' ability to meet their credit obligations. Although its effects began to normalize during 2021, the pandemic of COVID-19 caused a significant decrease in commercial activity throughout Panama which has gradually recovered. This decrease in commercial activity may cause our clients (individuals and companies), suppliers and counterparties to be unable to fulfill their payments or other obligations with the Bank.

The following table details the percentage of the value of loans, including interest, classified as modified special mention that as of December 31, 2021 and 2020. Their installments have not been paid as of the last installment payment recorded at the time of the loan modification:

	2021			
	Up to 90 days	**From 91 to 120 days**	**Form 121 to 180 days**	**From 181 to 270 days**
Consumer loans	82.86%	4.13%	9.26%	3.75%
Corporate loans	99.67%	0.33%	0.00%	0.00%

	2020			
	Up to 90 days	**From 91 to 120 days**	**Form 121 to 180 days**	**From 181 to 270 days**
Consumer loans	40.00%	2.11%	5.76%	52.13%
Corporate loans	100.00%	0.00%	0.00%	0.00%

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

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

On June 11, 2021, the Superintendence of Banks of Panama issued Agreement No.2-2021, through which some parameters and guidelines were found that are applicable to modified credits.

The provisions of the Agreement were intended to establish guidelines and parameters for credit and counterparty risk management of those modified credits in accordance with the initial measures established in Agreement No.2-2020, which was subrogated. With the entry into force of the Agreement No.2-2021, the General Resolution of the Board of Directors No. SBP-GJD-0010-2020 of December 29, 2020 was repealed. Agreement No.2-2021 was subsequently modified by Agreement No.3-2021 of August 10, 2021 and Agreement No.6-2021 of December 22, 2021.

On December 22, 2021, the Superintendence of Banks issued Agreement No.6-2021 by means of which the parameters and guidelines for the determination of provisions applicable to loans in the Modified Special Mention category are established and other related provisions are issued. This Agreement repealed Article 8 of Agreement No.2-2021, which required a generic provision of three percent (3%) of the modified loan portfolio and its accrued interest. In its replacement, it establishes that banks must ensure that they comply with the International Financial Reporting Standards (IFRS), as well as the prudential regulations established in article 5 of Agreement No.6-2021. This includes applying consideration of the significant increase in risk derived from the passage of time, and that banking entities will not be able to reverse the provisions previously constituted (for results or equity) at the November 2021 cut-off for the entire modified portfolio as of that date, in accordance with the provisions of Article 8 of Agreement No.2-2021.

Due to the percentage level of the IFRS provisions of Banco General, S.A. as of December 31, 2021, it exceeds the percentage level of the required provisions of the IFRS and regulatory models that are not reversed at the end of November 2021, it is in compliance with the mentioned prudential norm, and it does not affect the application of IFRS in your set.

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

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

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

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

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

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

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

The balance of the equity provision of assets for loans in the process of awarding is of B/.7,610,900 (2020: B/.9,188,381), which will be maintained until the effective adjudication of the assets is made and will not be computed for the purpose of calculating the capital adequacy index.

Foreclosed Assets

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

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

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

Banco General, S. A. holds foreclosed assets held for sale in the amount of B/.23,797,159 (2020: B/.24,935,326) and a provision in the amount of B/.3,569,574 (2020: B/.3,740,299). The regulatory provision was estimated based on Agreements No.1-2000 and No.3-2009 in the amounts of B/.2,798,333 (2020: B/.2,791,827).

Off-Balance Sheet Operations

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

	2021 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	79,913	5,488	2,558	0	0	87,959
Bank guarantees and promissory notes	409,048	5,653	1,790	246	0	416,737
Total	488,961	11,141	4,348	246	0	504,696
Reserve required	0	1,025	471	0	0	1,496

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

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

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

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

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

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

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

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

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

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

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

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