

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

**Condensed Consolidated Interim
Financial Information**

June 30, 2022

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Table of Contents

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

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

Condensed Consolidated Statement of Financial Position

June 30, 2022, December 31, 2021 and June 30, 2021

(Expressed in Balboas)

		(Unaudited) June 2022	(Audited) December 2021	(Unaudited) June 2021
Assets	Note			
Cash and cash items	5	233,461,004	167,237,035	179,803,477
Deposits with banks:				
Demand deposits		299,274,455	283,964,475	452,940,676
Time deposits		359,277,277	194,252,658	216,217,561
Accrued interest receivable		3,155,971	1,817,299	3,907,853
Total deposits with banks		661,707,703	480,034,432	673,066,090
Total cash, cash items and deposits with banks		895,168,707	647,271,467	852,869,567
Investments and other financial assets at FVTPL		768,363,891	1,022,366,494	1,019,060,373
Investments and other financial assets at FVOCI		4,581,512,294	5,030,577,545	4,802,552,335
Investments and other financial at amortized cost, net		137,528,407	122,185,542	37,359,009
Accrued interest receivable		6,154	280	50
Investments and other financial assets, net		5,487,410,746	6,175,129,861	5,858,971,767
Loans	6	11,279,343,362	11,297,778,963	11,302,423,416
Accrued interest receivable		80,557,791	96,487,962	153,605,528
Less:				
Loan losses allowance		483,041,852	467,706,062	439,146,967
Unearned commissions		36,601,333	36,092,068	36,289,973
Loans, net		10,840,257,968	10,890,468,795	10,980,592,004
Investments in associates		32,235,894	25,020,643	26,230,439
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	245,283,753	239,125,837	237,666,514
Right-of-Use Assets, net	8	16,275,402	16,997,658	18,428,372
Investments and other financial assets sold pending settlement		236,141,000	222,866,524	260,769,992
Deferred tax assets		116,816,905	112,034,447	104,757,211
Goodwill and other intangible assets, net	9	50,238,103	51,546,799	52,962,733
Other assets		441,339,633	401,535,573	417,890,872
Total assets		18,361,168,111	18,781,997,604	18,811,139,471

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

		(Unaudited) June 2022	(Audited) December 2021	(Unaudited) June 2021
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,971,046,445	3,162,996,218	3,140,200,752
Savings		5,015,661,031	4,965,395,062	4,647,908,064
Time:				
Customers		5,489,620,615	5,670,125,254	5,800,549,172
Banks		2,005,524	2,095,137	5,711,616
Accrued interest payable		84,196,846	93,520,570	95,601,737
Total deposits		<u>13,562,530,461</u>	<u>13,894,132,241</u>	<u>13,689,971,341</u>
 Financing:				
Borrowings and debt securities issued, net	11	875,701,468	893,646,075	997,988,657
Perpetual bonds		400,000,000	400,000,000	400,000,000
Accrued interest payable		14,259,522	14,084,902	14,505,655
Total financing		<u>1,289,960,990</u>	<u>1,307,730,977</u>	<u>1,412,494,312</u>
 Lease Liabilities	12	17,900,629	18,545,622	19,823,191
 Investments and other financial assets purchased pending settlement		426,565,501	422,824,601	519,327,981
Reserves of insurance operations	13	19,744,340	19,702,364	19,106,760
Deferred tax liabilities		2,651,410	2,471,413	2,566,140
Other liabilities	10	630,142,919	425,542,100	496,918,096
Total liabilities		<u>15,949,496,250</u>	<u>16,090,949,318</u>	<u>16,160,207,821</u>
 Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		206,183,459	199,882,419	199,613,658
Capital reserves		(261,537,487)	75,007,984	108,354,602
Retained earnings		1,967,025,889	1,916,157,883	1,842,963,390
Total equity		<u>2,411,671,861</u>	<u>2,691,048,286</u>	<u>2,650,931,650</u>
Total liabilities and equity		<u>18,361,168,111</u>	<u>18,781,997,604</u>	<u>18,811,139,471</u>

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

Condensed Consolidated Statement of Income

For the six months ended June 30, 2022 and 2021

(Expressed in Balboas)

		(Unaudited) (2nd Quarter)		(Unaudited) (Accumulated)	
	Note	2022	2021	2022	2021
Interest and commission income:					
Interest:					
Loans		182,170,589	183,213,632	365,146,836	359,931,982
Deposits with banks		1,423,411	1,461,572	2,571,811	2,950,563
Investments and other financial assets		41,773,131	36,129,268	79,976,279	71,717,875
Commissions on loans		10,296,514	8,387,039	18,623,735	15,760,442
Total interest and commission income		235,663,645	229,191,511	466,318,661	450,360,862
Interest expenses:					
Deposits		51,611,722	58,693,444	104,437,826	118,426,520
Financing		13,266,591	12,178,990	25,940,847	23,157,752
Total interest expenses		64,878,313	70,872,434	130,378,673	141,584,272
Net interest and commission income		170,785,332	158,319,077	335,939,988	308,776,590
Provision (reversal) for loan losses, net	6	(5,752,291)	37,107,429	11,733,336	76,918,975
Provision (reversal) for impairment of investments, net		5,093,842	(842,103)	14,716,582	238,990
Provision (reversal) for foreclosed assets, net		1,069,130	314,962	1,251,726	(157,015)
Net interest and commission income, after provisions		170,374,651	121,738,789	308,238,344	231,775,640
Other income (expenses):					
Fees and other commissions		74,133,418	59,997,989	145,982,537	114,474,782
Insurance premiums, net		9,727,590	8,558,449	18,864,251	15,283,863
(Loss) gain on financial instruments, net		(34,548,237)	10,004,063	(66,130,680)	10,723,653
Other income, net		3,702,657	8,278,239	10,116,902	14,499,621
Commission expenses and other expenses	12	(24,512,064)	(23,668,402)	(51,179,813)	(45,786,929)
Total other income, net		28,503,364	63,170,338	57,653,197	109,194,990
General and administrative expenses:					
Salaries and other personnel expenses	16	42,066,434	40,226,833	83,911,597	80,712,481
Depreciation and amortization	7 and 8	7,720,980	7,116,618	15,120,040	14,123,922
Properties, furniture and equipment expenses		7,494,182	6,260,051	14,570,854	12,383,769
Other expenses		22,008,431	20,398,954	43,738,638	39,175,670
Total general and administrative expenses		79,290,027	74,002,456	157,341,129	146,395,842
Net operating income		119,587,988	110,906,671	208,550,412	194,574,788
Equity participation in associates		3,788,482	2,479,516	8,683,354	4,712,068
Net income before tax		123,376,470	113,386,187	217,233,766	199,286,856
Income tax, estimated		16,073,973	13,650,506	30,797,011	23,504,540
Income tax, deferred		1,485,900	(7,429,153)	(4,605,145)	(11,441,920)
Income tax, net	17	17,559,873	6,221,353	26,191,866	12,062,620
Net income		105,816,597	107,164,834	191,041,900	187,224,236

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022 and 2021

(Expressed in Balboas)

	(Unaudited)	
	<u>2022</u>	<u>2021</u>
Net income	<u>191,041,900</u>	<u>187,224,236</u>
Other comprehensive (expense) income:		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	(333,435,479)	(65,573,664)
Transfer to profit or loss for sales of investments at FVOCI	(17,821,040)	12,093,947
Valuation of investment credit risk at FVOCI	14,711,048	249,632
Valuation of hedging instruments	<u>0</u>	<u>597,286</u>
Total other comprehensive expense, net	<u>(336,545,471)</u>	<u>(52,632,799)</u>
Total comprehensive (expense) income	<u><u>(145,503,571)</u></u>	<u><u>134,591,437</u></u>

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in Balboas)

	Capital reserves							
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Valuation of hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2021 (Audited)	500,000,000	199,882,419	1,000,000	74,007,984	0	75,007,984	1,916,157,883	2,691,048,286
Net income	0	0	0	0	0	0	191,041,900	191,041,900
Other comprehensive (expense) income:								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(333,435,479)	0	(333,435,479)	0	(333,435,479)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(17,821,040)	0	(17,821,040)	0	(17,821,040)
Valuation of investment credit risk at FVOCI	0	0	0	14,711,048	0	14,711,048	0	14,711,048
Total other comprehensive expense, net	0	0	0	(336,545,471)	0	(336,545,471)	0	(336,545,471)
Total comprehensive (expense) income	0	0	0	(336,545,471)	0	(336,545,471)	191,041,900	(145,503,571)
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(131,600,000)	(131,600,000)
Dividends tax	0	0	0	0	0	0	(1,713,675)	(1,713,675)
Complementary tax	0	0	0	0	0	0	(559,179)	(559,179)
Transfer of retained earnings	0	6,301,040	0	0	0	0	(6,301,040)	0
Total transactions attributable to the shareholder	0	6,301,040	0	0	0	0	(140,173,894)	(133,872,854)
Balance as of June 30, 2022 (Unaudited)	500,000,000	206,183,459	1,000,000	(262,537,487)	0	(261,537,487)	1,967,025,889	2,411,671,861
Balance as of December 31, 2020 (Audited)	500,000,000	199,242,854	1,000,000	160,584,687	(597,286)	160,987,401	1,772,980,479	2,633,210,734
Net income	0	0	0	0	0	0	187,224,236	187,224,236
Other comprehensive (expense) income:								
Items that are or may be reclassified to the condensed consolidated statement of income								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(65,573,664)	0	(65,573,664)	0	(65,573,664)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	12,093,947	0	12,093,947	0	12,093,947
Valuation of investment credit risk at FVOCI	0	0	0	249,632	0	249,632	0	249,632
Valuation of hedging instruments	0	0	0	0	597,286	597,286	0	597,286
Total other comprehensive (expense) income, net	0	0	0	(53,230,085)	597,286	(52,632,799)	0	(52,632,799)
Total comprehensive income (expense)	0	0	0	(53,230,085)	597,286	(52,632,799)	187,224,236	134,591,437
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(117,500,000)	(117,500,000)
Dividends tax	0	0	0	0	0	0	(1,757,928)	(1,757,928)
Complementary tax	0	0	0	0	0	0	2,387,407	2,387,407
Transfer of retained earnings	0	370,804	0	0	0	0	(370,804)	0
Total transactions attributable to the shareholder	0	370,804	0	0	0	0	(117,241,325)	(116,870,521)
Balance as of June 30, 2021 (Unaudited)	500,000,000	199,613,658	1,000,000	107,354,602	0	108,354,602	1,842,963,390	2,650,931,650

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Balboas)

		(Unaudited)	
	Note	2022	2021
Operating activities:			
Net income		191,041,900	187,224,236
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	6	11,733,336	76,918,975
Provision for valuation of investments, net		14,716,582	238,990
Provision (reversal) of provision for foreclosed assets, net		1,251,726	(157,015)
Unrealized loss on investments and other financial assets		46,211,201	9,524,235
Unrealized gain on derivative instruments		(8,209,817)	(2,521,528)
Loss on sale of investments and other financial assets at FVTPL, net		33,104,627	294,206
Loss (gain) on sale of investments and other financial assets at FVOCI, net		20,269,277	(12,221,632)
Realized gain on derivative instruments		(25,244,608)	(5,798,934)
Foreign exchange fluctuations, net		34,165	28,378
Gain on sale of fixed assets, net		(1,066,503)	(771,820)
Other net income from cancellations of right-of-use assets		(7,983)	(17,548)
Depreciation and amortization	7 and 8	15,120,040	14,123,922
Amortization of intangible assets	9	1,308,696	1,308,696
Equity participation in associates		(8,683,354)	(4,712,068)
Income tax, net		26,191,866	12,062,620
Interest and commission income		(466,318,661)	(450,360,862)
Interest expense		130,378,673	141,584,272
Changes in operating assets and liabilities:			
Time deposits with banks		(1,024,619)	13,153,996
Investments and other financial assets at FVTPL		180,883,087	126,716,000
Loans		22,038,055	120,432,505
Unearned commissions		19,133,000	15,005,044
Tax credit from preferential interest		(27,164,939)	(25,695,827)
Other assets		(40,620,850)	(57,245,523)
Demand deposits		(191,949,773)	161,359,079
Savings deposits		50,265,969	177,863,547
Time deposits		(180,594,252)	(194,389,487)
Reserves of insurance operations		41,976	525,809
Other liabilities		237,619,850	(95,259,652)
Cash provided by operations:			
Interest received		459,326,583	429,985,347
Interest paid		(139,518,688)	(146,155,122)
Dividends received		1,484,266	680,931
Total		180,708,928	306,499,534
Cash flows from operating activities		371,750,828	493,723,770
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(2,841,157,897)	(3,658,278,472)
Sale and redemptions of investments and other financial assets at FVOCI		2,895,575,136	3,225,829,532
Purchases of securities at amortized cost		(141,455,760)	(167,264,754)
Redemptions of securities at amortized cost		126,107,361	183,331,848
Dividends received from associates		1,468,103	167,579
Sale of properties, furniture and equipment		1,884,556	901,152
Purchases of properties, furniture and equipment	7	(20,410,402)	(13,278,116)
Cash flows from (used) investing activities		22,011,097	(428,591,231)
Financing activities:			
Redemption of debt securities issued and cancellation of borrowings		(12,754,761)	(67,424,282)
Perpetual bonds issuance		0	400,000,000
Perpetual bonds redemption		0	(217,680,000)
Payment of lease liabilities		(1,600,361)	(1,626,951)
Dividends paid on common shares		(131,600,000)	(117,500,000)
Complementary and dividends tax		(2,272,854)	629,479
Cash flows used from financing activities		(148,227,976)	(3,601,754)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		245,533,949	61,530,785
Cash and cash equivalents at the end of the period	5	451,201,510	601,213,368
		696,735,459	662,744,153

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 2022

Index of Notes to the Condensed Consolidated Interim Financial Information:

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 2022

(Expressed in Balboas)

(1) General Information

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

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

The Bank has a network of Representation Offices in the following countries: Colombia, El Salvador, Guatemala, Peru and Mexico which closed operations during the month of March 2022.

Grupo Financiero BG, S. A., a 59.82% (December 31, 2021: 59.78%) 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 that are presented below and which form part of the consolidation:

- Finanzas Generales, S. A.: financial lease and loans in Panama. It in turn has the following subsidiaries:
 - BG Trust, Inc.: trust administration in Panama.
 - Vale General, S. A.: administration and marketing of food vouchers in Panama.
- BG Investment Co., Inc.: securities brokerage, assets management and brokerage company in Panama.
- General de Seguros, S. A.: insurance and reinsurance in Panama.
- Overseas Capital Markets, Inc.: holder of shares in the Cayman Islands. It in turn has the following subsidiaries:
 - Banco General (Overseas), Inc.: international banking in the Cayman Islands.
 - Commercial Re. Overseas, Ltd.: international reinsurance in the British Virgin Islands.
- BG Valores, S. A.: securities brokerage, asset management and brokerage company in Panama.
- Banco General (Costa Rica), S. A.: banking business in Costa Rica.
- ProFuturo Administradora de Fondos de Pensiones y Cesantía, S. A.: management of pension and retirement, severance and investment funds in Panama.
- Yappy, S. A.: digital platform for money transfers and payments between people and businesses in Panama, 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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management issue on July 27, 2022.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2021.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	Junio 30, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>160,256,644</u>	<u>37,670,198</u>	<u>197,926,842</u>
Loans	<u>14,014,607</u>	<u>140,056,038</u>	<u>8,050,726</u>	<u>162,121,371</u>
Investments in associates	<u>0</u>	<u>32,235,894</u>	<u>0</u>	<u>32,235,894</u>
<u>Liabilities:</u>				
Deposits:				
Demand	913,213	94,367,570	89,899,800	185,180,583
Savings	8,359,192	101,182,947	5,808,431	115,350,570
Time	<u>2,943,210</u>	<u>250,679,550</u>	<u>132,692,308</u>	<u>386,315,068</u>
	<u>12,215,615</u>	<u>446,230,067</u>	<u>228,400,539</u>	<u>686,846,221</u>
Perpetual bonds	<u>0</u>	<u>13,776,600</u>	<u>126,654,444</u>	<u>140,431,044</u>
Commitments and contingencies	<u>0</u>	<u>10,633,810</u>	<u>35,955,000</u>	<u>46,588,810</u>
<u>Interest income:</u>				
Loans	<u>299,006</u>	<u>3,512,644</u>	<u>232,431</u>	<u>4,044,081</u>
Investments and other financial assets	<u>0</u>	<u>2,871,328</u>	<u>920,110</u>	<u>3,791,438</u>
<u>Interest expenses:</u>				
Deposits	<u>61,549</u>	<u>5,139,373</u>	<u>774,393</u>	<u>5,975,315</u>
Financing	<u>0</u>	<u>393,750</u>	<u>3,113,401</u>	<u>3,507,151</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>8,683,354</u>	<u>0</u>	<u>8,683,354</u>
Received dividends	<u>0</u>	<u>398,649</u>	<u>0</u>	<u>398,649</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>276,681</u>	<u>0</u>	<u>0</u>	<u>276,681</u>
Benefits to key management personnel	<u>1,216,601</u>	<u>0</u>	<u>0</u>	<u>1,216,601</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2021			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>129,358,138</u>	<u>39,864,967</u>	<u>169,223,105</u>
Loans	<u>11,075,005</u>	<u>141,476,316</u>	<u>9,771,613</u>	<u>162,322,934</u>
Investments in associates	<u>0</u>	<u>25,020,643</u>	<u>0</u>	<u>25,020,643</u>
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	<u>2,836,197</u>	<u>277,502,878</u>	<u>132,621,047</u>	<u>412,960,122</u>
	<u>15,261,170</u>	<u>565,052,567</u>	<u>261,549,228</u>	<u>841,862,965</u>
Perpetual bonds	<u>0</u>	<u>15,000,000</u>	<u>103,770,000</u>	<u>118,770,000</u>
Commitments and contingencies	<u>1,648,670</u>	<u>5,118,798</u>	<u>35,955,000</u>	<u>42,722,468</u>

	June 30, 2021			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>147,768,040</u>	<u>36,398,238</u>	<u>184,166,278</u>
Loans	<u>11,010,954</u>	<u>177,990,938</u>	<u>11,645,151</u>	<u>200,647,043</u>
Investments in associates	<u>0</u>	<u>26,230,439</u>	<u>0</u>	<u>26,230,439</u>
Liabilities:				
Deposits:				
Demand	1,023,289	134,129,022	90,228,944	225,381,255
Savings	9,761,081	93,051,566	26,868,686	129,681,333
Time	<u>2,734,735</u>	<u>281,003,558</u>	<u>131,482,377</u>	<u>415,220,670</u>
	<u>13,519,105</u>	<u>508,184,146</u>	<u>248,580,007</u>	<u>770,283,258</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>103,770,000</u>	<u>103,770,000</u>
Commitments and contingencies	<u>1,648,670</u>	<u>5,900,025</u>	<u>35,955,000</u>	<u>43,503,695</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30, 2021			
	Directors and Management	Related Companies	Affiliated Companies	Total
Interest income:				
Loans	<u>245,710</u>	<u>4,530,531</u>	<u>415,158</u>	<u>5,191,399</u>
Investments and other financial assets	<u>0</u>	<u>3,254,551</u>	<u>926,641</u>	<u>4,181,192</u>
Interest expenses:				
Deposits	<u>70,760</u>	<u>6,240,611</u>	<u>712,254</u>	<u>7,023,625</u>
Financing	<u>0</u>	<u>0</u>	<u>3,511,033</u>	<u>3,511,033</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>4,712,068</u>	<u>0</u>	<u>4,712,068</u>
Received dividends	<u>0</u>	<u>341,933</u>	<u>0</u>	<u>341,933</u>
General and administrative expenses:				
Directors' fees	<u>271,137</u>	<u>0</u>	<u>0</u>	<u>271,137</u>
Benefits to key management personnel	<u>1,255,059</u>	<u>0</u>	<u>0</u>	<u>1,255,059</u>

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

(5) Cash and Cash Equivalents

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

	June 30	
	<u>2022</u>	<u>2021</u>
Cash and cash items	233,461,004	179,803,477
Demand deposits with banks	299,274,455	452,940,676
Time deposits with banks	<u>359,277,277</u>	<u>216,217,561</u>
Total deposits with banks	<u>658,551,732</u>	<u>669,158,237</u>
Less: Deposits with banks, with original maturities greater than three months	<u>195,277,277</u>	<u>186,217,561</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>696,735,459</u>	<u>662,744,153</u>

Demand deposits with banks include cash collateral accounts for B/.53,551,993 (December 31, 2021: B/.25,765,294) that secure derivative operations and the next payments of principal, interest of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	June 30 2022	December 31 2021	June 30 2021
Internal sector:			
Residential mortgages	4,573,087,925	4,527,930,938	4,430,643,761
Personal, auto and credit cards	1,730,146,031	1,707,750,625	1,729,977,546
Commercial mortgages	1,894,665,653	1,919,260,832	1,960,384,472
Lines of credit and commercial loans	1,285,049,477	1,131,776,747	1,120,310,054
Interim financing	317,142,502	378,674,071	451,150,882
Finance leases, net	69,215,502	65,341,390	72,248,674
Other secured loans	201,070,412	202,229,996	189,211,953
Overdrafts	104,139,898	101,481,801	108,981,355
Total internal sector	<u>10,174,517,400</u>	<u>10,034,446,400</u>	<u>10,062,908,697</u>
External sector:			
Residential mortgages	174,780,384	185,841,411	196,694,376
Personal, auto and credit cards	8,388,540	9,253,456	10,398,376
Commercial mortgages	129,423,243	161,100,420	187,017,079
Lines of credit and commercial loans	745,080,205	863,454,316	784,218,501
Other secured loans	10,618,358	10,084,442	12,840,674
Overdrafts	36,535,232	33,598,518	48,345,713
Total external sector	<u>1,104,825,962</u>	<u>1,263,332,563</u>	<u>1,239,514,719</u>
Total	<u>11,279,343,362</u>	<u>11,297,778,963</u>	<u>11,302,423,416</u>

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

	June 30, 2022			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	197,388,884	129,812,916	140,504,262	467,706,062
Transferred to 12-month ECL	21,527,783	(13,153,253)	(8,374,530)	0
Transferred to lifetime ECL not credit-impaired	(10,885,602)	19,779,901	(8,894,299)	0
Transferred to lifetime ECL credit-impaired	(4,349,440)	(9,469,829)	13,819,269	0
Net remeasurement of portfolio	3,024,150	9,555,121	13,486,776	26,066,047
New loans	7,771,575	2,908,329	6,500,377	17,180,281
Loans that have been derecognized	(8,473,622)	(7,438,612)	(15,600,758)	(31,512,992)
Recovery of loan write-off	0	0	17,476,076	17,476,076
Loans written-off	0	0	(13,873,622)	(13,873,622)
Balance at the end of the period	<u>206,003,728</u>	<u>131,994,573</u>	<u>145,043,551</u>	<u>483,041,852</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 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	<u>197,388,884</u>	<u>129,812,916</u>	<u>140,504,262</u>	<u>467,706,062</u>

	June 30, 2021			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	225,723,115	71,959,280	86,113,012	383,795,407
Transferred to 12-month ECL	7,965,663	(6,848,233)	(1,117,430)	0
Transferred to lifetime ECL not credit-impaired	(1,088,174)	7,028,791	(5,940,617)	0
Transferred to lifetime ECL credit-impaired	(5,428,757)	(7,804,179)	13,232,936	0
Net remeasurement of portfolio	(19,950,080)	1,090,604	101,045,005	82,185,529
New loans	4,969,198	1,668,870	3,915,024	10,553,092
Loans that have been derecognized	(4,125,904)	(4,531,338)	(7,162,404)	(15,819,646)
Recovery of loan write-off	0	0	10,615,671	10,615,671
Loans written-off	0	0	(32,183,086)	(32,183,086)
Balance at the end of the period	<u>208,065,061</u>	<u>62,563,795</u>	<u>168,518,111</u>	<u>439,146,967</u>

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/.41,602,643 (December 31, 2021 B/.57,831,652) and (June 30, 2021 B/.116,474,043).

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2022					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Additions	0	0	9,359,697	9,189,802	1,860,903	20,410,402
Sales and disposals	513,130	697,447	84,940	1,162,877	408,607	2,867,001
At the end of the period	<u>32,011,495</u>	<u>136,162,192</u>	<u>172,629,090</u>	<u>121,364,646</u>	<u>46,377,718</u>	<u>508,545,141</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Expense of the period	0	1,774,253	6,394,799	4,181,104	1,084,277	13,434,433
Sales and disposal	0	394,382	84,939	1,162,724	406,903	2,048,948
At the end of the period	<u>0</u>	<u>41,540,669</u>	<u>100,972,845</u>	<u>87,573,696</u>	<u>33,174,178</u>	<u>263,261,388</u>
Net balance	<u>32,011,495</u>	<u>94,621,523</u>	<u>71,656,245</u>	<u>33,790,950</u>	<u>13,203,540</u>	<u>245,283,753</u>

	December 31, 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	<u>32,524,625</u>	<u>136,859,639</u>	<u>163,354,333</u>	<u>113,337,721</u>	<u>44,925,422</u>	<u>491,001,740</u>
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	<u>0</u>	<u>40,160,798</u>	<u>94,662,985</u>	<u>84,555,316</u>	<u>32,496,804</u>	<u>251,875,903</u>
Net balance	<u>32,524,625</u>	<u>96,698,841</u>	<u>68,691,348</u>	<u>28,782,405</u>	<u>12,428,618</u>	<u>239,125,837</u>

	June 30, 2021					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Additions	0	0	10,294,401	2,435,702	548,013	13,278,116
Sales and disposals	41,479	494,940	104,018	1,201,012	232,753	2,074,202
At the end of the period	<u>32,524,625</u>	<u>136,616,037</u>	<u>153,074,431</u>	<u>114,704,960</u>	<u>42,259,866</u>	<u>479,179,919</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	37,058,835	84,121,051	78,790,441	31,171,643	231,141,970
Expense of the period	0	1,751,411	5,415,114	4,140,807	1,008,973	12,316,305
Sales and disposal	0	410,439	104,018	1,197,660	232,753	1,944,870
At the end of the period	<u>0</u>	<u>38,399,807</u>	<u>89,432,147</u>	<u>81,733,588</u>	<u>31,947,863</u>	<u>241,513,405</u>
Net balance	<u>32,524,625</u>	<u>98,216,230</u>	<u>63,642,284</u>	<u>32,971,372</u>	<u>10,312,003</u>	<u>237,666,514</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 <u>2022</u>	December 31 <u>2021</u>	June 30 <u>2021</u>
Cost:			
At the beginning of the period	26,704,514	25,538,433	25,538,433
New contracts	1,145,237	2,379,616	2,005,734
Cancellations	<u>(1,200,010)</u>	<u>(1,213,535)</u>	<u>(366,188)</u>
At the end of the period	<u>26,649,741</u>	<u>26,704,514</u>	<u>27,177,979</u>
Accumulated depreciation:			
At the beginning of the period	9,706,856	7,073,818	7,073,818
Expense of the period	1,685,607	3,566,896	1,807,617
Cancellations	<u>(1,018,124)</u>	<u>(933,858)</u>	<u>(131,828)</u>
At the end of the period	<u>10,374,339</u>	<u>9,706,856</u>	<u>8,749,607</u>
Net balance	<u>16,275,402</u>	<u>16,997,658</u>	<u>18,428,372</u>

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

(9) Goodwill and Intangible Assets, Net

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

<u>Company</u>	<u>Date of acquisition</u>	<u>Participation acquired</u>	<u>% of Acquired Participation</u>	<u>Balance</u>
Banco General, S. A. (1)	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A. (1)	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2)	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A. (1)	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A. (1)	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	<u>291,000</u>
Total				<u>41,382,499</u>

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

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

Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

	<u>June 30, 2022</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the period	<u>41,382,499</u>	<u>47,462,084</u>	<u>88,844,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	37,297,784	37,297,784
Amortization of the period	<u>0</u>	<u>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>38,606,480</u>	<u>38,606,480</u>
Net balance at the end of the period	<u>41,382,499</u>	<u>8,855,604</u>	<u>50,238,103</u>
	<u>December 31, 2021</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the year	41,489,737	47,462,084	88,951,821
Impairment loss	<u>(107,238)</u>	<u>0</u>	<u>(107,238)</u>
Net balance at the end of the year	<u>41,382,499</u>	<u>47,462,084</u>	<u>88,844,583</u>
Accumulated amortization:			
Balance at the beginning of the year	0	34,680,392	34,680,392
Amortization of the year	<u>0</u>	<u>2,617,392</u>	<u>2,617,392</u>
Balance at the end of the year	<u>0</u>	<u>37,297,784</u>	<u>37,297,784</u>
Net balance at the end of the year	<u>41,382,499</u>	<u>10,164,300</u>	<u>51,546,799</u>
	<u>June 30, 2021</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,489,737</u>	<u>47,462,084</u>	<u>88,951,821</u>
Accumulated amortization:			
Balance at the beginning of the period	0	34,680,392	34,680,392
Amortization of the period	<u>0</u>	<u>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>35,989,088</u>	<u>35,989,088</u>
Net balance at the end of the period	<u>41,489,737</u>	<u>11,472,996</u>	<u>52,962,733</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of June 30, 2022, no evaluation was necessary.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	<u>Level</u>	<u>June 30 2022</u>	<u>December 31 2021</u>	<u>June 30 2021</u>
Bonds of the US Government	1	6,321,070	0	0
Mortgage Backed Securities (MBS)	2	<u>98,142,398</u>	<u>83,296,219</u>	<u>90,089,318</u>
Total		<u>104,463,468</u>	<u>83,296,219</u>	<u>90,089,318</u>

See the description of the levels in Note 19.

(11) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	<u>June 30 2022</u>	<u>December 31 2021</u>	<u>June 30 2021</u>
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	0	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	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000	537,217,000
Borrowings with maturity in 2021, at interest rates of 6 and 12 month Libor plus a margin	0	0	26,000,000
Borrowings with maturity in 2022, at interest rates of 12 month Libor plus a margin	5,000,000	5,000,000	0
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	1,987,148	2,469,522	2,893,507
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	0	2,272,387	2,514,121
Notes with maturities in 2024, at a fixed interest rate	45,000,000	55,000,000	130,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Subtotal of borrowings and debt securities issued	866,884,148	879,638,909	976,379,628
Revaluation coverage	<u>8,817,320</u>	<u>14,007,166</u>	<u>21,609,029</u>
Total borrowings and debt securities issued, net	<u>875,701,468</u>	<u>893,646,075</u>	<u>997,988,657</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	June 30	
	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	893,646,075	1,076,468,583
Redemption of debt securities issued and cancellation of borrowings	(12,754,761)	(67,424,282)
Revaluation coverage	<u>(5,189,846)</u>	<u>(11,055,644)</u>
Balance at the end of the period	<u>875,701,468</u>	<u>997,988,657</u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	June 30	December 31	June 30
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Balance at the beginning of the period	18,545,622	19,696,316	19,696,316
New contracts	1,145,237	2,379,616	2,005,734
Payments	(1,600,361)	(3,233,085)	(1,626,951)
Cancellations	<u>(189,869)</u>	<u>(297,225)</u>	<u>(251,908)</u>
Balance at the end of the period	<u>17,900,629</u>	<u>18,545,622</u>	<u>19,823,191</u>

Interest expense on lease liabilities for B/.397,032 (2021: B/.441,263) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Reserves of insurance operations amounted to B/.19,744,340 (December 31, 2021: B/.19,702,364) and (June 30, 2021: B/.19,106,760) and are comprised of unearned premiums and estimated insurance claims incurred.

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

	June 30 2022	December 31 2021	June 30 2021
Unearned Premiums			
Balance at the beginning of the period	20,473,022	21,103,378	21,103,378
Issued premiums	23,142,272	40,003,701	20,624,022
Earned premiums	<u>(21,585,027)</u>	<u>(40,634,057)</u>	<u>(20,657,344)</u>
Balance at the end of the period	22,030,267	20,473,022	21,070,056
Reinsurers participation	<u>(5,022,675)</u>	<u>(3,990,237)</u>	<u>(4,646,158)</u>
Unearned premiums, net	<u>17,007,592</u>	<u>16,482,785</u>	<u>16,423,898</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	4,574,850	3,413,785	3,413,785
Incurred claims	4,730,279	13,093,422	7,331,804
Paid claims	<u>(5,307,674)</u>	<u>(11,932,357)</u>	<u>(5,719,464)</u>
Balance at the end of the period	3,997,455	4,574,850	5,026,125
Reinsurer participation	<u>(1,260,707)</u>	<u>(1,355,271)</u>	<u>(2,343,263)</u>
Estimated insurance claims incurred, net	<u>2,736,748</u>	<u>3,219,579</u>	<u>2,682,862</u>
Total reserves of insurance operations	<u>19,744,340</u>	<u>19,702,364</u>	<u>19,106,760</u>

(14) Segment Information

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

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

Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of food vouchers, asset management and securities brokerage

Insurance and Reinsurance

Insurance and reinsurance of policies of general lines, collective life and various risks

Pension and Retirement Fund

Administration of pension and retirement, severance and investment funds

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

			<u>June 30, 2022</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	464,748,381	3,364,504	769,545	2,563,769	466,318,661
Interest and provision expenses	160,620,798	23,288	0	2,563,769	158,080,317
Other income, net	35,141,929	14,826,219	7,690,683	5,634	57,653,197
General and administrative expenses	138,269,004	1,382,673	2,575,046	5,634	142,221,089
Depreciation and amortization expense	14,977,506	6,887	135,647	0	15,120,040
Equity participation in associates	8,683,354	0	0	0	8,683,354
Net income before income tax	194,706,356	16,777,875	5,749,535	0	217,233,766
Net Income tax, estimated	26,650,633	2,845,750	1,300,628	0	30,797,011
Net Income tax, deferred	(4,605,145)	0	0	0	(4,605,145)
Net Income tax	22,045,488	2,845,750	1,300,628	0	26,191,866
Net income	172,660,868	13,932,125	4,448,907	0	191,041,900
Total assets	18,218,548,390	320,835,171	54,633,178	232,848,628	18,361,168,111
Total liabilities	16,105,416,230	52,228,012	5,294,574	213,442,566	15,949,496,250

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

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

		<u>June 30, 2022</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	474,487,294	46,098,303	12,069,615	532,655,212
Non-financial	292,017,182	3,504,674	0	295,521,856

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	<u>June 30, 2021</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	<u>464,483,765</u>	<u>48,101,654</u>	<u>51,682,501</u>	<u>564,267,920</u>
Non-financial	<u>286,870,570</u>	<u>3,758,677</u>	<u>0</u>	<u>290,629,247</u>

(15) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (December 31, 2021: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (December 31, 2021: 9,787,108 common shares).

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

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

	<u>June 30, 2022</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	3,639,828	11,771,900	0	0	149,289,204
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	36,722,876	36,722,876
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>3,639,828</u>	<u>11,771,900</u>	<u>1,794,475</u>	<u>36,722,876</u>	<u>206,183,459</u>

	<u>December 31, 2021</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	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.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>1,794,475</u>	<u>0</u>	<u>6,746,325</u>
Total	<u>152,254,380</u>	<u>2,665,161</u>	<u>7,610,900</u>	<u>1,794,475</u>	<u>35,557,503</u>	<u>199,882,419</u>
Transfer from retained earnings of the period	<u>0</u>	<u>974,667</u>	<u>4,161,000</u>	<u>0</u>	<u>1,165,373</u>	<u>6,301,040</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(15) Equity, continued

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.

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.606,519 (2021: B/.627,164). These options may be exercised by the executives until the year 2029.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended June 30, 2022 and 2021.

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/.43,290 (2021: B/.40,800) and the disbursements to former employees who are covered under the retirement plan amount to B/.78,088 (2021: B/.80,238).

(17) Income Tax

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

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

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

Net income tax is detailed as follows:

	<u>2nd Quarter</u> <u>June 30</u>		<u>Accumulated</u> <u>June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Estimated income tax	16,255,378	13,650,506	31,038,884	24,047,131
Prior year income tax adjustments	(181,405)	0	(241,873)	(542,591)
Deferred income tax	<u>1,485,900</u>	<u>(7,429,153)</u>	<u>(4,605,145)</u>	<u>(11,441,920)</u>
Total income tax, net	<u>17,559,873</u>	<u>6,221,353</u>	<u>26,191,866</u>	<u>12,062,620</u>

(18) Derivative Financial Instruments

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

Below is the summary of derivative contracts is as follow:

	Total		Exchange-Traded		Over the Counter (OTC)			
	Notional Value	Book Value	Notional Value	Book Value	Liquidated in a securities exchange		Other bilateral counterparts	
					Notional Value	Book Value	Notional Value	Book Value
<u>June 30, 2022</u>								
Derivative assets	1,327,219,029	47,671,189	99,765,440	0	584,488,404	39,441,561	642,965,185	8,229,628
Derivative liabilities	1,391,820,410	37,210,532	395,734,881	0	335,561,068	31,710,265	660,524,461	5,500,267
<u>December 31, 2021</u>								
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
<u>June 30, 2021</u>								
Derivative assets	1,430,956,660	34,466,827	194,500,000	0	346,550,051	4,797,096	889,906,609	29,669,731
Derivative liabilities	948,266,529	11,737,054	306,417,330	0	114,781,663	4,441,458	527,067,536	7,295,596

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA and A- (December 31, 2021: AAA a AA-) and (June 30, 2021: AA a BBB+), which support derivative operations in the amount of B/.37.7MM (December 31, 2021: B/.19.4MM) and (June 30, 2021: B/.18.9MM).

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

Other Derivatives classified by Risk:

	June 30, 2022		December 31, 2021		June 30, 2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Others derivatives:						
Credit	448,642	7,965,475	1,942,548	1,719,786	1,614,289	1,102,236
Interest	35,614,813	28,307,910	6,654,943	5,025,807	4,478,612	4,376,385
Currency	6,531	3,211	5,782	3,803	16,519	9,310
Total	36,069,986	36,276,596	8,603,273	6,749,396	6,109,420	5,487,931

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Hedge Derivatives for Risk Management:

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Exposure to risk:						
Interest rate						
Fair value hedge	7,049,054	0	14,024,134	0	21,409,130	5,238,627
Others	<u>70,698</u>	<u>525,791</u>	<u>0</u>	<u>5,252,274</u>	<u>0</u>	<u>278,614</u>
Total interest rate	<u>7,119,752</u>	<u>525,791</u>	<u>14,024,134</u>	<u>5,252,274</u>	<u>21,409,130</u>	<u>5,517,241</u>
Currency						
Others	<u>4,481,451</u>	<u>320,979</u>	<u>307,040</u>	<u>2,512,351</u>	<u>6,948,277</u>	<u>110,472</u>
Total Currency	<u>4,481,451</u>	<u>320,979</u>	<u>307,040</u>	<u>2,512,351</u>	<u>6,948,277</u>	<u>110,472</u>
Credit						
Others	<u>0</u>	<u>87,166</u>	<u>0</u>	<u>503,310</u>	<u>0</u>	<u>621,410</u>
Total Credit	<u>0</u>	<u>87,166</u>	<u>0</u>	<u>503,310</u>	<u>0</u>	<u>621,410</u>
Total derivatives for risk exposure	<u>11,601,203</u>	<u>933,936</u>	<u>14,331,174</u>	<u>8,267,935</u>	<u>28,357,407</u>	<u>6,249,123</u>

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

	<u>June 30, 2022</u>				
<u>Risk Category</u>	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	20,000,000	40,000,000
Average interest rate				1.66%	5.19%

	<u>December 31, 2021</u>				
<u>Risk Category</u>	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
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%

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>June 30, 2021</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	7,250,000	0	19,724,865
Average interest rate			7.60%		6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	65,000,000	250,000,000
Average interest rate				1.19%	1.83%

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

	<u>June 30, 2022</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	60,000,000	7,049,054	0	Other assets (liabilities)	0
Total interest rate risk	60,000,000	7,049,054	0		

	<u>December 31, 2021</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	20,000,000	16,968	0	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	250,000,000	14,007,166	0	Other assets (liabilities)	0
Total interest rate risk	270,000,000	14,024,134	0		

	<u>June 30, 2021</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	26,974,865	0	5,238,627	Other assets (liabilities)	0
Interest rate derivatives – Bonds and notes Hedge	315,000,000	21,409,130	0	Other assets (liabilities)	0
Total interest rate risk	341,974,865	21,409,130	5,238,627		

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

<u>June 30, 2022</u>							
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	<u>52,372,000</u>		<u>0</u>	<u>5,159,311</u>	Investment securities FVOCI	<u>0</u>	<u>0</u>
<u>December 31, 2021</u>							
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	20,925,000		0	16,968	Investment securities FVOCI	0	0
Bonds and notes		<u>250,000,000</u>	<u>0</u>	<u>14,007,166</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>
<u>June 30, 2021</u>							
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	28,686,392		5,237,972	0	Investment securities FVOCI	0	0
Bonds and notes		315,000,000	<u>0</u>	<u>21,609,029</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

		June 30, 2022			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	448,642	0	448,642	
Interest	0	35,614,813	0	35,614,813	
Currency	0	6,531	0	6,531	
Total	0	36,069,986	0	36,069,986	
Hedge derivatives for risk management:					
Interest	0	7,119,752	0	7,119,752	
Currency	0	4,481,451	0	4,481,451	
Total	0	11,601,203	0	11,601,203	
Total derivatives assets	0	47,671,189	0	47,671,189	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	7,965,475	0	7,965,475	
Interest	183,948	28,123,962	0	28,307,910	
Currency	0	3,211	0	3,211	
Total	183,948	36,092,648	0	36,276,596	
Hedge derivatives for risk management:					
Credit	0	87,166	0	87,166	
Interest	0	525,791	0	525,791	
Currency	0	320,979	0	320,979	
Total	0	933,936	0	933,936	
Total derivatives liabilities	183,948	37,026,584	0	37,210,532	
		December 31, 2021			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
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 derivatives 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	
<u>Liabilities</u>					
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 derivatives 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 derivatives liabilities	6,875	15,010,456	0	15,017,331	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Other derivatives:				
Credit	0	1,614,289	0	1,614,289
Interest	0	4,478,612	0	4,478,612
Currency	0	16,519	0	16,519
Total	0	6,109,420	0	6,109,420
Hedge derivatives for risk management:				
Interest	0	21,409,130	0	21,409,130
Currency	0	6,948,277	0	6,948,277
Total	0	28,357,407	0	28,357,407
Total derivatives assets	0	34,466,827	0	34,466,827
<u>Liabilities</u>				
Other derivatives:				
Credit	0	1,102,236	0	1,102,236
Interest	0	4,376,385	0	4,376,385
Currency	0	9,310	0	9,310
Total	0	5,487,931	0	5,487,931
Hedge derivatives for risk management:				
Credit	0	621,410	0	621,410
Interest	0	5,517,241	0	5,517,241
Currency	0	110,472	0	110,472
Total	0	6,249,123	0	6,249,123
Total derivatives liabilities	0	11,737,054	0	11,737,054

(19) Fair Value of Financial Instruments

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	54,679,319	0	0	54,679,319
Bonds of the Republic of Panama	2,877,600	0	2,877,600	0
Local Corporate Shares	39,775,784	0	0	39,775,784
Foreign Treasury Bills	247,333	247,333	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	427,572,679	0	427,572,679	0
Asset Backed Securities (ABS)	75,719,040	0	75,719,040	0
Foreign Corporate Bonds and Fixed Income Funds	167,362,347	0	5,549,097	161,813,250
Foreign Share capital and Variable Income Mutual Funds	129,789	0	0	129,789
Total	<u>768,363,891</u>	<u>247,333</u>	<u>511,718,416</u>	<u>256,398,142</u>
	December 31			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>1,022,366,494</u>	<u>254,042</u>	<u>754,251,202</u>	<u>267,861,250</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	June 30			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	24,605,959	0	19,283,900	5,322,059
Local Corporate Bonds	1,095,852,278	0	400,067,018	695,785,260
Bonds of the Republic of Panama	89,280,186	0	89,280,186	0
Bonds of the US Government	201,953,659	201,953,659	0	0
Foreign Commercial Paper and Treasury Bills	369,297,104	278,214,926	91,082,178	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,187,490,516	0	1,187,490,516	0
Asset Backed Securities (ABS)	201,722,622	0	201,107,409	615,213
Foreign Corporate Bonds	1,375,187,766	0	1,375,187,766	0
Bonds of Other Governments	36,122,204	0	36,122,204	0
Total	<u>4,581,512,294</u>	<u>480,168,585</u>	<u>3,399,621,177</u>	<u>701,722,532</u>

	December 31			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>5,030,577,545</u>	<u>836,768,112</u>	<u>3,528,861,250</u>	<u>664,948,183</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30			
	2021	Level 1	Level 2	Level 3
Local Commercial Paper	1,953,683	0	0	1,953,683
Local Corporate Bonds	1,127,407,956	0	392,315,988	735,091,968
Bonds of the Republic of Panama	114,826,372	0	114,826,372	0
Bonds of the US Government and Agency	148,126,659	147,134,909	991,750	0
Foreign Commercial Paper and Treasury Bills	587,058,532	509,632,233	77,426,299	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,257,968,016	0	1,257,968,016	0
Asset Backed Securities (ABS)	199,531,342	0	199,531,342	0
Foreign Corporate Bonds	1,304,247,750	0	1,304,247,750	0
Bonds of Other Governments	61,432,025	0	61,432,025	0
Total	4,802,552,335	656,767,142	3,408,739,542	737,045,651

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, 2021	267,861,250	664,948,183	932,809,433
Loss recognized in income	(14,502,077)	(21,741)	(14,523,818)
Loss recognized in equity	0	(42,378,129)	(42,378,129)
Purchases	23,516,874	144,594,826	168,111,700
Amortization, sales and redemptions	(20,477,905)	(65,420,607)	(85,898,512)
June 30, 2022	256,398,142	701,722,532	958,120,674
Total loss related to instruments held as of June 30, 2022	(14,519,710)	(42,209,232)	(56,728,942)
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 gain related to instruments held as of December 31, 2021	4,645,900	1,553,645	6,199,545
December 31, 2020	212,951,434	771,860,567	984,812,001
Gain recognized in income	2,800,008	0	2,800,008
Loss recognized in equity	0	(4,250,676)	(4,250,676)
Purchases	6,263,466	63,977,880	70,241,346
Amortization, sales and redemptions	(12,529,186)	(91,942,120)	(104,471,306)
Transfers from level 3	0	(2,600,000)	(2,600,000)
June 30, 2021	209,485,722	737,045,651	946,531,373
Total gain (loss) related to instruments held as of June 30, 2021	3,691,950	(3,451,646)	240,304

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

<u>Instruments</u>	<u>Valuation technique</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>			<u>Fair value sensitivity to unobservable inputs</u>
			<u>June 30 2022</u>	<u>December 31 2021</u>	<u>June 30 2021</u>	
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 5.77% Max 8.18%	Min 5.77% Max 8.18%	Min 4.75% Max 11.11%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Min (54.09%) Max 239.91%	Min (54.09%) Max 239.91%	Min (120.34%) Max 3714.09%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Min 0.36% Max 20.81% Ave 3.71%	Min 1.09% Max 17.12% Ave 2.61%	Min 1.09% Max 13.07% Ave 2.62%	If the credit spreads increase, the price decreases and vice versa

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

The Bank considers that its methodologies for valuation of investments classified as Level 3 are appropriate; however, the use of different estimates for the unobservable inputs could lead to different measurements of fair value. For investments classified in Level 3, adjustments to the credit spread (in the case of fixed income) and to the equity risk premium (in the case of the corporate shares) of +50bp and -50bp would result in favorable and unfavorable impacts in the Bank's statement of income and equity, as described below:

	<u>June 30, 2022</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	77,281	(75,515)	12,055,042	(12,242,093)
Corporate Shares	3,468,096	(2,873,271)	0	0
Total	3,545,377	(2,948,786)	12,055,042	(12,242,093)

	<u>December 31, 2021</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	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)

	<u>June 30, 2021</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	4,165	(12,221)	7,556,087	(7,550,276)
Corporate Shares	2,188,289	(1,841,353)	0	0
Total	2,192,454	(1,853,574)	7,556,087	(7,550,276)

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(a) Investments and other financial assets

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

(b) Loans

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

(c) Demand deposits from customers/savings deposits from customers

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 condensed consolidated statement of financial position:

	June 30, 2022		December 31, 2021		June 30, 2021	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets:						
Time deposits with banks	359,277,277	358,582,946	194,252,658	195,440,521	216,217,561	217,261,484
Investments at amortized cost, net	137,528,407	137,555,760	122,185,542	122,207,361	37,359,009	37,364,754
Loans, net	<u>10,759,700,177</u>	<u>10,743,957,999</u>	<u>10,793,980,833</u>	<u>10,723,349,532</u>	<u>10,826,986,476</u>	<u>10,766,258,317</u>
	<u>11,256,505,861</u>	<u>11,240,096,705</u>	<u>11,110,419,033</u>	<u>11,040,997,414</u>	<u>11,080,563,046</u>	<u>11,020,884,555</u>
Liabilities:						
Deposits	13,478,333,615	13,488,814,456	13,800,611,671	13,848,788,141	13,594,369,604	13,653,764,707
Borrowings, debt securities issued and perpetual bonds	<u>1,275,701,468</u>	<u>1,206,029,451</u>	<u>1,293,646,075</u>	<u>1,307,365,910</u>	<u>1,397,988,657</u>	<u>1,421,966,315</u>
	<u>14,754,035,083</u>	<u>14,694,843,907</u>	<u>15,094,257,746</u>	<u>15,156,154,051</u>	<u>14,992,358,261</u>	<u>15,075,731,022</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 2022	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	358,582,946	0	0	358,582,946
Investments at amortized cost, net	137,555,760	0	135,100,000	2,455,760
Loans, net	<u>10,743,957,999</u>	<u>0</u>	<u>0</u>	<u>10,743,957,999</u>
	<u>11,240,096,705</u>	<u>0</u>	<u>135,100,000</u>	<u>11,104,996,705</u>
<u>Liabilities:</u>				
Deposits	13,488,814,456	0	0	13,488,814,456
Borrowings, debt securities issued and perpetual bonds	<u>1,206,029,451</u>	<u>0</u>	<u>0</u>	<u>1,206,029,451</u>
	<u>14,694,843,907</u>	<u>0</u>	<u>0</u>	<u>14,694,843,907</u>
	December 31 2021	Level 1	Level 2	Level 3
<u>Assets:</u>				
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	<u>10,723,349,532</u>	<u>0</u>	<u>0</u>	<u>10,723,349,532</u>
	<u>11,040,997,414</u>	<u>0</u>	<u>119,200,000</u>	<u>10,921,797,414</u>
<u>Liabilities:</u>				
Deposits	13,848,788,141	0	0	13,848,788,141
Borrowings, debt securities issued and perpetual bonds	<u>1,307,365,910</u>	<u>0</u>	<u>0</u>	<u>1,307,365,910</u>
	<u>15,156,154,051</u>	<u>0</u>	<u>0</u>	<u>15,156,154,051</u>
	June 30 2021	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	217,261,484	0	0	217,261,484
Investments at amortized cost, net	37,364,754	0	36,400,000	964,754
Loans, net	<u>10,766,258,317</u>	<u>0</u>	<u>0</u>	<u>10,766,258,317</u>
	<u>11,020,884,555</u>	<u>0</u>	<u>36,400,000</u>	<u>10,984,484,555</u>
<u>Liabilities:</u>				
Deposits	13,653,764,707	0	0	13,653,764,707
Borrowings, debt securities issued and perpetual bonds	<u>1,421,966,315</u>	<u>0</u>	<u>0</u>	<u>1,421,966,315</u>
	<u>15,075,731,022</u>	<u>0</u>	<u>0</u>	<u>15,075,731,022</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the 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 policies and limits in order to control and manage these risks. There is also an Audit Committee, composed of members of the Bank's Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

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

(a) *Credit Risk*

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2022 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	8,898,530	162,334	0	9,060,864
Grade 2: Special mention	55,368	1,136,292	11,734	1,203,394
Grade 3: Sub-standard	40,197	120,229	523,012	683,438
Grade 4: Doubtful	4,143	5,464	122,626	132,233
Grade 5: Uncollectible	9,037	2,423	118,738	130,198
Gross amount	9,007,275	1,426,742	776,110	11,210,127
Loan losses allowance	(204,808)	(131,664)	(144,572)	(481,044)
Net carrying amount	<u>8,802,467</u>	<u>1,295,078</u>	<u>631,538</u>	<u>10,729,083</u>
<u>Finance leases</u>				
Grade 1: Standard	61,486	246	0	61,732
Grade 2: Special mention	86	3,639	0	3,725
Grade 3: Sub-standard	124	1,915	1,246	3,285
Grade 4: Doubtful	16	0	129	145
Grade 5: Uncollectible	0	0	329	329
Gross amount	61,712	5,800	1,704	69,216
Loan losses allowance	(1,196)	(331)	(471)	(1,998)
Net carrying amount	<u>60,516</u>	<u>5,469</u>	<u>1,233</u>	<u>67,218</u>
Total loans	<u>9,068,987</u>	<u>1,432,542</u>	<u>777,814</u>	<u>11,279,343</u>
Loan losses allowance	<u>(206,004)</u>	<u>(131,995)</u>	<u>(145,043)</u>	<u>(483,042)</u>
Net carrying amount	<u>8,862,983</u>	<u>1,300,547</u>	<u>632,771</u>	<u>10,796,301</u>
<u>Restructured loans</u>				
Gross amount	88,875	809,507	358,517	1,256,899
Loan losses allowance	(1,416)	(17,721)	(65,809)	(84,946)
Net carrying amount	<u>87,459</u>	<u>791,786</u>	<u>292,708</u>	<u>1,171,953</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2021 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	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	<u>7,977</u>	<u>1,183</u>	<u>105,966</u>	<u>115,126</u>
Gross amount	9,083,976	1,470,186	678,276	11,232,438
Loan losses allowance	<u>(196,386)</u>	<u>(129,687)</u>	<u>(139,618)</u>	<u>(465,691)</u>
Net carrying amount	<u>8,887,590</u>	<u>1,340,499</u>	<u>538,658</u>	<u>10,766,747</u>
<u>Finance leases</u>				
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	<u>0</u>	<u>0</u>	<u>711</u>	<u>711</u>
Gross amount	58,684	3,857	2,800	65,341
Loan losses allowance	<u>(1,003)</u>	<u>(126)</u>	<u>(886)</u>	<u>(2,015)</u>
Net carrying amount	<u>57,681</u>	<u>3,731</u>	<u>1,914</u>	<u>63,326</u>
Total loans	<u>9,142,660</u>	<u>1,474,043</u>	<u>681,076</u>	<u>11,297,779</u>
Loan losses allowance	<u>(197,389)</u>	<u>(129,813)</u>	<u>(140,504)</u>	<u>(467,706)</u>
Net carrying amount	<u>8,945,271</u>	<u>1,344,230</u>	<u>540,572</u>	<u>10,830,073</u>
<u>Restructured loans</u>				
Gross amount	87,824	723,633	297,113	1,108,570
Loan losses allowance	<u>(6,841)</u>	<u>(57,663)</u>	<u>(67,869)</u>	<u>(132,373)</u>
Net carrying amount	<u>80,983</u>	<u>665,970</u>	<u>229,244</u>	<u>976,197</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30, 2021 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,688,123	234,956	86,819	10,009,898
Grade 2: Special mention	39,558	580,104	14,202	633,864
Grade 3: Sub-standard	3,037	82,107	346,277	431,421
Grade 4: Doubtful	532	213	57,175	57,920
Grade 5: Uncollectible	<u>5,468</u>	<u>164</u>	<u>91,440</u>	<u>97,072</u>
Gross amount	9,736,718	897,544	595,913	11,230,175
Loan losses allowance	<u>(207,742)</u>	<u>(62,256)</u>	<u>(167,132)</u>	<u>(437,130)</u>
Net carrying amount	<u>9,528,976</u>	<u>835,288</u>	<u>428,781</u>	<u>10,793,045</u>
<u>Finance leases</u>				
Grade 1: Standard	61,062	974	131	62,167
Grade 2: Special mention	252	3,222	0	3,474
Grade 3: Sub-standard	46	1,327	4,178	5,551
Grade 4: Doubtful	26	15	397	438
Grade 5: Uncollectible	<u>7</u>	<u>13</u>	<u>598</u>	<u>618</u>
Gross amount	61,393	5,551	5,304	72,248
Loan losses allowance	<u>(323)</u>	<u>(308)</u>	<u>(1,386)</u>	<u>(2,017)</u>
Net carrying amount	<u>61,070</u>	<u>5,243</u>	<u>3,918</u>	<u>70,231</u>
Total loans	<u>9,798,111</u>	<u>903,095</u>	<u>601,217</u>	<u>11,302,423</u>
Loan losses allowance	<u>(208,065)</u>	<u>(62,564)</u>	<u>(168,518)</u>	<u>(439,147)</u>
Net carrying amount	<u>9,590,046</u>	<u>840,531</u>	<u>432,699</u>	<u>10,863,276</u>
<u>Restructured loans</u>				
Gross amount	28,744	41,321	136,658	206,723
Loan losses allowance	<u>(313)</u>	<u>(2,262)</u>	<u>(40,708)</u>	<u>(43,283)</u>
Net carrying amount	<u>28,431</u>	<u>39,059</u>	<u>95,950</u>	<u>163,440</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2022		Total
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
Current	9,784,555,356	755,419,259	10,539,974,615
From 31 to 90 days	372,373,510	9,247,373	381,620,883
More than 90 days (capital or interest)	339,052,093	5,208,206	344,260,299
More than 30 days past due (capital at maturity)	13,456,778	30,787	13,487,565
Total	<u>10,509,437,737</u>	<u>769,905,625</u>	<u>11,279,343,362</u>

	December 31, 2021		Total
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
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	<u>10,442,193,198</u>	<u>855,585,765</u>	<u>11,297,778,963</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management, continued

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.39,905,573 (December 31, 2021: B/.43,018,755) and (June 30, 2021: B/.38,095,638) which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>June 30, 2022 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	135,100,000	0	0	0	135,100,000
Lower than BBB-	<u>2,455,760</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,455,760</u>
Carrying amount	<u>137,555,760</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,555,760</u>
Loss allowance	<u>(27,353)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,353)</u>
Total carrying amount, net	<u><u>137,528,407</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>137,528,407</u></u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	553,862,820	0	0	0	553,862,820
Lower than BBB-	<u>635,269,595</u>	<u>8,360,104</u>	<u>12,245,904</u>	<u>0</u>	<u>655,875,603</u>
Carrying amount	<u>1,189,132,415</u>	<u>8,360,104</u>	<u>12,245,904</u>	<u>0</u>	<u>1,209,738,423</u>
Valuation of credit risk	<u>(2,800,585)</u>	<u>(558,073)</u>	<u>(1,690,644)</u>	<u>0</u>	<u>(5,049,302)</u>
<i>Foreign:</i>					
AAA	1,811,487,759	0	0	0	1,811,487,759
AA+ to BBB-	1,275,817,975	0	0	0	1,275,817,975
Lower than BBB-	269,725,833	13,959,090	86,172	363,542	284,134,637
NR	<u>0</u>	<u>333,500</u>	<u>0</u>	<u>0</u>	<u>333,500</u>
Carrying amount	<u>3,357,031,567</u>	<u>14,292,590</u>	<u>86,172</u>	<u>363,542</u>	<u>3,371,773,871</u>
Valuation of credit risk	<u>(10,211,543)</u>	<u>(8,943,225)</u>	<u>(6,426)</u>	<u>(22,857)</u>	<u>(19,184,051)</u>
Total carrying amount	<u><u>4,546,163,982</u></u>	<u><u>22,652,694</u></u>	<u><u>12,332,076</u></u>	<u><u>363,542</u></u>	<u><u>4,581,512,294</u></u>
Total valuation of credit risk	<u><u>(13,012,128)</u></u>	<u><u>(9,501,298)</u></u>	<u><u>(1,697,070)</u></u>	<u><u>(22,857)</u></u>	<u><u>(24,233,353)</u></u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,877,600				
Lower than BBB-	<u>54,679,319</u>				
Carrying amount	<u>57,556,919</u>				
<i>Foreign:</i>					
AAA	352,432,644				
AA+ to BBB-	267,991,964				
Lower than BBB-	47,478,170				
NR	<u>2,998,621</u>				
Carrying amount	<u>670,901,399</u>				
Total carrying amount	<u><u>728,458,318</u></u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

		December 31, 2021			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	119,200,000	0	0	0	119,200,000
Lower than BBB-	<u>3,007,361</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,007,361</u>
Carrying amount	<u>122,207,361</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>122,207,361</u>
Loss allowance	<u>(21,819)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,819)</u>
Total carrying amount, net	<u>122,185,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>122,185,542</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	602,798,599	0	0	0	602,798,599
Lower than BBB-	<u>558,917,490</u>	<u>8,984,289</u>	<u>12,741,630</u>	<u>0</u>	<u>580,643,409</u>
Carrying amount	<u>1,161,716,089</u>	<u>8,984,289</u>	<u>12,741,630</u>	<u>0</u>	<u>1,183,442,008</u>
Valuation of credit risk	<u>(1,923,040)</u>	<u>(563,828)</u>	<u>(1,779,625)</u>	<u>0</u>	<u>(4,266,493)</u>
<i>Foreign:</i>					
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-	<u>243,881,367</u>	<u>10,952,982</u>	<u>105,894</u>	<u>432,985</u>	<u>255,373,228</u>
Carrying amount	<u>3,835,643,676</u>	<u>10,952,982</u>	<u>105,894</u>	<u>432,985</u>	<u>3,847,135,537</u>
Valuation of credit risk	<u>(5,243,542)</u>	<u>(11,313)</u>	<u>(957)</u>	<u>0</u>	<u>(5,255,812)</u>
Total carrying amount	<u>4,997,359,765</u>	<u>19,937,271</u>	<u>12,847,524</u>	<u>432,985</u>	<u>5,030,577,545</u>
Total valuation of credit risk	<u>(7,166,582)</u>	<u>(575,141)</u>	<u>(1,780,582)</u>	<u>0</u>	<u>(9,522,305)</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,078,478				
Lower than BBB-	<u>58,912,965</u>				
Carrying amount	<u>60,991,443</u>				
<i>Foreign:</i>					
AAA	365,481,523				
AA+ to BBB-	435,106,393				
Lower than BBB-	114,329,948				
NR	<u>3,438,432</u>				
Carrying amount	<u>918,356,296</u>				
Total carrying amount	<u>979,347,739</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management, continued

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

	<u>June 30, 2022</u>				
	<u>12-month ECL</u>	<u>Lifetime ECL not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
Balance at the beginning of the period	7,166,582	575,141	1,780,582	0	9,522,305
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(63,313)	63,313	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	4,325,608	8,872,401	(83,457)	22,857	13,137,409
New investment securities purchased	2,502,399	0	0	0	2,502,399
Investment securities that have been derecognized	(919,150)	(9,555)	(55)	0	(928,760)
Balance at the end of the period	<u>13,012,126</u>	<u>9,501,300</u>	<u>1,697,070</u>	<u>22,857</u>	<u>24,233,353</u>

	<u>December 31, 2021</u>				
	<u>12-month ECL</u>	<u>Lifetime ECL not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
Balance at the beginning of the year	6,527,145	535,652	7,562,805	0	14,625,602
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(1,821)	1,821	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(79,156)	61,808	(3,881,353)	0	(3,898,701)
New investment securities purchased	2,816,804	0	0	0	2,816,804
Investment securities that have been derecognized	(2,096,390)	(24,140)	(1,900,870)	0	(4,021,400)
Balance at the end of the year	<u>7,166,582</u>	<u>575,141</u>	<u>1,780,582</u>	<u>0</u>	<u>9,522,305</u>

	<u>June 30, 2021</u>				
	<u>12-month ECL</u>	<u>Lifetime ECL not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
Balance at the beginning of the period	6,527,145	535,652	7,562,805	0	14,625,602
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(1,821)	1,821	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(383,186)	69,277	(280,713)	0	(594,622)
New investment securities purchased	1,893,395	41,069	0	0	1,934,464
Investment securities that have been derecognized	(1,088,982)	(1,228)	0	0	(1,090,210)
Balance at the end of the period	<u>6,946,551</u>	<u>646,591</u>	<u>7,282,092</u>	<u>0</u>	<u>14,875,234</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of June 30, 2022, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2021.

Regulatory Reserves

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

Dynamic Provision

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

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

	June 30 <u>2022</u>	December 31 <u>2021</u>	June 30 <u>2021</u>
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>4,951,850</u>	<u>4,951,850</u>
Total	<u>152,254,380</u>	<u>152,254,380</u>	<u>152,254,380</u>

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

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