

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

**Condensed Consolidated Interim
Financial Information**

September 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

September 30, 2022, December 31, 2021 and September 30, 2021

(Expressed in Balboas)

| | | (Unaudited) September 2022 | (Audited) December 2021 | (Unaudited) September 2021 |
|-----------------------------------------------------------------------------------------------------|-------------|----------------------------------|-------------------------------|----------------------------------|
| Assets | Note | | | |
| Cash and cash items | 5 | 242,860,386 | 167,237,035 | 213,224,085 |
| Deposits with banks: | | | | |
| Demand deposits | | 334,672,808 | 283,964,475 | 423,802,002 |
| Time deposits | | 92,904,781 | 194,252,658 | 176,214,178 |
| Accrued interest receivable | | 1,565,776 | 1,817,299 | 1,965,231 |
| Total deposits with banks | | 429,143,365 | 480,034,432 | 601,981,411 |
| Total cash, cash items and deposits with banks | | 672,003,751 | 647,271,467 | 815,205,496 |
| Investments and other financial assets at FVTPL | | 735,899,184 | 1,022,366,494 | 996,697,792 |
| Investments and other financial assets at FVOCI | | 4,611,196,231 | 5,030,577,545 | 4,817,110,366 |
| Investments and other financial at amortized cost, net | | 132,851,636 | 122,185,542 | 82,011,000 |
| Accrued interest receivable | | 11,242 | 280 | 172 |
| Investments and other financial assets, net | | 5,479,958,293 | 6,175,129,861 | 5,895,819,330 |
| Loans | 6 | 11,401,520,554 | 11,297,778,963 | 11,357,158,120 |
| Accrued interest receivable | | 76,498,704 | 96,487,962 | 119,277,159 |
| Less: | | | | |
| Loan losses allowance | | 471,028,026 | 467,706,062 | 476,650,663 |
| Unearned commissions | | 38,051,165 | 36,092,068 | 36,683,452 |
| Loans, net | | 10,968,940,067 | 10,890,468,795 | 10,963,101,164 |
| Investments in associates | | 34,376,709 | 25,020,643 | 27,770,293 |
| Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization | 7 | 249,602,485 | 239,125,837 | 237,631,136 |
| Right-of-Use Assets, net | 8 | 16,503,891 | 16,997,658 | 17,653,216 |
| Investments and other financial assets sold pending settlement | | 335,011,764 | 222,866,524 | 270,442,698 |
| Deferred tax assets | | 113,604,555 | 112,034,447 | 114,026,710 |
| Goodwill and other intangible assets, net | 9 | 49,292,755 | 51,546,799 | 52,308,385 |
| Other assets | | 487,842,934 | 401,535,573 | 407,738,480 |
| Total assets | | 18,407,137,204 | 18,781,997,604 | 18,801,696,908 |

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

| | | (Unaudited) September 2022 | (Audited) December 2021 | (Unaudited) September 2021 |
|---------------------------------------------------------------------|--------------------|----------------------------------|-------------------------------|----------------------------------|
| <u>Liabilities and Equity</u> | <u>Note</u> | | | |
| Liabilities: | | | | |
| Deposits: | | | | |
| Local: | | | | |
| Demand | | 2,776,900,576 | 3,162,996,218 | 3,077,976,153 |
| Savings | | 5,097,579,414 | 4,965,395,062 | 4,778,888,660 |
| Time: | | | | |
| Customers | | 5,337,463,577 | 5,670,125,254 | 5,683,965,381 |
| Banks | | 21,970,946 | 2,095,137 | 5,613,935 |
| Accrued interest payable | | 81,499,974 | 93,520,570 | 92,509,708 |
| Total deposits | | 13,315,414,487 | 13,894,132,241 | 13,638,953,837 |
| Financing: | | | | |
| Securities sold under repurchase agreements | | 244,771,738 | 0 | 0 |
| Borrowings and debt securities issued, net | 11 | 766,535,511 | 893,646,075 | 917,407,816 |
| Perpetual bonds | | 400,000,000 | 400,000,000 | 400,000,000 |
| Accrued interest payable | | 12,997,747 | 14,084,902 | 13,050,219 |
| Total financing | | 1,424,304,996 | 1,307,730,977 | 1,330,458,035 |
| Lease Liabilities | 12 | 18,147,924 | 18,545,622 | 19,127,637 |
| Investments and other financial assets purchased pending settlement | | 493,078,938 | 422,824,601 | 555,600,567 |
| Reserves of insurance operations | 13 | 20,450,905 | 19,702,364 | 19,402,613 |
| Deferred tax liabilities | | 2,783,127 | 2,471,413 | 2,565,754 |
| Other liabilities | 10 | 735,412,319 | 425,542,100 | 528,372,188 |
| Total liabilities | | 16,009,592,696 | 16,090,949,318 | 16,094,480,631 |
| Equity: | 15 | | | |
| Common shares | | 500,000,000 | 500,000,000 | 500,000,000 |
| Legal reserves | | 207,969,016 | 199,882,419 | 200,049,460 |
| Capital reserves | | (365,073,483) | 75,007,984 | 110,066,576 |
| Retained earnings | | 2,054,648,975 | 1,916,157,883 | 1,897,100,241 |
| Total equity | | 2,397,544,508 | 2,691,048,286 | 2,707,216,277 |
| Total liabilities and equity | | 18,407,137,204 | 18,781,997,604 | 18,801,696,908 |

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

Condensed Consolidated Statement of Income

For the nine months ended September 30, 2022 and 2021

(Expressed in Balboas)

| | | (Unaudited) (3rd Quarter) | | (Unaudited) (Accumulated) | |
|-------------------------------------------------------------|-------------|--------------------------------------------|--------------------|--------------------------------------------|--------------------|
| | Note | 2022 | 2021 | 2022 | 2021 |
| Interest and commission income: | | | | | |
| Interest: | | | | | |
| Loans | | 186,824,401 | 189,368,324 | 551,971,237 | 549,300,306 |
| Deposits with banks | | 1,551,117 | 1,292,754 | 4,122,928 | 4,243,317 |
| Investments and other financial assets | | 47,331,292 | 35,691,102 | 127,307,571 | 107,408,977 |
| Commissions on loans | | 10,334,820 | 8,899,357 | 28,958,555 | 24,659,799 |
| Total interest and commission income | | 246,041,630 | 235,251,537 | 712,360,291 | 685,612,399 |
| Interest expenses: | | | | | |
| Deposits | | 50,825,526 | 57,143,703 | 155,263,352 | 175,570,223 |
| Financing | | 13,873,274 | 12,855,080 | 39,814,121 | 36,012,832 |
| Total interest expenses | | 64,698,800 | 69,998,783 | 195,077,473 | 211,583,055 |
| Net interest and commission income | | 181,342,830 | 165,252,754 | 517,282,818 | 474,029,344 |
| (Reversal) provision for loan losses, net | 6 | (15,390,926) | 41,031,003 | (3,657,590) | 117,949,978 |
| Provision (reversal) for impairment of investments, net | | (2,850,251) | 57,757 | 11,866,331 | 296,747 |
| Provision (reversal) for foreclosed assets, net | | (359,136) | 141,991 | 892,590 | (15,024) |
| Net interest and commission income, after provisions | | 199,943,143 | 124,022,003 | 508,181,487 | 355,797,643 |
| Other income (expenses): | | | | | |
| Fees and other commissions | | 80,331,416 | 68,787,921 | 226,313,953 | 183,262,703 |
| Insurance premiums, net | | 9,745,212 | 8,938,674 | 28,609,463 | 24,222,537 |
| (Loss) gain on financial instruments, net | | (10,871,260) | 6,239,238 | (77,001,940) | 16,962,891 |
| Other income, net | | 7,493,631 | 6,954,563 | 17,610,533 | 21,454,184 |
| Commission expenses and other expenses | 12 | (29,496,027) | (25,154,828) | (80,675,840) | (70,941,757) |
| Total other income, net | | 57,202,972 | 65,765,568 | 114,856,169 | 174,960,558 |
| General and administrative expenses: | | | | | |
| Salaries and other personnel expenses | 16 | 43,394,613 | 40,122,259 | 127,306,210 | 120,834,740 |
| Depreciation and amortization | 7 and 8 | 7,554,366 | 7,038,503 | 22,674,406 | 21,162,425 |
| Properties, furniture and equipment expenses | | 7,334,363 | 6,492,121 | 21,905,217 | 18,875,890 |
| Other expenses | | 23,264,827 | 20,645,849 | 67,003,465 | 59,821,519 |
| Total general and administrative expenses | | 81,548,169 | 74,298,732 | 238,889,298 | 220,694,574 |
| Net operating income | | 175,597,946 | 115,488,839 | 384,148,358 | 310,063,627 |
| Equity participation in associates | | 3,366,543 | 2,634,775 | 12,049,897 | 7,346,843 |
| Net income before tax | | 178,964,489 | 118,123,614 | 396,198,255 | 317,410,470 |
| Income tax, estimated | | 20,408,546 | 14,071,240 | 51,205,557 | 37,575,780 |
| Income tax, deferred | | 3,347,300 | (9,270,279) | (1,257,845) | (20,712,199) |
| Income tax, net | 17 | 23,755,846 | 4,800,961 | 49,947,712 | 16,863,581 |
| Net income | | 155,208,643 | 113,322,653 | 346,250,543 | 300,546,889 |

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2022 and 2021

(Expressed in Balboas)

| | (Unaudited) | |
|------------------------------------------------------------------------------------------|----------------------------|---------------------------|
| | <u>2022</u> | <u>2021</u> |
| Net income | <u>346,250,543</u> | <u>300,546,889</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 | (419,871,170) | (75,948,352) |
| Transfer to profit or loss for sales of investments at FVOCI | (32,069,605) | 24,134,992 |
| Valuation of investment credit risk at FVOCI | 11,859,308 | 295,249 |
| Valuation of hedging instruments | <u>0</u> | <u>597,286</u> |
| Total other comprehensive expense, net | <u>(440,081,467)</u> | <u>(50,920,825)</u> |
| Total comprehensive (expense) income | <u><u>(93,830,924)</u></u> | <u><u>249,626,064</u></u> |

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

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

Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 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 | 346,250,543 | 346,250,543 |
| 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 | (419,871,170) | 0 | (419,871,170) | 0 | (419,871,170) |
| Transfer to profit or loss for sales of investments at FVOCI | 0 | 0 | 0 | (32,069,605) | 0 | (32,069,605) | 0 | (32,069,605) |
| Valuation of investment credit risk at FVOCI | 0 | 0 | 0 | 11,859,308 | 0 | 11,859,308 | 0 | 11,859,308 |
| Total other comprehensive expense, net | 0 | 0 | 0 | (440,081,467) | 0 | (440,081,467) | 0 | (440,081,467) |
| Total comprehensive (expense) income | 0 | 0 | 0 | (440,081,467) | 0 | (440,081,467) | 346,250,543 | (93,830,924) |
| Transactions with owner: | | | | | | | | |
| Dividends paid on common shares | 0 | 0 | 0 | 0 | 0 | 0 | (197,400,000) | (197,400,000) |
| 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 | 8,086,597 | 0 | 0 | 0 | 0 | (8,086,597) | 0 |
| Total transactions attributable to the shareholder | 0 | 8,086,597 | 0 | 0 | 0 | 0 | (207,759,451) | (199,672,854) |
| Balance as of September 30, 2022 (Unaudited) | 500,000,000 | 207,969,016 | 1,000,000 | (366,073,483) | 0 | (365,073,483) | 2,054,648,975 | 2,397,544,508 |
| 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 | 300,546,889 | 300,546,889 |
| 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 | (75,948,352) | 0 | (75,948,352) | 0 | (75,948,352) |
| Transfer to profit or loss for sales of investments at FVOCI | 0 | 0 | 0 | 24,134,992 | 0 | 24,134,992 | 0 | 24,134,992 |
| Valuation of investment credit risk at FVOCI | 0 | 0 | 0 | 295,249 | 0 | 295,249 | 0 | 295,249 |
| Valuation of hedging instruments | 0 | 0 | 0 | 0 | 597,286 | 597,286 | 0 | 597,286 |
| Total other comprehensive (expense) income, net | 0 | 0 | 0 | (51,518,111) | 597,286 | (50,920,825) | 0 | (50,920,825) |
| Total comprehensive income (expense) | 0 | 0 | 0 | (51,518,111) | 597,286 | (50,920,825) | 300,546,889 | 249,626,064 |
| Transactions with owner: | | | | | | | | |
| Dividends paid on common shares | 0 | 0 | 0 | 0 | 0 | 0 | (176,250,000) | (176,250,000) |
| Dividends tax | 0 | 0 | 0 | 0 | 0 | 0 | (1,757,928) | (1,757,928) |
| Complementary tax | 0 | 0 | 0 | 0 | 0 | 0 | 2,387,407 | 2,387,407 |
| Transfer of retained earnings | 0 | 806,606 | 0 | 0 | 0 | 0 | (806,606) | 0 |
| Total transactions attributable to the shareholder | 0 | 806,606 | 0 | 0 | 0 | 0 | (176,427,127) | (175,620,521) |
| Balance as of September 30, 2021 (Unaudited) | 500,000,000 | 200,049,460 | 1,000,000 | 109,066,576 | 0 | 110,066,576 | 1,897,100,241 | 2,707,216,277 |

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Balboas)

| | | (Unaudited) | |
|-----------------------------------------------------------------------------|-------------|----------------------|----------------------|
| | Note | 2022 | 2021 |
| Operating activities: | | | |
| Net income | | 346,250,543 | 300,546,889 |
| Adjustments to reconcile net income and cash from operating activities: | | | |
| (Reversal) provision for loan losses, net | 6 | (3,657,590) | 117,949,978 |
| Provision for valuation of investments, net | | 11,866,331 | 296,747 |
| Provision (reversal) of provision for foreclosed assets, net | | 892,590 | (15,024) |
| Unrealized loss on investments and other financial assets | | 68,299,476 | 17,338,998 |
| Unrealized gain on derivative instruments | | (16,554,630) | (484,614) |
| Loss (gain) on sale of investments and other financial assets at FVTPL, net | | 36,967,372 | (1,046,670) |
| Loss (gain) on sale of investments and other financial assets at FVOCI, net | | 34,004,780 | (21,601,430) |
| Realized gain on derivative instruments | | (45,715,058) | (11,169,175) |
| Foreign exchange fluctuations, net | | 95,235 | 14,275 |
| Gain on sale of fixed assets, net | | (1,668,957) | (789,326) |
| Other net income from cancellations of right-of-use assets | | (28,193) | (17,548) |
| Depreciation and amortization | 7 and 8 | 22,674,406 | 21,162,425 |
| Impairment loss and amortization of intangible assets | 9 | 2,254,044 | 1,963,044 |
| Equity participation in associates | | (12,049,897) | (7,346,843) |
| Income tax, net | | 49,947,712 | 16,863,581 |
| Interest and commission income | | (712,360,291) | (685,612,399) |
| Interest expense | | 195,077,473 | 211,583,055 |
| Changes in operating assets and liabilities: | | | |
| Time deposits with banks | | 101,347,877 | 23,157,379 |
| Investments and other financial assets at FVTPL | | 189,967,496 | 148,943,037 |
| Loans | | (96,762,037) | 62,170,494 |
| Unearned commissions | | 30,917,652 | 24,297,880 |
| Tax credit from preferential interest | | (40,918,378) | (38,645,640) |
| Other assets | | (170,382,289) | (47,006,647) |
| Demand deposits | | (386,095,642) | 99,134,480 |
| Savings deposits | | 132,184,352 | 308,844,143 |
| Time deposits | | (312,785,868) | (311,070,959) |
| Reserves of insurance operations | | 748,541 | 821,662 |
| Other liabilities | | 429,401,165 | (30,222,865) |
| Cash provided by operations: | | | |
| Interest received | | 697,812,453 | 689,199,253 |
| Interest paid | | (208,135,582) | (220,712,262) |
| Dividends received | | 2,235,811 | 1,018,471 |
| Total | | (419,646) | 369,017,500 |
| Cash flows from operating activities | | 345,830,897 | 669,564,389 |
| Investing activities: | | | |
| Purchases of investments and other financial assets at FVOCI | | (3,589,862,824) | (5,077,010,875) |
| Sale and redemptions of investments and other financial assets at FVOCI | | 3,486,095,791 | 4,628,667,033 |
| Purchases of securities at amortized cost | | (308,880,478) | (138,828,885) |
| Redemptions of securities at amortized cost | | 298,207,361 | 110,231,848 |
| Dividends received from associates | | 2,693,831 | 1,262,500 |
| Sale of properties, furniture and equipment | | 2,597,605 | 918,660 |
| Purchases of properties, furniture and equipment | 7 | (31,524,855) | (19,410,846) |
| Cash flows from investing activities | | (140,673,569) | (494,170,565) |
| Financing activities: | | | |
| Redemption of debt securities issued and cancellation of borrowings | | (121,494,943) | (143,862,838) |
| Perpetual bonds issuance | | 0 | 400,000,000 |
| Perpetual bonds redemption | | 0 | (217,680,000) |
| Securities sold under repurchase agreements | | 244,771,738 | 0 |
| Payment of lease liabilities | | (2,430,585) | (2,417,746) |
| Dividends paid on common shares | | (197,400,000) | (176,250,000) |
| Complementary and dividends tax | | (2,272,854) | 629,479 |
| Cash flows used from financing activities | | (78,826,644) | (139,581,105) |
| Net increase in cash and cash equivalents | | 126,331,684 | 35,812,719 |
| Cash and cash equivalents at the beginning of the period | | 451,201,510 | 601,213,368 |
| Cash and cash equivalents at the end of the period | 5 | 577,533,194 | 637,026,087 |

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

September 30, 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

September 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 59.86% (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 October 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:

| | September 30, 2022 | | | |
|---------------------------------------------|---------------------------------|--------------------------|-----------------------------|--------------------|
| | Directors and Management | Related Companies | Affiliated Companies | Total |
| Assets: | | | | |
| Investments and other financial assets | <u>0</u> | <u>156,875,593</u> | <u>37,603,403</u> | <u>194,478,996</u> |
| Loans | <u>14,136,958</u> | <u>145,650,344</u> | <u>7,190,877</u> | <u>166,978,179</u> |
| Investments in associates | <u>0</u> | <u>34,376,709</u> | <u>0</u> | <u>34,376,709</u> |
| Liabilities: | | | | |
| Deposits: | | | | |
| Demand | 1,029,365 | 106,081,801 | 84,245,279 | 191,356,445 |
| Savings | 7,430,033 | 84,019,670 | 17,370,931 | 108,820,634 |
| Time | <u>3,443,944</u> | <u>239,157,208</u> | <u>132,615,385</u> | <u>375,216,537</u> |
| | <u>11,903,342</u> | <u>429,258,679</u> | <u>234,231,595</u> | <u>675,393,616</u> |
| Perpetual bonds | <u>0</u> | <u>15,000,000</u> | <u>126,754,000</u> | <u>141,754,000</u> |
| Commitments and contingencies | <u>0</u> | <u>8,857,021</u> | <u>35,955,000</u> | <u>44,812,021</u> |
| Interest income: | | | | |
| Loans | <u>463,399</u> | <u>5,599,260</u> | <u>342,311</u> | <u>6,404,970</u> |
| Investments and other financial assets | <u>0</u> | <u>4,559,824</u> | <u>1,324,023</u> | <u>5,883,847</u> |
| Interest expenses: | | | | |
| Deposits | <u>93,714</u> | <u>7,837,710</u> | <u>1,106,640</u> | <u>9,038,064</u> |
| Financing | <u>0</u> | <u>590,625</u> | <u>4,780,129</u> | <u>5,370,754</u> |
| Other income: | | | | |
| Equity participation in associates | <u>0</u> | <u>12,049,897</u> | <u>0</u> | <u>12,049,897</u> |
| Received dividends | <u>0</u> | <u>557,727</u> | <u>0</u> | <u>557,727</u> |
| General and administrative expenses: | | | | |
| Directors' fees | <u>422,431</u> | <u>0</u> | <u>0</u> | <u>422,431</u> |
| Benefits to key management personnel | <u>1,814,626</u> | <u>0</u> | <u>0</u> | <u>1,814,626</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> |

| | September 30, 2021 | | | |
|----------------------------------------|---------------------------------|--------------------------|-----------------------------|--------------------|
| | Directors and Management | Related Companies | Affiliated Companies | Total |
| Assets: | | | | |
| Investments and other financial assets | <u>0</u> | <u>133,294,338</u> | <u>36,396,069</u> | <u>169,690,407</u> |
| Loans | <u>10,844,103</u> | <u>142,552,010</u> | <u>10,631,537</u> | <u>164,027,650</u> |
| Investments in associates | <u>0</u> | <u>27,770,293</u> | <u>0</u> | <u>27,770,293</u> |
| Liabilities: | | | | |
| Deposits: | | | | |
| Demand | 944,763 | 136,625,773 | 87,285,587 | 224,856,123 |
| Savings | 9,126,765 | 108,315,969 | 29,431,186 | 146,873,920 |
| Time | <u>2,800,560</u> | <u>259,612,926</u> | <u>135,399,487</u> | <u>397,812,973</u> |
| | <u>12,872,088</u> | <u>504,554,668</u> | <u>252,116,260</u> | <u>769,543,016</u> |
| Perpetual bonds | <u>0</u> | <u>0</u> | <u>103,770,000</u> | <u>103,770,000</u> |
| Commitments and contingencies | <u>1,648,670</u> | <u>3,804,114</u> | <u>35,955,000</u> | <u>41,407,784</u> |

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**

| | September 30, 2021 | | | |
|---------------------------------------------|---------------------------------|--------------------------|-----------------------------|-------------------|
| | Directors and Management | Related Companies | Affiliated Companies | Total |
| Interest income: | | | | |
| Loans | <u>370,347</u> | <u>6,503,758</u> | <u>560,764</u> | <u>7,434,869</u> |
| Investments and other financial assets | <u>0</u> | <u>4,670,122</u> | <u>1,368,853</u> | <u>6,038,975</u> |
| Interest expenses: | | | | |
| Deposits | <u>104,263</u> | <u>9,005,005</u> | <u>1,087,358</u> | <u>10,196,626</u> |
| Financing | <u>0</u> | <u>0</u> | <u>4,873,014</u> | <u>4,873,014</u> |
| Other income: | | | | |
| Equity participation in associates | <u>0</u> | <u>7,346,843</u> | <u>0</u> | <u>7,346,843</u> |
| Received dividends | <u>0</u> | <u>512,900</u> | <u>0</u> | <u>512,900</u> |
| General and administrative expenses: | | | | |
| Directors' fees | <u>404,484</u> | <u>0</u> | <u>0</u> | <u>404,484</u> |
| Benefits to key management personnel | <u>1,910,644</u> | <u>0</u> | <u>0</u> | <u>1,910,644</u> |

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:

| | September 30 | |
|---------------------------------------------------------------------------------|---------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash and cash items | 242,860,386 | 213,224,085 |
| Demand deposits with banks | 334,672,808 | 423,802,002 |
| Time deposits with banks | <u>92,904,781</u> | <u>176,214,178</u> |
| Total deposits with banks | <u>427,577,589</u> | <u>600,016,180</u> |
| Less: Deposits with banks, with original maturities greater than three months | <u>92,904,781</u> | <u>176,214,178</u> |
| Cash and cash equivalents in the condensed consolidated statement of cash flows | <u>577,533,194</u> | <u>637,026,087</u> |

Demand deposits with banks include cash collateral accounts for B/.58,007,772 (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:

| | September 30 2022 | December 31 2021 | September 30 2021 |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|
| Internal sector: | | | |
| Residential mortgages | 4,598,181,083 | 4,527,930,938 | 4,489,134,668 |
| Personal, auto and credit cards | 1,753,740,240 | 1,707,750,625 | 1,731,829,840 |
| Commercial mortgages | 1,847,505,019 | 1,919,260,832 | 1,950,317,375 |
| Lines of credit and commercial loans | 1,282,245,159 | 1,131,776,747 | 1,136,457,146 |
| Interim financing | 280,310,261 | 378,674,071 | 414,521,023 |
| Finance leases, net | 72,368,287 | 65,341,390 | 67,423,099 |
| Other secured loans | 200,484,529 | 202,229,996 | 198,624,979 |
| Overdrafts | 125,666,430 | 101,481,801 | 116,906,379 |
| Total internal sector | <u>10,160,501,008</u> | <u>10,034,446,400</u> | <u>10,105,214,509</u> |
| External sector: | | | |
| Residential mortgages | 170,133,871 | 185,841,411 | 192,313,511 |
| Personal, auto and credit cards | 8,233,185 | 9,253,456 | 9,812,503 |
| Commercial mortgages | 119,694,641 | 161,100,420 | 173,026,669 |
| Lines of credit and commercial loans | 898,453,565 | 863,454,316 | 822,217,970 |
| Other secured loans | 12,352,654 | 10,084,442 | 10,035,203 |
| Overdrafts | 32,151,630 | 33,598,518 | 44,537,755 |
| Total external sector | <u>1,241,019,546</u> | <u>1,263,332,563</u> | <u>1,251,943,611</u> |
| Total | <u>11,401,520,554</u> | <u>11,297,778,963</u> | <u>11,357,158,120</u> |

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

| | September 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 | 20,085,605 | (10,989,140) | (9,096,465) | 0 |
| Transferred to lifetime ECL not credit-impaired | (23,712,176) | 67,260,436 | (43,548,260) | 0 |
| Transferred to lifetime ECL credit-impaired | (3,866,359) | (5,855,591) | 9,721,950 | 0 |
| Net remeasurement of portfolio | (14,818,700) | 57,221,628 | (20,575,607) | 21,827,321 |
| New loans | 11,160,975 | 5,716,740 | 1,016,735 | 17,894,450 |
| Loans that have been derecognized | (13,542,563) | (9,470,825) | (20,365,973) | (43,379,361) |
| Recovery of loan write-off | 0 | 0 | 29,721,015 | 29,721,015 |
| Loans written-off | 0 | 0 | (22,741,461) | (22,741,461) |
| Balance at the end of the period | <u>172,695,666</u> | <u>233,696,164</u> | <u>64,636,196</u> | <u>471,028,026</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> |

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

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/.35,229,990 (December 31, 2021 B/.57,831,652) and (September 30, 2021 B/.78,157,951).

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:

| | September 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 | 14,210,060 | 11,856,527 | 5,458,268 | 31,524,855 |
| Sales and disposals | <u>525,490</u> | <u>1,192,087</u> | <u>84,940</u> | <u>2,453,402</u> | <u>421,657</u> | <u>4,677,576</u> |
| At the end of the period | <u>31,999,135</u> | <u>135,667,552</u> | <u>177,479,453</u> | <u>122,740,846</u> | <u>49,962,033</u> | <u>517,849,019</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 | 2,658,133 | 9,735,137 | 6,144,980 | 1,581,309 | 20,119,559 |
| Sales and disposal | <u>0</u> | <u>803,837</u> | <u>84,939</u> | <u>2,453,249</u> | <u>406,903</u> | <u>3,748,928</u> |
| At the end of the period | <u>0</u> | <u>42,015,094</u> | <u>104,313,183</u> | <u>88,247,047</u> | <u>33,671,210</u> | <u>268,246,534</u> |
| Net balance | <u>31,999,135</u> | <u>93,652,458</u> | <u>73,166,270</u> | <u>34,493,799</u> | <u>16,290,823</u> | <u>249,602,485</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 | <u>41,479</u> | <u>494,940</u> | <u>426,276</u> | <u>2,522,870</u> | <u>730,081</u> | <u>4,215,646</u> |
| 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 | <u>0</u> | <u>410,439</u> | <u>425,785</u> | <u>2,518,090</u> | <u>730,081</u> | <u>4,084,395</u> |
| 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> |

| | September 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 | 243,602 | 14,655,974 | 1,927,142 | 2,584,128 | 19,410,846 |
| Sales and disposals | <u>41,479</u> | <u>494,940</u> | <u>104,018</u> | <u>1,821,952</u> | <u>730,081</u> | <u>3,192,470</u> |
| At the end of the period | <u>32,524,625</u> | <u>136,859,639</u> | <u>157,436,004</u> | <u>113,575,460</u> | <u>43,798,653</u> | <u>484,194,381</u> |
| Accumulated depreciation and amortization: | | | | | | |
| At the beginning of the period | 0 | 37,058,835 | 84,121,051 | 78,790,441 | 31,171,643 | 231,141,970 |
| Expense of the period | 0 | 2,630,590 | 8,139,503 | 6,173,026 | 1,541,292 | 18,484,411 |
| Sales and disposal | <u>0</u> | <u>410,439</u> | <u>104,018</u> | <u>1,818,598</u> | <u>730,081</u> | <u>3,063,136</u> |
| At the end of the period | <u>0</u> | <u>39,278,986</u> | <u>92,156,536</u> | <u>83,144,869</u> | <u>31,982,854</u> | <u>246,563,245</u> |
| Net balance | <u>32,524,625</u> | <u>97,580,653</u> | <u>65,279,468</u> | <u>30,430,591</u> | <u>11,815,799</u> | <u>237,631,136</u> |

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:

| | September 30 2022 | December 31 2021 | September 30 2021 |
|----------------------------------|------------------------------|-----------------------------|------------------------------|
| Cost: | | | |
| At the beginning of the period | 26,704,514 | 25,538,433 | 25,538,433 |
| New contracts | 2,745,313 | 2,379,616 | 2,100,975 |
| Cancellations | <u>(2,196,145)</u> | <u>(1,213,535)</u> | <u>(366,188)</u> |
| At the end of the period | <u>27,253,682</u> | <u>26,704,514</u> | <u>27,273,220</u> |
| Accumulated depreciation: | | | |
| At the beginning of the period | 9,706,856 | 7,073,818 | 7,073,818 |
| Expense of the period | 2,554,847 | 3,566,896 | 2,678,014 |
| Cancellations | <u>(1,511,912)</u> | <u>(933,858)</u> | <u>(131,828)</u> |
| At the end of the period | <u>10,749,791</u> | <u>9,706,856</u> | <u>9,620,004</u> |
| Net balance | <u>16,503,891</u> | <u>16,997,658</u> | <u>17,653,216</u> |

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

(9) Goodwill and Intangible Assets, Net

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

| Company | Date of acquisition | Participation acquired | % of Acquired Participation | Balance |
|--------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------|------------------------------------|-------------------|
| Banco General, S. A. (1) | March 2004 | ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A. | 17% | 679,018 |
| Banco General, S. A. (1) | March 2005 | BankBoston, N.A. – Panama (banking operations) | 100% | 12,056,144 |
| ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2) | March 2005 | Purchase of trust fund businesses | 100% | 861,615 |
| Banco General, S. A. (1) | March 2007 | Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities) | 100% | <u>27,494,722</u> |
| Total | | | | <u>41,091,499</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>September 30, 2022</u> | | |
|------------------------------------------------|----------------------------------|-------------------------------------|---------------------|
| | <u>Goodwill</u> | <u>Intangible assets</u> | <u>Total</u> |
| Cost: | | | |
| Balance at the beginning of the period | 41,382,499 | 47,462,084 | 88,844,583 |
| Impairment loss | <u>(291,000)</u> | <u>0</u> | <u>(291,000)</u> |
| Net balance at the end of the period | <u>41,091,499</u> | <u>47,462,084</u> | <u>88,553,583</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>1,963,044</u> | <u>1,963,044</u> |
| Balance at the end of the period | <u>0</u> | <u>39,260,828</u> | <u>39,260,828</u> |
| Net balance at the end of the period | <u>41,091,499</u> | <u>8,201,256</u> | <u>49,292,755</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>September 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>1,963,044</u> | <u>1,963,044</u> |
| Balance at the end of the period | <u>0</u> | <u>36,643,436</u> | <u>36,643,436</u> |
| Net balance at the end of the period | <u>41,489,737</u> | <u>10,818,648</u> | <u>52,308,385</u> |

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of September 30, 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>September 30 2022</u> | <u>December 31 2021</u> | <u>September 30 2021</u> |
|----------------------------------|--------------|------------------------------|-----------------------------|------------------------------|
| Bonds of the US Government | 1 | 3,253,902 | 0 | 0 |
| Mortgage Backed Securities (MBS) | 2 | <u>139,362,847</u> | <u>83,296,219</u> | <u>88,141,023</u> |
| Total | | <u>142,616,749</u> | <u>83,296,219</u> | <u>88,141,023</u> |

See the description of the levels in Note 19.

(11) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

| | <u>September 30 2022</u> | <u>December 31 2021</u> | <u>September 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 | 20,000,000 |
| 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 | 50,000,000 | 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 | 1,996,966 | 2,469,522 | 2,696,685 |
| Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65% | 0 | 2,272,387 | 2,272,387 |
| Notes with maturities in 2024, at a fixed interest rate | 40,000,000 | 55,000,000 | 60,000,000 |
| Notes with maturities in 2027, at a fixed interest rate | <u>71,250,000</u> | <u>75,000,000</u> | <u>75,000,000</u> |
| Subtotal of borrowings and debt securities issued | 758,143,966 | 879,638,909 | 899,941,072 |
| Revaluation coverage | <u>8,391,545</u> | <u>14,007,166</u> | <u>17,466,744</u> |
| Total borrowings and debt securities issued, net | <u>766,535,511</u> | <u>893,646,075</u> | <u>917,407,816</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:

| | September 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 | (121,494,943) | (143,862,838) |
| Revaluation coverage | <u>(5,615,621)</u> | <u>(15,197,929)</u> |
| Balance at the end of the period | <u>766,535,511</u> | <u>917,407,816</u> |

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

| | September 30 | December 31 | September 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 | 2,745,313 | 2,379,616 | 2,100,975 |
| Payments | (2,430,585) | (3,233,085) | (2,417,746) |
| Cancellations | <u>(712,426)</u> | <u>(297,225)</u> | <u>(251,908)</u> |
| Balance at the end of the period | <u>18,147,924</u> | <u>18,545,622</u> | <u>19,127,637</u> |

Interest expense on lease liabilities for B/.591,262 (2021: B/.648,443) 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/.20,450,905 (December 31, 2021: B/.19,702,364) and (September 30, 2021: B/.19,402,613) and are comprised of unearned premiums and estimated insurance claims incurred.

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

| | September 30 2022 | December 31 2021 | September 30 2021 |
|-----------------------------------------------|------------------------------|-----------------------------|------------------------------|
| Unearned Premiums | | | |
| Balance at the beginning of the period | 20,473,022 | 21,103,378 | 21,103,378 |
| Issued premiums | 33,883,866 | 40,003,701 | 30,672,065 |
| Earned premiums | <u>(32,139,794)</u> | <u>(40,634,057)</u> | <u>(30,834,775)</u> |
| Balance at the end of the period | 22,217,094 | 20,473,022 | 20,940,668 |
| Reinsurers participation | <u>(4,767,754)</u> | <u>(3,990,237)</u> | <u>(4,312,357)</u> |
| Unearned premiums, net | <u>17,449,340</u> | <u>16,482,785</u> | <u>16,628,311</u> |
| Estimated Insurance Claims Incurred | | | |
| Balance at the beginning of the period | 4,574,850 | 3,413,785 | 3,413,785 |
| Incurred claims | 7,244,442 | 13,093,422 | 9,884,115 |
| Paid claims | <u>(7,593,556)</u> | <u>(11,932,357)</u> | <u>(8,014,017)</u> |
| Balance at the end of the period | 4,225,736 | 4,574,850 | 5,283,883 |
| Reinsurer participation | <u>(1,224,171)</u> | <u>(1,355,271)</u> | <u>(2,509,581)</u> |
| Estimated insurance claims incurred, net | <u>3,001,565</u> | <u>3,219,579</u> | <u>2,774,302</u> |
| Total reserves of insurance operations | <u>20,450,905</u> | <u>19,702,364</u> | <u>19,402,613</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>September 30, 2022</u> | | | | |
|---------------------------------------|-------------------------------------------------|------------------------------------------|--------------------------------------------|---------------------|----------------|
| | <u>Banking and Financial Activities</u> | <u>Insurance and Reinsurance</u> | <u>Pension and retirement Fund</u> | <u>Eliminations</u> | <u>Total</u> |
| Interest and commission income | 710,057,749 | 5,267,893 | 1,169,912 | 4,135,263 | 712,360,291 |
| Interest and provision expenses | 208,271,879 | 42,188 | 0 | 4,135,263 | 204,178,804 |
| Other income, net | 80,698,248 | 22,574,168 | 11,592,357 | 8,604 | 114,856,169 |
| General and administrative expenses | 210,234,192 | 2,076,769 | 3,912,535 | 8,604 | 216,214,892 |
| Depreciation and amortization expense | 22,461,688 | 10,213 | 202,505 | 0 | 22,674,406 |
| Equity participation in associates | 12,049,897 | 0 | 0 | 0 | 12,049,897 |
| Net income before income tax | 361,838,135 | 25,712,891 | 8,647,229 | 0 | 396,198,255 |
| Net Income tax, estimated | 45,183,392 | 4,065,874 | 1,956,291 | 0 | 51,205,557 |
| Net Income tax, deferred | (1,257,845) | 0 | 0 | 0 | (1,257,845) |
| Net Income tax | 43,925,547 | 4,065,874 | 1,956,291 | 0 | 49,947,712 |
| Net income | 317,912,588 | 21,647,017 | 6,690,938 | 0 | 346,250,543 |
| Total assets | 18,315,353,692 | 335,060,996 | 57,633,715 | 300,911,199 | 18,407,137,204 |
| Total liabilities | 16,226,337,523 | 58,707,230 | 6,053,080 | 281,505,137 | 16,009,592,696 |

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

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

| | <u>September 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 | 719,369,360 | 78,077,292 | 41,819,705 | 839,266,357 |
| Non-financial | 295,432,153 | 3,463,088 | 0 | 298,895,241 |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(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:

| | September 30, 2022 | | | | | |
|-----------------------------------|---------------------------|------------------------------|-------------------------------------------------|------------------|-------------------|--------------------|
| | Reserves | | | | | |
| | Dynamic | Foreclosed Assets | Loans in the process of awarding | Legal | Insurance | Total |
| Banco General, S. A. | 133,877,476 | 3,717,072 | 12,870,653 | 0 | 0 | 150,465,201 |
| Finanzas Generales, S. A. | 2,810,061 | 0 | 0 | 0 | 0 | 2,810,061 |
| General de Seguros, S. A. | 0 | 0 | 0 | 0 | 37,332,436 | 37,332,436 |
| 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>3,717,072</u> | <u>12,870,653</u> | <u>1,794,475</u> | <u>37,332,436</u> | <u>207,969,016</u> |

| | December 31, 2021 | | | | | |
|-----------------------------------|--------------------------|------------------------------|-------------------------------------------------|------------------|-------------------|--------------------|
| | Reserves | | | | | |
| | Dynamic | Foreclosed Assets | Loans in the process of awarding | Legal | Insurance | Total |
| Banco General, S. A. | 133,877,476 | 2,665,161 | 7,610,900 | 0 | 0 | 144,153,537 |
| Finanzas Generales, S. A. | 2,810,061 | 0 | 0 | 0 | 0 | 2,810,061 |
| General de Seguros, S. A. | 0 | 0 | 0 | 0 | 35,557,503 | 35,557,503 |
| Banco General (Overseas), Inc. | 10,614,993 | 0 | 0 | 0 | 0 | 10,614,993 |
| Banco General (Costa Rica), S. A. | <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>1,051,911</u> | <u>5,259,753</u> | <u>0</u> | <u>1,774,933</u> | <u>8,086,597</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/.907,949 (2021: B/. B/.923,048). 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 September 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/.64,935 (2021: B/.61,200) and the disbursements to former employees who are covered under the retirement plan amount to B/.117,131 (2021: B/.119,282).

(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>3rd Quarter</u> <u>September 30</u> | | <u>Accumulated</u> <u>September 30</u> | |
|-----------------------------------|-------------------------------------------|--------------------|-------------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Estimated income tax | 20,664,518 | 14,071,240 | 51,703,402 | 38,118,371 |
| Prior year income tax adjustments | (255,972) | 0 | (497,845) | (542,591) |
| Deferred income tax | <u>3,347,300</u> | <u>(9,270,279)</u> | <u>(1,257,845)</u> | <u>(20,712,199)</u> |
| Total income tax, net | <u>23,755,846</u> | <u>4,800,961</u> | <u>49,947,712</u> | <u>16,863,581</u> |

(18) Derivative Financial Instruments

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Below is the summary of derivative contracts is as follow:

| | <u>Over the Counter (OTC)</u> | | | | | | | |
|---------------------------|-------------------------------|-------------------|------------------------|-------------------|--------------------------------------------|-------------------|-------------------------------------|-------------------|
| | <u>Total</u> | | <u>Exchange-Traded</u> | | <u>Liquidated in a securities exchange</u> | | <u>Other bilateral counterparts</u> | |
| | <u>Notional Value</u> | <u>Book Value</u> | <u>Notional Value</u> | <u>Book Value</u> | <u>Notional Value</u> | <u>Book Value</u> | <u>Notional Value</u> | <u>Book Value</u> |
| <u>September 30, 2022</u> | | | | | | | | |
| Derivative assets | 1,337,397,276 | 66,733,727 | 133,194,410 | 0 | 683,644,124 | 54,645,482 | 520,558,742 | 12,088,245 |
| Derivative liabilities | 1,243,860,173 | 48,812,686 | 416,077,346 | 0 | 385,580,570 | 41,591,052 | 442,202,257 | 7,221,634 |
| <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>September 30, 2021</u> | | | | | | | | |
| Derivative assets | 1,651,356,976 | 31,466,748 | 227,981,250 | 0 | 377,274,534 | 5,482,435 | 1,046,101,192 | 25,984,313 |
| Derivative liabilities | 1,045,441,011 | 13,271,489 | 355,683,740 | 0 | 99,391,874 | 4,889,095 | 590,365,397 | 8,382,394 |

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 (September 30, 2021: AA a BBB+), which support derivative operations in the amount of B/.43.2MM (December 31, 2021: B/.19.4MM) and (September 30, 2021: B/.17.5MM).

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

Other Derivatives classified by Risk:

| | <u>September 30, 2022</u> | | <u>December 31, 2021</u> | | <u>September 30, 2021</u> | |
|---------------------|----------------------------------|---------------------------|---------------------------------|---------------------------|----------------------------------|---------------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| Others derivatives: | | | | | | |
| Credit | 561,461 | 4,331,951 | 1,942,548 | 1,719,786 | 1,472,389 | 1,242,115 |
| Interest | 47,233,485 | 42,401,058 | 6,654,943 | 5,025,807 | 6,242,344 | 6,023,195 |
| Currency | 19,126 | 14,785 | 5,782 | 3,803 | 13,113 | 9,331 |
| Total | 47,814,072 | 46,747,794 | 8,603,273 | 6,749,396 | 7,727,846 | 7,274,641 |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Hedge Derivatives for Risk Management:

| | <u>September 30, 2022</u> | | <u>December 31, 2021</u> | | <u>September 30, 2021</u> | |
|-------------------------------------|---------------------------|--------------------|--------------------------|--------------------|---------------------------|--------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| <u>Exposure to risk:</u> | | | | | | |
| <u>Interest rate</u> | | | | | | |
| Fair value hedge | 9,106,628 | 0 | 14,024,134 | 0 | 18,056,846 | 0 |
| Others | 699,811 | 0 | 0 | 5,252,274 | 0 | 5,174,985 |
| Total interest rate | <u>9,806,439</u> | <u>0</u> | <u>14,024,134</u> | <u>5,252,274</u> | <u>18,056,846</u> | <u>5,174,985</u> |
| <u>Currency</u> | | | | | | |
| Others | <u>8,976,425</u> | <u>2,064,892</u> | <u>307,040</u> | <u>2,512,351</u> | <u>5,682,056</u> | <u>276,383</u> |
| Total Currency | <u>8,976,425</u> | <u>2,064,892</u> | <u>307,040</u> | <u>2,512,351</u> | <u>5,682,056</u> | <u>276,383</u> |
| <u>Credit</u> | | | | | | |
| Others | <u>136,791</u> | <u>0</u> | <u>0</u> | <u>503,310</u> | <u>0</u> | <u>545,480</u> |
| Total Credit | <u>136,791</u> | <u>0</u> | <u>0</u> | <u>503,310</u> | <u>0</u> | <u>545,480</u> |
| Total derivatives for risk exposure | <u>18,919,655</u> | <u>2,064,892</u> | <u>14,331,174</u> | <u>8,267,935</u> | <u>23,738,902</u> | <u>5,996,848</u> |

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

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

| | <u>December 31, 2021</u> | | | | |
|------------------------------------------|--------------------------|---------------------------|--------------------------------|--------------------------|--------------------------|
| | <u>Maturity</u> | | | | |
| <u>Risk Category</u> | <u>Up to 1 month</u> | <u>From 1 to 3 months</u> | <u>From 3 months to 1 year</u> | <u>From 1 to 5 years</u> | <u>More than 5 years</u> |
| <u>Interest rate risk</u> | | | | | |
| <u>Hedging of Bonds</u> | | | | | |
| Notional Value | 0 | 0 | 0 | 0 | 20,000,000 |
| Average interest rate | | | | | 5.13% |
| <u>Hedging of Bonds and Notes</u> | | | | | |
| 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>September 30, 2021</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 | | | | | 1.79% |

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

| | <u>September 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 | 9,106,628 | 0 | Other assets (liabilities) | 0 |
| Total interest rate risk | 60,000,000 | 9,106,628 | 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>September 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 | 20,000,000 | 590,102 | 0 | Other assets (liabilities) | 0 |
| Interest rate derivatives – Bonds and notes Hedge | 250,000,000 | 17,466,744 | 0 | Other assets (liabilities) | 0 |
| Total interest rate risk | 270,000,000 | 18,056,846 | 0 | | |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

| <u>September 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>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> | | |
| Bonds | <u>49,841,862</u> | | <u>0</u> | <u>7,255,756</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>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> | | |
| Bonds | 20,925,000 | | 0 | 16,968 | Investment securities FVOCI | 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>September 30, 2021</u> | | | | | | |
| | <u>Book Value</u> | | <u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u> | | <u>Item in the statement of financial position in which the hedge item is included</u> | <u>Change in the value used for calculating hedge ineffectiveness</u> |
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> | | |
| Bonds | 20,940,000 | | 0 | 590,102 | Investment securities FVOCI | 0 |
| Bonds and notes | | <u>250,000,000</u> | <u>0</u> | <u>17,466,744</u> | Borrowing and debt securities issued | <u>0</u> |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

| | | September 30, 2022 | | | |
|----------------------------------------|---------|---------------------------|----------------|----------------|--------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Assets</u> | | | | | |
| Other derivatives: | | | | | |
| Credit | 0 | 561,461 | 0 | 561,461 | |
| Interest | 0 | 47,233,485 | 0 | 47,233,485 | |
| Currency | 0 | 19,126 | 0 | 19,126 | |
| Total | 0 | 47,814,072 | 0 | 47,814,072 | |
| Hedge derivatives for risk management: | | | | | |
| Credit | 0 | 136,791 | 0 | 136,791 | |
| Interest | 0 | 9,806,439 | 0 | 9,806,439 | |
| Currency | 0 | 8,976,425 | 0 | 8,976,425 | |
| Total | 0 | 18,919,655 | 0 | 18,919,655 | |
| Total derivatives assets | 0 | 66,733,727 | 0 | 66,733,727 | |
| <u>Liabilities</u> | | | | | |
| Other derivatives: | | | | | |
| Credit | 0 | 4,331,951 | 0 | 4,331,951 | |
| Interest | 507,654 | 41,893,404 | 0 | 42,401,058 | |
| Currency | 0 | 14,785 | 0 | 14,785 | |
| Total | 507,654 | 46,240,140 | 0 | 46,747,794 | |
| Hedge derivatives for risk management: | | | | | |
| Credit | 0 | 0 | 0 | 0 | |
| Interest | 0 | 0 | 0 | 0 | |
| Currency | 0 | 2,064,892 | 0 | 2,064,892 | |
| Total | 0 | 2,064,892 | 0 | 2,064,892 | |
| Total derivatives liabilities | 507,654 | 48,305,032 | 0 | 48,812,686 | |
| | | | | | |
| | | 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**

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

(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

| | September 30 | | | |
|--------------------------------------------------------|-----------------------------|-----------------------|---------------------------|---------------------------|
| | <u>2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Local Corporate Bonds and Fixed Income Funds | 53,657,671 | 0 | 0 | 53,657,671 |
| Bonds of the Republic of Panama | 2,258,900 | 0 | 2,258,900 | 0 |
| Local Corporate Shares | 41,066,239 | 0 | 0 | 41,066,239 |
| Foreign Treasury Bills | 245,625 | 245,625 | 0 | 0 |
| Mortgage Backed Securities (MBS) and Collateralized | | | | |
| Mortgage Obligations (CMOs) | 399,635,211 | 0 | 399,635,211 | 0 |
| Asset Backed Securities (ABS) | 72,911,547 | 0 | 72,911,547 | 0 |
| Foreign Corporate Bonds and Fixed Income Funds | 165,994,202 | 0 | 2,777,930 | 163,216,272 |
| Foreign Share capital | 129,789 | 0 | 0 | 129,789 |
| Total | <u>735,899,184</u> | <u>245,625</u> | <u>477,583,588</u> | <u>258,069,971</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**

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

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

| | September 30 | | | |
|-----------------------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | <u>2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Local Commercial Paper and Treasury Bills | 26,610,042 | 0 | 19,331,810 | 7,278,232 |
| Local Corporate Bonds | 1,076,714,768 | 0 | 375,977,428 | 700,737,340 |
| Bonds of the Republic of Panama | 85,941,532 | 0 | 85,941,532 | 0 |
| Bonds of the US Government | 190,542,620 | 190,542,620 | 0 | 0 |
| Foreign Commercial Paper and Treasury Bills | 462,316,346 | 302,417,310 | 159,899,036 | 0 |
| Mortgage Backed Securities (MBS) and Collateralized | | | | |
| Mortgage Obligations (CMOs) | 1,211,440,543 | 0 | 1,211,440,543 | 0 |
| Asset Backed Securities (ABS) | 191,520,255 | 0 | 191,520,255 | 0 |
| Foreign Corporate Bonds | 1,332,544,598 | 0 | 1,332,544,598 | 0 |
| Bonds of Other Governments | 33,565,527 | 0 | 33,565,527 | 0 |
| Total | <u>4,611,196,231</u> | <u>492,959,930</u> | <u>3,410,220,729</u> | <u>708,015,572</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**

| | September 30 | | | |
|------------------------------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | 2021 | Level 1 | Level 2 | Level 3 |
| Local Commercial Paper | 2,460,654 | 0 | 0 | 2,460,654 |
| Local Corporate Bonds | 1,079,513,560 | 0 | 388,760,717 | 690,752,843 |
| Bonds of the Republic of Panama | 113,270,611 | 0 | 113,270,611 | 0 |
| Bonds of the US Government and Agency | 186,139,566 | 185,147,686 | 991,880 | 0 |
| Foreign Commercial Paper and Treasury Bills | 617,233,811 | 548,470,068 | 68,763,743 | 0 |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs) | 1,249,613,867 | 0 | 1,249,613,867 | 0 |
| Asset Backed Securities (ABS) | 221,122,658 | 0 | 221,122,658 | 0 |
| Foreign Corporate Bonds | 1,289,610,879 | 0 | 1,289,610,879 | 0 |
| Bonds of Other Governments | 58,144,760 | 0 | 58,144,760 | 0 |
| Total | 4,817,110,366 | 733,617,754 | 3,390,279,115 | 693,213,497 |

**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 | (16,185,206) | 0 | (16,185,206) |
| Loss recognized in equity | 0 | (39,035,481) | (39,035,481) |
| Purchases | 29,291,326 | 154,027,016 | 183,318,342 |
| Amortization, sales and redemptions | (22,897,399) | (71,924,146) | (94,821,545) |
| September 30, 2022 | 258,069,971 | 708,015,572 | 966,085,543 |
| Total loss related to instruments held as of September 30, 2022 | (16,216,995) | (38,826,052) | (55,043,047) |
| 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 | 3,692,470 | 0 | 3,692,470 |
| Gain recognized in equity | 0 | 1,356,154 | 1,356,154 |
| Purchases | 12,756,158 | 66,259,880 | 79,016,038 |
| Amortization, sales and redemptions | (16,877,721) | (143,663,104) | (160,540,825) |
| Transfers from level 3 | 0 | (2,600,000) | (2,600,000) |
| September 30, 2021 | 212,522,341 | 693,213,497 | 905,735,838 |
| Total gain related to instruments held as of September 30, 2021 | 4,582,220 | 2,756,689 | 7,338,909 |

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

| <u>Instruments</u> | <u>Valuation technique</u> | <u>Unobservable inputs used</u> | <u>Range for unobservable inputs</u> | | | <u>Fair value sensitivity to unobservable inputs</u> |
|-------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------------------------------|
| | | | <u>September 30 2022</u> | <u>December 31 2021</u> | <u>September 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 1.07% Max 22.00% Ave 3.22% | Min 1.09% Max 17.12% Ave 2.61% | Min 1.09% Max 16.39% Ave 2.63% | 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 |
| Foreign Shares | Carrying Amount Model | Carrying amount of the shares of the company | 3 |
| Investment Vehicles | Net asset value | Net asset value | 2-3 |

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

| | <u>September 30, 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 | 73,784 | (72,162) | 10,271,809 | (11,607,311) |
| Corporate Shares | 3,526,595 | (2,918,934) | 0 | 0 |
| Total | 3,600,379 | (2,991,096) | 10,271,809 | (11,607,311) |

| | <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>September 30, 2021</u> | | | |
|------------------|---------------------------------|----------------------|-------------------------|----------------------|
| | <u>Fair Value</u> | | <u>FV OCI</u> | |
| | <u>Effect in profit or loss</u> | | <u>Effect in equity</u> | |
| | <u>Favorable</u> | <u>(Unfavorable)</u> | <u>Favorable</u> | <u>(Unfavorable)</u> |
| Fixed Income | 6,536 | (23,051) | 5,687,604 | (5,889,350) |
| Corporate Shares | 2,216,080 | (1,867,174) | 0 | 0 |
| Total | 2,222,616 | (1,890,225) | 5,687,604 | (5,889,350) |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(a) Investments and other financial assets

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

(b) Loans

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

(c) Demand deposits from customers/savings deposits from customers/securities sold under agreements to repurchase

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:

| | <u>September 30, 2022</u> | | <u>December 31, 2021</u> | | <u>September 30, 2021</u> | |
|-----------------------------------------------------------------------------------------------------|---------------------------|-----------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| | <u>Book Value</u> | <u>Fair Value</u> | <u>Book Value</u> | <u>Fair Value</u> | <u>Book Value</u> | <u>Fair Value</u> |
| Assets: | | | | | | |
| Time deposits with banks | 92,904,781 | 92,510,139 | 194,252,658 | 195,440,521 | 176,214,178 | 177,642,170 |
| Investments at amortized cost, net | 132,851,636 | 132,880,478 | 122,185,542 | 122,207,361 | 82,011,000 | 82,028,885 |
| Loans, net | <u>10,892,441,363</u> | <u>10,876,045,682</u> | <u>10,793,980,833</u> | <u>10,723,349,532</u> | <u>10,843,824,005</u> | <u>10,809,957,470</u> |
| | <u>11,118,197,780</u> | <u>11,101,436,299</u> | <u>11,110,419,033</u> | <u>11,040,997,414</u> | <u>11,102,049,183</u> | <u>11,069,628,525</u> |
| Liabilities: | | | | | | |
| Deposits | 13,233,914,513 | 13,229,887,521 | 13,800,611,671 | 13,848,788,141 | 13,546,444,129 | 13,602,071,878 |
| Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds | <u>1,411,307,249</u> | <u>1,314,393,004</u> | <u>1,293,646,075</u> | <u>1,307,365,910</u> | <u>1,317,407,816</u> | <u>1,330,819,738</u> |
| | <u>14,645,221,762</u> | <u>14,544,280,525</u> | <u>15,094,257,746</u> | <u>15,156,154,051</u> | <u>14,863,851,945</u> | <u>14,932,891,616</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:

| | September 30 2022 | Level 1 | Level 2 | Level 3 |
|-----------------------------------------------------------------------------------------------------------|------------------------------|----------------|--------------------|-----------------------|
| <u>Assets:</u> | | | | |
| Time deposits with banks | 92,510,139 | 0 | 0 | 92,510,139 |
| Investments at amortized cost, net | 132,880,478 | 0 | 131,300,000 | 1,580,478 |
| Loans, net | <u>10,876,045,682</u> | <u>0</u> | <u>0</u> | <u>10,876,045,682</u> |
| | <u>11,101,436,299</u> | <u>0</u> | <u>131,300,000</u> | <u>10,970,136,299</u> |
| <u>Liabilities:</u> | | | | |
| Deposits | 13,229,887,521 | 0 | 0 | 13,229,887,521 |
| Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds | <u>1,314,393,004</u> | <u>0</u> | <u>0</u> | <u>1,314,393,004</u> |
| | <u>14,544,280,525</u> | <u>0</u> | <u>0</u> | <u>14,544,280,525</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> |
| | September 30 2021 | Level 1 | Level 2 | Level 3 |
| <u>Assets:</u> | | | | |
| Time deposits with banks | 177,642,170 | 0 | 0 | 177,642,170 |
| Investments at amortized cost, net | 82,028,885 | 0 | 77,900,000 | 4,128,885 |
| Loans, net | <u>10,809,957,470</u> | <u>0</u> | <u>0</u> | <u>10,809,957,470</u> |
| | <u>11,069,628,525</u> | <u>0</u> | <u>77,900,000</u> | <u>10,991,728,525</u> |
| <u>Liabilities:</u> | | | | |
| Deposits | 13,602,071,878 | 0 | 0 | 13,602,071,878 |
| Borrowings, debt securities issued and perpetual bonds | <u>1,330,819,738</u> | <u>0</u> | <u>0</u> | <u>1,330,819,738</u> |
| | <u>14,932,891,616</u> | <u>0</u> | <u>0</u> | <u>14,932,891,616</u> |

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:

| | September 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 | 9,075,230 | 242,768 | 0 | 9,317,998 |
| Grade 2: Special mention | 34,761 | 1,061,844 | 12,448 | 1,109,053 |
| Grade 3: Sub-standard | 47,401 | 547,370 | 64,829 | 659,600 |
| Grade 4: Doubtful | 4,442 | 3,501 | 91,529 | 99,472 |
| Grade 5: Uncollectible | 9,137 | 2,432 | 131,461 | 143,030 |
| Gross amount | 9,170,971 | 1,857,915 | 300,267 | 11,329,153 |
| Loan losses allowance | (171,525) | (233,262) | (64,241) | (469,028) |
| Net carrying amount | <u>8,999,446</u> | <u>1,624,653</u> | <u>236,026</u> | <u>10,860,125</u> |
| <u>Finance leases</u> | | | | |
| Grade 1: Standard | 65,890 | 299 | 0 | 66,189 |
| Grade 2: Special mention | 156 | 2,989 | 0 | 3,145 |
| Grade 3: Sub-standard | 206 | 1,680 | 746 | 2,632 |
| Grade 4: Doubtful | 14 | 0 | 272 | 286 |
| Grade 5: Uncollectible | 0 | 0 | 116 | 116 |
| Gross amount | 66,266 | 4,968 | 1,134 | 72,368 |
| Loan losses allowance | (1,171) | (434) | (395) | (2,000) |
| Net carrying amount | <u>65,095</u> | <u>4,534</u> | <u>739</u> | <u>70,368</u> |
| Total loans | <u>9,237,237</u> | <u>1,862,883</u> | <u>301,401</u> | <u>11,401,521</u> |
| Loan losses allowance | <u>(172,696)</u> | <u>(233,696)</u> | <u>(64,636)</u> | <u>(471,028)</u> |
| Net carrying amount | <u>9,064,541</u> | <u>1,629,187</u> | <u>236,765</u> | <u>10,930,493</u> |
| <u>Restructured loans</u> | | | | |
| Gross amount | 79,008 | 1,072,483 | 107,791 | 1,259,282 |
| Loan losses allowance | (4,555) | (114,384) | (23,435) | (142,374) |
| Net carrying amount | <u>74,453</u> | <u>958,099</u> | <u>84,356</u> | <u>1,116,908</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**

| | September 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 | 9,082,903 | 289,899 | 13,386 | 9,386,188 |
| Grade 2: Special mention | 41,237 | 1,113,101 | 46,364 | 1,200,702 |
| Grade 3: Sub-standard | 2,310 | 116,860 | 394,571 | 513,741 |
| Grade 4: Doubtful | 644 | 970 | 78,857 | 80,471 |
| Grade 5: Uncollectible | <u>7,288</u> | <u>175</u> | <u>101,170</u> | <u>108,633</u> |
| Gross amount | 9,134,382 | 1,521,005 | 634,348 | 11,289,735 |
| Loan losses allowance | <u>(173,259)</u> | <u>(144,314)</u> | <u>(157,062)</u> | <u>(474,635)</u> |
| Net carrying amount | <u>8,961,123</u> | <u>1,376,691</u> | <u>477,286</u> | <u>10,815,100</u> |
| <u>Finance leases</u> | | | | |
| Grade 1: Standard | 58,064 | 2,231 | 0 | 60,295 |
| Grade 2: Special mention | 0 | 3,185 | 1 | 3,186 |
| Grade 3: Sub-standard | 0 | 422 | 2,386 | 2,808 |
| Grade 4: Doubtful | 20 | 0 | 571 | 591 |
| Grade 5: Uncollectible | <u>0</u> | <u>0</u> | <u>543</u> | <u>543</u> |
| Gross amount | 58,084 | 5,838 | 3,501 | 67,423 |
| Loan losses allowance | <u>(921)</u> | <u>(178)</u> | <u>(917)</u> | <u>(2,016)</u> |
| Net carrying amount | <u>57,163</u> | <u>5,660</u> | <u>2,584</u> | <u>65,407</u> |
| Total loans | <u>9,192,466</u> | <u>1,526,843</u> | <u>637,849</u> | <u>11,357,158</u> |
| Loan losses allowance | <u>(174,180)</u> | <u>(144,492)</u> | <u>(157,979)</u> | <u>(476,651)</u> |
| Net carrying amount | <u>9,018,286</u> | <u>1,382,351</u> | <u>479,870</u> | <u>10,880,507</u> |
| <u>Restructured loans</u> | | | | |
| Gross amount | 144,175 | 493,879 | 253,405 | 891,459 |
| Loan losses allowance | <u>(899)</u> | <u>(32,107)</u> | <u>(64,825)</u> | <u>(97,831)</u> |
| Net carrying amount | <u>143,276</u> | <u>461,772</u> | <u>188,580</u> | <u>793,628</u> |

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

| | <u>September 30, 2022</u> | | <u>Total</u> |
|--------------------------------------------------|------------------------------------|----------------------------|-----------------------|
| | <u>Banco General, S. A.</u> | <u>Subsidiaries</u> | |
| Current | 9,907,567,387 | 776,226,730 | 10,683,794,117 |
| From 31 to 90 days | 380,815,516 | 8,453,231 | 389,268,747 |
| More than 90 days (capital or interest) | 309,569,998 | 5,078,841 | 314,648,839 |
| More than 30 days past due (capital at maturity) | <u>13,778,262</u> | <u>30,589</u> | <u>13,808,851</u> |
| Total | <u>10,611,731,163</u> | <u>789,789,391</u> | <u>11,401,520,554</u> |

| | <u>December 31, 2021</u> | | <u>Total</u> |
|--------------------------------------------------|------------------------------------|----------------------------|-----------------------|
| | <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) | <u>11,824,552</u> | <u>196,900</u> | <u>12,021,452</u> |
| Total | <u>10,442,193,198</u> | <u>855,585,765</u> | <u>11,297,778,963</u> |

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

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/.41,196,028 (December 31, 2021: B/.43,018,755) and (September 30, 2021: B/.38,986,201) which are not subject to credit risk:

| | | September 30, 2022 | | | |
|---------------------------------------|-----------------------------|---------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|-----------------------------|
| | <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 | 131,300,000 | 0 | 0 | 0 | 131,300,000 |
| Lower than BBB- | <u>1,580,478</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,580,478</u> |
| Carrying amount | <u>132,880,478</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>132,880,478</u> |
| Loss allowance | <u>(28,842)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(28,842)</u> |
| Total carrying amount, net | <u>132,851,636</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>132,851,636</u> |
| <u>At FVOCI</u> | | | | | |
| <i>Local:</i> | | | | | |
| AA+ to BBB- | 523,999,612 | 0 | 0 | 0 | 523,999,612 |
| Lower than BBB- | <u>644,793,088</u> | <u>8,570,114</u> | <u>11,903,528</u> | <u>0</u> | <u>665,266,730</u> |
| Carrying amount | <u>1,168,792,700</u> | <u>8,570,114</u> | <u>11,903,528</u> | <u>0</u> | <u>1,189,266,342</u> |
| Valuation of credit risk | <u>(2,802,659)</u> | <u>(553,758)</u> | <u>(1,601,663)</u> | <u>0</u> | <u>(4,958,080)</u> |
| <i>Foreign:</i> | | | | | |
| AAA | 1,883,331,925 | 0 | 0 | 0 | 1,883,331,925 |
| AA+ to BBB- | 1,264,436,474 | 0 | 0 | 0 | 1,264,436,474 |
| Lower than BBB- | 256,773,222 | 15,948,947 | 277,274 | 838,299 | 273,837,742 |
| NR | <u>0</u> | <u>323,748</u> | <u>0</u> | <u>0</u> | <u>323,748</u> |
| Carrying amount | <u>3,404,541,621</u> | <u>16,272,695</u> | <u>277,274</u> | <u>838,299</u> | <u>3,421,929,889</u> |
| Valuation of credit risk | <u>(12,951,911)</u> | <u>(3,389,143)</u> | <u>(22,151)</u> | <u>(60,328)</u> | <u>(16,423,533)</u> |
| Total carrying amount | <u>4,573,334,321</u> | <u>24,842,809</u> | <u>12,180,802</u> | <u>838,299</u> | <u>4,611,196,231</u> |
| Total valuation of credit risk | <u>(15,754,570)</u> | <u>(3,942,901)</u> | <u>(1,623,814)</u> | <u>(60,328)</u> | <u>(21,381,613)</u> |
| <u>At Fair Value TPL</u> | | | | | |
| <i>Local:</i> | | | | | |
| AA+ to BBB- | 2,258,900 | | | | |
| Lower than BBB- | <u>53,657,671</u> | | | | |
| Carrying amount | <u>55,916,571</u> | | | | |
| <i>Foreign:</i> | | | | | |
| AAA | 332,606,133 | | | | |
| AA+ to BBB- | 259,038,791 | | | | |
| Lower than BBB- | 44,580,678 | | | | |
| NR | <u>2,560,983</u> | | | | |
| Carrying amount | <u>638,786,585</u> | | | | |
| Total carrying amount | <u>694,703,156</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**

| | | September 30, 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 | 77,900,000 | 0 | 0 | 0 | 77,900,000 |
| Lower than BBB- | 4,128,885 | 0 | 0 | 0 | 4,128,885 |
| Carrying amount | 82,028,885 | 0 | 0 | 0 | 82,028,885 |
| Loss allowance | (17,885) | 0 | 0 | 0 | (17,885) |
| Total carrying amount, net | 82,011,000 | 0 | 0 | 0 | 82,011,000 |
| <u>At FVOCI</u> | | | | | |
| <i>Local:</i> | | | | | |
| AA+ to BBB- | 603,377,054 | 0 | 0 | 0 | 603,377,054 |
| Lower than BBB- | 553,539,444 | 9,033,740 | 29,294,587 | 0 | 591,867,771 |
| Carrying amount | 1,156,916,498 | 9,033,740 | 29,294,587 | 0 | 1,195,244,825 |
| Valuation of credit risk | (1,829,160) | (600,547) | (7,379,625) | 0 | (9,809,332) |
| <i>Foreign:</i> | | | | | |
| AAA | 2,126,225,064 | 0 | 0 | 0 | 2,126,225,064 |
| AA+ to BBB- | 1,224,002,382 | 0 | 0 | 0 | 1,224,002,382 |
| Lower than BBB- | 259,535,282 | 11,601,201 | 113,075 | 388,537 | 271,638,095 |
| Carrying amount | 3,609,762,728 | 11,601,201 | 113,075 | 388,537 | 3,621,865,541 |
| Valuation of credit risk | (5,095,986) | (15,533) | 0 | 0 | (5,111,519) |
| Total carrying amount | 4,766,679,226 | 20,634,941 | 29,407,662 | 388,537 | 4,817,110,366 |
| Total valuation of credit risk | (6,925,146) | (616,080) | (7,379,625) | 0 | (14,920,851) |
| <u>At Fair Value TPL</u> | | | | | |
| <i>Local:</i> | | | | | |
| AA+ to BBB- | 2,102,680 | | | | |
| Lower than BBB- | 60,338,871 | | | | |
| Carrying amount | 62,441,551 | | | | |
| <i>Foreign:</i> | | | | | |
| AAA | 403,617,375 | | | | |
| AA+ to BBB- | 371,785,981 | | | | |
| Lower than BBB- | 116,347,813 | | | | |
| NR | 3,518,871 | | | | |
| Carrying amount | 895,270,040 | | | | |
| Total carrying amount | 957,711,591 | | | | |

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:

| | September 30, 2022 | | | | |
|--------------------------------------------------------------|---------------------------|--------------------------------------------------|----------------------------------------------|-------------------------------------------|--------------------|
| | 12-month ECL | Lifetime ECL not credit- impaired | Lifetime ECL credit- impaired | Purchased credit- impaired | Total |
| 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 | (56,275) | 56,275 | 0 | 0 | 0 |
| Transfer of 12-month ECL to lifetime ECL credit-impaired | 0 | 0 | 0 | 0 | 0 |
| Net remeasurement of portfolio | 6,138,017 | 3,329,723 | (156,705) | 60,328 | 9,371,363 |
| New investment securities purchased | 3,825,359 | 0 | 0 | 0 | 3,825,359 |
| Investment securities that have been derecognized | <u>(1,319,113)</u> | <u>(18,238)</u> | <u>(63)</u> | <u>0</u> | <u>(1,337,414)</u> |
| Balance at the end of the period | <u>15,754,570</u> | <u>3,942,901</u> | <u>1,623,814</u> | <u>60,328</u> | <u>21,381,613</u> |

| | December 31, 2021 | | | | |
|--------------------------------------------------------------|--------------------------|--------------------------------------------------|----------------------------------------------|-------------------------------------------|--------------------|
| | 12-month ECL | Lifetime ECL not credit- impaired | Lifetime ECL credit- impaired | Purchased credit- impaired | Total |
| 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 | <u>(2,096,390)</u> | <u>(24,140)</u> | <u>(1,900,870)</u> | <u>0</u> | <u>(4,021,400)</u> |
| 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> |

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

| | September 30 <u>2022</u> | December 31 <u>2021</u> | September 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.