

## Application of the Basel II – Pillar 3 Disclosure

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### MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

**Banco General (Overseas), Inc.**

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**Disclosure Road Map**

The table below shows the disclosures relating to topics addressed in this Pillar 3 Disclosure.

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Banco General (Overseas), Inc. received a Group (b) designation by the Cayman Islands Monetary Authority solely for the purpose of complying with the requirements of the MARKET DISCIPLINE DISCLOSURE REQUIREMENTS.

# MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

## Banco General (Overseas), INC

### 1. Background

Banco General (Overseas), Inc. (“BGO”) is a wholly owned subsidiary of Overseas Capital Markets, Inc., a company incorporated in the Cayman Islands, and a wholly owned subsidiary of Banco General, S.A (“BG”). BGO has been granted a category “B” unrestricted banking license by the Cayman Islands Government under the Banks and Trust Companies Law, to enable it to carry out banking from within the Cayman Islands.

BG is wholly owned by Grupo Financiero BG, S.A. (“GFBG”) (a holding company) which in turn is 59.9% owned by Empresa General de Inversiones, S.A. (“EGI”), a publicly listed holding company. GFBG is the largest publicly traded company in Panama’s stock exchange in terms of market capitalization (US\$6.3 billion as of December 31, 2022), with more than 1,636 registered shareholders.

The following chart illustrates the corporate structure and ownership of the group:



BGO business is limited to investing funds received from Banco General, S.A. and its retail clients. The Bank also participates in obligations owned by BG in countries outside of Panama, through a Master Participation Agreements under NY Law, signed in June 2010. BGO invests deposits primarily in mortgage-backed and asset-backed securities, corporate bonds, U.S. government and other U.S. agency bonds either directly or by placing funds under management with large international, asset management firms, primarily US based.

As of December 31, 2022, BGO reported US\$499.04 million in its gross loan portfolio, US\$1,536.79 million in investments securities and other financial assets, US\$201.40 million in total deposits, US\$809.16 million in equity, and (US\$12.79 million) in net (loss) income.

Consistent with its conservative capitalization strategy and liquidity policies, BGO maintained a total capital to risk weighted assets ratio of 52.18%, equity to total assets ratio of 34.63%, and a ratio of primary liquid assets (US\$1,278 million) to total deposits and borrowings was 95.58% which consisted of high-quality fixed-income securities with 86.44% having a rating of A- or higher and 68.76% rated AAA.

## 2. Overview of Risk Management and Risk Weighted Assets (RWA)

### 2.1 Table OVA: Bank risk management approach

**Purpose:** Description of the bank's strategy and how senior management and the board assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

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#### General consideration:

##### (a) How the business model determines and interacts with the overall risk profile and how the risk profile interacts with the risk tolerance and appetite that has been approved by the board.

The cornerstone of BGO's overall business model and financial strategy is its focus on a solid and strong liquidity and capital position. BGO's business model is limited to investing funds received from Banco General, S.A. and its retail clients. BGO invests primarily in mortgage-backed and asset-backed securities, corporate bonds, U.S. government and other U.S. agency bonds either directly or by placing funds under management with large international, asset management firms, primarily US based. The Bank also participates in obligations owned by BG in countries outside of Panama, through a Master Participation Agreements under NY Law, signed in June 2010.

BGO's Board of Directors considers its activities and overall risk profile as Low Risk, appropriately supported in its annual Internal Capital Adequacy Assessment Process (ICAAP) report presented to CIMA.

To maintain its Low Risk profile, BOD has established policies, limits, and procedures to manage risks to which it is exposed, which defines its Risk Appetite. Based on its Risk Appetite, the BOD established limits on the following:

1. Credit Risk
2. Concentration Risk
3. Liquidity Risk
4. Portfolio Investment
5. Operational Risks Indicator
6. Market Exposure Risk
7. Maximum Loss Limits due to Price Movements
8. Environmental and Social Risks

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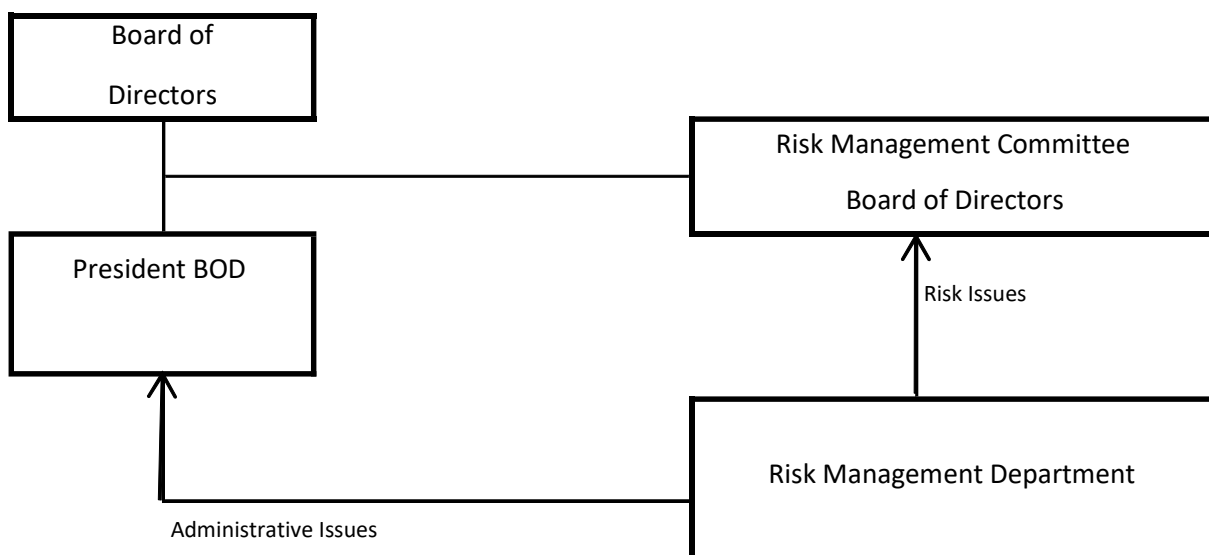
BGO's Board of Directors certifies that the Bank has assessed its capital as adequate based on the size and complexity of its business and that it has adequate risk management governance and processes.

**(b) Risk governance structure, responsibilities and delegation of authority. Departments involved in the risk management process and how the departments interact with each other.**

BG and Subsidiaries (including BGO) maintains a Corporate Governance Structure at the group level, with the objective of establishing policies, principles, norms, and procedures of internal controls, as needed, to guarantee the proper management of the group's risks.

*Risk Management High-Level Organization Chart:*

In the substantial part of its duties, the Risk Department shall report to the Risks Committee of the Board of Directors. For the administrative aspects of its duties, it shall be supervised by the General Manager.



Based on the extent of the application of the Risk Management policies, including the definition of Risk Appetite and Profile, includes BG and Subsidiaries, 100% owner of the issued and outstanding shares of Overseas Capital Markets, Inc. and subsidiaries, which includes BGO. In this sense, the objectives, policies, procedures, structures, and risk limits are applicable in a consolidated manner to BG and all its Subsidiaries. However, BGO may have individual objectives, policies, procedures, structures, and specific risk limits, which we shall identify within this document, as applicable.

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*Responsibilities for Risk Management and Control – BGO:*

<b>Risk</b>	<b>Identification and exposure analysis</b>	<b>Strategy</b>	<b>Limits and control</b>	<b>Performance evaluation</b>
Credit and Counterparty Risk	Business Departments, Risk and Treasury Department	Requires approval of the BOD Risk Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Risk Department and Executive Risk Committee.	BOD Risk Committee, Treasury Committee, and ALCO
Country Risk	Business Departments, Risk and Treasury Department	Requires approval of the BOD Risk Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Risk Department and Executive Risk Committee.	BOD Risk Committee, Treasury Committee, and ALCO
Market Risk	Treasury Department and Risk Department	Requires approval of the BOD Risk Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Treasury Unit, Risk Department, ALCO.	BOD Risk Committee, Treasury Committee, and ALCO
Liquidity Risk	Treasury Department and Risk Department	Requires approval of the BOD Risk Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Treasury Unit, Risk Department, ALCO.	BOD Risk Committee, Treasury Committee, and ALCO
Operating Risk	Operational Departments, Business Departments and Risk Department	Requires approval of the BOD Risk Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Risk Department and Executive Risk Committee.	BOD Risk Committee
Legal and Compliance Risk	Legal and Compliance Departments	Requires approval of the BOD Risk Committee and/or BOD Compliance Committee and/or BOD	Limits require approval of the BOD Risk Committee and/or BOD. Limit control is a responsibility of the Risk Department and Executive Risk Committee.	BOD Risk Committee and/or BOD Compliance Committee
Environmental and Social Risks / Climate Risks	Business Departments, Risk Department, Operational Departments and	Requires approval of the BOD Risk Committee and/or BOD	Policies, Exclusion Lists and Credit procedures require the approval of the BOD Risk Committee and/or BOD. Controls are the	BOD Risk Committee

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	Marketing and CSR Department		responsibility of the Risk Department, the Executive Risk Committee and/or the Social Responsibility and Business Ethics Committee	
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*Duties and Responsibilities - Board of Directors:*

1. Define and approve the Bank's Risk Appetite, through the approval of objectives, policies, procedures, structures, and risk limits.
2. Constitute the BOD Risk Committee
3. Approve the BOD Risk Committee By-laws.
4. Appoint the members forming the BOD Risk Committee.
5. Approve the necessary resources for the proper development of a Comprehensive Risk Management Structure to maintain the infrastructure, methodology and necessary personnel.
6. Evaluate and approve its business plans with due consideration of the associated risks.
7. Ensure the Bank maintains a level of capital adequacy congruent with its risk profile.
8. Together with the BG's general management, attribute to the Vice Presidency of Risk, and any other the latter may appoint, the sufficient authority, hierarchy, and independence with respect to the other employees of the Bank.

The Board of Director holds at least 12 meetings per year.

*Duties and Responsibilities - Board of Directors Risk Committee:*

The BOD Risk Committee is empowered to:

1. Supervise the Risk Departments for the substantial issues of its duties in connection with the Comprehensive Risk Management of Banco General and to evaluate its performance.
2. Supervise compliance of the objectives, policies, procedures, structures, and limits of risk of the Comprehensive Risk Management documented in the Comprehensive Risk Management Manual and its Annexes.
3. Attribute to the Risk Department of Banco General sufficient authority, hierarchy, and independence regarding the other employees of the Bank.

It corresponds to the BOD Risk Committee the execution of the following duties:

1. To follow up the exposures to risks and compare said exposures with the policies and limits approved by the BOD.
2. Among other aspects deemed pertinent, the BOD Risks Committee shall refer to the impact of said risks on the Bank's stability and solvency.
3. To evaluate the performance of the Risk Department, which shall be duly documented.
4. To report to the BOD the results of its reviews on the exposures to the Bank's risk.
5. To guarantee compliance with the objectives, policies, procedures, structures, and limits of risk of the Comprehensive Risk Management, as well as to define the scenarios and the temporary horizon in which excess to the limits or exceptions to policies may be accepted, which shall be approved by the BOD, or the entities empowered by the BOD for these purposes, as well as the possible courses of action or mechanisms by means of which the



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situation may be regulated.

6. To develop and propose objectives, policies, procedures, structures, and limits of risk for the administration of risks which shall be submitted to the approval of the BOD or the entities same may empower by the BOD.
7. The duties and requirements the BOD may establish.

The BOD Risk Committee holds at least 4 meetings per year.

There is also an Audit Committee of the Board of Directors that oversees the establishment and implementation of appropriate internal controls, including the preparation of the Bank's financial information and financial statements and a Compensation Committee of the Board of Directors that oversees the establishment and implementation of appropriate compensation policies at all levels of the Bank.

*Duties and Responsibilities - Risks Department:*

Banco General, S.A. shall have an independent Risk Department in charge of the identification and management of the risk's BG faces, establishing Specialized Risk Departments for specific risks, in accordance with the nature and complexity of the operations and the structure of BG.

The Risk Department is responsible with informing and presenting at least quarterly to the BOD Risks Committee, on the efficiency of the mechanism in connection with the management of risks, the degree of exposure, compliance with risk limits in accordance with the policies and procedures approved by the BOD or by the BOD Committee.

The execution of the following duties belongs to the Risk Department:

1. To identify, evaluate, measure, control, mitigate, monitor, and inform all the risks which are relevant to the entity. With such purpose it may:
2. Develop methodologies, models, and systems of measurement of risks congruent with the degree of complexity and volume of its operations, showing in a precise manner the value of the positions and its sensitiveness to the various risk factors.
3. Ensure that the responsible areas supply the necessary information which shall be used in the methodologies, models, and systems of measurement of risks and that is found available in a timely manner.
4. Evaluate permanently the methodologies, models, and risks measurement systems, which results shall be submitted to the BOD Risk Committee.
5. In accordance with the complexity and volume of its operations, to execute periodical back testing program, in which estimations of exposition be compared by type of risk of the internal models against the results really observed for the same measurement period and to carry out the necessary corrections modifying the model when deviations are presented, remaining documented.
6. Ensure that all deficiency detected regarding the quality, opportunity and integrity of the information employed by the Risk Department is reported to the areas responsible of its elaboration and control.
7. To carry out exposure estimations by type of risk.
8. To verify the observance of the risk limits, as well as the levels of tolerance acceptable by each type of risks.
9. Any other duty the BOD or the BOD Risks Committee or the General Manager may require.

Other Departments or Units annexed to the Comprehensive Risk Management

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1. Information Technology Risk
2. Security
3. Fraud Prevention

#### *Chief Risk Officer:*

Banco General, S.A. has designated a Vice-president of Corporate Risk or “CRO” who reports to the Board of Directors Risk Committee. The CRO is independent of the business and operational lines. The Bank considers the CRO a “Senior Officer” and is in the process of submitting the related documents for CIMA’s approval in accordance with Section 16 of the Banks and Trust Companies Law.

The execution of the following duties belongs to the CRO:

Lead and managed the Risks Department and ensures the Risks Department executes the following duties:

1. Identify, evaluate, measure, control, mitigate, monitor, and inform all the risks which are relevant to the entity. With such purpose it may:
2. Develop methodologies, models, and systems of measurement of risks congruent with the degree of complexity and volume of its operations, showing in a precise manner the value of the positions and its sensitiveness to the various risk factors.
3. Ensure that the responsible areas supply the necessary information which shall be used in the methodologies, models, and systems of measurement of risks and that is found available in a timely manner.
4. Evaluate permanently the methodologies, models, and risks measurement systems, which results shall be submitted to the BOD Risk Committee.
5. In accordance with the complexity and volume of its operations, to execute periodical back testing program, in which estimations of exposition be compared by type of risk of the internal models against the results really observed for the same measurement period and to carry out the necessary corrections modifying the model when deviations are presented, remaining documented.
6. Ensure that all deficiency detected regarding the quality, opportunity and integrity of the information employed by the Risk Department is reported to the areas responsible of its elaboration and control.
7. To carry out exposure estimations by type of risk.
8. To verify the observance of the risk limits, as well as the levels of tolerance acceptable by each type of risks.
9. Any other duty the BOD or the BOD Risks Committee or the General Manager may require.

#### **(c) Channels of communication, to describe and enforce the risk culture within the bank.**

BG and Subsidiaries (including BGO) maintain a formal, comprehensive, proactive, participative and independent process of risk management, which allows the Bank to (i) identify, evaluate, measure, control, mitigate, monitor and report on all the applicable and pertinent risks, (ii) evaluate the sufficiency of capital in relation to its risk profile, and (iii) strengthen institutional culture by raising awareness of the relevance of managing risks, including at the personnel, management, Executive Management and BOD level.

In line with regulatory provisions and Corporate Governance best practices, the BOD establishes and approves the objectives, policies, procedures, structures, and risk limits which govern its

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comprehensive risk-management process, as well as the necessary conditions and structures that foster a risk management culture that flows to all the levels of the organization, starting with the surveillance of the BOD, the Risk Committee of the BOD, the ALCO, and all executive risk management committees.

The BOD is supported by several Committees (including the Risk Committee of the BOD), which monitor, define, approve, or certify the objectives, policies, procedures, structures, and limits within the faculties granted to them. These committees in turn support the various Executive Committees of the organization, which monitor, analyze, approve, or certify within the attributes granted by the BOD or the Risk Committee of the BOD to them.

The Executive Risk Committees are responsible for overseeing the administration of the integral risk management of the Bank, monitoring the compliance of objectives, policies, procedures, structures, and limits of risk in all the units of the organization.

The main risks identified by the Bank are Credit Risk, Country Risk, Operational Risk, Market Risk and Liquidity Risk, Environmental & Social Risks/Climate Risks, and are managed by the following committees:

- Business Credit Executive Risk Committee (4 meetings a year)
- International Corporate Credit Executive Risk Committee (4 meetings a year)
- Operational Executive Risk Committee (4 meetings a year)
- Environmental, Social and Reputational Executive Risk Committee (4 meetings a year)
- Assets and Liability Committee (ALCO) (4 meetings a year)
- Treasury Committee (12 meetings a year)
- Risk Committee of the Board of Directors (at least 4 meetings a year)

#### *Risk Limits and Policies:*

Based on current regulations and best practices the BOD has established policies, limits, and procedures to manage risks to which it is exposed, which defines its Risk Appetite. Risk thresholds (limits) are approved by the BOD and any breaches of these thresholds should be reported to the BOD.

#### **(d) Description of the process of risk information reporting provided to the board and senior management.**

See section *“Responsibilities for Risk Management and Control – BGO”*.

#### **(e) The scope and main features of risk measurement systems.**

The Bank utilizes the Modelo de Información Gerencial or “MIG” as its MIS system. MIG is a database of financial information organized and programmed in a way that produces regular reports used to manage risks and its capital needs and helps monitor the risks limits approved by the BOD. MIG also provides a single view of the data at the corporate level and provides indicators to measure compliance and efficiency of business goals. In addition to MIG, for the management of interest rate risk, market risk and liquidity risk, the Bank uses FIS BancWare ALM 6 2021.2.0, Bloomberg –

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AIMS (Bloomberg asset and investment manager), PAM (Portfolio accounting and management), and Aladdin PRT tool from BlackRock Inc. Also, the Bank's expected credit loss models for the loan portfolio were developed through the support and guidance of two external consultants (Management Solutions and Moody's), and the model are programmed within the MIG system.

The reports generated are used by the BOD, BOD Risk Committee and Executive Risk Committee to monitor periodically the exposures to risks and compare said exposures with the policies and limits approved by the BOD.

**(f) The strategies and processes to manage, hedge and mitigate risks that arise from the business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.**

BGO business model is limited to investing funds received from Banco General, S.A. and its retail clients. The Bank also participates in obligations owned by BG in countries outside of Panama, through a Master Participation Agreements under NY Law, signed in June 2010. BGO invests deposits primarily in mortgage-backed and asset-backed securities, corporate bonds, U.S. government and other U.S. agency bonds either directly or by placing funds under management with large international, asset management firms, primarily US based.

*Derivatives:*

The Bank does not have a trading portfolio and the mandate of the Treasury is to manage the liquidity of the Bank by investing within the limits established by the BOD focusing on fixed income securities with high credit ratings.

ALCO will approve the use of derivatives as part of its strategies in managing the bank's assets and liabilities. The Treasury will be responsible for implementing the strategies agreed in the ALCO and therefore must execute the corresponding derivative transactions within the approved limits and policies, as well as giving them the required follow-up to all current operations. The bank will not make use of derivative instruments for any speculative purpose (to trade in the short term – "trading"). The bank will use derivatives for the following purposes:

- 1) The management of the risks of the bank's assets and liabilities.
- 2) Execute derivatives for clients who request them as part of the management of their own risks as stipulated in the Bank's Business Banking Credit Policies and Procedures Manual. These derivatives must be covered (there will be no exposure).
- 3) Execute FX Forwards of clients as stipulated in the Manual of Credit Policies and Procedures for Business Banking of the bank. These derivatives must be covered (there will be no exposure).
- 4) Take a credit risk position using CDS according to the limits of the Investment Manual of Banco General, S.A. and Subsidiaries and backing said position with foreign deposits with maturity of up to 30 days, bills, notes or U.S. Treasury bonds. This would be done in order to improve the profitability or liquidity of the bank by being able to invest in the credit of an issuer, through a synthetic bond, using the credit limits established by the bank efficiently and investing the funds in very liquid assets.
- 5) As part of the management of managed portfolios. Managed portfolios will be allowed to use derivatives as long as they meet the limits set for each portfolio (duration, credit and currency).

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The Treasury must maintain a daily report of all current positions and unrealized gains and losses. Current positions will be valued and accounted for daily according to the nature of each transaction and the relevant NIIFs.

The valuation and accounting of all derivative transactions will be governed by the provisions of the Investment Manual of Banco General, S.A. and Subsidiaries.

The policy of approval of new types of derivatives will be detailed in the Investment Manual of Banco General and Subsidiaries.

BGO may only use as a counterparty in these operations Financial Institutions with a minimum long-term risk rating of A from S&P or A2 from Moody's or A from Fitch and its subsidiaries. In the case of a counterparty that does not meet the above condition, an approval of the Board of Directors will be needed to be able to carry out this type of transaction. In the case of clients of Banco General, S.A. and Subsidiaries that are counterparties in derivative operations, they will be approved as stipulated in the Manual of Credit Policies and Procedures for Business Banking of the bank.

**(g) Qualitative information related to stress testing methodologies and the scenarios and assumptions used.**

Qualitative information related to BGO's stress testing methodology, such as, but not limited to, the scenarios and assumptions used, are described throughout this disclosure.

## 2.2 Template OV1: Overview of RWA

**Purpose:** Provide an overview of total RWA forming the denominator of the risk-based capital requirements. Further breakdowns of RWAs are presented in subsequent parts.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Risk-weighted assets and capital requirements under Pillar 1.

**Frequency:** Group (a) banks: Quarterly. Group (b) banks: Annually.

**Format:** Fixed.

		a	b	c
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk) (CCR)	1,420,260,462	1,610,280,552	213,039,069
2	Securitisation exposures			
3	Counterparty credit risk			
4	Of which: current exposure method			
5	Of which: standardized method			
6	Market risk			
7	Of which: Equity risk			
8	Operational risk	130,866,819	127,677,874	19,630,023
9	Of which: Basic Indicator Approach	130,866,819	127,677,874	19,630,023
10	Of which: Standardised Approach			
11	Of which: Alternative Standardised			
12	Total (1+2+3+6+8)	1,551,127,281	1,737,958,426	232,669,092

There's no material differences in reporting periods T (current Pillar 3 reporting period) and T-1 (previous Pillar 3 reporting period).

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### 3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

#### 3.1 Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories.

**Purpose:** Columns (a) and (b) enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation; and columns (c)–(g) break down how the amounts reported in a banks' financial statements (rows) correspond to regulatory risk categories. (Note: the sum of amounts in columns (c)–(g) may not equal the amounts in column (b) as some items may be subject to regulatory capital charges in more than one risk category.)

**Scope of application:** Mandatory for all applicable banks.

**Content:** Carrying values (Corresponding to the values reported in financial statements).  
**Frequency:** Annually.

**Format:** Flexible.

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Due from Banks	201,403,641	198,313,924	171,766,230				26,547,694
Investments and other financial assets, net	1,536,790,533	1,536,579,614	1,241,273,977				295,305,637
Loans	500,526,034	466,679,798	459,032,742				7,647,056
Derivative instruments assets	18,684,331						
Other assets	78,872,311	135,554,385	135,554,385				
Total assets	2,336,276,850	2,337,127,721	2,007,627,334				329,500,387
<b>Liabilities</b>							
Due to depositors	1,289,791,860	1,286,963,591					1,286,963,591
Derivative financial instruments	10,695,327						
Other financial liabilities at fair value	38,498,676						
Other liabilities	188,129,966	241,003,609					241,003,609
Total liabilities	1,527,115,829	1,527,967,200					1,527,967,200

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**3.2 Template LI2:** Main sources of differences between regulatory exposure amounts and carrying values in financial statements

**Purpose:** Provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Carrying values that correspond to values reported in financial statements but according to the scope of regulatory consolidation (rows 1–3) and amounts considered for regulatory exposure purposes (row 9).

**Frequency:** Annually.

**Format:** Flexible.

	a	b	c	d	e
	Total	Items subject to:			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	2,007,627,334	2,007,627,334			
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
Total net amount under regulatory scope of consolidation	2,007,627,334	2,007,627,334			
Off-balance sheet amounts	12,554,596	12,554,596			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2					
Differences due to consideration of provisions					
Differences due to prudential filters					
Exposure amounts considered for regulatory purposes					



**3.3 Table LIA:** Explanations of differences between accounting and regulatory exposure amounts

**Purpose:** Provide qualitative explanations on the differences observed between the accounting carrying value (as defined in LI1) and amounts considered for regulatory purposes (as defined in LI2) under each framework.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

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**General Considerations:**

**(a) Explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1.**

There's no material differences between accounting amounts, as reported in financial statements and regulatory exposure amounts, as displayed in Tables LI1 and LI2.

**(b) Explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.**

There's no material differences between carrying values and amounts considered for regulatory purposes shown in LI2.

**(c) Describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include:**

- Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used.
- Description of the independent price verification process.
- Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

The Bank uses traditional valuation procedures and methodologies, which are detailed in the "Guide for the Valorization of Banco General, S.A. and Subsidiaries' Investment Portfolios" under Annex VIII of Banco General, S.A. and Subsidiaries' Investments Manual, which is approved by the Board of Directors.

For the valuation of foreign investments and derivatives, the Bank obtains prices from recognized providers, such as custodians, investment managers, electronic media, broker dealers, other banks, and the stock market, daily and displays these valuations on its daily accounts. These prices are analyzed and monitored by the Treasury and Finance and Risk Departments. In the case of local

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fixed income financial instruments that are not quoted in an active market, the bank utilizes a fixed income analytics tool to value them.

The valuation of all investments and derivatives portfolios is carried out according to the responsibilities and procedures specified in Banco General, S.A. and Subsidiaries' Investments Manual as stated below:

- i. The Department of Treasury Operations validates that all the prices that are automatically loaded into the Bank's accounting system from the main price sources—defined in the Investments Manual—are in accordance with the price providers' reports. This department also inputs the prices that are calculated internally by the Bank into the accounting system.
- ii. The Treasury Administration, Risk and Control Unit reviews the daily investments and derivatives portfolio valuation reports and validates that all prices are reasonable, using the market and other price sources as a guide. If there are significant inconsistencies with any of the prices, the Unit conducts the pertinent investigations. Additionally, it values instruments that are not in an active market, following the valuation models established for each type of financial instrument in the Investments Manual, and sends these valuations to the Treasury Operations area for their due input into PAM.
- iii. The Vice-president of Treasury, the Assistant Vice-president of Investments Portfolio and Liquidity Management and the Executive Vice-president of Finance review all valuations of the investments and derivatives portfolio.
- iv. The Liquidity and Market Risk Unit independently reviews all valuations and certifies their compliance with the methodologies established in Banco General, S.A. and Subsidiaries' Investments Manual to the Asset Liability Committee monthly.

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

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Instrument	Valuation technique	Inputs used	Level
<b>Fixed Income</b>	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	Credit spreads Benchmark interest rate Liquidity risk premiums	
<b>Agencies MBS / CMOs</b>	Discounted cash flows	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2
<b>Private MBS / CMOs and ABS</b>	Discounted cash flows	Features of collateral Treasury yield Yield curves Expected cash flows and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
<b>Corporate Shares</b>	Quoted market prices	Quoted prices in active markets	3
	Dividend discount model Discount free cash flows model (DFC), which are compared to the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
	Carrying amount model	Equity Issued and outstanding shares	
<b>Investment Vehicles</b>	Net asset value	Net asset value	2-3

#### 4. CAPITAL

##### 4.1 Table CAP: Details on the bank's capital, including specific capital instruments

**Purpose:** Provide details on the bank's capital, including specific capital instruments.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Quantitative and qualitative information.

**Frequency:** Group (a) banks: Semi-annually Group (b) banks: Annually.

**Format:** Flexible.

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#### Qualitative disclosures:

##### (a) Name of the top corporate entity in the group to which these rules and guidelines apply.

The Market Discipline Disclosure Requirements rules and guidelines apply to Banco General (Overseas), Inc. ("BGO"). BGO is a wholly owned subsidiary of Overseas Capital Markets, Inc., a company incorporated in the Cayman Islands, and a wholly owned subsidiary of Banco General, S.A ("BG"). BGO has been granted a category "B" unrestricted banking license by the Cayman Islands Government under the Banks and Trust Companies Law, to enable it to carry out banking from within the Cayman Islands.

##### (b) Outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are pro-rate consolidated; (c) that are given a deduction treatment; and (d) from which surplus capital is recognized; plus (e) that are neither consolidated nor deducted (e.g. where the investment is risk –weighted).

There is no difference in the basis of consolidation for accounting and regulatory purposes.

##### (c) Restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

BGO does not have any major restrictions, or other major impediments, on transfer of funds or regulatory capital with BGO's parent company.

#### Quantitative Disclosures:

##### (d) The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.

BGO has no insurance subsidiaries.

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**(e) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.**

BGO has no other subsidiaries.

**(f) The aggregate amounts (e.g. current book value) of the firm's total interests in insurance entities.**

BGO has no insurance subsidiaries.

## Table 2 - Capital Structure

### Qualitative disclosures:

#### (a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.

The cornerstone of BGO's overall financial strategy is its focus on a solid and strong liquidity and capital position.

BGO's capital position exceeds local regulatory requirements and international requirements contained in the Basel Accords. As of December 31, 2022, BGO's Total Capital Adequacy Ratio was 52.18%, consisting entirely of Tier 1 + Tier 2 capital. Shareholders' equity amounted to US\$809.16MM as of December 31, 2022, decreasing from US\$914.54MM in 2021. The ratio of equity to total assets was 34.63% as of year-end 2022.

BGO's high levels of capitalization reflect the BOD commitment to maintain a strong capital base to support depositors, enable BGO to exploit growth opportunities and maintain a capital base to withstand unexpected adverse events that may affect the Bank's operations.

BGO's Board of Directors certifies that the Bank has assessed its capital as adequate based on the size and complexity of its business and that it has adequate risk management governance and processes.

### Quantitative disclosures:

<b>Tier 1 Capital</b>		
Paid up capital	\$	119,158,000
Share premium	\$	15,842,000
Retained earnings	\$	698,904,560
Current year's earnings	\$	(12,788,628)
General reserves	\$	(76,955,411)
Paid-up perpetual non-cumulative preference shares	\$	65,000,000
<b>Total Tier 1 Capital</b>	<b>\$</b>	<b>809,160,520</b>
<b>Tier 2 Capital</b>		
General Provisions	\$	851,371
<b>Total Tier 2 Capital</b>	<b>\$</b>	<b>851,371</b>
<b>Total Net Tier 1 and Net Tier 2 Capital</b>	<b>\$</b>	<b>810,011,891</b>
<b>Total Eligible Capital</b>	<b>\$</b>	<b>810,011,891</b>

Tier 2 Capital: Represents BGO's unconsolidated loan losses allowance of \$851,371. BGO's consolidated loan losses allowance stands at \$1,129,280 as of 31 December 2022.

**Table 3 - Capital adequacy**

**Qualitative disclosures:**

**(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.**

To maintain a solid financial profile, the bank has established a conservative capital position, which it defines as maintaining internal and regulatory capital ratios with a healthy cushion to cover potential future requirements and unanticipated losses. The main ratio the Bank monitors are its: tier 1 capital to risk weighted assets, total equity to total assets ratio, and surplus capital under a stress scenario.

The capital planning process relies on several key factors to determine capital sufficiency and potential needs, including, (i) the consolidated medium-term strategic plan and its growth initiatives and potential inorganic expansion, (ii) the in-depth annual business plan and its operating and capital, and investment budgets, (iii) the capital structure and dividend policy and (iv) the risk limits and potential capital requirements under stress scenarios.

Based on the current capitalization levels, current year budget, and stress scenarios described in this report, the Bank maintains a substantial capital surplus which it plans to hold for the long term.

Considering BGO's Balance Sheet and operating performance forecasts detailed below, the Bank considers that in the next years it will not have any need for additional capital, and it will continue to maintain a significant capital surplus position.

The main premises for the financial projections and anticipated capital position are the following:

- 1) Balance sheet growth is expected in the range of 3% to 4% per year.
- 2) The asset mix (loans and investments) is anticipated to remain stable in the future with no new significant business initiatives to be implemented at the Bank.
- 3) The risk profile and risk limits will not be subject to any material changes.
- 4) The positive net income forecasted should cover any unanticipated losses and provide additional capital to support growth and maintain or increase the capital surplus position.
- 5) The Bank does not anticipate dividends to exceed net income, thus maintaining a very strong capital position.

Moreover, the Bank is of the opinion that even under adverse economic conditions, its operations will remain profitable and therefore its capital position will remain robust.

Finally, based on the moderate growth forecasts and high levels of capitalization the Bank will continue to comply with all regulatory capital requirements.

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	Dec-21	Dec-22	Dec-23 E	Dec-24 E	Dec-25 E	Dec-26 E	Δ 22-23	Δ 23-26
<b>ASSETS</b>								
Deposits	199,995,135	198,313,924	211,393,494	239,746,174	270,061,818	302,453,065	6.6%	12.7%
Loans, net	444,186,998	465,828,427	491,958,704	505,755,384	519,938,315	534,518,310	5.6%	2.8%
Investments, net	1,648,305,679	1,571,579,614	1,532,913,759	1,574,828,968	1,617,917,633	1,662,212,605	-2.5%	2.7%
Other assets	109,070,018	100,554,385	100,462,760	100,796,003	101,138,575	101,490,738	-0.1%	0.3%
<b>Total assets</b>	<b>2,401,557,829</b>	<b>2,336,276,350</b>	<b>2,336,728,716</b>	<b>2,421,126,528</b>	<b>2,509,056,341</b>	<b>2,600,674,718</b>	<b>0.0%</b>	<b>3.6%</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits	1,262,984,610	1,286,963,591	1,286,963,591	1,317,003,471	1,347,884,344	1,379,629,757	0.0%	2.3%
Other liabilities	224,025,644	240,152,238	189,727,820	189,727,820	189,727,820	189,727,820	-21.0%	0.0%
Equity	914,547,576	809,160,520	860,037,305	914,395,238	971,444,176	1,031,317,141	6.3%	6.2%
<b>Total liabilities and equity</b>	<b>2,401,557,829</b>	<b>2,336,276,350</b>	<b>2,336,728,716</b>	<b>2,421,126,528</b>	<b>2,509,056,341</b>	<b>2,600,674,718</b>	<b>0.0%</b>	<b>3.6%</b>
Income	70,293,761	16,028,372	109,354,854	112,709,213	116,981,643	121,431,368	582.3%	3.6%
Expenses	8,660,013	28,817,000	58,478,069	58,351,280	59,932,705	61,558,403	102.9%	1.7%
<b>Net Income</b>	<b>61,633,749</b>	<b>(12,788,628)</b>	<b>50,876,784</b>	<b>54,357,933</b>	<b>57,048,938</b>	<b>59,872,965</b>	<b>N/A</b>	<b>5.6%</b>
Equity / Total Assets	38.08%	34.63%	36.81%	37.77%	38.72%	39.66%		
Capital Adequacy Ratio	52.67%	52.18%	55.44%	56.89%	58.32%	59.73%		
<b>Pillar II Capital Requirements - Riesgo</b>								
Credit Risk - Investments	134,731	119,782	116,835	120,030	123,314	126,690		
Credit Risk - Loans	98,353	88,744	93,722	96,350	99,052	101,829		
Credit Risk - Deposits	12,928	12,928	12,928	13,229	13,539	13,858		
Operational Risk	19,152	19,630	29,794	30,708	31,872	33,084		
Market Risk	19,214	26,234	25,589	26,288	27,008	27,747		
<b>Capital Req</b>	<b>284,377</b>	<b>267,318</b>	<b>278,867</b>	<b>286,605</b>	<b>294,785</b>	<b>303,209</b>		
<b>Capital Req as a % of Total Capital</b>	<b>31.09%</b>	<b>33.04%</b>	<b>32.42%</b>	<b>31.34%</b>	<b>30.35%</b>	<b>29.40%</b>		

Regarding the allocation of the BGO's capital requirements to each of the material risks identified for the four-year financial projection, the Board of Directors expects capital requirements in similar proportion to the base and stress scenario based on (i) the asset mix (loans and investments) is anticipated to remain stable in the future, and (ii) the risk profile of these assets will not be subject to any material changes.



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Quantitative disclosures:

A. CREDIT RISK	Capital Requirements	RWA
A. Cash Items	\$ -	\$ -
B. Claims on Sovereigns	\$ 17,169.30	\$ 114,462.00
C. Claims on Non-Central Government Public Sector Entities (PSEs)	\$ 12,935,577.03	\$ 86,237,180.20
D. Claims on Multilateral Development Banks (MDBs)	\$ -	
E. Claims on Banks and Security Firms	\$ 37,604,522.54	\$ 250,696,816.93
F. Claims on Corporates and Security Firms	\$ 130,922,276.13	\$ 872,815,174.20
G. Claims on Short Term Issue Specific	\$ -	
H. Claims on Retail Portfolio	\$ 3,244,571.26	\$ 21,630,475.07
I. Claims secured by Residential Property	\$ -	
J. Claims secured by Commercial Real Estate	\$ 8,833,720.08	\$ 58,891,467.22
K. Claims secured on Higher Risk Categories & Other Assets	\$ 18,539,638.31	\$ 123,597,588.72
L. Past Due Exposures	\$ -	
<b>TOTAL BALANCE SHEET ITEMS</b>	<b>\$ 212,097,474.65</b>	<b>\$1,413,983,164.34</b>
Off-Balance Sheet Items	\$ 941,594.68	\$ 6,277,297.85
Counterparty Credit Risk	\$ -	\$ 1,772,677.46
Unsettled Transactions	\$ -	
Securitizations	\$ -	
<b>TOTAL CREDIT RISK</b>	<b>\$ 213,039,069.33</b>	<b>\$1,422,033,139.65</b>
<b>B. OPERATIONAL RISK</b>	<b>\$ -</b>	
Basic Indicator Approach	\$ 19,630,022.81	\$ 130,866,818.75
Standardized Approach	\$ -	
Alternative Standardized Approach	\$ -	
<b>TOTAL OPERATIONAL RISK</b>	<b>\$ 19,630,022.81</b>	<b>\$ 130,866,818.75</b>
<b>C. MARKET RISK</b>		
FX & Gold	\$ -	\$ -
Commodities	\$ -	\$ -
Interest Rate Risk Maturity Method	\$ -	\$ -
Interest Rate Risk Duration Method	\$ -	\$ -
Equities	\$ -	\$ -
Correlation Trading Portfolio	\$ -	\$ -
<b>TOTAL MARKET RISK</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 232,669,092.14</b>	<b>\$1,552,899,958.40</b>
Total Minimum Capital Requirements - Pillar 1	\$ 232,669,092.14	
Total Eligible Capital	\$ 810,011,890.99	
Surplus/(Deficit) Capital	\$ 577,342,798.85	
Tier 1 Ratio	52.11%	
<b>Total Capital Adequacy Ratio</b>	<b>52.16%</b>	
<b>Tier 1</b>	<b>\$ 809,160,520.26</b>	
<b>Tier 2</b>	<b>\$ 851,370.73</b>	
	<b>\$ 810,011,890.99</b>	

Tier 2 Capital: Represents BGO's unconsolidated loan losses allowance of \$851,371. BGO's consolidated loan losses allowance stands at \$1,129,280 as of 31 December 2022.

## 5. Credit Risk

### 5.1 Table CRA - General qualitative information about credit risk

**Purpose:** Describe the main characteristics and elements of credit risk management (business model and credit risk profile, organization and functions involved in credit risk management, risk management reporting).

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

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#### General considerations:

##### (a) How the business model translates into the components of the bank's credit risk profile.

BGO participates in obligations owned by BG in countries outside of Panama, through a Master Participation Agreements under NY Law, signed in June 2010. In addition, BGO invests deposits primarily in mortgage-backed and asset-backed securities, corporate bonds, U.S. government and other U.S. agency bonds either directly or by placing funds under management with large international, asset management firms, primarily US based.

BGO's loan portfolio consists primarily of corporate loans extended to clients that operate in Colombia, Costa Rica, Guatemala, El Salvador, Peru, Mexico, Honduras, and Nicaragua. This loan portfolio is managed by the Bank's International Corporate Banking Department, through our representation offices located in Guatemala, El Salvador, Peru and Colombia, and its affiliate in Costa Rica (Banco General (Costa Rica), S.A.). BGO also maintains a smaller portfolio of commercial individual, private banking and consumer clients based in Panama.

The business model correlates directly with BGO's low credit risk profile, with 100% of the loan portfolio rated A- Normal. Historically, BGO has had no losses in its loan portfolio. In addition, of the total liquidity portfolio, 68.76% of debt instruments are rated AAA and 86.44% are rated at least A- or above.

##### (b) Criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

Based on current regulations and best practices the BOD has established policies, limits, and procedures to manage risks to which it is exposed, which defines its Risk Appetite. Based on its Risk Appetite, the BOD established limits on Credit Risk and Concentration Risk, including, but not limited to, limits by country, industry, financial instrument, and debtor.

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The BOD Risk Committee approved the Corporate Credit Approval Policies and Procedures Handbook for Corporate Banking, as well as the Bank's Credit Risk Management and Administration Manual. The guidelines set forth in these two documents, describe the credit risk management process in detail, to identify measure, monitor and control the risks associated with:

1. Credit Default Risk - The risk of loss arising from the possibility that a particular corporate credit borrower may default on its obligations to make payments on its debt.
2. Concentration Risk - The risk of loss arising from the possibility that a particular corporate credit borrower and its related economic group, or an aggregate number of corporate credit borrowers with exposure to a particular economic sector, may default on their obligations to make payment on their debts, as a result of adverse conditions affecting the borrowers within the economic group or adverse conditions affecting the economic sector or industry in which they operate.
3. Country Risk - The risk of loss arising from the possibility that the aggregate borrowers in a particular country may default on their obligations to make payment on their debts, as a result of adverse economic, political and/or social conditions that affect their capacity and/or capability to service the referred debts.

To manage, mitigate and reduce the above-mentioned risks, the BOD of BG and Subsidiaries (including BGO), approved the following:

1. The conformation of a highly experienced and professional International Corporate Banking Department, in line with BGs and BGOs client segmentation strategies and service models, to better fulfill the clients' needs, increase cross-selling opportunities, improve service quality and reduce credit risks.
2. The conformation of a highly experienced and professional International Credit Risk Department, whose responsibility is to independently review credit risk and country risk associated with borrowers/economic groups, countries and economic sectors that comprise BGO's international corporate loan portfolio. BGO uses in-house methodologies and third-party models (Moody's RiskCalc) to quantify the related credit risk, concentration, and country risk exposures. These models generally incorporate qualitative and quantitative factors that help outline various risk aspects, including: the borrowers experience, economic sector, country of operation, management expertise, financial leverage and liquidity ratios, credit risk mitigations (guarantees, insurance, third party guarantees), among others.
3. The Credit Approval Policy and Procedures Handbook for Commercial Banking, which outlines the governance structure and responsibilities (of the BOD, BOD Risk Committee, BOD Credit Committee, Executive Credit Committee, International Corporate Banking Department, Internal Audit, Risk Department, CEO, among others), policies, procedures, methodologies, risk limits and levels of approval regarding BGOs corporate banking business. These policies include, among others, the following:
  - a. General Policies for Corporate Banking
  - b. General Terms and Condition per Type of Facility
  - c. Collateral Policy and Third-Party Guarantee Policy
  - d. Exclusion List (economic sectors, activities, or situations in which the Bank is not allowed to lend)
  - e. Acceptable External Auditors and Borrowers Financial Statements Policies
  - f. Policy for annual renewal and revisions of all loan facilities and borrowers

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- g. Policy for Material Adverse Effects or Changes for borrowers and/or loan facilities
- h. Subscription Policies
- i. Policy and Procedures for exceptions and temporary excesses in revolving credit facilities
- j. Policy for Financial Covenants
- k. Insurance Policy regarding credit facilities

BGO has methodologies that are documented in the Bank's Credit Risk Management and Administration Manual, that enable the Bank to assess the credit risk related to individual exposures and at the portfolio level. The credit review assessment of capital adequacy covers the following areas:

- a. Loan classification system
- b. Loan portfolio analysis
- c. Loan large exposures and concentration risk

**(c) Structure and organization of the credit risk management and control function.**

The International Business Credit Risk Section is responsible for the credit risk management of the loan portfolio and the Market and Liquidity Risk Section is responsible for the credit risk management of the investment portfolio. Both Sections are incorporated within Corporate Risk Department.

**(d) Relationships between the credit risk management, risk control, compliance, and internal audit functions.**

BOD has created the Credit Committee of the Board of Directors and the Risk Committee of the Board of Directors, to oversee the credit risks of BGO's financial instruments. 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 to control and manage these risks. There is also an Audit Committee, composed of members of the Parent Company Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

**(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to senior management and the board.**

See section *"Responsibilities for Risk Management and Control – BGO"*.

## 5.2 Template CR1: Credit quality of assets

**Purpose:** Provide a comprehensive picture of the credit quality of a bank's (on- and offbalance sheet) assets.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Carrying values (corresponding to the accounting values reported in financial statements but according to the scope of regulatory consolidation).

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

		a	b	c	d
		Gross carrying values of:		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans		499,038,391	1,129,280	497,909,111
2	Debt Securities		1,536,579,614	0	1,536,579,614
3	Off-balance sheet exposures		12,554,596	0	12,554,596
4	Total		2,048,172,601	1,129,280	2,047,043,321

BGO considers a financial asset to be in default when:

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

In assessing whether a debtor is in default, the Bank considers the following indicators:

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

The inputs used in the assessment of whether financial instruments are in default are specific to the type of portfolio, and their importance may vary over time to reflect changes in circumstances and trends. From March 2020 to June 2021, the Bank made deferrals to the loan payments of clients affected by COVID-19. In addition to the deferrals, relief measures have been established to achieve payment viability by affected clients based on their financial situation, without affecting clients' delinquencies of customers who comply with their new contractual conditions. The relief measures are temporary and are reviewed as the reactivation of economic activities takes are reactivated.

### 5.3 Template CR2: Changes in stock of defaulted loans and debt securities

**Purpose:** Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Carrying values.

**Frequency: Group (a) banks:** Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

---

	a
1 Defaulted loans and debt securities at end of previous reporting period	0
2 Loans and debt securities that have defaulted since last reporting period	673,745
3 Returned to non-defaulted status	673,745
4 Amounts written off	0
5 Other changes	0
6 Defaulted loans and debt securities at end of the reporting period(1+2-3-4±5)	0

BGO has not had defaulted exposures to report.

#### 5.4 Table CRB: Additional disclosure related to the credit quality of assets

**Purpose:** Supplement the quantitative templates with information on the credit quality of a bank's assets.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Additional qualitative and quantitative information (carrying values).

**Frequency:** Annually.

**Format:** Flexible.

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#### Qualitative disclosures:

- (a) **The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes**

##### Past due (applies only to the loan portfolio):

Delinquency or “past due” is measured depending on the state of the credit. For “current” operations, delinquency is measured based on overdue installments. If a loan is overdue, delinquency is measured based on the calendar days elapsed since the loan's maturity date. In case a credit is overdue and in turn presents delinquent installments, the delinquency will be taken based on the overdue installments, plus the days from the maturity date of the loan.

##### Impaired:

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

The impairment model is applicable to the following assets that are not measured at FVTPL:

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

Impairment losses on investments in equity instruments are not recognized.

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

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

The Bank measured loss allowances at an amount equal to 12-month ECL for the following:

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

For all other financial assets, loss allowances are measured to amount equal to lifetime ECL.

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

The standard introduces three stages of impairment for financial assets that are applied from the date of origin or acquisition. These stages are summarized below:

- Stage 1: The Bank recognizes a credit loss allowance at an amount equal to 12-month ECL. This represents the portion of lifetime expected credit losses from default events that are possible within 12-month period after the reporting date, assuming that credit risk has not increased significantly since initial recognition.
- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.
- Stage 3: The Bank recognizes a loss allowance at an amount equal to the expected credit losses, during the total lifetime of the assets, based on a probability of default (PD) of 100% over the asset's recoverable cash flows.

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

#### *Significant Increase in Credit Risk*

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

#### *Credit Risk Rating*

The Bank assigns a credit risk rating to each financial asset based on a model that incorporates a series of predictive data on the incurrence of losses. The model is applied over several periods to evaluate its reasonableness. Risk ratings are used to identify significant increases in credit risk. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower.



## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

Regarding foreign investments and bank deposits, the international risk ratings of Fitch, Standard and Poor's or Moody's and associated changes to the ratings were used to establish whether there was a significant increase in risk and in the calculation of the Probability of Default (PD).

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

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

#### *Determining the significantly increased of credit risk*

The Bank determines a significant increase in an exposure to credit risk has occurred since its initial recognition if, based on credit risk rating models and / or days of delinquency, a significant impairment has occurred.

In certain instances, based on expert judgment and, to the extent possible, relevant historical experience, the Bank determines an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers relevant and whose effect would not be comprehensively reflected otherwise.

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

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

#### **(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this;**

At the date of the statement of financial position, there were no past-due exposures (more than 90 days). At the reporting date there were no loans or investments on a watch list or for which terms have been renegotiated/restructured.

#### **(c) Description of methods used for determining impairments; and**

See comments on section (a).

#### **(d) The bank's own definition of a restructured exposure and a forborne exposure.**

##### Renegotiated/restructured exposures (applies only to the loan portfolio):

A renegotiated (restructured) facility will be classified as one that, due to material difficulties in the client's ability to pay, has documented a significant variation in the original terms of the facility (balance, term, payment plan, rate, guarantees).

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

**Quantitative disclosures:**

**(a) Breakdown of exposures by geographical areas, industry, and residual maturity.**

Geographical concentration of significant financial assets is summarized as follows:

	<b>2022</b>			
	<b>United States of America and Others</b>	<b>Panama</b>	<b>Latin America and the Caribbean</b>	<b>Total</b>
Assets:				
Due from banks	20,104,134	180,883,685	0	200,987,819
Investments and other financial assets at fair value through profit or loss	268,533,638	709,384	15,365	269,258,387
Investments and other financial assets at FVOCI	1,105,489,641	74,026,785	74,644,641	1,254,161,067
Investments and other financial assets at amortized cost, net	0	13,160,159	0	13,160,159
Loans, gross	0	32,358,593	466,679,798	499,038,391
Total	US\$ 1,394,127,413	301,138,606	541,339,804	2,236,605,823
Liabilities:				
Due to depositors	0	1,252,899,881	34,063,711	1,286,963,592
Securities sold under repurchase agreements	50,424,418	0	0	50,424,418
Other liabilities at fair value	38,498,676	0	0	38,498,676
Total	US\$ 88,923,094	1,252,899,881	34,063,711	1,375,886,686
Commitments and contingencies	US\$ 0	12,554,596	0	12,554,596

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

The table below summarizes the Bank's assets and liabilities grouped by their residual maturities with respect to the contractual maturity date:

2022								
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 Years	From 5 to 10 years	More than 10 years	With no maturity	Carrying amount
<b>Assets:</b>								
Due from banks	29,221,589	0	0	171,766,230	0	0	0	200,987,819
Investment and others								
financial assets, net	90,706,027	52,185,764	64,018,599	750,449,549	311,978,104	266,516,821	724,749	1,536,579,613
Loans, net	61,668,116	50,433,694	41,219,795	202,530,430	137,634,133	4,422,943	0	497,909,111
Accrued interest receivable	0	0	3,243,665	0	0	0	0	3,243,665
Other assets	55,203,582	0	8,970,276	33,382,784	0	0	0	97,556,642
Total	US\$ 236,799,314	102,619,458	117,452,335	1,158,128,993	449,612,237	270,939,764	724,749	2,336,276,850
<b>Liabilities:</b>								
Due to depositors	687,056,447	463,110,289	129,530,626	7,266,230	0	0	0	1,286,963,592
Securities sold under								
repurchase agreements	50,424,418	0	0	0	0	0	0	50,424,418
Accrued interest payable	0	0	3,174,170	0	0	0	0	3,174,170
Other liabilities	161,304,409	0	0	25,249,240	0	0	0	186,553,649
Total	US\$ 898,785,274	463,110,289	132,704,796	32,515,470	0	0	0	1,527,115,829
Net liquidity gap	US\$ (661,985,960)	(360,490,831)	(15,252,461)	1,125,613,523	449,612,237	270,939,764	724,749	809,161,021

Breakdown of the loan portfolio by industry is presented as follows:

2022		
Sector	Gross Value	%
Manufacturing	277,012,170	55.5%
Wholesale and retail trade	92,633,228	18.6%
Financial and insurance activities	53,213,480	10.7%
Electricity, gas, steam and air conditioning supply	33,478,212	6.7%
Accommodation and food service activities	14,125,369	2.8%
Agriculture, forestry and fishing	7,700,000	1.5%
Real estate activities	5,925,986	1.2%
Other Activities <1%	14,949,946	3.0%
Total Loans	499,038,391	100.0%

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

Breakdown of the loan portfolio by ageing is presented as follows:

<b>2022</b>		
Ageing	Gross Value	%
Current	499,038,391	100.0%
1-30 days	-	0.0%
60- 90 days	-	0.0%
<b>Total</b>	<b>499,038,391</b>	<b>100.0%</b>

Breakdown of the loan portfolio by geographical area is presented as follows:

<b>2022</b>	
COUNTRY	Exposure
Guatemala	264,830,745
El Salvador	90,429,203
Panama	61,199,227
Costa Rica	24,591,677
Peru	21,570,588
Colombia	17,948,090
Mexico	13,376,180
Nicaragua	2,592,682
Honduras	2,500,000
<b>Total</b>	<b>499,038,391</b>

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

Breakdown of the investment portfolio by sector and duration is presented as follows:

US\$ Thousands

Inversiones por Sector Económico	Valor en Libros (US\$ Miles)	% Total	Book Yield	Rendimiento Efectivo	Duración	Calificación Mas Alta
<b>MBS y CMOs Agencias (Incluye TBAs)</b>	<b>654,321</b>	<b>42.60%</b>	<b>3.52%</b>	<b>3.25%</b>	<b>3.61</b>	<b>AAA</b>
<b>Financial</b>	<b>294,803</b>	<b>19.19%</b>	<b>3.80%</b>	<b>3.74%</b>	<b>2.88</b>	<b>BBB+</b>
Banks	254,917	16.60%	3.95%	3.85%	2.74	A-
Diversified Finan Serv	21,749	1.42%	2.88%	2.93%	2.68	BBB
Real Estate	8,645	0.56%	1.63%	1.78%	3.10	BBB
Insurance	6,242	0.41%	4.25%	4.28%	8.54	BBB
Savings&Loans	2,034	0.13%	2.86%	3.27%	4.44	A
Investment Companies	1,215	0.08%	2.59%	3.05%	3.63	BBB-
<b>Funds</b>	<b>149,716</b>	<b>9.75%</b>	<b>7.50%</b>	<b>8.46%</b>	<b>2.31</b>	<b>A-</b>
PIMCO DISCO	93,455	6.08%	8.94%	10.06%	1.90	A-
PIMCO TACOPS	56,261	3.66%	5.11%	5.76%	3.00	BBB+
<b>MBS y CMOs Privados</b>	<b>85,628</b>	<b>5.58%</b>	<b>4.64%</b>	<b>4.32%</b>	<b>1.29</b>	<b>AA-</b>
<b>Communications</b>	<b>88,402</b>	<b>5.76%</b>	<b>5.73%</b>	<b>6.33%</b>	<b>5.12</b>	<b>BB+</b>
Telecommunications	82,522	5.37%	6.01%	6.64%	5.29	BB
Media	5,880	0.38%	1.81%	2.05%	2.78	BBB+
<b>Government</b>	<b>70,874</b>	<b>4.61%</b>	<b>3.83%</b>	<b>3.88%</b>	<b>0.76</b>	<b>AAA</b>
Sovereign	70,874	4.61%	3.83%	3.88%	0.76	AAA
<b>Asset Backed Securities</b>	<b>51,058</b>	<b>3.32%</b>	<b>5.46%</b>	<b>4.82%</b>	<b>0.04</b>	<b>AA-</b>
Other ABS	44,581	2.90%	4.84%	4.66%	0.05	AA
Home Equity ABS	6,477	0.42%	9.72%	5.93%	0.00	BB-
<b>Consumer, Non-cyclical</b>	<b>46,185</b>	<b>3.01%</b>	<b>4.57%</b>	<b>4.72%</b>	<b>4.13</b>	<b>BBB-</b>
Beverages	30,621	1.99%	5.83%	6.07%	5.06	BB+
Agriculture	7,089	0.46%	1.21%	1.32%	1.95	BBB+
Household Products/Wares	2,676	0.17%	1.16%	1.26%	2.10	A
Pharmaceuticals	2,547	0.17%	3.38%	3.54%	1.50	BBB
Healthcare-Services	2,530	0.16%	3.61%	3.08%	4.61	BBB-
Food	722	0.05%	4.07%	4.28%	1.26	BBB-
<b>Industrial</b>	<b>32,576</b>	<b>2.12%</b>	<b>4.90%</b>	<b>4.53%</b>	<b>4.55</b>	<b>BBB</b>
Transportation	18,337	1.19%	6.11%	6.30%	5.63	BBB
Packaging&Containers	5,770	0.38%	4.86%	4.94%	3.36	BB+
Trucking&Leasing	2,649	0.17%	3.40%	3.23%	3.22	BBB-
Machinery-Diversified	2,246	0.15%	1.81%	2.05%	3.53	BBB-
Engineering&Construction	2,233	0.15%	0.96%	1.21%	2.87	BBB-
Building Materials	772	0.05%	2.96%	3.11%	2.29	BBB+
Electronics	385	0.03%	3.67%	-1.83%	1.66	BBB-
Aerospace/Defense	184	0.01%	2.97%	3.29%	2.65	BB-
<b>Consumer, Cyclical</b>	<b>28,100</b>	<b>1.83%</b>	<b>2.40%</b>	<b>3.03%</b>	<b>2.90</b>	<b>BBB</b>
Auto Manufacturers	9,713	0.63%	1.96%	2.56%	2.35	BBB
Retail	5,610	0.37%	3.14%	3.71%	2.29	BBB
Auto Parts&Equipment	4,822	0.31%	2.89%	3.50%	4.13	BB
Distribution/Wholesale	2,273	0.15%	4.32%	4.52%	3.94	BBB+
Lodging	2,127	0.14%	0.59%	2.90%	1.86	BBB
Apparel	1,732	0.11%	0.23%	0.28%	3.49	AA-
Airlines	1,152	0.07%	3.97%	4.41%	5.00	A
Home Furnishings	671	0.04%	0.98%	1.13%	1.83	BBB
<b>Energy</b>	<b>10,529</b>	<b>0.69%</b>	<b>3.37%</b>	<b>4.97%</b>	<b>1.46</b>	<b>BBB-</b>
Pipelines	10,292	0.67%	3.37%	2.97%	1.45	BBB-
Oil&Gas	237	0.02%	3.07%	8.63%	1.97	BBB
<b>Technology</b>	<b>9,358</b>	<b>0.61%</b>	<b>2.48%</b>	<b>2.79%</b>	<b>1.96</b>	<b>BBB-</b>
Software	5,047	0.33%	1.49%	1.86%	0.49	BBB-
Semiconductors	2,764	0.18%	3.81%	4.16%	4.72	BBB-
Computers	1,343	0.09%	3.24%	3.46%	2.09	BBB
Office/Business Equip	203	0.01%	3.88%	2.64%	0.21	BB
<b>Basic Materials</b>	<b>8,506</b>	<b>0.55%</b>	<b>2.56%</b>	<b>2.89%</b>	<b>2.35</b>	<b>BBB</b>
Chemicals	8,339	0.54%	2.53%	2.94%	2.36	BBB
Iron/Steel	140	0.01%	4.38%	0.00%	1.40	CCC+
Mining	28	0.00%	4.65%	0.00%	1.16	CCC+
<b>Utilities</b>	<b>5,799</b>	<b>0.38%</b>	<b>4.48%</b>	<b>4.64%</b>	<b>3.51</b>	<b>BBB-</b>
Electric	3,624	0.24%	5.95%	6.01%	3.59	BB+
Gas	2,175	0.14%	2.04%	2.33%	3.38	BBB
<b>Total Inversiones</b>	<b>1,535,855</b>	<b>100.00%</b>	<b>4.26%</b>	<b>4.30%</b>	<b>3.04</b>	<b>A+</b>

Report does not include \$724,750 in stock investments and \$210,920 in interest receivable from amortized cost investments.

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

The time deposits with banks are held with central banks and financial institution counterparties that are rated at least between AAA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to US\$171,766,230.

**(b) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry.**

Impaired exposures – Loans:

BGO has no credit impaired exposures in the loan portfolio.

Impaired exposures – Investments:

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 US\$724,749 (2021: US\$783,933), which are not subject to credit risk:

		12-months ECL	Lifetime ECL not credit – impaired	<u>2022</u> Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b><u>At Amortized Cost</u></b>						
AA+ to BBB-		13,160,159	0	0	0	13,160,159
Total carrying amount	US\$	13,160,159	0	0	0	13,160,159
Loss allowance	US\$	(0)	0	0	0	(0)
<b>Total carrying amount, net</b>	<b>US\$</b>	<b>13,160,159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,160,159</b>
<b><u>At FVOCI</u></b>						
AAA		728,351,591	0	0	0	728,351,591
AA+ to BBB-		305,441,423	0	0	0	305,441,423
Lower than BBB-		212,547,597	6,672,181	755,523	392,752	220,368,053
<b>Total carrying amount</b>	<b>US\$</b>	<b>1,246,340,611</b>	<b>6,672,181</b>	<b>755,523</b>	<b>392,752</b>	<b>1,254,161,067</b>
Valuation of credit risk	US\$	(3,261,393)	(507,053)	(1,894,827)	(99,661)	(5,762,934)
<b><u>At Fair Value through profit or loss</u></b>						
AAA		104,871,491				
AA+ to BBB-		154,553,486				
Lower than BBB-		9,108,661				
<b>Total carrying amount</b>	<b>US\$</b>	<b>268,533,638</b>				

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

<b>2022</b>		
Asset Type	Country	Lifetime ECL credit- impaired
ABS Asset Backed Securities	United States	77,383
ABS Asset Backed Securities	United States	186,881
Foreign Corp Bonds Financiero	China	491,259
<b>Total</b>		<b>755,523</b>

<b>2022</b>		
Asset Type	Country	Purchased credit- impaired
ABS Asset Backed Securities	United States	88,167
ABS Asset Backed Securities	United States	49,006
CMO-Privados	United States	179,271
Foreign Government Bonds	Russia	76,308
<b>Total</b>		<b>392,752</b>

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

**(c) Ageing analysis of accounting past-due exposures.**

This section applies only to the Loan Portfolio.

Breakdown of the loan portfolio by ageing is presented as follows:

Ageing	<b>2022</b>	
	Gross Value	%
Current	499,038,391	100.0%
1-30 days	-	0.0%
60- 90 days	-	0.0%
<b>Total</b>	<b>499,038,391</b>	<b>100.0%</b>

**(d) Breakdown of restructured exposures between impaired and not impaired exposures.**

This section applies only to the Loan Portfolio.

At the date of the statement of financial position, there were no past-due exposures (more than 90 days). At the reporting date there were no loans or investments on a watch list or for which terms have been renegotiated/restructured. At December 31, 2022 and 2021, the Bank has no impaired deposits due from banks.

## 6. CREDIT RISK MITIGATION

### 6.1 Table CRC: Qualitative disclosure requirements related to Credit Risk Mitigation (“CRM”) techniques

**Purpose:** Provide qualitative information on mitigation of credit risk.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

---

#### Disclosures:

**(a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.**

BGO has no policies related to on- and off-balance sheet netting.

**(b) Core features of policies and processes for collateral evaluation and management.**

BGO does not apply CRM techniques to reduce capital requirements.

**(c) Information about market or credit risk concentrations under the CRM instruments used (i.e. by guarantor type, collateral and credit derivative providers).**

BGO does not apply CRM techniques to reduce capital requirements.



**6.2     Template CR3:** Credit risk mitigation techniques – overview

**Purpose:** Disclose the extent of use of CRM techniques.

**Scope of application:** Mandatory for all applicable banks.

**Content: Carrying values.** Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures.

**Frequency: Group (a) banks: Semi-annually. Group (b) banks: Annually.**

**Format:** Fixed.

---

BGO does not apply CRM techniques to reduce capital requirements.

## 7. CREDIT RISK - STANDARDISED APPROACH

### 7.1 Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

**Purpose:** Supplement the information on a bank's use of the standardised approach with qualitative data on the use of external ratings.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

---

#### Disclosures:

- (a) Names of the external credit assessment institutions (ECAIs) used by the bank, and the reasons for any changes over the reporting period;
- (b) The asset classes for which each ECAI is used.

For the investment portfolio, the Bank uses Moody's, Fitch and Standard and Poor's (S&P) as external credit assessment institutions (ECAIs). There has been no change in the ECAIs during the reporting period.

Regarding the Bank's credit portfolio, a large percentage of the loan book is classified using Moody's RiskCalc to determine each obligor's probability of default, which is later assigned an internal rating following the Moody's long-term obligation ratings scale. There has been no change in this methodology since 2019, when the Bank incorporated its expected credit loss models. The aforementioned applies to the corporate & commercial credit portfolio.

For consumer loans, no ECAI is used, as the bank applies an internal model and rating scale.

- (c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book.

Does not apply to BGO.

## 7.2 Template CR4: Standardised approach – credit risk exposure and CRM effects

**Purpose:** Illustrate the effect of CRM (comprehensive and simple approach) on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Regulatory exposure amounts.

**Frequency: Group (a) banks:** Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

---

BGO does not apply CRM techniques to reduce capital requirements.

**7.3     Template CR5:** Standardised approach – exposures by asset class and risk

**Purpose:** Present the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to the standardised approach).

**Scope of application:** Mandatory for all applicable banks.

**Content:** Regulatory exposure values.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

---

BGO does not apply CRM techniques to reduce capital requirements.

## 8. COUNTERPARTY CREDIT RISK

### 8.1 Table CCRA: Qualitative disclosure related to counterparty credit risk ("CCR")

**Purpose:** Describe the main characteristics of CCR management (e.g. operating limits, use of guarantees and other CRM techniques, impacts of own credit downgrading).

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

---

#### Disclosures:

##### (a) Risk management objectives and policies related to Counterparty Credit Risk (CCR).

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

Banco General (Overseas) is exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering derivative contracts under which counterparties have obligations to make payments to us, investment activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect us.

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

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

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

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Banco General (Overseas), INC

The Bank may only use as counterpart in these operations, Financial Institutions with a minimum long-term risk rating of A from S&P or A2 from Moody's or A from Fitch. In the case of a counterpart that does not meet the conditions set forth above, it shall be needed an approval of the Board of Directors to be able to carry out this type of transaction.

**(b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for central counterparties ("CCP") exposures, if applicable.**

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

The Bank may only use as counterpart in these operations, Financial Institutions with a minimum long-term risk rating of A from S&P or A2 from Moody's or A from Fitch. In the case of a counterpart that does not meet the conditions set forth above, it shall be needed an approval of the Board of Directors to be able to carry out this type of transaction.

**(c) Policies relating to guarantees and other risk mitigants and assessments concerning CCR, including exposures towards CCPs.**

Banco General (Overseas) holds collateral to reduce its exposure to credit risk and to ensure the collection of its financial assets exposed to credit risk.

Securities provided as collateral continue to be recognized in the consolidated financial statements, as the counterparty has no property right on these securities, unless there is a default by the Bank. Cash sent as collateral is accounted in the balance sheet as a deposit.

Securities received as collateral are not recognized in the consolidated financial statements, except in case of default by the counterparty, which gives the Bank the right to appropriate the securities. The market price of these securities is monitored, and an additional collateral is obtained, if necessary, to cover credit risk exposure. Cash received as collateral is accounted in the balance sheet as a liability.

As of December 31, 2021, the Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA and BBB+, which support derivative operations in the amount of \$11.4MM to reduced counterparty risk.

The processes related of collateral Management, related to derivatives and Repo transactions, are incorporated in the Investment Manual of Banco General, S.A. and Subsidiaries Annex X and XI.

**(d) Policies with respect to wrong-way risk exposures**

BGO does not have policies with respect to wrong-way risk exposures.

**(e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.**

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BGO has some derivatives and repos contracts, but this do not consider additional collateral upon a rating downgrade.

## 8.2 CCR1 - Analysis of counterparty credit risk exposure by approach

**Purpose:** Provide a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Regulatory exposures, RWA and parameters used for RWA calculations for all exposures subject to the CCR framework (excluding Credit Valuation Adjustments (CVA) charges or exposures cleared through a CCP). Banks should report information corresponding to the Current Exposures Method or the Standardised Method in row 1 or row 2, respectively.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

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		Total Replaceme nt cost / Mark-to- market	Add-on Potential future exposure (PFE)	EAD post- CRM	RWA
1	Current Exposure Method (CEM)	760,999.77	3,310,741.00	3,391,740.78	1,772,677.47
2	Standardised Method				
3	Simple Approach for credit risk mitigation (for SFTs)				
4	Comprehensive Approach for credit risk mitigation (for SFTs)			-	-
5	Total				

There's no material differences in reporting periods T (current Pillar 3 reporting period) and T-1 (previous Pillar 3 reporting period).



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**8.3 Template CCR3:** CCR exposures by regulatory portfolio and risk weights

**Purpose:** Provide a breakdown of CCR exposures by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standardised approach).

**Scope of application:** The disclosure is mandatory for all applicable banks irrespective of the CCR approach used to determine exposure at default. If a bank deems that the information requested in this template is not meaningful to users because the exposures and RWA amounts are negligible, the bank may choose not to disclose the template. The bank is, however, required to explain in a narrative commentary why it considers the information not to be meaningful to users, including a description of the exposures in the portfolios concerned and the aggregate total of RWAs amount from such exposures.

**Content:** Credit exposure amounts.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

	a	b	c	d	e	f	g	h	i
Risk weight	0%	10%	20%	50%	75%	100%	150%	Other s	Total credit exposure
Regulatory portfolio									
Sovereigns									-
Non-central government public sector entities									
Multilateral development banks									
Banks			247,961.94	627,215.53		897,500.00			1,772,677.47
Securities firms									
Corporates									
Regulatory retail portfolios									
Other assets									
Total	-		247,961.94	627,215.53		897,500.00			1,772,677.47

There's no material differences in reporting periods T (current Pillar 3 reporting period) and T-1 (previous Pillar 3 reporting period).

#### 8.4 Template CCR5: Composition of collateral for CCR exposure

**Purpose:** Provide a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP, if applicable.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Carrying values of collateral used in derivative transactions or SFTs, whether or not the transactions are cleared through a CCP and whether or not the collateral is posted to a CCP.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Flexible.

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency				680,000.00		
Cash – other currencies						
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total				680,000.00	-	

There's no material differences in reporting periods T (current Pillar 3 reporting period) and T-1 (previous Pillar 3 reporting period).

## 8.5 Template CCR6: Credit derivatives exposures

**Purpose:** Illustrate the extent of a bank's exposures to credit derivative transactions broken down between derivatives bought or sold.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Notional derivative amounts (before any netting) and fair values.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Flexible (the columns are fixed but the rows are flexible).

---

	a	b
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps		4,750,880.00
Index credit default swaps		
Total return swaps		
Credit options		
Other credit derivatives		
Total notionals		4,750,880.00
Fair values		
Positive fair value (asset)		11,580.66
Negative fair value (liability)		(62,081.06)

There's no material differences in reporting periods T (current Pillar 3 reporting period) and T-1 (previous Pillar 3 reporting period).

## 9. LEVERAGE RATIO

### 9.1 Template LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

**Purpose:** To reconcile the total assets in the published financial statements with the leverage ratio exposure measure.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Quantitative information.

**Frequency:** Group (a) banks: Quarterly. Group (b) banks: Annually.

**Format:** Fixed.

		a
1	Total consolidated assets as per published financial statements	2,336,276,850
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	18,975,872
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)	
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	6,277,298
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	850,871
13	Leverage ratio exposure measure	2,362,380,891

There are no material differences between the total balance sheet assets (net of on-balance sheet derivative and securities financing transaction (SFT) assets), as reported in the financial statements and the on-balance sheet exposures as set out in row 1 of Template LR2, and the leverage ratio exposure measure.

**9.2    Template LR2:** Leverage ratio common disclosure

**Purpose:** To describe the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Quantitative information.

**Frequency:** Group (a) banks: Quarterly. Group (b) banks: Annually.

**Format:** Fixed.

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Banco General (Overseas), INC

		a	b
		T	T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,318,443,390	2,272,670,730
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	11,819,509	11,380,778
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	<b>Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>2,330,262,899</b>	<b>2,284,051,508</b>
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	18,684,331	5,105,985
9	Add on amounts for potential future exposure associated with all derivatives transactions	7,156,363	17,977,880
10	(Exempted central counterparty (CCP) leg of client cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add on deductions for written credit derivatives)		
13	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>25,840,694</b>	<b>23,083,865</b>
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		108,500,000
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>0</b>	<b>108,500,000</b>
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	6,277,298	2,510,919
20	(Adjustments for conversion to credit equivalent amounts)		
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)		
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>6,277,298</b>	<b>2,510,919</b>
Capital and total exposures			
23	Tier 1 capital	809,160,520	914,547,576
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>2,362,380,891</b>	<b>2,418,146,292</b>
Leverage ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)		
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	National minimum leverage ratio requirement		
27	Applicable leverage buffers	34.25%	37.82%

There are no material differences for this reporting period compared with the previous reporting period.

## 8. LIQUIDITY

### 8.1 Table LIQA: Liquidity risk management

**Purpose:** Provides details about the soundness of a bank's liquidity risk management framework and liquidity position.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative and quantitative information.

**Frequency:** Annually.

**Format:**

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#### Qualitative disclosures

**(a) Governance of liquidity risk management, including risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies, and practices across business lines and with the board of directors.**

Banco General, S.A. (parent company) and subsidiaries liquidity will be managed on a consolidated basis. The management will be centralized in the Treasury of Banco General, which will give guidelines to the subsidiaries based on the policies and limits established in the ALCO Manual and the Investment Manual of Banco General, S.A. and subsidiaries, the regulatory limits of each entity of the group, and feedback from the Treasury Committee, the ALCO, the Risk Committee of the Board of Directors and the Board of Directors.

The Board of Directors will ensure that the ALCO, Treasury, and Risk Department effectively identify, measure, monitor, and control liquidity risk and that the established policies, procedures, and systems comply with the approved liquidity risk policies and relevant regulations.

It is the responsibility of the ALCO, which is supported by the Executive Management Team and the Treasury, and overseen by the Board of Directors, to ensure that sufficient liquidity is always maintained.

The Treasury and Risk Department will permanently monitor the liquidity situation of Banco General and its subsidiaries, and will keep the Board of Directors, the Risk Committee of the Board of Directors, the ALCO, the Treasury Committee, and the Executive Vice President of Finance informed. To this end, various reports have been developed and limits established, which will allow the Treasury and ALCO to take early action to manage liquidity risk as effectively and efficiently as possible.

To maintain an adequate liquidity, the Treasury, and the ALCO:

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

- Review and analyze liquidity ratios.
- Regularly monitor liquidity levels and the use of funds.
- On a monthly basis review liquidity gap report.
- On a monthly basis review liquid asset by rating.
- Review the behavior and structure of the Bank's assets and liabilities.
- Regularly performs stress tests.
- On a quarterly basis review early warning indicators of a potential liquidity crisis. Different indicators have been established to alert management of a potential liquidity crisis. (A liquidity crisis contingency plan has also been formulated in the ALCO Manual detailing the measures that the Bank has to follow to prevent and deal with a liquidity crisis).

Liquidity risk management is incorporated into the institution's overall risk management process. Banco General, S.A. and Subsidiaries and Banco General (Overseas) liquidity policies and risk limits are included in the ALCO Manual.

#### Liquidity Risk Limits Banco General (Overseas), Inc:

LIQUIDITY RISK LIMITS	LIMITS	DECEMBER 2021	DECEMBER 2022
PRIMARY LIQUIDITY / DEPOSITS + FINANCING + REPOS	≥ 25%	109.93%	95.58%
PRIMARY LIQUIDITY / TOTAL ASSETS	≥ 20%	62.48%	58.51%
PRIMARY AND SECONDARY LIQUIDITY / DEPOSITS + FINANCING + REPOS	≥ 30%	131.58%	116.06%
PRIMARY LIQUIDITY / DEPOSITS + FINANCING + REPOS MATURING UP TO 1YR	≥ 30%	110.41%	97.43%
PRIMARY LIQUIDITY / TOTAL RETAIL DEPOSITS	≥ 100%	376.68%	597.45%
PRIMARY LIQUIDITY / TOTAL DEPOSITS	≥ 70%	109.93%	99.32%
LOSS OF INVESTMENT'S ECONOMIC VALUE +200BPS / TOTAL EQUITY	≤ 17.5%	9.31%	9.43%

#### **LIQUIDITY MANAGEMENT OF BANCO GENERAL (OVERSEAS), INC.**

The Bank's asset and liability management policy is oriented towards enabling the Bank to maintain adequate liquidity levels to (i) honor potential deposit withdrawals; (ii) repay obligations and placements at maturity; (iii) extend new loans; (iv) invest in new debt securities; and (v) satisfy the Bank's need for working capital. The Bank's treasury department is responsible for managing all liquid assets, raising funds via the inter-bank market and local and international capital markets, and managing the overall liquidity of the Bank within the liquidity and investment policies dictated by the ALCO and the Board of Directors.

As of December 2022, the ratio of primary liquid assets (US\$1,278million) to total deposits and borrowings was 95.58% which consisted of high-quality fixed-income securities with 86.44% having a rating of A- or higher and 68.76% rated AAA.

The Treasury department is responsible for managing the Banco General (Overseas), Inc. primary liquidity portfolio consisting of local and foreign deposits, as well as high-grade fixed-income securities. The Bank's primary liquidity includes (i) cash, bank deposits and repurchase agreements that amount to US\$201 million; (ii) commercial paper, with rating A2 + P2 and money market funds that amount to US\$59 million; and (iii) liquid bonds with international rating > or equal to BBB- that amount to US\$1,018 million, as of December 31, 2022.



## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

As of December 31, 2022, the Bank's total investment portfolio amounted to US\$1,497 million. The investment portfolio for this analysis includes only fixed income and short sales; it does not include foreign or local stocks.

#### **LIQUIDITY MANAGEMENT OF BANCO GENERAL, S.A. (PARENT COMPANY) AND SUBSIDIARIES**

Banco General's primary liquid assets, comprised of cash, bank deposits and high-quality investment-grade liquid investments (MBS, CMOs, ABS, foreign commercial paper, and corporate bonds, etc.), which as of December 31, 2022, reached US\$4,215 million compared to US\$5,180 million in 2021. As of December 31, 2022, the primary liquid assets reached 29.75% of total deposits and borrowings, in comparison to 35.25% in 2021.

Banco General's MBS portfolio is comprised 100% by MBS that are 100% guaranteed with respect to their principal and interest payments by the Government National Mortgage Association (GNMA) agency, which is a federal government-owned agency of the United States and has its explicit guarantee, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), which have AAA credit ratings by Moody's and Fitch, on its corporate debt. The MBS guaranteed by these agencies have as guarantee and primary source of payment a pool of conforming residential mortgage loans that must comply with credit policies required by these agencies. Likewise, 46% of BG's CMO's are backed by 100% by MBS issued by GNMA, FNMA or FHLMC.

In addition to its internal liquidity requirements, Banco General must comply with requirements imposed by the National Banks Superintendence, which stand at a minimum of 30% of deposits received and a liquidity coverage ratio (LCR) of 100%. As of December 31, 2022, Banco General met the liquidity requirements established by law by maintaining a level of 39.04% (a surplus of 9.04bps) and a liquidity coverage ratio (LCR) of 155.07%. These liquidity measures are unconsolidated.

#### **(b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralized or decentralized.**

##### **SOURCE OF FUNDING OF BANCO GENERAL (OVERSEAS), INC**

Banco General (Overseas), Inc. provides two types of deposit accounts: savings accounts, which earn interest at rates historically below the average ratio paid on time deposits, and time deposits, with maturities ranging from 30 days to 1 year. As of December 31, 2022, the ratio of primary liquid assets to total deposits was 99.32% and the ratio of primary liquid assets to total deposits from clients (excluding deposits with parent company) was 597.45%.

The main source of funding of the Bank is its parent company (Banco General, S.A.) that represents 83.88% of total deposits. Banco General, S.A. invests part of its liquidity in Banco General Overseas; and, therefore, these funds must be invested in high quality liquid assets.

##### **SOURCE OF FUNDING OF BANCO GENERAL, S.A. (PARENT COMPANY) AND SUBSIDIARIES**

Banco General's main source of funding lies in its ample retail-client deposit base that has been captured through BG's extensive national network of strategically located branches. Banco

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

General's strong capital and financial position has enabled it to raise funds from a broad base of depositors at consistently lower rates than its competitors. In keeping with its conservative financial policies and given the participation of its loan portfolio in medium- and long-term residential and commercial mortgage loans, Banco General has been a pioneer in developing and accessing medium- and long-term funding alternatives. Banco General offers attractive medium-term time deposit products.

#### **(c) Liquidity risk mitigation techniques**

Liquidity risk management aims to guarantee adequate levels of liquid funds so that the bank can meet the commitments it has made with its customers and finance its business plans.

The ALCO and the Treasury Committee considers the following factors to establish the appropriate levels of liquidity (Primary and Secondary):

- Projection of sources and uses of funds for both assets (loans and investments) and liabilities
- Structure of the bank's balance sheet - maturities and flows of assets and liabilities
- Structure of financial liabilities, their nature (type of deposit, type of client) and volatility
- Alternate sources of funds
- Contingent obligations (loans approved and not disbursed, unused portion of lines of credit)
- Political and economic climate (local and international)
- NIM level and liquidity costs
- Quality of the bank's loan portfolio
- Liquidity of assets
- Correspondent banking relationships and investment custody
- Liquidity needs in periods of stress whose origin may reside in the entity itself, in the market and/or both

In order to maintain a robust liquidity position at all times, the bank will endeavor to:

- Maintain high levels of high-quality primary liquidity assets and liquidity in external markets.
- Maintain adequate levels of secondary liquidity that complements primary liquidity.
- Finance the loan portfolio with customer deposits
  - Emphasizing time deposits of more than six months and one year
  - Maintaining a diversified and ample retail-client deposit base
- Limit the use of short-term interbank or institutional funds ( $\leq 1$  year)
- Capture medium and long-term financing to have stable liabilities as a complement to stable customer deposits.
- Maintain high levels of capital / equity
- Keep potential funding sources available
- Consider loans via bonds or syndication as potential liquidity

#### **(d) An explanation of how stress testing is used.**

The Bank will carry out periodic stress tests that contemplate different short- and long-term stress scenarios, to identify possible liquidity gaps and guarantee that the exposures are related to the liquidity risk tolerance established by the Board of Directors.

The Bank reviews monthly its liquidity gap. The liquidity gap uses the projected cash flows of assets and liabilities and the following assumptions regarding the maturity of such cash flows:

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Banco General (Overseas), INC

Assets:

- Loan portfolio: contractual amortizations are used, and no prepayments are assumed.
- Cash and demand deposits: next working day.
- Time deposits: contractual maturity.
- Investments: based on when a security can be sold using its credit rating as a guideline.

Liabilities:

- Demand deposits: next working day.
- Savings accounts: a quarter of the total balance matures in 30 days, 60 days, 90 days, and 180 days, respectively.
- Time Deposits and financing: contractual maturity.

The Bank runs a monthly stress test. This test uses the above-mentioned liquidity gap stressing the recovery of assets and the withdrawal of liabilities when due. The exercise is used to determine the ability of the bank to comply with liquidity ratios and to continue operations in the scenario that:

- Percentage of the cashflows of the loan portfolio that are collected when due:
  - 60% of commercial loans
  - 70% of commercial mortgages
  - 90% of pledge loans
  - 40% of credit lines
  - 30% of overdrafts
- 100% of investments are recovered when sold, except for local bonds (that are not primary liquid assets) and foreign stocks for which we will recover 60% and 80%, respectively.
- 45% of time deposits, 50% of commercial checking accounts and 35% of saving accounts are withdrawn, with no new deposits being received.
- Interbank time deposits are 100% withdrawn.
- Other liabilities are not renewed.

The result of this stress test focused on assessing the impact on the cash flow position in 1 year of Banco General (Overseas), Inc., together with Banco General, S.A., is presented to the ALCO on a monthly basis.

**(e) An outline of the bank's contingency funding plans.**

The Board of Directors approves the business plan based on projections of the loan portfolio and deposits, liquidity policies, and institutional financing needs for the year. Daily, senior management monitors the movement of the balance sheet vs. the business plan and on a monthly basis, it is seen at the executive, ALCO, and Board of Directors levels in order to take measures in a timely manner.

The Treasury presents to the Board of Directors every six months, quarterly to the ALCO, and monthly to the Treasury committee, the financing possibilities that the Bank has and the financing amortization schedule for the next 5 years. The Bank focuses on maintaining a solid balance sheet structure (liquid assets of the highest quality, non-volatile liabilities, and an

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### Banco General (Overseas), INC

adequate maturity profile of institutional financing) to prevent liquidity problems. Additionally, the Financial Institutions area is mandated to maintain close relations with counterparties and monitor the different markets in order to have a range of financing options at all times to access as needed. The Bank does not consider the use of a contingent line as part of its liquidity management since after the 2008 crisis credit contracts have market clauses that allow them not to have to disburse a line in case of market events or effects on the Bank, for which we do not consider it prudent to rely on it. The Bank prefers to rely on being able to survive a liquidity crisis using its balance sheet.

Due to the foregoing, the ALCO monitors the structure of the balance sheet and early warnings and has an action plan for managing the different assets and liabilities of the Bank if an early warning indicator for liquidity risk management occurs.

The Bank's Treasury maintains a file detailing the investments of Banco General S.A. and Subsidiaries, with a daily update frequency, which is reviewed daily by the Corporate Risk Department. The Bank has access to monetize other assets that are not included in its primary liquidity plan. The Bank's premise is that in an extreme situation, the only source that can materialize is the National Bank of Panama, which is why our strategy contemplates that we will not have availability of contingent financing and that we should not depend on facilities of this nature.

#### Quantitative disclosures

**(a) Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.**

At the end of the year the bank estimates the growth of the assets, liabilities and off balance sheet commitments of the bank for the coming year in order to project the ratio of repos, deposits and financings to primary liquidity during the year to make sure the bank will comply with the limit.

**(b) Concentration limits on collateral pools and sources of funding (both products and counterparties).**

The main source of funding of the Bank is its parent company (Banco General, S.A.) that represents 70.82% of total deposits. Banco General, S.A. invests part of its liquidity in Banco General Overseas; and, therefore, these funds must be invested in high quality liquid assets.

The limits regarding the liquid assets of the Bank are incorporated in the Investment Manual guidelines of Banco General, S.A. and Subsidiaries and are managed at a consolidated level.

**(c) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.**

Does not apply to Banco General (Overseas), Inc.

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**(d) Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.**

The summarized liquidity gap profile, as of December 31, 2022, is presented in the following table:

Banco General (Overseas) (US\$ thousands)	Up to 30 days	More than 30 Days - 180 days	More than 180 Days - 1 year	More than 1 year	Total
<b>Assets</b>					
Cash, Banks Deposits	26,548	-	-	-	26,548
Investments	1,387,969	96,146	66,689	20,777	1,571,580
Loans	14,075	96,864	39,943	314,947	465,828
Other Assets	100,554	-	-	-	100,554
<b>Total Assets</b>	<b>1,529,145</b>	<b>193,009</b>	<b>106,632</b>	<b>335,724</b>	<b>2,164,510</b>
<b>Liabilities</b>					
Deposits	41,900	164,258	531	7,266	213,955
Deposits with parent company	52,242	720,000	129,000	-	901,242
Financing	15,351	35,073	-	0	50,424
Other Liabilities	189,728	-	-	-	189,728
<b>Total Liabilities</b>	<b>299,222</b>	<b>919,331</b>	<b>129,531</b>	<b>7,266</b>	<b>1,355,350</b>
<b>Shareholder's Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>809,161</b>	<b>809,161</b>
<b>Gap</b>	<b>1,229,924</b>	<b>(726,322)</b>	<b>(22,899)</b>	<b>(480,703)</b>	<b>(0)</b>
<b>Cummulative Gap</b>	<b>1,229,924</b>	<b>503,602</b>	<b>480,703</b>	<b>(0)</b>	

Notes:

- 1) The deposits of Banco General, S.A. in Banco General (Overseas), Inc. are presented net of those placed by Banco General (Overseas), Inc. in Banco General, S.A.
- 2) Report does not include off balance exposures in standby letters of credit of \$12.55 million with maturities ranging from 2024 to 2027.

The summarized stress test, as of December 31, 2022, is presented in the following table:

Banco General (Overseas) (US\$ thousands)	Up to 30 days	More than 30 Days - 180 days	More than 180 Days - 1 year	More than 1 year	Total
<b>Assets</b>					
Cash, Banks Deposits	26,548	-	-	-	26,548
Investments	1,380,969	95,356	66,299	12,756	1,555,380
Loans	9,236	38,421	16,879	192,388	256,923
Other Assets	100,554	-	-	-	100,554
<b>Total Assets</b>	<b>1,517,306</b>	<b>133,777</b>	<b>83,178</b>	<b>205,144</b>	<b>1,939,405</b>
<b>Liabilities</b>					
Deposits	15,851	64,904	239	3,270	84,264
Deposits with parent company	52,242	720,000	129,000	-	901,242
Financing	15,351	35,073	-	0	50,424
Other Liabilities	189,728	-	-	-	189,728
<b>Total Liabilities</b>	<b>273,173</b>	<b>819,977</b>	<b>129,239</b>	<b>3,270</b>	<b>1,225,659</b>
<b>Shareholder's Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>809,161</b>	<b>809,161</b>
<b>Gap</b>	<b>1,244,133</b>	<b>(686,200)</b>	<b>(46,061)</b>	<b>(607,287)</b>	
<b>Cummulative Gap</b>	<b>1,244,133</b>	<b>557,933</b>	<b>511,872</b>	<b>(95,414)</b>	

The Bank has a strong liquidity position and can withstand the rigorous stress scenario up to 1 year.

The Minimum Liquidity Ratio of the Bank as of December 2022 was 112.76% (a surplus of 97.76bps).

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**8.2 LIQ1 - Liquidity Coverage Ratio (LCR)**

A Group (b) bank is not required to file LCR and NSFR.

**8.3 LIQ2 - Net Stable Funding Ratio (NSFR)**

A Group (b) bank is not required to file LCR and NSFR.

## 9. SECURITISATION

### 9.1 Table SECA: Qualitative disclosure requirements related to securitization exposures

**Purpose:** Provide qualitative information on a bank's strategy and risk management with respect to its securitization activities.

**Scope of application:** Mandatory for all applicable banks with securitization exposures.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

---

#### Disclosures:

1. **The bank's objectives in relation to securitization and re-securitization activity, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities, the type of risks assumed, and the types of risks retained.**

BGO's does not securitizes or re- securitizes financial assets to transfer credit risk of the underlying securitized exposures away from the bank to other entities.

The payment of capital and interest on 100% (2021: 99.9%) of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 74% (2021: 74%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 4.58 years and CMOs is of 1.53 years (2021: 3.15 years for MBS and 0.99 years for CMOs).

## 9.2 Template SEC1: Securitization exposures in the banking book

**Purpose:** Present a bank's securitization exposures in its banking book.

**Scope of application:** Mandatory for all applicable banks with securitization exposures in the banking book.

**Content:** Carrying values. In this template, securitization exposures include securitization exposures even where criteria for recognition of risk transference are not met.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Flexible. Banks may in particular modify the breakdown and order proposed in rows if another breakdown (e.g. whether or not criteria for recognition of risk transference are met) would be more appropriate to reflect their activities. Originating and sponsoring activities may be presented together.

BGO is not acting as an originator or as sponsor in any securitization offering. BGO's does not securitizes or re- securitizes financial assets to transfer credit risk of the underlying securitized exposures away from the bank to other entities.

The table below summarizes the BGO's securitization exposures grouped by asset type:

% MBS - BGO		
	Book Value	%
Bonos MBS Agencie	321,199,789	100.00%
Bonos MBS Private		
<b>Total</b>	<b>321,199,789</b>	<b>100.00%</b>
% CMO - BGO		
	Book Value	%
Bonos CMO Agency	239,667,412	73.68%
Bonos CMO Private	85,628,119	26.32%
<b>Total</b>	<b>325,295,531</b>	<b>100.00%</b>

\*TBAs not included.

The payment of capital and interest on 100% (2021: 99.9%) of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 74% (2021: 74%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.



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The average life of the portfolio of MBS is 4.58 years and CMOs is of 1.53 years (2021: 3.15 years for MBS and 0.99 years for CMOs).

**9.3     Template SEC2:** Securitization exposures in the trading book

**Purpose:** Present a bank's securitization exposures in its trading book.

**Scope of application:** Mandatory for all applicable banks with securitization exposures in the trading book. In this template, securitization exposures include securitization exposures even where criteria for recognition of risk transference are not met.

**Content:** Carrying values.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Flexible.

---

BGO does not do have a trading book. BGO's does not securitizes or re- securitizes financial assets to transfer credit risk of the underlying securitized exposures away from the bank to other entities.

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**9.4     Template SEC3:** Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor.

**Purpose:** Present securitization exposures in the banking book when the bank acts as originator or sponsor and the associated capital requirements.

**Scope of application:** Mandatory for all applicable banks with securitization exposures as sponsor or originator.

**Content:** Exposure values, risk-weighted assets, and capital requirements. This template contains securitization exposures only where the risk transference recognition criteria are met.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

---

BGO is not acting as an originator or as sponsor in any securitization offering. BGO's does not securitizes or re- securitizes financial assets to transfer credit risk of the underlying securitized exposures away from the bank to other entities.

**9.5    Template SEC4:** Securitization exposures in the banking book and associated capital requirements – bank acting as investor.

**Purpose:** Present securitization exposures in the banking book where the bank acts as investor and the associated capital requirements.

**Scope of application:** Mandatory for all applicable banks having securitization exposures as an investor.

**Content:** Exposure values, risk-weighted assets, and capital requirements. This template contains securitization exposures only where the risk transference recognition criteria are met.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

---

BGO's does not securitizes or re- securitizes financial assets to transfer credit risk of the underlying securitized exposures away from the bank to other entities.

## 10. MARKET RISK

### 10.1 Table MRA: Qualitative disclosure requirements related to market risk

**Purpose:** Provide a description of the risk management objectives and policies concerning market risk.

**Scope of application:** Mandatory for all applicable banks that are subject to a market risk capital requirement for their trading activities.

**Content:** Qualitative information.

**Frequency:** Annually.

**Format:** Flexible.

---

#### Disclosures:

- (a) **Strategies and processes of the bank:** this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Market risk management aims to reduce the loss of value in the investment portfolio of the Bank because of fluctuations in interest rates and credit risk. The Board of Directors Risk Committee and the Board of Directors approved the ALCO Manual where the management of market risk is properly documented.

#### Market Risk Policies:

1. The investment portfolio is comprised mainly of fixed securities with the highest ratings.
2. The Bank does not have a trading portfolio given that the mandate of the Treasury is to manage the liquidity of the Bank and not to generate short-term profits.
3. The BOD, the Risk Committee of the Board, and ALCO set the limits of the investment portfolio (duration, rating, individual exposure, and type of assets among others).
4. The Bank has established maximum limits for losses by market risk in its investment portfolio and on the Bank's balance sheet that may be caused by movements in interest rates, credit risk, and fluctuations in the values of investments in the stock market.
5. The Bank uses a model to calculate the impact on the economic value of the investment portfolio where it estimates the impact of increases or reductions in interest rates and credit spreads to meet their potential vulnerability; all this, coupled with an analysis of the economic environment and specifically rates, helps us to estimate possible losses of the Bank's investment portfolio.
6. The BOD and ALCO establish investment limits with a conservative profile in terms of duration and credit risk. The investment portfolio is mainly focused on fixed income securities with the highest quality.

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7. The treasury reviews and monitors the investment policies and limits.
8. The treasury and the ALCO monitor maximum limits for losses on its investment portfolio.
9. The treasury and the ALCO monitor the duration of the investment portfolio and perform stress scenarios.
10. Gains and losses of the investment portfolios are monitored daily.
11. The treasury is constantly tracking the U.S. and world economy, market rates, country and industry risk, and banks spreads, as well as news of individual issuers to manage the risk of our investment portfolio.
12. Daily tracking of portfolios managed by third parties.
13. Daily monitoring of the valuation of investments
14. Monthly reviews the performance of the investment's portfolio.
15. Quarterly, the Risk Committee of the BOD reviews the main topics covered by the ALCO committee and the compliance with investment limits according to the provisions of the Investment and ALCO Manuals.
16. Daily a summary of the main liquidity ratios is sent to the President of the Bank and the CEO and General Manager

The Bank does not invest in commodities so there is no exposure to commodity risk. Additionally, the Bank may not have investments or placements in currencies that are not covered by either a derivative or a liability. Foreign currency exposure arises because of the positions held by the bank to provide the foreign currency purchase service to customers as detailed in the Investment Manual of Banco General, S.A. and Subsidiaries. Portfolios managed by third parties can hold positions in foreign currency, but they are limited based on the limits approved by the Board of Directors for each portfolio. The Bank's has little or no exposure to commodity risk, equity, and FX risk.

The Bank does not have a trading portfolio and the mandate of the Treasury is to manage the liquidity of the Bank by investing within the limits established by the BOD focusing on fixed income securities with high credit ratings.

ALCO will approve the use of derivatives as part of its strategies in managing the bank's assets and liabilities. The Treasury will be responsible for implementing the strategies agreed in the ALCO and therefore must execute the corresponding derivative transactions within the approved limits and policies, as well as giving them the required follow-up to all current operations. The bank will not make use of derivative instruments for any speculative purpose (to trade in the short term – "trading"). The bank will use derivatives for the following purposes:

- a. The management of the risks of the bank's assets and liabilities.
- b. Execute derivatives for clients who request them as part of the management of their own risks as stipulated in the Bank's Business Banking Credit Policies and Procedures Manual. These derivatives must be covered (there will be no exposure).
- c. Execute FX Forwards of clients as stipulated in the Manual of Credit Policies and Procedures for Business Banking of the bank. These derivatives must be covered (there will be no exposure).
- d. Take a credit risk position using CDS according to the limits of the Investment Manual of Banco General, S.A. and Subsidiaries and backing said position with foreign deposits with maturity of up to 30 days, bills, notes or U.S. Treasury bonds. This would be done to improve the profitability or liquidity of the bank by being able to invest in the credit of an issuer,

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through a synthetic bond, using the credit limits established by the bank efficiently and investing the funds in very liquid assets.

- e. As part of the management of managed portfolios. Managed portfolios will be allowed to use derivatives if they meet the limits set for each portfolio (duration, credit and currency).

The Treasury must maintain a daily report of all current positions and unrealized gains and losses. Current positions will be valued and accounted for daily according to the nature of each transaction and the relevant NIIFs.

The valuation and accounting of all derivative transactions will be governed by the provisions of the Investment Manual of Banco General, S.A. and Subsidiaries.

The policy of approval of new types of derivatives will be detailed in the Investment Manual of Banco General and Subsidiaries.

The bank may only use as a counterparty in these operations Financial Institutions with a minimum long-term risk rating of A from S&P or A2 from Moody's or A from Fitch and its subsidiaries. In the case of a counterparty that does not meet the above condition, an approval of the Board of Directors will be needed to be able to carry out this type of transaction. In the case of clients of Banco General, S.A. and Subsidiaries that are counterparties in derivative operations, they will be approved as stipulated in the Manual of Credit Policies and Procedures for Business Banking of the bank.

- (b) Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank; and, describing the relationships and the communication mechanisms between the different parties involved in market risk management, and**
- (c) Scope and nature of risk reporting and/or measurement systems.**

The Board of Directors will ensure that the ALCO effectively identifies, measures, monitors, and controls market risk, and that the established policies, procedures, and systems comply with the approved market risk policies. To control the market risk exposure of the Bank, the Board of Directors has established investment policies that include limits based on amount, credit rating, type of assets allowed, overall duration, issuer or issue, and individual security duration and rating, among others, which are included in the Investment Manual of Banco General and Subsidiaries. Monthly in the ALCO, the Risk Unit must present a certification of compliance with these limits and at least annually check that they are properly created in the front office system of the Treasury.

The surveillance measures for an adequate control of market, liquidity and FX risks and the entities that define and carry out the analysis and management of such risks, are defined in the ALCO and Investment manuals of Banco General, S.A. and subsidiaries ("BG"). Below we present a summary of these areas and their responsibilities:

1. The BOD establishes the strategic direction of the Bank and its risk tolerance to interest rate, market, FX, liquidity, derivative, and credit risks, through general guidelines and specific policies. The Board sets limits according to risk tolerance in each of these categories and establishes the areas of the Bank that are responsible for tracking and managing these risks and their functions.

2. ALCO is mainly responsible for:

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- a. Managing and monitoring BG's balance sheet to measure and adequately define the risks to which it is exposed.
  - b. Developing and proposing to the BOD policies for the management of BG's assets and liabilities
  - c. Identifying, tracking, and establishing strategies to manage and control:
    - a. The movement of interest rates (interest rate risk)
    - b. The movement of foreign currency (FX risk)
    - c. The movement in the price of assets and liabilities (market risk)
    - d. The structure of maturities and the volatility of assets and liabilities (liquidity risk)
    - e. The overall level of risk of the portfolio of loans and investments (credit risk).
    - f. The risk of derivative positions
  - d. Monitoring the financial statements of BG and subsidiaries considering:
    - a. Local and international economic and financial environment
    - b. The business plan established by the Bank.
    - c. The limits and policies established by the BOD.
  - e. Developing and implementing strategies to maintain the Bank's net interest margin within the levels established in the annual budget, and within a framework of risk policies previously established and approved by the Board.
  - f. Maintaining a level of capitalization appropriate to manage all the risks to which BG is exposed.
  - g. Maintaining an appropriate risk/return balance
  - h. Maximizing the returns to BG's shareholders within previously established risk parameters.
3. The Treasury is mainly responsible for:
- a. Monitoring and managing the interest rate, FX, liquidity, derivative, and market risks.
  - b. Executing the purchase and sale of investments, and placements and receipt of interbank deposits within the limits and policies established by the BOD, following up on interest rates and capital markets, and proposing changes to the composition and duration of BG's various portfolios on different scenarios of rate and credit risk.
  - c. Permanently monitoring the levels of liquidity and the uses and sources of funds to determine compliance with existing policies.
  - d. Monitoring the valuation of the investment portfolio.
  - e. Maximizing BG's return on liquid assets while complying with the limits established by the Board.
  - f. Proposing to the Board, the Credit Committee of the BOD, the Risk Committee of the Board, or the ALCO, jointly with the EVP of finance, inclusion of new titles, securities or investment portfolios, or changes to the existing portfolios.
  - g. Obtaining institutional funds as set out by the ALCO and the BOD in terms of amount, term, and structure.
4. The Risk Department is mainly responsible for:
- a. Verifying compliance with all the limits and guidelines of the investment and the ALCO manual.
  - b. Certifying that reports submitted to the ALCO for the management of liquidity risk, market risk, interest rate risk, FX risk, derivative risk, and credit risk (related to fixed-



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income investments) is framed within the methodologies, models, procedures, parameters, policies and/or limits approved by the BOD or the ALCO.

5. The Risk Committee of the Board is mainly responsible for:

- a. Approving methodologies, procedures, parameters, guidelines and/or limits, contingency plans, or adjustments to existing ones for the management of liquidity risk, market risk, interest rate risk, FX or exchange rate risk, derivative risk, and credit risk (related to fixed-income investments), which shall be subject to the approval of the BOD.
- b. Follow-up on exposures to risks and compare these exposures against policies and limits approved by the BOD or the body designated by it.
- c. Assess these risks against BG's solvency and stability.

## 10.2 Template MR1: Market risk under the standardised approach

**Purpose:** Display the components of the capital requirement under the standardized approach for market risk.

**Scope of application:** Mandatory for applicable banks.

**Content:** Risk-weighted assets.

**Frequency:** Group (a) banks: Semi-annually. Group (b) banks: Annually.

**Format:** Fixed.

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BGO does not apply the standardized approach to market risk given that the Bank does not have a trading portfolio.

## 11. OPERATIONAL RISK

### 11.1 Table OPR: Qualitative and quantitative disclosure requirements related to operational risk

**Purpose:** Provide a description of the risk management objectives and policies concerning operational risk and to disclose operational risk regulatory capital requirements and aggregate operational losses incurred both in the current period and historical period.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Qualitative and quantitative information.

**Frequency:** Annually.

**Format:** Flexible.

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#### Qualitative disclosures:

(a) Banks are required to describe their risk management objectives and policies, including:

- strategies and processes;
- the structure and organisation of the operational risk management and control function;
- the scope and nature of operational risk reporting and/or measurement systems; and
- policies for hedging, transferring and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/transfers/mitigants.

Following the Basel II framework, the Bank defines operational risk as the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. The Bank has adopted the Basic Indicator Approach and expects to move over time to the Standardized Approach and the Advanced Measurement Approach for operational risk. To ensure that appropriate responsibility is allocated for the management, reporting and escalation of operational risk, the bank operates a 'three lines of defense' model as indicated below:

1. The first line of defense is business line management. It has the primary responsibility of identifying, managing and mitigating risks associated with the products and processes of its business. It engages in regular testing of the adequacy and effectiveness of controls and compliance with the Bank's policies, including the Bank's Operational Risk Policy Handbook.
2. The second line of defense is the Bank's Operational Risk Section within the Risk Department. This section is responsible for the design, ownership, and implementation of the Operational Risk Model (ORM). The ORM incorporates key processes including risk and control self-assessments, scenario analysis, and data collection on losses, new product approval processes, and risk indicators. The Operational Risk Section oversees the management of different business segments and provides expert support and advice regarding operational risk.

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3. The third line of defense is audit. Internal Audit is responsible for assessing compliance with the ORM and for providing independent evaluation of the adequacy and effectiveness of the risk control framework.

Banco General has contracted an insurance policy that covers, among others, infidelity of employees, premises, and transit. BGO is included as a beneficiary of this policy.

**Quantitative disclosures:**

**(b) Quantitative disclosures expected from the banks include:**

- **Risk exposure (by business line if available);**
- **The operational risk capital charge as a % of minimum regulatory capital; and**
- **Operational losses (in total or by business line if available).**

The Operational Risk Section reviews all BGOs processes and products to identify, measure, monitor and control all relevant operational risks associated with BGO's operation.

In 2022, BGO had a total of six (6) major processes with all the operational causes of risks identified. The operational causes of risks totaled 19, with none of them categorized as high risk. BGO has a policy of auto evaluating the causes of risk depending on the level of exposure. These processes maintain causes of risk categorized as "low level" and "medium level" exposures.

BGO does not expect any future losses because of these risks. BGO has not reported any losses due to Operational Risk during the last years.

<b>OPERATIONAL RISK</b>	<b>Capital charge</b>	<b>Capital Requirements</b>	<b>RWA</b>
Basic Indicator Approach	<b>15%</b>	\$19,630,022.81	\$130,866,818.75

## 12. INTEREST RATE RISK IN THE BANKING BOOK

### 12.1 **Table IRR:** Qualitative and quantitative disclosure requirements related to interest rate risk in the banking book (IRRBB)

**Purpose:** Provide a description of the bank's risk management objectives and policies concerning IRRBB and changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios.

**Scope of application:** Mandatory for all applicable banks that are subject to IRRBB. Content: Qualitative and quantitative information. The bank must report for the current period and for the previous period for quantitative information.

**Frequency:** Annually.

**Format:** Flexible.

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### Qualitative disclosures

**Banks are required to describe their risk management objectives and policies, including:**

#### **(a) A description of how the bank defines IRRBB for purposes of risk control and measurement:**

Interest rate risk is defined as the potential loss of net income or equity value, caused by the inability of the bank to adjust the returns on its assets sensitive to changes in interest rates, in combination with its liabilities sensitive to interest rates. The Board of Directors Risk Committee and the Board of Directors approved the ALCO Manual where the management of interest rate risk is properly documented.

To manage, mitigate and reduce interest rate risk, the assets and liabilities of the bank are managed in a way as to maintain the bank's net interest margin within the levels established in the annual budget and within a framework of risk policies previously established and approved by the Board of Directors. The management of interest rate risk implies knowing the current situation of the bank (current position of assets and liabilities and NIM levels) as well as how movements in local and international interest rates affect the NIM and therefore the bank profits. Additionally, with a perspective on the future of rates and the environment, the ALCO may develop strategies that maximize the bank's profits within the risk limits established in this policy.

The Treasury will manage interest rate risk and will keep the ALCO and the Executive Vice Presidency of Finance informed. Many reports have been developed and limits established as detailed in the ALCO Manual, which will allow the Treasury and the ALCO, to take early actions to maintain an interest rate risk position in accordance with the parameters established by the Board of Directors.

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The Treasury and the ALCO review monthly repricing gap reports and run quarterly simulations of interest rate shocks of 100 and 200 bps increments and decreases to evaluate their impact on the economic value of the Bank's balance sheet.

The Bank also performed an evaluation of the impact of interest rate risk in the banking book (including the investment portfolio) using the guidelines provided by CIMA on "The Supervisory Review Process (Pillar 2) Rules and Guidelines-Annex III". The idea of this evaluation is to assess the impact of a 200pbs increase in rates (parallel shift) on the Bank's balance sheet using a repricing gap report and weighting each time band gap by the given weights provided by CIMA.

**(b) A description of the bank's overall IRRBB management and mitigation strategies.**

IRRBB is managed as a risk as well as a capital assessment process. IRRBB exposures that affect both earnings and economic value have been identified and are adequately measured, monitored and controlled based on policies. The objective is for the bank to monitor that its internal capital is commensurate with the level of IRRBB.

For this regard the bank has established the following:

- Appropriate limits on IRRBB, including establishing procedures and approvals necessary for ensuring compliance with those limits.
- Systems and standards for measuring IRRBB, valuing positions and assessing performance, including procedures for updating interest rate shocks, stress scenarios and key underlying assumptions.
- A comprehensive IRRBB reporting and review process.
- Effective internal controls and management of information systems.

**(c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.**

The Bank runs quarterly simulations on the balance sheet by applying interest rate shocks of 100 and 200 bps increments or reductions to calculate the impact on its value and potentially on the capital of the Bank. Given the current level of rates we consider this a severe scenario.

**(d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.**

The sensitivity of the economic value of the balance sheet measures the impact of interest rate changes in terms of the market value of the bank's assets and liabilities, including interest rate derivatives. The economic value is calculated using different shocks of increase or reduction in interest rate curves and comparing the results to the current economic value. This method uses shifts in the interest rate curve and by performing a complete evaluation discounting future cash flows, it allows to capture the effect of the convexity of investment prices. The economic value is calculated as the sum of the present value of all the flows reduced by the amount of the accrued interests since the last interest payment, that will originate in the future from assets and liabilities operations. Because the economic value perspective considers the potential impact of changes in interest rates on the present value of all future cash flows, it provides a more complete view of the possible long-term effects of changes in interest rates compared to the NIM which offers a more short-term view.

The exercise is performed with a base scenario in which interest rates are set based on their current position and projections. At the same time, sensitivity scenarios are created where rates are stressed to increase or to reduce. The cash flows of capital and interests in each scenario are performed at a transactional level considering:

- Contractual terms
- Estimated prepayments per scenario for some investment products (MBS, Short Sales, ABS)
- Increase/reduction in the projected interest rates
- Increase/reduction in discount rates

As a result, the model provides the economic value when it calculates the present value reducing the accumulated interest rates at the current position. The variance between the base market value results and the ones obtained in each scenario, provides the potential projected gain or loss in the portfolio of the balance sheet.

**(e) The scope and nature of risk reporting and/or measurement systems.**

Interest rate risk is defined as the potential loss of net income or equity value, caused by the inability of the bank to adjust the returns on its assets sensitive to changes in interest rates, in combination with its liabilities sensitive to interest rates. The Board of Directors Risk Committee and the Board of Directors approved the ALCO Manual where the management of interest rate risk is properly documented.

Changes in interest rates affect the bank in different ways and the measurement of the effect of changes in interest rates are viewed mainly from two perspectives:

- Effect on results:
  - Financial Margin (Net Interest Income): income accrued for interest rates on assets less costs accrued for interest rates on liabilities.
  - Profits or losses from financial operations: purchase and sale of financial instruments and revaluations of open positions in financial instruments
- Effects on the economic value of equity due to changes in assets, liabilities, and derivatives sensitive to interest rates.

The Treasury will manage interest rate risk and will keep the ALCO and the Executive Vice Presidency of Finance informed. Many reports have been developed and limits established as detailed in the ALCO Manual, which allows the Treasury and the ALCO, to take early actions to maintain an interest rate risk position in accordance with the parameters established by the Board of Directors.

The management of interest rate risk by the ALCO implies knowing the current situation of the bank (current position of assets and liabilities and level of the NIM) and how movements in local and international interest rates affect the NIM and therefore the bank earnings. Based on the foregoing and a perspective on the future of a) rates and b) the environment, the ALCO is able to develop strategies that maximize the bank's profits within the risk limits established in its policies. In order to carry out this task, the ALCO must follow up on different reports and variables presented quarterly that are detailed in the ALCO Manual.

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

The Bank utilizes the Modelo de Información Gerencial or “MIG” as its management information system. MIG is a database of financial information organized and programmed in a way that produces regular reports used to manage risks and its capital needs and helps monitor the risks limits approved by the Board of Directors. MIG also provides a single view of the data at the corporate level and provides indicators to measure compliance and efficiency of business goals. In addition to MIG, for the management of interest rate risk, market risk and liquidity risk, the Bank uses FIS BancWare ALM 6 2021.2.0, Bloomberg – AIMS (Bloomberg asset and investment manager), PAM (Portfolio accounting and management), Yield Book, and Aladdin PRT tool from BlackRock Inc. Calculations are usually done at the transaction level. The reports generated and used by the ALCO, Board of Directors, Board of Directors Risk Committee and Executive Risk Committee to monitor periodically the exposures to risks and compare said exposures with the policies and limits approved by the Board of Directors.

**(f) Policies for hedging and/or mitigating IRRBB as well as the associated accounting treatment and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants.**

Banco General (Overseas), Inc. does not use and has not used hedging derivatives to mitigate IRRB. However, if in the future the bank decides to do this the area responsible to execute derivatives to hedge the IRRB would be the Treasury department of Banco General and the hedging strategy has to be approved by the ALCO. The policies related to hedging are incorporated in the Investment Manual of Banco General, S.A. and Subsidiaries annex X.

**(g) A description of key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and any other assumptions.**

Economic value assumptions:

- (1) Loans have capital prepayments based on the bank’s budget for the year
- (2) Non-Accrual loans follow their contractual amortization given that the recovery process is short.
- (3) MBS, Short Sales and ABS have single monthly mortality (SMM) capital prepayments.
- (4) All instruments are projected based on their contractual maturity and are not replaced by any new business.
- (5) In scenarios of interest rate cut, there is a floor of 0% on coupons as well as on discount rates.
- (6) Non maturity deposits don’t project gain or loss per scenario

### **Quantitative disclosure**

**(a) Banks should report the increase/(decline) in net interest income or economic value of equity (or relevant measure used by management) for upward and downward interest rate shock scenarios according to management’s method for measuring IRRBB, broken down by currency (as relevant).**

**Economic Value December 2022:**



MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

TYPE OF PRODUCT US\$ thousands	BOOK VALUE	EFFECTIVE DURATION	MARKET VALUE	DECEMBER 2022					
				GAIN/LOSS PARALLEL VARIATIONS		GAIN/LOSS PARALLEL VARIATIONS		% BALANCE WITH FLOOR	% BALANCE WITH FIXED RATE
				-100pbs	+100pbs	-200pbs	+200pbs		
ASSETS									
CASH AND DEPOSITS	198,314	2.08	193,060	3,992	-3,880	8,101	-7,651	0%	93%
INVESTMENTS	1,497,356	3.04	1,496,340	44,925	-44,842	87,732	-88,146	11%	77%
DERIVATIVES LINKED TO ASSETS	9,839	-0.39	9,839	-5,563	5,861	-10,840	11,813	0%	0%
LOANS	466,680	0.19	468,400	1,903	-1,814	4,189	-3,737	31%	2%
TOTAL ASSETS	2,172,189	2.06	2,167,639	45,257	-44,674	89,183	-87,721	15%	62%
LIABILITIES									
DEPOSITS	1,286,964	0.24	1,286,311	-3,156	3,128	-6,230	6,228	0%	91%
TOTAL LIABILITIES	1,337,388	0.24	1,336,735	-3,201	3,172	-6,319	6,317	0%	91%
ASSETS - LIABILITIES	834,801	1.83	830,904	42,056	-41,502	82,863	-81,404		

Based on December 31, 2022 balances, the Bank's equity could lose \$41,501,528 and \$81,404,384, respectively, if rates increase by 100 and 200 bps (or 5.13% and 10.06% of the capital of the Bank, respectively).

**Economic Value December 2021:**

ECONOMIC VALUE DECEMBER 2021									
TYPE OF PRODUCT US\$ thousands	BOOK VALUE	EFFECTIVE DURATION	MARKET VALUE	DECEMBER 2021					
				GAIN/LOSS PARALLEL VARIATIONS		GAIN/LOSS PARALLEL VARIATIONS		% BALANCE WITH FLOOR	% BALANCE WITH FIXED RATE
				-100pbs	+100pbs	-200pbs	+200pbs		
ASSETS									
CASH AND DEPOSITS	199,995	0.17	201,711	61	-346	61	-690	85%	7%
INVESTMENTS	1,609,939	2.11	1,610,401	28,930	-38,320	37,669	-76,358	7%	80%
DERIVATIVES LINKED TO ASSETS	404	0.28	404	5,030	-4,541	10,214	-8,774	0%	0%
LOANS	445,038	0.49	446,727	2,664	-1,531	10,912	-2,659	32%	0%
TOTAL ASSETS	2,255,376	1.82	2,259,242	36,686	-44,738	58,857	-88,480	19%	58%
LIABILITIES									
DEPOSITS	1,262,985	0.12	1,262,255	-1,136	1,512	-2,138	3,001	0%	87%
TOTAL LIABILITIES	1,262,985	0.12	1,262,255	-1,136	1,512	-2,138	3,001	0%	87%
ASSETS - LIABILITIES	992,391	1.70	996,987	35,550	-43,226	56,719	-85,479		

Based on the December 31, 2021 balances, the Bank's equity could lose \$43,225,973 and \$85,479,393, respectively, if rates increase by 100 and 200 bps (or 4.73% and 9.35% of the capital of the Bank, respectively).

### 13. REMUNERATION

#### 13.1 Table REM: Qualitative and quantitative disclosure requirements related to remuneration

**Purpose:** The Authority believes that incorporating the Basel II Pillar 3 disclosure requirements on remuneration will support effective market discipline and will allow market participants to assess the quality of the compensation practices and the quality of support for a bank's strategy and risk posture. The requirements have been designed to be sufficiently granular and detailed to allow meaningful assessments by market participants of a bank's compensation practices, while not requiring disclosure of sensitive or confidential information.

**Scope of application:** Mandatory for all applicable banks. However, the Authority acknowledges that due to the size and complexity of some banks, some of the disclosure requirements may be exempted on the grounds that the information may not be material or is confidential. Banks must however obtain approval from the Authority for any such exemption.

**Content:** Qualitative and quantitative information.

**Frequency:** Annually.

**Format:** Flexible.

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#### Qualitative disclosures:

##### (a) Information relating to the bodies that oversee remuneration. Disclosures should include:

- **Name, composition, and mandate of the main body overseeing remuneration**

As established in the Corporate Governance Manual of Grupo Financiero BG, the Human Capital and Corporate Governance Committee of the Board of Directors is the body responsible for ensuring compliance with the good compensation practices of Banco General and Subsidiaries. As it has a corporate scope, these principles apply to BGO.

For the time being, BGO does not have personnel directly assigned solely to its operation, but when they become available, the same principles and parameters established by GFBG would apply to them.

In compensation matters, the responsibilities of the Human Capital and Corporate Governance Committee include:

- Inform the Board of Directors of Grupo Financiero BG of the activities, issues, conclusions, and relevant recommendations approved by the Committee in all matters related to Human Capital management.

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

- Establish and monitor compliance with the organization's policies regarding compensation, incentives, and employee benefit programs.
- Request periodic and timely explanations regarding the reports of audits or instances that they consider may have an impact on the company's human capital management.
- Make a proposal for the performance evaluation of the EVP and General Manager and submit it to the Board of Directors for approval.
- Monitor the performance of the Bank's Executive Vice Presidents, their compensation levels and professional development.

The Committee is composed as follows:

Chairman: Raul Aleman Z. - Chairman of the Board of Directors of GFBG

Coordinator: Makelin Arias - EVP of Human Capital and Corporate Services

Members: Emmanuel Gonzáles Revilla L., Luis Carlos Motta V. (Directors) and Tatiana Fábrega de Varela (Independent Director)

Participants: EVP and General Manager, EVP and Deputy General Manager

The Committee meets at least three times a year and has duly documented and published bylaws (last update: April 2021).

The organization's compensation management is carried out by the Human Capital and Corporate Services Division, specifically through its Compensation and Support Area, which is responsible for overseeing the total compensation management of Banco General and Subsidiaries.

In order to ensure management independence, the Compensation and Support area conducts market studies, identifies and submits proposals based on the best market practices for consideration by the Human Capital and Corporate Services EVP, generates information and general policies, and prepares the indicators necessary for management evaluation. However, the operational management directly with the different leaders of the bank and its collaborators is executed in the area of Advisory and Internal Relations, in such a way that the one who defines and analyzes trends and policies is not the one who executes them.

- **External consultants whose advice has been sought, the body by which they were commissioned, and in what áreas of the remuneration process.**

GFBG uses market information from MERCER, a leading global compensation and salary survey company, and chosen by Panamanian Banking Association as the provider of the official salary survey for the sector. Every year, the compensation information of Banco General and Subsidiaries' employees in Panama is provided and the results are received, which are used as input for management decisions. MERCER also provides training to HC personnel, as part of the continuous training of the area. Salary information for the offices outside Panama is handled with recognized suppliers in each of the countries, which is collected more sporadically given the limited rotation and number of employees in these countries. Excluding Banco General Costa Rica, where we participate in annual salary surveys prepared by Price Waterhouse.

- **A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.**

Human Capital and Corporate Services Division's scope includes Banco General and Subsidiaries, which is why the management model described here applies to all GFBG employees at the corporate level. The final decisions for each employee, within the defined limits, are made jointly by the executive personnel of each area, together with the advice of the Human Capital Advisor who serves that area.

Likewise, there is a Compensation Policy duly approved by the Human Capital and Corporate Governance Committee, which establishes the general guidelines that govern the compensation management of BG and Subsidiaries in all countries in which it operates.

**(b) Information relating to the design and structure of remuneration processes. Disclosures should include:**

- **An overview of the key features and objectives of remuneration processes.**

The Compensation Policy of Banco General and Subsidiaries establishes that the Human Capital and Corporate Services Department is responsible for maintaining an adequate balance between employee satisfaction with the compensation obtained and the competitiveness of the organization.

Its general objective is to define the strategy and determine the parameters by which the organization's compensation scheme will be governed, as a key element to transmit its cultural values to its members, and to integrate said compensation strategy to the rest of the human capital management standards and practices of Banco General and Subsidiaries.

Banco General's compensation policy summarizes the Board of Directors' intention to fairly combine the business strategy with the development of the organization's employees and to maintain an adequate balance between external competitiveness and internal equity.

It establishes that the organization will maintain an attractive and competitive compensation and benefits scheme that will allow it to attract and retain personnel with the competencies and values that best fit the culture of the institution, based on standardized criteria of equity free of gender bias and all types of discrimination.

It is also established that the total rewards system will be adjusted to the differences inherent to the hierarchical structure, having established different models of remuneration, retribution and/or benefits for the different levels of position in the organization.

- **Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, reasons for the changes and their impact on remuneration.**

No changes were made to GFBG's Compensation Policy during 2022.

It was approved to maintain a Retirement Plan for the year 2022, which started in 2020 due to pandemic reasons.

Due to the Covid-19 pandemic too, a conservative spending stance was maintained. However, main approved compensation and benefit models were kept.

- **A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the business they oversee.**

For remuneration purposes, the valuation of the organization's positions is not associated with the line of business managed by each position in particular, which is why no salary differences are established related to the business area managed, including Risk and Compliance personnel in this model.

**(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:**

- **An overview of the key risks that the bank takes into account when implementing remuneration measures.**

Remuneration models in Panama are clearly regulated by the Ministry of Labor and the Social Security Fund of the country. Banco General and Subsidiaries guarantees compliance with all legal provisions defined in the country through the support provided by the Legal Counsel Department and external lawyers specialized in labor matters (ALCOGAL) hired by the organization as advisors and guarantors of compliance with such provisions. Likewise, we have a payroll payment platform supported by the most recognized company in the country in this matter, which has among its responsibilities to guarantee the Bank's compliance with the social security elements.

In countries in which we have a presence outside Panama, remuneration is outsourced to Deloitte, also contracted to ensure compliance with the regulatory provisions of each country, since these are the elements identified as risky in terms of remuneration.

- **An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).**

The organization has an operational risk matrix that includes a risk category called "Labor Relations and Workplace Safety", with a specific risk type for "Remuneration issues (non-compliance with contract, regulations and/or Code of Ethics)". During the year 2022, only one incident of an operational nature (human error) of low impact and without repercussions for the organization, materialized.

- **A discussion of the ways in which these measures affect remuneration.**

These risks are minimal, and none have materialized that could affect compensation decisions.

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

Banco General (Overseas), INC

- **A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.**

N/A

**(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:**

- **An overview of the main performance metrics for bank, top-level business lines and individuals.**

The main element of performance measurement is the annual performance evaluation process, which applies to all employees of Banco General and Subsidiaries. During the last three years, compliance has been at least 96%. The result of the evaluation is one of the elements taken into consideration for the payment of variable compensation, together with other qualitative elements provided by the immediate supervisor. All evaluations include direct feedback to the employee, who has permanent access to the document. The same process applies to all employees, who are evaluated by their direct manager, including personnel reporting to the Board of Directors.

- **A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.**

Annually, the Budget Committee establishes and approves a maximum amount to be used for salary increases, based on the financial reality of the business and the market. The individual allocation is made by Human Capital, together with the executive in charge of the employee, taking into consideration their current remuneration levels, their performance in the area, their position level and their positioning in the salary band to which the position corresponds.

- **A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak including criteria for determining weak performance metrics.**

Since salary reductions are not allowed in Panama, in the case of employees who are below the minimum expected performance level, an individual analysis is carried out and, in consensus with the manager, a decision may be made not to increase the annual salary of these employees. In addition, these employees receive periodic monitoring of their performance levels and the corresponding feedback. If they are within their first two years of work, and in accordance with Panamanian labor legislation, a decision may be made to terminate their employment before the expiration of the two-year period.

**(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include:**

- **A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.**

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

The organization has a long-term retention program aimed at executive and management personnel through a stock option. The Bank grants them the possibility of purchasing Grupo Financiero BG shares at a fixed offer price for a period of 7 years. The right to exercise (purchase) the option begins the second year after the date on which they are granted. They can be exercised in a staggered manner: 20% per year from the second to the sixth year.

An employee is eligible to receive options every five years, and the eligibility to receive or not to receive options is aligned with a variety of factors: individual performance, future potential and criticality of the position held, among others. The primary determinants will be the individual's role and level of responsibility, past and expected future contributions. This determination is made by Senior Management and the results are presented to the Human Capital and Corporate Governance Committee of the Board of Directors.

The maximum amount to be granted is defined based on the level of responsibility of the position in the salary scale. The program is reviewed annually to include those who may be eligible to join the program. The price is determined by taking the average share price on the Panama Stock Exchange for the quarter prior to the date the options are granted and applying a 10% discount.

- **A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw-back arrangements.**

In the event that the employment relationship terminates, either by mutual agreement or resignation, after the date on which the employee acquired the right to exercise, the employee has up to 30 calendar days from the date of departure to exercise such options. If he/she terminates his/her relationship with the Bank before acquiring the right to exercise, he/she loses these options. If the separation is caused by death or total disability, the beneficiaries or the disabled employee has the right to exercise the actions available at the date of separation within six (6) months from that date.

If the employee retires, he/she will have the right to purchase 100% of the vested shares and will have a term of twenty-four (24) months to exercise them. If at the time of retirement from the Bank he/she has more than 20 years in the institution, Senior Management has the power to advance the expiration date of the options outstanding at the time of retirement from the Bank.

#### **(f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include:**

- **An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).**
- **A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance.**

## MARKET DISCIPLINE DISCLOSURE REQUIREMENTS

### Banco General (Overseas), INC

As a general principle, the Bank seeks to grant a fixed remuneration that provides economic stability and adequate quality of life to all members of the organization, which is set and reviewed periodically based on factors such as the economic situation of the country, the particular conditions of the labor market in general and the financial industry in particular, the characteristics of the position, the seniority and performance of the employee in that position.

In addition to the fixed remuneration, the organization has variable remuneration schemes that seek to motivate employees to increase their performance and commitment to the organization, without compromising the work ethic aligned with the organizational values, which are non-negotiable. This variable income complements the total compensation of its employees.

The employee's total remuneration will be composed of a fixed income and other variable income, which may or may not be subject to the individual performance of each employee.

The organization's principles of fairness and equity in compensation are always maintained, seeking to ensure that each employee is fairly compensated for the work performed, regardless of gender, religion, marital status or personal condition.

Variable compensation is defined as any short-, medium- or long-term payment scheme that motivates people to achieve specific goals or objectives of their own free will and rewards specific performance results. The amounts assigned under this scheme may vary or be eliminated, depending on personal, group or organizational results, at the company's discretion. The different models of variable compensation in the organization are:

- a. Incentive: Short-term variable compensation that rewards incremental production over a minimum that must be covered by the employee's fixed compensation and that applies to specific positions that use this compensation scheme in the local market. It is paid monthly, and the average amounts received usually do not exceed 50% of the employee's fixed remuneration. In cases of extraordinary performance, monthly amounts may reach 85% of the employee's fixed salary or more.
- b. Profit sharing: Medium-term variable compensation that depends directly on the general results of the organization and is defined unilaterally by the Board of Directors of the organization.
  - i. General: That granted to the majority of employees and whose amount is defined by the results at the organizational level. During the year 2022, the amount per person was equivalent to 1.75 times salary for BG and Subsidiaries personnel, with the exception of Banco General Costa Rica, where the amount assigned was equivalent to 1.40, due to its association with the results of the period. Personnel with less than two years of service are granted on a proportional basis.
  - ii. Variable: That which is directly associated with the employee's performance. An allocation table is established with specific and different maximum ratios (targets) according to the level of the person's position in the salary scale. Depending on the performance of each individual in the evaluated period, a specific percentage of this maximum is assigned to define the amount to be received in this concept. Applies to employees of BG and Subsidiaries, with the exception of Banco General Costa Rica, in which case a variable is granted as long as the organization reaches certain



MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

defined minimums, and of BG Valores Securities Brokers, which have a specific and differentiated model.

- iii. Production / results related: Associated to the annual production of BG Valores' Wealth Management collaborators, according to the approved table. Applies only to the position of securities broker and a specific percentage of variable remuneration is granted directly associated with the actual production of each individual in the period evaluated.
- c. Stock Option Plan: Long-term variable compensation. Figure applicable exclusively to management level or higher, which recognizes the outstanding contribution to the results of the organization through the possibility of acquiring shares of the Bank at favorable conditions. Main retention tool of the organization at managerial and executive level, whose general conditions have been detailed in the previous section.

**Quantitative disclosures:**

**(g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its members**

During the year 2022, four Human Capital and Corporate Governance Committees of the Board of Directors were held.

The only remuneration received by the members of the Board of Directors of Grupo Financiero BG, S.A., Banco General, S.A. and Subsidiaries is a per diem for participation in the meetings of the Board of Directors and the Board Committees.

In the case of the BG and Subsidiary Board Committees, members receive a remuneration of US\$500.00 per meeting.

Exceptions:

- Outside Director or Independent Director of GFBG and Banco General, S.A.: US\$1,000.00 per month, in addition to the per diem corresponding to the different meetings of the Board of Directors and/or Board Committees.
- Director member of the Management of Banco General, S.A. and Subsidiaries does not receive per diem for participation in meetings of the Board of Directors or in committees of the Board of Directors.

**Other quantitative disclosures:**

Since BGO currently has no direct employees, there is no additional quantitative data to provide.

MARKET DISCIPLINE DISCLOSURE REQUIREMENTS  
Banco General (Overseas), INC

## 14. ASSET ENCUMBRANCE

### 14.1 Template ENC: Asset encumbrance

**Purpose:** To provide the amount of encumbered and unencumbered assets.

**Scope of application:** Mandatory for all applicable banks.

**Content:** Quantitative information. Carrying amount for encumbered and unencumbered assets on the balance sheet using period-end values. Banks must use the specific definition of “encumbered assets” as follows: Encumbered assets are assets that the bank is restricted or prevented from liquidating, selling, transferring or assigning due to legal, regulatory, contractual or other limitations. When the optional column on central bank facilities is used, encumbered assets exclude central bank facilities. The definition of “encumbered assets” in Template ENC is different than that under the Liquidity Coverage Ratio for on-balance sheet assets. Specifically, the definition of “encumbered assets” in Template ENC excludes the aspect of asset monetisation. For an unencumbered asset to qualify as high-quality liquid assets, the LCR requires a bank to have the ability to monetise that asset during the stress period such that the bank can meet net cash outflows.

**Frequency: Group (a) banks:** Semi-annually. **Group (b) banks:** Annually.

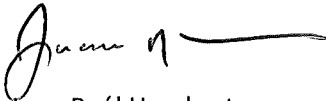
**Format:** Fixed.

	a	b	c	d
	Encumbered assets	Central Bank Facilities	Unencumbered assets	Total
<b>Investments and Other Financial Assets at Fair Value Through Profit or Loss</b>				
Corporate Shares	-	-	724,749	724,749
Corporate Bonds and Fixed Income Funds	-	-	149,716,135	149,716,135
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO's)	-	-	109,921,672	109,921,672
Asset Backed Securities (ABS)	-	-	8,895,831	8,895,831
<b>Investments and Other Financial Assets at Fair Value OCI</b>				
Commercial Papers and Treasury Bills (1)	9,803,400	-	49,589,154	59,392,554
Corporate Bonds (2)	55,167,634	-	455,929,755	511,097,389
Bonds by US Government	-	-	11,405,431	11,405,431
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO's)	-	-	630,027,616	630,027,616
Asset Backed Securities (ABS)	-	-	42,161,769	42,161,769
Other Government Bonds	-	-	76,308	76,308
<b>Investments Amortized Cost</b>				
Corporate Bonds	-	-	13,160,159	13,160,159
Accrued interest receivable	-	-	210,920	210,920
<b>Total</b>	<b>64,971,034</b>	<b>-</b>	<b>1,471,819,499</b>	<b>1,536,790,533</b>

(1) As of December 31st 2022 Banco General (Overseas), INC. maintained \$11,000,000 notional (\$9,803,400 market value) of US Treasury bonds as collateral with the CME to secure the required initial margin for the cleared interest rates SWAPs of Banco General (Overseas), INC. at the CME.

(2) As of December 31st 2022 Banco General (Overseas), INC. maintained \$56,798,000 notional (\$55,167,634 market value) of Corporate Bonds as collateral of repos

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Banco General (Overseas), INC

A handwritten signature in black ink, appearing to read 'Juan R', followed by a long horizontal flourish.

Juan Raúl Humbert  
Vice President of the Board of Directors