

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

**Condensed Consolidated Interim
Financial Information**

June 30, 2023

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Condensed Consolidated Statement of Financial Position

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in Balboas)

		(Unaudited) June 2023	(Audited) December 2022	(Unaudited) June 2022
Assets	Note			
Cash and cash items	5	171,701,592	199,528,689	233,461,004
Deposits with banks:				
Demand deposits		427,753,761	369,835,840	299,274,455
Time deposits		447,695	88,445,477	359,277,277
Accrued interest receivable		6,677	762,123	3,155,971
Total deposits with banks		428,208,133	459,043,440	661,707,703
Total cash, cash items and deposits with banks		599,909,725	658,572,129	895,168,707
Investments and other financial assets at FVTPL		810,468,020	761,506,289	768,363,891
Investments and other financial assets at FVOCI		4,206,711,001	4,483,609,412	4,581,512,294
Investments and other financial at amortized cost, net		74,714,230	4,805,216	137,528,407
Accrued interest receivable		13,069	3,554	6,154
Investments and other financial assets, net		5,091,906,320	5,249,924,471	5,487,410,746
Loans	6	11,645,305,066	11,690,195,657	11,279,343,362
Accrued interest receivable		66,558,451	73,490,156	80,557,791
Less:				
Loan losses allowance		427,211,358	432,999,235	483,041,852
Unearned commissions		39,503,075	38,496,425	36,601,333
Loans, net		11,245,149,084	11,292,190,153	10,840,257,968
Investments in associates		30,960,375	29,916,695	32,235,894
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	253,885,097	251,030,958	245,283,753
Right-of-Use Assets, net	8	15,908,246	15,618,528	16,275,402
Investments and other financial assets sold pending settlement		249,305,270	308,927,685	236,141,000
Deferred tax assets		103,312,662	104,908,428	116,816,905
Goodwill and other intangible assets, net	9	47,329,711	48,638,407	50,238,103
Other assets		489,218,267	447,004,010	441,339,633
Total assets		18,126,884,757	18,406,731,464	18,361,168,111

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

		(Unaudited) June 2023	(Audited) December 2022	(Unaudited) June 2022
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,771,932,113	2,885,526,474	2,971,046,445
Savings		4,792,919,111	5,060,269,555	5,015,661,031
Time:				
Customers		5,345,676,342	5,218,903,829	5,489,620,615
Banks		6,808,140	1,941,986	2,005,524
Accrued interest payable		75,958,156	81,778,894	84,196,846
Total deposits		12,993,293,862	13,248,420,738	13,562,530,461
Financing:				
Securities sold under repurchase agreements		0	198,242,891	0
Borrowings and debt securities issued, net	11	785,657,219	802,268,103	875,701,468
Perpetual bonds		400,000,000	400,000,000	400,000,000
Accrued interest payable		15,174,991	15,936,629	14,259,522
Total financing		1,200,832,210	1,416,447,623	1,289,960,990
Lease Liabilities	12	17,664,948	17,312,742	17,900,629
Investments and other financial assets purchased pending settlement		457,878,945	469,324,455	426,565,501
Reserves of insurance operations	13	25,053,712	20,522,641	19,744,340
Deferred tax liabilities		1,174,287	1,185,413	2,651,410
Other liabilities	10	655,490,102	654,900,834	630,142,919
Total liabilities		15,351,388,066	15,828,114,446	15,949,496,250
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		212,358,413	206,514,168	206,183,459
Capital reserves		(249,076,701)	(278,368,128)	(261,537,487)
Retained earnings		2,312,214,979	2,150,470,978	1,967,025,889
Total equity		2,775,496,691	2,578,617,018	2,411,671,861
Total liabilities and equity		18,126,884,757	18,406,731,464	18,361,168,111

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

Condensed Consolidated Statement of Income

For the six months ended June 30, 2023 and 2022

(Expressed in Balboas)

		(Unaudited) (2nd Quarter)		(Unaudited) (Accumulated)	
	Note	2023	2022	2023	2022
Interest and commission income:					
Interest:					
Loans		212,316,640	182,170,589	416,056,624	365,146,836
Deposits with banks		2,976,103	1,423,411	5,527,538	2,571,811
Investments and other financial assets		58,800,657	41,773,131	117,574,524	79,976,279
Commissions on loans		10,234,737	10,296,514	20,363,391	18,623,735
Total interest and commission income		284,328,137	235,663,645	559,522,077	466,318,661
Interest expenses:					
Deposits		61,777,542	51,611,722	117,324,864	104,437,826
Financing		14,836,322	13,266,591	30,011,608	25,940,847
Total interest expenses		76,613,864	64,878,313	147,336,472	130,378,673
Net interest and commission income		207,714,273	170,785,332	412,185,605	335,939,988
(Reversal) provision for loan losses, net	6	(12,663,293)	(5,752,291)	(13,800,911)	11,733,336
(Reversal) provision for impairment of investments, net		(1,902,044)	5,093,842	(2,697,826)	14,716,582
Provision for foreclosed assets, net		397,030	1,069,130	142,780	1,251,726
Net interest and commission income, after provisions		221,882,580	170,374,651	428,541,562	308,238,344
Other income (expenses):					
Fees and other commissions		81,205,777	74,133,418	167,566,491	145,982,537
Insurance premiums, net		9,862,742	9,727,590	19,466,035	18,864,251
Loss on financial instruments, net		(3,132,143)	(34,548,237)	(23,975,854)	(66,130,680)
Other income, net		14,988,176	3,702,657	23,335,929	10,116,902
Commission expenses and other expenses	12	(37,792,573)	(24,512,064)	(77,940,283)	(51,179,813)
Total other income, net		65,131,979	28,503,364	108,452,318	57,653,197
General and administrative expenses:					
Salaries and other personnel expenses	16	46,110,166	42,066,434	91,510,922	83,911,597
Depreciation and amortization	7 and 8	8,139,284	7,720,980	16,704,923	15,120,040
Properties, furniture and equipment expenses		8,591,968	7,494,182	16,950,227	14,570,854
Other expenses		19,143,613	22,008,431	36,809,856	43,738,638
Total general and administrative expenses		81,985,031	79,290,027	161,975,928	157,341,129
Net operating income		205,029,528	119,587,988	375,017,952	208,550,412
Equity participation in associates		4,031,518	3,788,482	7,926,166	8,683,354
Net income before tax		209,061,046	123,376,470	382,944,118	217,233,766
Income tax, estimated		26,735,576	16,073,973	49,140,033	30,797,011
Income tax, deferred		1,859,803	1,485,900	1,585,169	(4,605,145)
Income tax, net	17	28,595,379	17,559,873	50,725,202	26,191,866
Net income		180,465,667	105,816,597	332,218,916	191,041,900

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023 and 2022

(Expressed in Balboas)

	(Unaudited)	
	<u>2023</u>	<u>2022</u>
Net income	<u>332,218,916</u>	<u>191,041,900</u>
Other comprehensive income (expense):		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	74,690,197	(333,435,479)
Transfer to profit or loss for sales of investments at FVOCI	(42,673,772)	(17,821,040)
Valuation of investment credit risk at FVOCI	<u>(2,724,998)</u>	<u>14,711,048</u>
Total other comprehensive income (expense), net	<u>29,291,427</u>	<u>(336,545,471)</u>
Total comprehensive income (loss)	<u><u>361,510,343</u></u>	<u><u>(145,503,571)</u></u>

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Balboas)

	Capital reserves						
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2022 (Audited)	<u>500,000,000</u>	<u>206,514,168</u>	<u>1,000,000</u>	<u>(279,368,128)</u>	<u>(278,368,128)</u>	<u>2,150,470,978</u>	<u>2,578,617,018</u>
Net income	0	0	0	0	0	332,218,916	332,218,916
Other comprehensive income (expense):							
Items that are or may be reclassified to the condensed consolidated statement of income							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	74,690,197	74,690,197	0	74,690,197
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(42,673,772)	(42,673,772)	0	(42,673,772)
Valuation of investment credit risk at FVOCI	0	0	0	(2,724,998)	(2,724,998)	0	(2,724,998)
Total other comprehensive income, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,291,427</u>	<u>29,291,427</u>	<u>0</u>	<u>29,291,427</u>
Total comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,291,427</u>	<u>29,291,427</u>	<u>332,218,916</u>	<u>361,510,343</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(160,000,000)	(160,000,000)
Dividends tax	0	0	0	0	0	(1,669,675)	(1,669,675)
Complementary tax	0	0	0	0	0	(2,960,995)	(2,960,995)
Transfer of retained earnings	0	5,844,245	0	0	0	(5,844,245)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>5,844,245</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(170,474,915)</u>	<u>(164,630,670)</u>
Balance as of June 30, 2023 (Unaudited)	<u>500,000,000</u>	<u>212,358,413</u>	<u>1,000,000</u>	<u>(250,076,701)</u>	<u>(249,076,701)</u>	<u>2,312,214,979</u>	<u>2,775,496,691</u>
Balance as of December 31, 2021 (Audited)	<u>500,000,000</u>	<u>199,882,419</u>	<u>1,000,000</u>	<u>74,007,984</u>	<u>75,007,984</u>	<u>1,916,157,883</u>	<u>2,691,048,286</u>
Net income	0	0	0	0	0	191,041,900	191,041,900
Other comprehensive (expense) income:							
Items that are or may be reclassified to the condensed consolidated statement of income							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	(333,435,479)	(333,435,479)	0	(333,435,479)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(17,821,040)	(17,821,040)	0	(17,821,040)
Valuation of investment credit risk at FVOCI	0	0	0	14,711,048	14,711,048	0	14,711,048
Total other comprehensive expense, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(336,545,471)</u>	<u>(336,545,471)</u>	<u>0</u>	<u>(336,545,471)</u>
Total comprehensive (loss) income	<u>0</u>	<u>0</u>	<u>0</u>	<u>(336,545,471)</u>	<u>(336,545,471)</u>	<u>191,041,900</u>	<u>(145,503,571)</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(131,600,000)	(131,600,000)
Dividends tax	0	0	0	0	0	(1,713,675)	(1,713,675)
Complementary tax	0	0	0	0	0	(559,179)	(559,179)
Transfer of retained earnings	0	6,301,040	0	0	0	(6,301,040)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>6,301,040</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(140,173,894)</u>	<u>(133,872,854)</u>
Balance as of June 30, 2022 (Unaudited)	<u>500,000,000</u>	<u>206,183,459</u>	<u>1,000,000</u>	<u>(262,537,487)</u>	<u>(261,537,487)</u>	<u>1,967,025,889</u>	<u>2,411,671,861</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023 and 2022

(Expressed in Balboas)

		(Unaudited)	
	Note	2023	2022
Operating activities:			
Net income		332,218,916	191,041,900
Adjustments to reconcile net income and cash from operating activities:			
(Reversal) provision for loan losses, net	6	(13,800,911)	11,733,336
(Reversal) provision for valuation of investments, net		(2,697,826)	14,716,582
Provision of provision for foreclosed assets, net		142,780	1,251,726
Unrealized (gain) loss on investments and other financial assets		(11,519,119)	46,211,201
Unrealized gain on derivative instruments		(13,690,488)	(8,209,817)
Loss on sale of investments and other financial assets at FVTPL, net		1,553,664	33,104,627
Loss on sale of investments and other financial assets at FVOCI, net		32,406,154	20,269,277
Realized loss (gain) on derivative instruments		15,225,643	(25,244,608)
Foreign exchange fluctuations, net		25,040	34,165
Gain on sale of fixed assets, net		(68,849)	(1,066,503)
Other net income from cancellations of right-of-use assets		0	(7,983)
Depreciation and amortization	7 and 8	16,704,923	15,120,040
Amortization of intangible assets	9	1,308,696	1,308,696
Equity participation in associates		(7,926,166)	(8,683,354)
Income tax, net		50,725,202	26,191,866
Interest and commission income		(559,522,077)	(466,318,661)
Interest expense		147,336,472	130,378,673
Changes in operating assets and liabilities:			
Time deposits with banks		38,997,782	(1,024,619)
Investments and other financial assets at FVTPL		(48,102,828)	180,883,087
Loans		52,903,625	22,038,055
Unearned commissions		21,370,041	19,133,000
Tax credit from preferential interest		(28,797,261)	(27,164,939)
Other assets		49,673,185	(40,620,850)
Demand deposits		(113,594,361)	(191,949,773)
Savings deposits		(267,350,444)	50,265,969
Time deposits		131,638,667	(180,594,252)
Reserves of insurance operations		4,531,071	41,976
Other liabilities		(64,489,490)	237,619,850
Cash provided by operations:			
Interest received		546,396,810	459,326,583
Interest paid		(153,915,717)	(139,518,688)
Dividends received		898,796	1,484,266
Total		(173,636,986)	180,708,928
Cash flows from operating activities		158,581,930	371,750,828
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(1,549,064,127)	(2,841,157,897)
Sale and redemptions of investments and other financial assets at FVOCI		1,832,683,577	2,895,575,136
Purchases of securities at amortized cost		(83,253,542)	(141,455,760)
Redemptions of securities at amortized cost		13,317,356	126,107,361
Dividends received from associates		6,882,486	1,468,103
Sale of properties, furniture and equipment		3,479,416	1,884,556
Purchases of properties, furniture and equipment	7	(21,257,041)	(20,410,402)
Cash flows from investing activities		202,788,125	22,011,097
Financing activities:			
Borrowings and debt securities issued		1,999,994	0
Redemption of debt securities issued and cancellation of borrowings		(17,755,564)	(12,754,761)
Securities sold under repurchase agreements		(198,242,891)	0
Payment of lease liabilities		(1,650,100)	(1,600,361)
Dividends paid on common shares		(160,000,000)	(131,600,000)
Complementary and dividends tax		(4,630,670)	(2,272,854)
Cash flows used from financing activities		(380,279,231)	(148,227,976)
Net (decreased) increase in cash and cash equivalents		(18,909,176)	245,533,949
Cash and cash equivalents at the beginning of the period		618,364,529	451,201,510
Cash and cash equivalents at the end of the period	5	599,455,353	696,735,459

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 2023

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

June 30, 2023

(Expressed in Balboas)

(1) General Information

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

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

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

Grupo Financiero BG, S. A., a 59.88% (December 31, 2022: 59.87%) subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

On December 31, 2022, Banco General, S. A. absorbed its subsidiary Finanzas Generales, S. A. by merger, for which reason all the asset, liability and equity accounts of the latter were incorporated into the statement of financial position of Banco General, S. A. on that date. As a result of the merger, the subsidiaries of Finanzas Generales, S. A., BG Trust, Inc. and Vale General, S. A. became direct subsidiaries of Banco General, S. A.

Banco General, S. A. owns 100% of the following subsidiaries that are presented below and which form part of the consolidation:

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management issue on July 26, 2023.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2022.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2023			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>133,993,084</u>	<u>37,108,665</u>	<u>171,101,749</u>
Loans	<u>14,200,794</u>	<u>158,132,257</u>	<u>1,901,296</u>	<u>174,234,347</u>
Investments in associates	<u>0</u>	<u>30,960,375</u>	<u>0</u>	<u>30,960,375</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,734,837	98,308,737	103,315,504	203,359,078
Savings	6,183,167	66,359,382	2,248,431	74,790,980
Time	<u>5,321,899</u>	<u>236,165,994</u>	<u>126,048,203</u>	<u>367,536,096</u>
	<u>13,239,903</u>	<u>400,834,113</u>	<u>231,612,138</u>	<u>645,686,154</u>
Perpetual bonds	<u>0</u>	<u>17,000,000</u>	<u>127,984,000</u>	<u>144,984,000</u>
Commitments and contingencies	<u>148,009</u>	<u>13,791,002</u>	<u>36,128,214</u>	<u>50,067,225</u>
<u>Interest income:</u>				
Loans	<u>320,677</u>	<u>5,057,038</u>	<u>233,289</u>	<u>5,611,004</u>
Investments and other financial assets	<u>0</u>	<u>3,634,240</u>	<u>1,573,629</u>	<u>5,207,869</u>
<u>Interest expenses:</u>				
Deposits	<u>97,217</u>	<u>6,838,012</u>	<u>2,263,228</u>	<u>9,198,457</u>
Financing	<u>0</u>	<u>439,227</u>	<u>3,325,466</u>	<u>3,764,693</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>7,926,166</u>	<u>0</u>	<u>7,926,166</u>
Received dividends	<u>0</u>	<u>440,537</u>	<u>0</u>	<u>440,537</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>357,242</u>	<u>0</u>	<u>0</u>	<u>357,242</u>
Benefits to key management personnel	<u>1,126,773</u>	<u>0</u>	<u>0</u>	<u>1,126,773</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

	December 31, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>157,750,302</u>	<u>37,713,522</u>	<u>195,463,824</u>
Loans	<u>13,547,139</u>	<u>163,168,865</u>	<u>6,331,176</u>	<u>183,047,180</u>
Investments in associates	<u>0</u>	<u>29,916,695</u>	<u>0</u>	<u>29,916,695</u>
Liabilities:				
Deposits:				
Demand	1,526,449	82,121,346	83,446,085	167,093,880
Savings	8,835,622	96,329,376	1,595,931	106,760,929
Time	<u>3,601,070</u>	<u>205,418,393</u>	<u>125,538,461</u>	<u>334,557,924</u>
	<u>13,963,141</u>	<u>383,869,115</u>	<u>210,580,477</u>	<u>608,412,733</u>
Perpetual bonds	<u>0</u>	<u>16,000,000</u>	<u>126,754,000</u>	<u>142,754,000</u>
Commitments and contingencies	<u>0</u>	<u>12,230,954</u>	<u>35,955,000</u>	<u>48,185,954</u>

	Junio 30, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>160,256,644</u>	<u>37,670,198</u>	<u>197,926,842</u>
Loans	<u>14,014,607</u>	<u>140,056,038</u>	<u>8,050,726</u>	<u>162,121,371</u>
Investments in associates	<u>0</u>	<u>32,235,894</u>	<u>0</u>	<u>32,235,894</u>
Liabilities:				
Deposits:				
Demand	913,213	94,367,570	89,899,800	185,180,583
Savings	8,359,192	101,182,947	5,808,431	115,350,570
Time	<u>2,943,210</u>	<u>250,679,550</u>	<u>132,692,308</u>	<u>386,315,068</u>
	<u>12,215,615</u>	<u>446,230,067</u>	<u>228,400,539</u>	<u>686,846,221</u>
Perpetual bonds	<u>0</u>	<u>13,776,600</u>	<u>126,654,444</u>	<u>140,431,044</u>
Commitments and contingencies	<u>0</u>	<u>10,633,810</u>	<u>35,955,000</u>	<u>46,588,810</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Interest income:</u>				
Loans	<u>299,006</u>	<u>3,512,644</u>	<u>232,431</u>	<u>4,044,081</u>
Investments and other financial assets	<u>0</u>	<u>2,871,328</u>	<u>920,110</u>	<u>3,791,438</u>
<u>Interest expenses:</u>				
Deposits	<u>61,549</u>	<u>5,139,373</u>	<u>774,393</u>	<u>5,975,315</u>
Financing	<u>0</u>	<u>393,750</u>	<u>3,113,401</u>	<u>3,507,151</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>8,683,354</u>	<u>0</u>	<u>8,683,354</u>
Received dividends	<u>0</u>	<u>398,649</u>	<u>0</u>	<u>398,649</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>276,681</u>	<u>0</u>	<u>0</u>	<u>276,681</u>
Benefits to key management personnel	<u>1,216,601</u>	<u>0</u>	<u>0</u>	<u>1,216,601</u>

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

(5) Cash and Cash Equivalents

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

	June 30	
	<u>2023</u>	<u>2022</u>
Cash and cash items	171,701,592	233,461,004
Demand deposits with banks	427,753,761	299,274,455
Time deposits with banks	<u>447,695</u>	<u>359,277,277</u>
Total deposits with banks	<u>428,201,456</u>	<u>658,551,732</u>
Less: Deposits with banks, with original maturities greater than three months	<u>447,695</u>	<u>195,277,277</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>599,455,353</u>	<u>696,735,459</u>

Demand deposits with banks include cash collateral accounts for B/.33,920,863 (December 31, 2022: B/.36,139,963) that secure derivative operations and the next payments of principal, interest of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

The composition of the loan portfolio is summarized as follows:

	June 30 2023	December 31 2022	June 30 2022
Internal sector:			
Residential mortgages	4,657,897,009	4,634,457,178	4,573,087,925
Personal, auto and credit cards	1,882,000,158	1,801,739,885	1,730,146,031
Commercial mortgages	1,797,431,166	1,878,587,554	1,894,665,653
Lines of credit and commercial loans	1,237,006,664	1,307,429,023	1,285,049,477
Interim financing	275,255,733	286,741,891	317,142,502
Finance leases, net	84,979,890	73,634,394	69,215,502
Other secured loans	201,219,053	195,455,740	201,070,412
Overdrafts	124,138,387	120,003,600	104,139,898
Total internal sector	<u>10,259,928,060</u>	<u>10,298,049,265</u>	<u>10,174,517,400</u>
External sector:			
Residential mortgages	153,899,784	163,068,975	174,780,384
Personal, auto and credit cards	7,048,019	7,805,083	8,388,540
Commercial mortgages	143,821,335	164,734,813	129,423,243
Lines of credit and commercial loans	1,031,555,597	996,812,470	745,080,205
Other secured loans	14,374,773	24,572,603	10,618,358
Overdrafts	34,677,498	35,152,448	36,535,232
Total external sector	<u>1,385,377,006</u>	<u>1,392,146,392</u>	<u>1,104,825,962</u>
Total	<u>11,645,305,066</u>	<u>11,690,195,657</u>	<u>11,279,343,362</u>

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

	June 30, 2023			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	136,926,931	234,895,462	61,176,842	432,999,235
Transferred to 12-month ECL	11,959,302	(8,465,812)	(3,493,490)	0
Transferred to lifetime ECL not credit-impaired	(4,280,975)	50,210,645	(45,929,670)	0
Transferred to lifetime ECL credit-impaired	(2,605,372)	(7,919,287)	10,524,659	0
Net remeasurement of portfolio	1,901,456	(50,207,306)	51,180,254	2,874,404
New loans	9,697,329	5,031,958	301,149	15,030,436
Loans that have been derecognized	(6,481,886)	(5,843,265)	(19,380,600)	(31,705,751)
Recovery of loan write-off	0	0	25,661,149	25,661,149
Loans written-off	0	0	(17,648,115)	(17,648,115)
Balance at the end of the period	<u>147,116,785</u>	<u>217,702,395</u>	<u>62,392,178</u>	<u>427,211,358</u>

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

	December 31, 2022			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the year	197,388,884	129,812,916	140,504,262	467,706,062
Transferred to 12-month ECL	22,410,117	(12,015,633)	(10,394,484)	0
Transferred to lifetime ECL not credit-impaired	(21,057,683)	62,299,409	(41,241,726)	0
Transferred to lifetime ECL credit-impaired	(3,422,708)	(5,943,088)	9,365,796	0
Net remeasurement of portfolio	(54,456,285)	64,533,137	(19,711,254)	(9,634,402)
New loans	14,934,066	7,437,207	1,939,688	24,310,961
Loans that have been derecognized	(18,869,460)	(11,228,486)	(26,974,617)	(57,072,563)
Recovery of loan write-off	0	0	39,212,237	39,212,237
Loans written-off	0	0	(31,523,060)	(31,523,060)
Balance at the end of the year	<u>136,926,931</u>	<u>234,895,462</u>	<u>61,176,842</u>	<u>432,999,235</u>

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

The balance of accrued interest receivable from loans to which the Bank applied a postponement of installments between March 2020 and June 2021 as a financial relief measure due to COVID-19 amounts to B/.18,226,171 (December 31, 2022 B/.28,414,331) and (June 30, 2022 B/.41,602,643).

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	June 30, 2023					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	31,999,135	135,380,209	183,989,593	123,056,424	49,468,645	523,894,006
Additions	0	4,308,637	8,962,684	7,427,293	558,427	21,257,041
Sales and disposals	<u>0</u>	<u>0</u>	<u>337</u>	<u>10,159,365</u>	<u>3,410,560</u>	<u>13,570,262</u>
At the end of the period	<u>31,999,135</u>	<u>139,688,846</u>	<u>192,951,940</u>	<u>120,324,352</u>	<u>46,616,512</u>	<u>531,580,785</u>

Accumulated depreciation and amortization:

At the beginning of the period	0	42,731,801	107,729,572	88,874,573	33,527,102	272,863,048
Expense of the period	0	1,759,686	8,168,407	4,065,647	998,595	14,992,335
Sales and disposal	<u>0</u>	<u>0</u>	<u>337</u>	<u>10,159,358</u>	<u>0</u>	<u>10,159,695</u>
At the end of the period	<u>0</u>	<u>44,491,487</u>	<u>115,897,642</u>	<u>82,780,862</u>	<u>34,525,697</u>	<u>277,695,688</u>
Net balance	<u>31,999,135</u>	<u>95,197,359</u>	<u>77,054,298</u>	<u>37,543,490</u>	<u>12,090,815</u>	<u>253,885,097</u>

	December 31, 2022					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Additions	0	0	20,859,867	13,730,901	5,708,283	40,299,051
Sales and disposals	<u>525,490</u>	<u>1,479,430</u>	<u>224,607</u>	<u>4,012,198</u>	<u>1,165,060</u>	<u>7,406,785</u>
At the end of the year	<u>31,999,135</u>	<u>135,380,209</u>	<u>183,989,593</u>	<u>123,056,424</u>	<u>49,468,645</u>	<u>523,894,006</u>

Accumulated depreciation and amortization:

At the beginning of the year	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Expense of the year	0	3,662,183	13,291,193	8,097,385	2,178,217	27,228,978
Sales and disposal	<u>0</u>	<u>1,091,180</u>	<u>224,606</u>	<u>3,778,128</u>	<u>1,147,919</u>	<u>6,241,833</u>
At the end of the year	<u>0</u>	<u>42,731,801</u>	<u>107,729,572</u>	<u>88,874,573</u>	<u>33,527,102</u>	<u>272,863,048</u>
Net balance	<u>31,999,135</u>	<u>92,648,408</u>	<u>76,260,021</u>	<u>34,181,851</u>	<u>15,941,543</u>	<u>251,030,958</u>

	June 30, 2022					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Additions	0	0	9,359,697	9,189,802	1,860,903	20,410,402
Sales and disposals	<u>513,130</u>	<u>697,447</u>	<u>84,940</u>	<u>1,162,877</u>	<u>408,607</u>	<u>2,867,001</u>
At the end of the period	<u>32,011,495</u>	<u>136,162,192</u>	<u>172,629,090</u>	<u>121,364,646</u>	<u>46,377,718</u>	<u>508,545,141</u>

Accumulated depreciation and amortization:

At the beginning of the period	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Expense of the period	0	1,774,253	6,394,799	4,181,104	1,084,277	13,434,433
Sales and disposal	<u>0</u>	<u>394,382</u>	<u>84,939</u>	<u>1,162,724</u>	<u>406,903</u>	<u>2,048,948</u>
At the end of the period	<u>0</u>	<u>41,540,669</u>	<u>100,972,845</u>	<u>87,573,696</u>	<u>33,174,178</u>	<u>263,261,388</u>
Net balance	<u>32,011,495</u>	<u>94,621,523</u>	<u>71,656,245</u>	<u>33,790,950</u>	<u>13,203,540</u>	<u>245,283,753</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 <u>2023</u>	December 31 <u>2022</u>	June 30 <u>2022</u>
Cost:			
At the beginning of the period	27,235,400	26,704,514	26,704,514
New contracts	2,002,306	2,727,031	1,145,237
Cancellations	<u>(1,010,310)</u>	<u>(2,196,145)</u>	<u>(1,200,010)</u>
At the end of the period	<u>28,227,396</u>	<u>27,235,400</u>	<u>26,649,741</u>
Accumulated depreciation:			
At the beginning of the period	11,616,872	9,706,856	9,706,856
Expense of the period	1,712,588	3,421,927	1,685,607
Cancellations	<u>(1,010,310)</u>	<u>(1,511,911)</u>	<u>(1,018,124)</u>
At the end of the period	<u>12,319,150</u>	<u>11,616,872</u>	<u>10,374,339</u>
Net balance	<u>15,908,246</u>	<u>15,618,528</u>	<u>16,275,402</u>

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

(9) Goodwill and Intangible Assets, Net

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

<u>Company</u>	<u>Date of acquisition</u>	<u>Participation acquired</u>	<u>% of Acquired Participation</u>	<u>Balance</u>
Banco General, S. A. (1)	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A. (1)	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2)	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A. (1)	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	<u>27,494,722</u>
Total				<u>41,091,499</u>
(1) Banking CGU				
(2) Pension and Retirement Fund				

BANCO GENERAL, S. A. AND SUBSIDIARIES
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Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

	<u>June 30, 2023</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	39,915,176	39,915,176
Amortization of the period	<u>0</u>	<u>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>41,223,872</u>	<u>41,223,872</u>
Net balance at the end of the period	<u>41,091,499</u>	<u>6,238,212</u>	<u>47,329,711</u>
	<u>December 31, 2022</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the year	41,382,499	47,462,084	88,844,583
Impairment loss	<u>(291,000)</u>	<u>0</u>	<u>(291,000)</u>
Net Balance at the end of the year	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
Accumulated amortization:			
Balance at the beginning of the year	0	37,297,784	37,297,784
Amortization of the year	<u>0</u>	<u>2,617,392</u>	<u>2,617,392</u>
Balance at the end of the year	<u>0</u>	<u>39,915,176</u>	<u>39,915,176</u>
Net balance at the end of the year	<u>41,091,499</u>	<u>7,546,908</u>	<u>48,638,407</u>
	<u>June 30, 2022</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,382,499</u>	<u>47,462,084</u>	<u>88,844,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	37,297,784	37,297,784
Amortization of the period	<u>0</u>	<u>1,308,696</u>	<u>1,308,696</u>
Balance at the end of the period	<u>0</u>	<u>38,606,480</u>	<u>38,606,480</u>
Net balance at the end of the period	<u>41,382,499</u>	<u>8,855,604</u>	<u>50,238,103</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of June 30, 2023, no evaluation was necessary.

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

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

	<u>Level</u>	<u>June 30 2023</u>	<u>December 31 2022</u>	<u>June 30 2022</u>
Bonds of the US Government	1	3,294,866	3,284,758	6,321,070
Mortgage Backed Securities (MBS)	2	<u>152,821,102</u>	<u>145,211,067</u>	<u>98,142,398</u>
Total		<u>156,115,968</u>	<u>148,495,825</u>	<u>104,463,468</u>

See the description of the levels in Note 19.

(11) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	<u>June 30 2023</u>	<u>December 31 2022</u>	<u>June 30 2022</u>
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000	537,217,000
Borrowings with maturity in 2022, at interest rates of 6 month SOFR plus a margin	0	0	5,000,000
Borrowings with maturity in 2023, at interest rates of 6 month SOFR plus a margin	50,000,000	50,000,000	0
Borrowings with maturity in 2024, at interest rates of 6 and 12 month Libor/SOFR plus a margin	51,999,994	50,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	1,650,520	1,906,084	1,987,148
Notes with maturities in 2024, at a fixed interest rate	25,000,000	35,000,000	45,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>60,000,000</u>	<u>67,500,000</u>	<u>75,000,000</u>
Subtotal of borrowings and debt securities issued	<u>778,547,514</u>	<u>794,303,084</u>	<u>866,884,148</u>
Revaluation coverage	<u>7,109,705</u>	<u>7,965,019</u>	<u>8,817,320</u>
Total borrowings and debt securities issued, net	<u>785,657,219</u>	<u>802,268,103</u>	<u>875,701,468</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	June 30	
	<u>2023</u>	<u>2022</u>
Balance at the beginning of the period	802,268,103	893,646,075
New borrowings and debt securities	1,999,994	0
Redemption of debt securities issued and cancellation of borrowings	(17,755,564)	(12,754,761)
Revaluation coverage	(855,314)	(5,189,846)
Balance at the end of the period	<u>785,657,219</u>	<u>875,701,468</u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	June 30	December 31	June 30
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Balance at the beginning of the period	17,312,742	18,545,622	18,545,622
New contracts	2,002,306	2,727,031	1,145,237
Payments	(1,650,100)	(3,247,484)	(1,600,361)
Cancellations	0	(712,427)	(189,869)
Balance at the end of the period	<u>17,664,948</u>	<u>17,312,742</u>	<u>17,900,629</u>

Interest expense on lease liabilities for B/.386,148 (2022: B/.397,032) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

Reserves of insurance operations amounted to B/.25,053,712 (December 31, 2022: B/.20,522,641) and (June 30, 2022: B/.19,744,340) and are comprised of unearned premiums and estimated insurance claims incurred.

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

	June 30 2023	December 31 2022	June 30 2022
Unearned Premiums			
Balance at the beginning of the period	21,314,216	20,473,022	20,473,022
Issued premiums	24,428,768	42,525,570	23,142,272
Earned premiums	<u>(22,165,507)</u>	<u>(41,684,376)</u>	<u>(21,585,027)</u>
Balance at the end of the period	23,577,477	21,314,216	22,030,267
Reinsurers participation	<u>(5,591,339)</u>	<u>(4,447,976)</u>	<u>(5,022,675)</u>
Unearned premiums, net	<u>17,986,138</u>	<u>16,866,240</u>	<u>17,007,592</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	5,045,986	4,574,850	4,574,850
Incurred claims	6,544,445	10,263,931	4,730,279
Paid claims	<u>(1,319,975)</u>	<u>(9,792,795)</u>	<u>(5,307,674)</u>
Balance at the end of the period	10,270,456	5,045,986	3,997,455
Reinsurer participation	<u>(3,202,882)</u>	<u>(1,389,585)</u>	<u>(1,260,707)</u>
Estimated insurance claims incurred, net	<u>7,067,574</u>	<u>3,656,401</u>	<u>2,736,748</u>
Total reserves of insurance operations	<u>25,053,712</u>	<u>20,522,641</u>	<u>19,744,340</u>

(14) Segment Information

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

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

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

Insurance and Reinsurance

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

Pension and Retirement Fund

Administration of pension and retirement, severance and investment funds

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(14) Segment Information, continued

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

			<u>June 30, 2023</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	557,657,643	6,756,333	898,988	5,790,887	559,522,077
Interest and provision expenses	136,704,064	67,338	0	5,790,887	130,980,515
Other income, net	85,568,434	14,834,569	8,055,825	6,510	108,452,318
General and administrative expenses	141,096,748	1,488,830	2,691,937	6,510	145,271,005
Depreciation and amortization expense	16,590,594	7,546	106,783	0	16,704,923
Equity participation in associates	7,926,166	0	0	0	7,926,166
Net income before income tax	356,760,837	20,027,188	6,156,093	0	382,944,118
Net Income tax, estimated	44,714,156	3,014,285	1,411,592	0	49,140,033
Net Income tax, deferred	1,585,169	0	0	0	1,585,169
Net Income tax	46,299,325	3,014,285	1,411,592	0	50,725,202
Net income	310,461,512	17,012,903	4,744,501	0	332,218,916
Total assets	18,044,472,042	353,372,181	60,392,236	331,351,702	18,126,884,757
Total liabilities	15,598,917,379	60,284,641	5,431,686	313,245,640	15,351,388,066

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

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

		<u>June 30, 2023</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	549,809,566	83,346,065	42,744,930	675,900,561
Non-financial	297,885,473	3,329,335	0	301,214,808

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(15) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (December 31, 2022: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (December 31, 2022: 9,787,108 common shares).

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

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

	<u>June 30, 2023</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	4,930,496	17,002,691	0	0	155,810,663
General de Seguros, S. A.	0	0	0	0	39,257,707	39,257,707
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,142,190</u>	<u>0</u>	<u>0</u>	<u>2,532,860</u>	<u>0</u>	<u>6,675,050</u>
Total	<u>148,634,659</u>	<u>4,930,496</u>	<u>17,002,691</u>	<u>2,532,860</u>	<u>39,257,707</u>	<u>212,358,413</u>

	<u>December 31, 2022</u>					
	<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	3,956,065	12,641,453	0	0	150,474,994
General de Seguros, S. A.	0	0	0	0	37,939,471	37,939,471
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>2,532,860</u>	<u>0</u>	<u>7,484,710</u>
Total	<u>149,444,319</u>	<u>3,956,065</u>	<u>12,641,453</u>	<u>2,532,860</u>	<u>37,939,471</u>	<u>206,514,168</u>

Transfer (reversal) from retained earnings of the period	<u>(809,660)</u>	<u>974,431</u>	<u>4,361,238</u>	<u>0</u>	<u>1,318,236</u>	<u>5,844,245</u>
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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(15) Equity, continued

The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and reserves for catastrophic risks as established by the Superintendence of Insurance and Reinsurance of Panama. The use and restitution of these reserves shall be regulated by the Superintendence of Insurance and Reinsurance of the Republic of Panama.

The complementary tax of companies established in the Republic of Panama corresponds to the advance of the dividend tax that is applied to the net income of the year and that the taxpayer must retain and pay to the tax authorities within the stipulated years. The tax is attributable to the shareholder and it is applied as a tax credit at the time of distribution of dividends.

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.697,496 (2022: B/.606,520). These options may be exercised by the executives until the year 2030.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended June 30, 2023 and 2022.

Retirement Plan

The Bank maintains a closed retirement plan, which was amended and approved by the Board of Directors in 1998; this plan is under independent administration by a fiduciary agent.

The contribution to the retirement plan was B/.40,800 (2022: B/.43,290) and the disbursements to former employees who are covered under the retirement plan amount to B/.78,088 (2022: B/.78,088).

(17) Income Tax

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

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

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

Net income tax is detailed as follows:

	<u>2nd Quarter</u> <u>June 30</u>		<u>Accumulated</u> <u>June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Estimated income tax	26,736,136	16,255,378	49,140,593	31,038,884
Prior year income tax adjustments	(560)	(181,405)	(560)	(241,873)
Deferred income tax	<u>1,859,803</u>	<u>1,485,900</u>	<u>1,585,169</u>	<u>(4,605,145)</u>
Total income tax, net	<u>28,595,379</u>	<u>17,559,873</u>	<u>50,725,202</u>	<u>26,191,866</u>

(18) Derivative Financial Instruments

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Below is the summary of derivative contracts is as follow:

	<u>Over the Counter (OTC)</u>							
	<u>Total</u>		<u>Exchange-Traded</u>		<u>Liquidated in a securities exchange</u>		<u>Other bilateral counterparts</u>	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>June 30, 2023</u>								
Derivative assets	1,287,471,305	37,680,818	304,683,551	0	464,067,707	34,086,731	518,720,047	3,594,087
Derivative liabilities	909,671,610	9,093,717	387,655,173	0	153,212,835	5,254,767	368,803,602	3,838,950
<u>December 31, 2022</u>								
Derivative assets	944,657,233	45,531,436	170,594,455	0	582,951,796	41,897,073	191,110,982	3,634,363
Derivative liabilities	1,065,421,005	29,580,183	373,776,010	0	156,127,970	20,160,928	535,517,025	9,419,255
<u>June 30, 2022</u>								
Derivative assets	1,327,219,029	47,671,189	99,765,440	0	584,488,404	39,441,561	642,965,185	8,229,628
Derivative liabilities	1,391,820,410	37,210,532	395,734,881	0	335,561,068	31,710,265	660,524,461	5,500,267

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA- and A- (December 31, 2022: AA- and A-) and (June 30, 2022: AA and A-), which support derivative operations in the amount of B/.23.7MM (December 31, 2022: B/.25.3MM) and (June 30, 2022: B/.37.7MM).

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

Other Derivatives classified by Risk:

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	931,923	1,891,571	530,597	362,550	448,642	7,965,475
Interest	23,295,539	5,771,682	34,209,986	22,829,393	35,614,813	28,307,910
Currency	4,169	2,825	8,187	4,840	6,531	3,211
Total	<u>24,231,631</u>	<u>7,666,078</u>	<u>34,748,770</u>	<u>23,196,783</u>	<u>36,069,986</u>	<u>36,276,596</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Hedge Derivatives for Risk Management:

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Exposure to risk:						
Interest rate						
Fair value hedge	11,496,840	0	9,501,570	0	7,049,054	0
Others	997,406	0	972,579	0	70,698	525,791
Total interest rate	12,494,246	0	10,474,149	0	7,119,752	525,791
Currency						
Others	954,941	1,427,639	308,517	6,383,400	4,481,451	320,979
Total Currency	954,941	1,427,639	308,517	6,383,400	4,481,451	320,979
Credit						
Others	0	0	0	0	0	87,166
Total Credit	0	0	0	0	0	87,166
Total derivatives for risk exposure	13,449,187	1,427,639	10,782,666	6,383,400	11,601,203	933,936

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

	<u>June 30, 2023</u>				
	<u>Maturity</u>				
<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	40,000,000	29,900,000
Average interest rate				3.45%	5.13%

	<u>December 31, 2022</u>				
	<u>Maturity</u>				
<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	20,000,000	40,000,000
Average interest rate				1.66%	5.19%

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>June 30, 2023</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>69,900,000</u>	<u>11,496,840</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>69,900,000</u>	<u>11,496,840</u>	<u>0</u>		
<u>December 31, 2022</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>60,000,000</u>	<u>9,501,570</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>60,000,000</u>	<u>9,501,570</u>	<u>0</u>		
<u>June 30, 2022</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>60,000,000</u>	<u>7,049,054</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>60,000,000</u>	<u>7,049,054</u>	<u>0</u>		

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

<u>June 30, 2023</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	<u>59,463,930</u>		<u>0</u>	<u>8,176,129</u>	Investment securities FVOCI	0

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>December 31, 2022</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	52,051,700		0	7,760,417	Investment securities FVOCI	0
						0

<u>June 30, 2022</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	52,372,000		0	5,159,311	Investment securities FVOCI	0
						0

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

<u>June 30, 2023</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	931,923	0	931,923
Interest	0	23,295,539	0	23,295,539
Currency	0	4,169	0	4,169
Total	0	24,231,631	0	24,231,631
Hedge derivatives for risk management:				
Interest	0	12,494,246	0	12,494,246
Currency	0	954,941	0	954,941
Total	0	13,449,187	0	13,449,187
Total derivatives assets	0	37,680,818	0	37,680,818
<u>Liabilities</u>				
Other derivatives:				
Credit	0	1,891,571	0	1,891,571
Interest	623,025	5,148,657	0	5,771,682
Currency	0	2,825	0	2,825
Total	623,025	7,043,053	0	7,666,078
Hedge derivatives for risk management:				
Currency	0	1,427,639	0	1,427,639
Total	0	1,427,639	0	1,427,639
Total derivatives liabilities	623,025	8,470,692	0	9,093,717

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

		December 31, 2022			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	530,597	0	530,597	
Interest	0	34,209,986	0	34,209,986	
Currency	0	8,187	0	8,187	
Total	0	34,748,770	0	34,748,770	
Hedge derivatives for risk management:					
Interest	0	10,474,149	0	10,474,149	
Currency	0	308,517	0	308,517	
Total	0	10,782,666	0	10,782,666	
Total derivatives assets	0	45,531,436	0	45,531,436	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	362,550	0	362,550	
Interest	444,150	22,385,243	0	22,829,393	
Currency	0	4,840	0	4,840	
Total	444,150	22,752,633	0	23,196,783	
Hedge derivatives for risk management:					
Currency	0	6,383,400	0	6,383,400	
Total	0	6,383,400	0	6,383,400	
Total derivatives liabilities	444,150	29,136,033	0	29,580,183	
		June 30, 2022			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	448,642	0	448,642	
Interest	0	35,614,813	0	35,614,813	
Currency	0	6,531	0	6,531	
Total	0	36,069,986	0	36,069,986	
Hedge derivatives for risk management:					
Interest	0	7,119,752	0	7,119,752	
Currency	0	4,481,451	0	4,481,451	
Total	0	11,601,203	0	11,601,203	
Total derivatives assets	0	47,671,189	0	47,671,189	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	7,965,475	0	7,965,475	
Interest	183,948	28,123,962	0	28,307,910	
Currency	0	3,211	0	3,211	
Total	183,948	36,092,648	0	36,276,596	
Hedge derivatives for risk management:					
Credit	0	87,166	0	87,166	
Interest	0	525,791	0	525,791	
Currency	0	320,979	0	320,979	
Total	0	933,936	0	933,936	
Total derivatives liabilities	183,948	37,026,584	0	37,210,532	

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Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

	June 30			
	2023	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	53,316,830	0	0	53,316,830
Bonds of the Republic of Panama	1,709,750	0	1,709,750	0
Local Corporate Shares	36,919,568	0	0	36,919,568
Foreign Treasury Bills	251,120	251,120	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	482,836,358	0	482,836,358	0
Asset Backed Securities (ABS)	67,882,607	0	67,882,607	0
Foreign Corporate Bonds and Fixed Income Funds	167,421,998	0	2,058,938	165,363,060
Foreign Corporate Shares	129,789	0	0	129,789
Total	810,468,020	251,120	554,487,653	255,729,247

	December 31			
	2022	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	54,060,162	0	0	54,060,162
Bonds of the Republic of Panama	2,262,723	0	2,262,723	0
Local Corporate Shares	40,653,005	0	0	40,653,005
Foreign Treasury Bills	250,645	250,645	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	426,167,214	0	426,167,214	0
Asset Backed Securities (ABS)	74,267,712	0	74,267,712	0
Foreign Corporate Bonds and Fixed Income Funds	163,715,026	0	2,538,639	161,176,387
Foreign Corporate Shares	129,802	0	13	129,789
Total	761,506,289	250,645	505,236,301	256,019,343

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

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

	<u>June 30</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2023</u>			
Local Commercial Paper	11,939,469	0	0	11,939,469
Local Corporate Bonds	1,170,691,239	0	388,021,185	782,670,054
Bonds of the Republic of Panama	21,627,823	0	21,627,823	0
Bonds of the US Government and Agency	162,672,725	159,893,396	2,779,329	0
Foreign Commercial Paper and Treasury Bills	139,982,879	83,544,430	56,438,449	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,267,180,090	0	1,267,180,090	0
Asset Backed Securities (ABS)	196,480,313	0	196,480,313	0
Foreign Corporate Bonds	1,217,859,894	0	1,217,859,894	0
Bonds of Other Governments	18,276,569	0	18,276,569	0
Total	<u>4,206,711,001</u>	<u>243,437,826</u>	<u>3,168,663,652</u>	<u>794,609,523</u>
	<u>December 31</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2022</u>			
Local Commercial Paper and Treasury Bills	29,299,277	0	19,475,910	9,823,367
Local Corporate Bonds	1,089,621,475	0	394,150,902	695,470,573
Bonds of the Republic of Panama	34,057,622	0	34,057,622	0
Bonds of the US Government	188,900,602	188,900,602	0	0
Foreign Commercial Paper and Treasury Bills	446,816,255	363,311,405	83,504,850	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,239,463,343	0	1,239,463,343	0
Asset Backed Securities (ABS)	197,396,759	0	197,396,759	0
Foreign Corporate Bonds	1,240,523,287	0	1,240,523,287	0
Other Governments Bonds	17,530,792	0	17,530,792	0
Total	<u>4,483,609,412</u>	<u>552,212,007</u>	<u>3,226,103,465</u>	<u>705,293,940</u>
	<u>June 30</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2022</u>			
Local Commercial Paper and Treasury Bills	24,605,959	0	19,283,900	5,322,059
Local Corporate Bonds	1,095,852,278	0	400,067,018	695,785,260
Bonds of the Republic of Panama	89,280,186	0	89,280,186	0
Bonds of the US Government	201,953,659	201,953,659	0	0
Foreign Commercial Paper and Treasury Bills	369,297,104	278,214,926	91,082,178	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,187,490,516	0	1,187,490,516	0
Asset Backed Securities (ABS)	201,722,622	0	201,107,409	615,213
Foreign Corporate Bonds	1,375,187,766	0	1,375,187,766	0
Bonds of Other Governments	36,122,204	0	36,122,204	0
Total	<u>4,581,512,294</u>	<u>480,168,585</u>	<u>3,399,621,177</u>	<u>701,722,532</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

<u>Changes in Fair Value Measurement of Level 3 hierarchy</u>			
	<u>Investments and other financial assets</u>		
	<u>Fair Value through Profit or Loss</u>	<u>Fair Value through OCI</u>	<u>Total</u>
December 31, 2022	256,019,343	705,293,940	961,313,283
Loss recognized in income	(1,834,794)	0	(1,834,794)
Gain recognized in equity	0	1,918,229	1,918,229
Purchases	39,138,199	181,565,500	220,703,699
Amortization, sales and redemptions	<u>(37,593,501)</u>	<u>(94,168,146)</u>	<u>(131,761,647)</u>
June 30, 2023	<u>255,729,247</u>	<u>794,609,523</u>	<u>1,050,338,770</u>
Total (loss) gain related to instruments held as of June 30, 2023	<u>(3,449,655)</u>	<u>1,884,509</u>	<u>(1,565,146)</u>
December 31, 2021	267,861,250	664,948,183	932,809,433
Loss recognized in income	(19,340,513)	0	(19,340,513)
Loss recognized in equity	0	(34,406,041)	(34,406,041)
Purchases	44,209,623	158,527,016	202,736,639
Amortization, sales and redemptions	<u>(36,711,017)</u>	<u>(83,775,218)</u>	<u>(120,486,235)</u>
December 31, 2022	<u>256,019,343</u>	<u>705,293,940</u>	<u>961,313,283</u>
Total loss related to instruments held as of December 31, 2022	<u>(18,835,534)</u>	<u>(34,196,612)</u>	<u>(53,032,146)</u>
December 31, 2021	267,861,250	664,948,183	932,809,433
Loss recognized in income	(14,502,077)	(21,741)	(14,523,818)
Loss recognized in equity	0	(42,378,129)	(42,378,129)
Purchases	23,516,874	144,594,826	168,111,700
Amortization, sales and redemptions	<u>(20,477,905)</u>	<u>(65,420,607)</u>	<u>(85,898,512)</u>
June 30, 2022	<u>256,398,142</u>	<u>701,722,532</u>	<u>958,120,674</u>
Total loss related to instruments held as of June 30, 2022	<u>(14,519,710)</u>	<u>(42,209,232)</u>	<u>(56,728,942)</u>

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

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Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

<u>Instruments</u>	<u>Valuation technique</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>						<u>Fair value sensitivity to unobservable inputs</u>
			<u>June 30 2023</u>		<u>December 31 2022</u>		<u>June 30 2022</u>		
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min	5.90%	Min	5.90%	Min	5.77%	If equity risk premiums increase, the price decreases and vice versa
		Max	10.19%	Max	10.19%	Max	8.18%		
		Growth rate of assets, liabilities, equity, profits and dividends	Min	(45.53%)	Min	(45.53%)	Min	(54.09%)	If the growth increases the price increases and vice versa
			Max	313.83%	Max	313.83%	Max	239.91%	
Fixed Income	Discounted cash flow	Credit spreads	Min	1.42%	Min	0.79%	Min	0.36%	If the credit spreads increase, the price decreases and vice versa
			Max	8.99%	Max	13.23%	Max	20.81%	
			Ave	2.68%	Ave	2.81%	Ave	3.71%	

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

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

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

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

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

	<u>June 30, 2023</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	48,257	(65,870)	11,189,683	(13,172,447)
Corporate Shares	<u>2,459,573</u>	<u>(2,153,650)</u>	<u>0</u>	<u>0</u>
Total	<u>2,507,830</u>	<u>(2,219,520)</u>	<u>11,189,683</u>	<u>(13,172,447)</u>

	<u>December 31, 2022</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	70,614	(69,108)	8,416,037	(10,289,197)
Corporate Shares	<u>2,733,441</u>	<u>(2,419,285)</u>	<u>0</u>	<u>0</u>
Total	<u>2,804,055</u>	<u>(2,488,393)</u>	<u>8,416,037</u>	<u>(10,289,197)</u>

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

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

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

(a) Investments and other financial assets

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

(b) Loans

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

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

For these financial instruments described above, the carrying value approximates their fair value due to their short-term nature.

(d) Time deposits from banks/time deposits from customers/borrowings and debt securities issued /perpetual bonds

The fair value of these financial instruments was determined by discounting the future cash flows at an interest rate that reflects: (i) current market rates, and (ii) the future expected interest rates, for a term that shows the remaining life of these instruments.

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

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

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Assets:						
Time deposits with banks	454,372	444,085	89,207,600	89,138,402	359,277,277	358,582,946
Investments at amortized cost, net	74,727,299	74,766,611	4,808,770	4,820,910	137,528,407	137,555,760
Loans, net	<u>11,245,149,084</u>	<u>11,124,260,280</u>	<u>11,292,190,153</u>	<u>11,299,469,039</u>	<u>10,759,700,177</u>	<u>10,743,957,999</u>
	<u>11,320,330,755</u>	<u>11,199,470,976</u>	<u>11,386,206,523</u>	<u>11,393,428,351</u>	<u>11,256,505,861</u>	<u>11,240,096,705</u>
Liabilities:						
Deposits	12,993,293,862	12,889,090,126	13,248,420,738	13,181,776,225	13,478,333,615	13,488,814,456
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,200,832,210</u>	<u>1,072,750,155</u>	<u>1,416,447,623</u>	<u>1,297,912,599</u>	<u>1,275,701,468</u>	<u>1,206,029,451</u>
	<u>14,194,126,072</u>	<u>13,961,840,281</u>	<u>14,664,868,361</u>	<u>14,479,688,824</u>	<u>14,754,035,083</u>	<u>14,694,843,907</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	June 30 2023	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	444,085	0	0	444,085
Investments at amortized cost, net	74,766,611	0	64,209,195	10,557,416
Loans, net	<u>11,124,260,280</u>	<u>0</u>	<u>0</u>	<u>11,124,260,280</u>
	<u>11,199,470,976</u>	<u>0</u>	<u>64,209,195</u>	<u>11,135,261,781</u>
<u>Liabilities:</u>				
Deposits	12,889,090,126	0	0	12,889,090,126
Borrowings, debt securities issued and perpetual bonds	<u>1,072,750,155</u>	<u>0</u>	<u>0</u>	<u>1,072,750,155</u>
	<u>13,961,840,281</u>	<u>0</u>	<u>0</u>	<u>13,961,840,281</u>
	December 31 2022	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	89,138,402	0	0	89,138,402
Investments at amortized cost, net	4,820,910	0	0	4,820,910
Loans, net	<u>11,299,469,039</u>	<u>0</u>	<u>0</u>	<u>11,299,469,039</u>
	<u>11,393,428,351</u>	<u>0</u>	<u>0</u>	<u>11,393,428,351</u>
<u>Liabilities:</u>				
Deposits	13,181,776,225	0	0	13,181,776,225
Securities sold under repurchase agreements, Borrowings, debt securities issued and perpetual bonds	<u>1,297,912,599</u>	<u>0</u>	<u>0</u>	<u>1,297,912,599</u>
	<u>14,479,688,824</u>	<u>0</u>	<u>0</u>	<u>14,479,688,824</u>
	June 30 2022	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	358,582,946	0	0	358,582,946
Investments at amortized cost, net	137,555,760	0	135,100,000	2,455,760
Loans, net	<u>10,743,957,999</u>	<u>0</u>	<u>0</u>	<u>10,743,957,999</u>
	<u>11,240,096,705</u>	<u>0</u>	<u>135,100,000</u>	<u>11,104,996,705</u>
<u>Liabilities:</u>				
Deposits	13,488,814,456	0	0	13,488,814,456
Borrowings, debt securities issued and perpetual bonds	<u>1,206,029,451</u>	<u>0</u>	<u>0</u>	<u>1,206,029,451</u>
	<u>14,694,843,907</u>	<u>0</u>	<u>0</u>	<u>14,694,843,907</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management

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

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

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

(a) *Credit Risk*

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	June 30, 2023 (in thousands)			
	12-month <u>ECL</u>	Lifetime ECL Not credit- <u>impaired</u>	Lifetime ECL credit- <u>impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,309,153	327,762	0	9,636,915
Grade 2: Special mention	188,930	839,847	10,720	1,039,497
Grade 3: Sub-standard	39,024	554,209	53,533	646,766
Grade 4: Doubtful	7,211	3,498	82,749	93,458
Grade 5: Uncollectible	<u>7,959</u>	<u>2,899</u>	<u>132,831</u>	<u>143,689</u>
Gross amount	9,552,277	1,728,215	279,833	11,560,325
Loan losses allowance	<u>(146,819)</u>	<u>(217,435)</u>	<u>(62,362)</u>	<u>(426,616)</u>
Net carrying amount	<u>9,405,458</u>	<u>1,510,780</u>	<u>217,471</u>	<u>11,133,709</u>
<u>Finance leases</u>				
Grade 1: Standard	80,488	181	0	80,669
Grade 2: Special mention	466	1,925	0	2,391
Grade 3: Sub-standard	527	1,281	62	1,870
Grade 4: Doubtful	0	0	47	47
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
Gross amount	81,481	3,387	112	84,980
Loan losses allowance	<u>(298)</u>	<u>(267)</u>	<u>(30)</u>	<u>(595)</u>
Net carrying amount	<u>81,183</u>	<u>3,120</u>	<u>82</u>	<u>84,385</u>
Total loans	<u>9,633,758</u>	<u>1,731,602</u>	<u>279,945</u>	<u>11,645,305</u>
Loan losses allowance	<u>(147,117)</u>	<u>(217,702)</u>	<u>(62,392)</u>	<u>(427,211)</u>
Net carrying amount	<u>9,486,641</u>	<u>1,513,900</u>	<u>217,553</u>	<u>11,218,094</u>
<u>Restructured loans</u>				
Gross amount	73,106	844,403	122,020	1,039,529
Loan losses allowance	<u>(3,935)</u>	<u>(100,804)</u>	<u>(26,284)</u>	<u>(131,023)</u>
Net carrying amount	<u>69,171</u>	<u>743,599</u>	<u>95,736</u>	<u>908,506</u>

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

	December 31, 2022 (in thousands)			
	12-month <u>ECL</u>	Lifetime ECL Not credit- <u>impaired</u>	Lifetime ECL credit- <u>impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,260,577	271,881	0	9,532,458
Grade 2: Special mention	176,893	981,757	20	1,158,670
Grade 3: Sub-standard	45,820	570,162	66,733	682,715
Grade 4: Doubtful	4,542	3,194	96,480	104,216
Grade 5: Uncollectible	<u>9,635</u>	<u>2,443</u>	<u>126,425</u>	<u>138,503</u>
Gross amount	9,497,467	1,829,437	289,658	11,616,562
Loan losses allowance	<u>(136,660)</u>	<u>(234,622)</u>	<u>(60,947)</u>	<u>(432,229)</u>
Net carrying amount	<u>9,360,807</u>	<u>1,594,815</u>	<u>228,711</u>	<u>11,184,333</u>
<u>Finance leases</u>				
Grade 1: Standard	68,088	150	0	68,238
Grade 2: Special mention	276	2,348	0	2,624
Grade 3: Sub-standard	659	1,590	137	2,386
Grade 4: Doubtful	15	0	54	69
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>317</u>	<u>317</u>
Gross amount	69,038	4,088	508	73,634
Loan losses allowance	<u>(267)</u>	<u>(273)</u>	<u>(230)</u>	<u>(770)</u>
Net carrying amount	<u>68,771</u>	<u>3,815</u>	<u>278</u>	<u>72,864</u>
Total loans	<u>9,566,505</u>	<u>1,833,525</u>	<u>290,166</u>	<u>11,690,196</u>
Loan losses allowance	<u>(136,927)</u>	<u>(234,895)</u>	<u>(61,177)</u>	<u>(432,999)</u>
Net carrying amount	<u>9,429,578</u>	<u>1,598,630</u>	<u>228,989</u>	<u>11,257,197</u>
<u>Restructured loans</u>				
Gross amount	75,801	954,320	119,500	1,149,621
Loan losses allowance	<u>(4,180)</u>	<u>(104,445)</u>	<u>(25,034)</u>	<u>(133,659)</u>
Net carrying amount	<u>71,621</u>	<u>849,875</u>	<u>94,466</u>	<u>1,015,962</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	<u>June 30, 2023</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,092,235,900	753,871,513	10,846,107,413
From 31 to 90 days	478,567,593	6,250,416	484,818,009
More than 90 days (capital or interest)	296,511,889	4,259,783	300,771,672
More than 30 days past due (capital at maturity)	<u>13,568,807</u>	<u>39,165</u>	<u>13,607,972</u>
Total	<u>10,880,884,189</u>	<u>764,420,877</u>	<u>11,645,305,066</u>

	<u>December 31, 2022</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,174,903,630	771,146,105	10,946,049,735
From 31 to 90 days	422,859,037	6,917,071	429,776,108
More than 90 days (capital or interest)	296,280,143	4,408,341	300,688,484
More than 30 days past due (capital at maturity)	<u>13,652,226</u>	<u>29,104</u>	<u>13,681,330</u>
Total	<u>10,907,695,036</u>	<u>782,500,621</u>	<u>11,690,195,657</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.37,049,357 (December 31, 2022: B/.40,782,807) and (June 30, 2022: B/.39,905,573) which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>June 30, 2023 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	64,200,000	0	0	0	64,200,000
Lower than BBB-	<u>10,553,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,553,542</u>
Carrying amount	<u>74,753,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,753,542</u>
Loss allowance	<u>(39,312)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,312)</u>
Total carrying amount, net	<u>74,714,230</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,714,230</u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	483,663,471	0	0	0	483,663,471
Lower than BBB-	<u>702,389,424</u>	<u>18,205,636</u>	<u>0</u>	<u>0</u>	<u>720,595,060</u>
Carrying amount	<u>1,186,052,895</u>	<u>18,205,636</u>	<u>0</u>	<u>0</u>	<u>1,204,258,531</u>
Valuation of credit risk	<u>(1,971,514)</u>	<u>(1,258,863)</u>	<u>0</u>	<u>0</u>	<u>(3,230,377)</u>
<i>Foreign:</i>					
AAA	1,653,248,600	0	0	0	1,653,248,600
AA+ to BBB-	1,108,826,055	0	0	0	1,108,826,055
Lower than BBB-	<u>225,686,236</u>	<u>13,487,641</u>	<u>594,541</u>	<u>609,397</u>	<u>240,377,815</u>
Carrying amount	<u>2,987,760,891</u>	<u>13,487,641</u>	<u>594,541</u>	<u>609,397</u>	<u>3,002,452,470</u>
Valuation of credit risk	<u>(6,532,438)</u>	<u>(534,401)</u>	<u>(2,023,940)</u>	<u>(102,888)</u>	<u>(9,193,667)</u>
Total carrying amount	<u>4,173,813,786</u>	<u>31,693,277</u>	<u>594,541</u>	<u>609,397</u>	<u>4,206,711,001</u>
Total valuation of credit risk	<u>(8,503,952)</u>	<u>(1,793,264)</u>	<u>(2,023,940)</u>	<u>(102,888)</u>	<u>(12,424,044)</u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,709,750				
Lower than BBB-	<u>53,316,830</u>				
Carrying amount	<u>55,026,580</u>				
<i>Foreign:</i>					
AAA	418,449,142				
AA+ to BBB-	259,912,039				
Lower than BBB-	38,227,666				
NR	<u>1,803,236</u>				
Carrying amount	<u>718,392,083</u>				
Total carrying amount	<u>773,418,663</u>				

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Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management, continued

		December 31, 2022			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
Lower than BBB-	4,817,356	0	0	0	4,817,356
Carrying amount	4,817,356	0	0	0	4,817,356
Loss allowance	(12,140)	0	0	0	(12,140)
Total carrying amount, net	4,805,216	0	0	0	4,805,216
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	444,020,279	0	0	0	444,020,279
Lower than BBB-	687,782,324	8,549,474	12,626,297	0	708,958,095
Carrying amount	1,131,802,603	8,549,474	12,626,297	0	1,152,978,374
Valuation of credit risk	(2,014,435)	(539,415)	(1,601,663)	0	(4,155,513)
<i>Foreign:</i>					
AAA	1,963,578,239	0	0	0	1,963,578,239
AA+ to BBB-	1,115,767,401	0	0	0	1,115,767,401
Lower than BBB-	235,817,363	14,319,759	755,523	392,753	251,285,398
Carrying amount	3,315,163,003	14,319,759	755,523	392,753	3,330,631,038
Valuation of credit risk	(8,489,421)	(509,620)	(1,894,827)	(99,661)	(10,993,529)
Total carrying amount	4,446,965,606	22,869,233	13,381,820	392,753	4,483,609,412
Total valuation of credit risk	(10,503,856)	(1,049,035)	(3,496,490)	(99,661)	(15,149,042)
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,262,722				
Lower than BBB-	54,060,163				
Carrying amount	56,322,885				
<i>Foreign:</i>					
AAA	359,140,725				
AA+ to BBB-	264,967,102				
Lower than BBB-	38,126,042				
NR	2,166,728				
Carrying amount	664,400,597				
Total carrying amount	720,723,482				

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

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

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

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

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

	June 30, 2023				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the period	10,503,856	1,049,035	3,496,490	99,661	15,149,042
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(1,373,557)	754,099	(1,471,944)	4,102	(2,087,300)
New investment securities purchased	1,764,265	0	0	0	1,764,265
Investment securities that have been derecognized	<u>(2,390,612)</u>	<u>(9,870)</u>	<u>(606)</u>	<u>(875)</u>	<u>(2,401,963)</u>
Balance at the end of the period	<u>8,503,952</u>	<u>1,793,264</u>	<u>2,023,940</u>	<u>102,888</u>	<u>12,424,044</u>

	December 31, 2022				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the year	7,166,582	575,141	1,780,582	0	9,522,305
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(17,069)	17,069	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	(25,931)	0	25,931	0	0
Net remeasurement of portfolio	2,566,473	474,499	1,690,050	67,004	4,798,026
New investment securities purchased	3,098,705	0	0	32,657	3,131,362
Investment securities that have been derecognized	<u>(2,284,904)</u>	<u>(17,674)</u>	<u>(73)</u>	<u>0</u>	<u>(2,302,651)</u>
Balance at the end of the year	<u>10,503,856</u>	<u>1,049,035</u>	<u>3,496,490</u>	<u>99,661</u>	<u>15,149,042</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of June 30, 2023, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2022.

Regulatory Reserves

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

Dynamic Provision

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

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

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

Through the General Resolution of the Board of Directors SBP-GJD-R-2023-01125 of June 6, 2023, the Superintendence of Banks of Panama repealed the General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020, and established the guidelines and parameters for the reestablishment of the constitution of the dynamic provision provided for in Agreement No.4-2013. This Resolution entered into force from its promulgation.

The Resolution establishes a period of gradual adaptation for the restoration of the dynamic provision as detailed below:

- Banks that maintain dynamic provision percentages of less than 1.25%, may benefit from an adjustment period until March 31, 2024.
- Banking entities whose percentage is greater than 2.50% may carry out the return to undistributed profits of any surplus up to the percentage of 2.50%.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

The balance of the Bank's dynamic reserve is detailed as follows:

	June 30 <u>2023</u>	December 31 <u>2022</u>	June 30 <u>2022</u>
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	0	0	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993	10,614,993
Banco General (Costa Rica), S. A.	<u>4,142,190</u>	<u>4,951,850</u>	<u>4,951,850</u>
Total	<u>148,634,659</u>	<u>149,444,319</u>	<u>152,254,380</u>

As of June 30, 2023, the Bank made a return to undistributed profits of the excess of 2.50% of the dynamic provision in a subsidiary to establish the maximum percentage required.