

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

**Consolidated Financial Statements**

December 31, 2024

(With Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION  
FROM THE SPANISH VERSION)

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

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

Table of Contents

Independent Auditors' Report

Consolidated Statement of Financial Position  
Consolidated Statement of Income  
Consolidated Statement of Comprehensive Income  
Consolidated Statement of Changes in Equity  
Consolidated Statement of Cash Flows  
Notes to the Consolidated Financial Statements



## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the audit of the consolidated financial statements**

#### *Opinion*

We have audited the consolidated financial statements of Banco General, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### *Basis for opinion*

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

#### *Key audit matters*

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

## *Allowance for loan losses*

*See Notes 3(h), 7 and 32 to the consolidated financial statements*

### Key audit matter

The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions, by the management in the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 64% of the Bank's total assets as at December 31, 2024.

The allowance for loan losses at amortized cost comprises the ECL as a result of the loan rating and the mechanism used to determine the loans' probability of default according to the impairment stage assigned.

The ECL is determined according to the grouping of loans with similar credit risk characteristics, segregated in models for Consumer Banking and Business Banking. Both models are comprised of estimates of the probability of default, loss due to default, prospective analysis, and exposure to default. The evaluation of whether there has been a significant increase in the credit risk of the loans entails the application of important judgments in these models. This constitutes a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of the Bank's judgment.

### How the key matter was addressed in our audit

Our audit procedures, considering the use of specialists, included:

- Evaluating key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies.
- For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, collateral values as determined by qualified appraisers that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the credit risk rating assigned by the Bank's risk officers.
- Evaluation of the methodologies applied by the Bank in the ECL estimation model in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance.
- Independent evaluation of the inputs used in the model on the Consumer and Corporate Banking methodologies and recalculating according to the estimation model of ECL for both methodologies.
- Evaluation of the judgments applied by the Bank on assumptions related to the current conditions of the economy were evaluated, in these judgments and the considerations on the prospective analysis that may change the level of ECL, based on our experience and industry knowledge.

### *Investments valuation*

*See Notes 3(b), 3(h), 6 and 32 to the consolidated financial statements*

#### Key audit matter

The investment securities at fair value through profit or loss (FVTPL) and investment securities measured at fair value through other comprehensive income (FVOCI) represent together 27% of total assets as of December 31, 2024. The Bank uses external price vendors that provide pricing for most of these investments and uses internal valuation methodologies for those securities for which pricing is not provided by external price vendors.

The fair value of investments determined through internal valuation models involve judgments made by the Bank and the use of some inputs that are not readily available in active markets. Furthermore, the valuation of investments, for which prices are provided by an external price vendor, require additional effort from auditors to assert the reasonableness of their valuation.

The judgment involved in estimating the fair value of an investment when some valuation inputs are not observable (i.e. investments categorized as Level 3 in the fair value hierarchy), are significant. As at December 31, 2024, investments classified as level 3 represented 18% of total investments measured at fair value and 5% of total assets.

#### How the key matter was addressed in our audit

Our audit procedures, considering the use of specialists, included:

- Evaluation of the key controls in the process of identification, measurement and management of valuation risk, and the evaluation of the methodologies, inputs and assumptions used by the Bank in determining fair values.
- Testing valuation of instruments categorized as level 1, by comparing the fair value applied by the Bank with public and observable market data.
- Evaluation of the fair value models and the inputs used in the valuation of level 2 instruments by comparing observable market inputs with independent sources and external market data available.
- For a sample of investments with significant unobservable valuation inputs (level 3), assessing the models used and approved by the Bank's Corporate Governance and independent calculation of prices for such investments.

### *Responsibilities of management and those charged with governance in relation to the consolidated financial statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

*Auditor's responsibilities in relation to the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted according with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other legal information requirements**

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

- The direction, execution and supervision of this audit engagement has been physically performed in the Panamanian territory for those entities or business activities within the Group that performed operations that are perfected, consumed or take effect within the Republic of Panama.
- The audit partner that has prepared this independent auditors' report is Gastón G. González F.
- The engagement team that has participated in the group audit to which this report refers, is formed by Gastón G. González F., partner., Nedo Cingolani, senior manager and Christian Galvez, senior manager.

KPMG (SIGNED)

GASTÓN G. GONZÁLEZ F. (SIGNED)

Panama, Republic of Panama  
February 5, 2025

Gastón G. González F.  
Partner  
C.P.A. 7846

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Consolidated Statement of Financial Position**

December 31, 2024

(Expressed in Balboas)

	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Assets</b>			
Cash and cash items		170,110,069	195,541,375
Deposits with banks:			
Local demand deposits		132,102,020	150,243,940
Foreign demand deposits		205,366,931	463,604,369
Local time deposits		929,461	455,642
Foreign time deposits		20,000,000	0
Accrued interest receivable		46,790	8,755
<b>Total deposits with banks</b>		<b>358,445,202</b>	<b>614,312,706</b>
<b>Total cash, cash items and deposits with banks</b>	<b>5</b>	<b>528,555,271</b>	<b>809,854,081</b>
Investments and other financial assets at FVTPL		829,554,142	793,016,542
Investments and other financial assets at FVOCI		4,511,601,422	4,326,241,290
Investments and other financial at amortized cost, net		6,613,664	5,664,174
Accrued interest receivable		1,474	3,796
<b>Investments and other financial assets, net</b>	<b>6</b>	<b>5,347,770,702</b>	<b>5,124,925,802</b>
Loans	<b>7</b>	<b>12,762,271,656</b>	<b>11,974,961,025</b>
Accrued interest receivable		58,854,224	65,280,181
Less:			
Loan losses allowance		364,917,778	394,787,079
Unearned commissions		41,596,410	38,961,228
<b>Loans, net</b>		<b>12,414,611,692</b>	<b>11,606,492,899</b>
Investments in associates	<b>8</b>	<b>30,071,382</b>	<b>30,112,121</b>
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	<b>9</b>	<b>271,468,124</b>	<b>259,973,613</b>
Right-of-Use Assets, net	<b>10</b>	<b>14,903,899</b>	<b>16,462,299</b>
Customer liabilities under acceptances		25,373,896	42,116,890
Investments and other financial assets sold pending settlement	<b>11</b>	<b>272,708,272</b>	<b>302,824,536</b>
Deferred tax assets	<b>26</b>	<b>87,378,058</b>	<b>95,907,031</b>
Goodwill and other intangible assets, net	<b>12</b>	<b>44,263,222</b>	<b>46,021,015</b>
Foreclosed assets, net	<b>13</b>	<b>60,187,045</b>	<b>46,360,652</b>
Other assets	<b>7 and 30</b>	<b>350,207,463</b>	<b>350,555,912</b>
<b>Total assets</b>		<b>19,447,499,026</b>	<b>18,731,606,851</b>

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

	<u>Note</u>	<u>2024</u>	<u>2023</u>
<b><u>Liabilities and Equity</u></b>			
Liabilities:			
Deposits:			
Local:			
Demand		2,725,747,244	2,795,757,005
Savings		4,661,556,735	4,749,212,902
Time:			
Customers		6,048,800,813	5,323,334,737
Banks		9,697,344	8,403,549
Foreign:			
Demand		60,161,488	81,469,653
Savings		92,411,265	136,424,812
Time:			
Customers		142,489,822	140,049,286
Accrued interest payable		110,904,654	89,297,527
<b>Total deposits</b>		<u>13,851,769,365</u>	<u>13,323,949,471</u>
Financing:			
Securities sold under repurchase agreements	14	93,561,000	0
Borrowings and debt securities issued, net	16	699,614,895	860,648,364
Perpetual bonds	17	400,000,000	400,000,000
Accrued interest payable	14,16 and 17	13,402,415	16,209,295
<b>Total financing</b>		<u>1,206,578,310</u>	<u>1,276,857,659</u>
Lease Liabilities	18	16,843,420	18,301,593
Acceptances outstanding		25,373,896	42,116,890
Investments and other financial assets purchased pending settlement	11	538,873,658	432,587,385
Reserves of insurance operations	19	24,728,077	23,828,478
Deferred tax liabilities	26	1,158,762	1,151,606
Other liabilities	15 and 30	609,514,659	685,467,151
<b>Total liabilities</b>		<u>16,274,840,147</u>	<u>15,804,260,233</u>
Equity:	22		
Common shares		500,000,000	500,000,000
Legal reserves		223,681,409	213,274,003
Capital reserves		(119,335,155)	(162,678,172)
Retained earnings		2,568,312,625	2,376,750,787
<b>Total equity</b>		<u>3,172,658,879</u>	<u>2,927,346,618</u>
Commitments and contingencies	27		
<b>Total liabilities and equity</b>		<u><u>19,447,499,026</u></u>	<u><u>18,731,606,851</u></u>

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

**Consolidated Statement of Income**

For the year ended December 31, 2024

(Expressed in Balboas)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Interest and commission income:			
Interest:			
Loans		968,003,159	862,848,387
Deposits with banks		15,530,198	12,193,575
Investments and other financial assets		265,638,312	243,441,601
Commissions on loans		44,299,269	40,744,307
<b>Total interest and commission income</b>		<u>1,293,470,938</u>	<u>1,159,227,870</u>
Interest expenses:			
Deposits		332,330,097	261,571,318
Financing	30	<u>55,312,704</u>	<u>59,057,189</u>
<b>Total interest expenses</b>		<u>387,642,801</u>	<u>320,628,507</u>
<b>Net interest and commission income</b>		<u>905,828,137</u>	<u>838,599,363</u>
Reversal of provision for loan losses, net	7	(16,488,744)	(40,137,565)
Reversal of provision for impairment of investments, net	6	(84,520)	(5,720,327)
Provision for foreclosed assets, net	13	<u>3,141,912</u>	<u>3,593,309</u>
<b>Net interest and commission income, after provisions</b>		<u>919,259,489</u>	<u>880,863,946</u>
Other income (expenses):			
Fees and other commissions	24 and 29	411,828,260	353,109,524
Insurance premiums, net		49,429,159	41,623,535
Loss on financial instruments, net	6 and 23	(10,415,567)	(46,977,847)
Other income, net	24	51,751,639	52,017,925
Commission expenses and other expenses	12 and 18	<u>(172,588,591)</u>	<u>(158,156,639)</u>
<b>Total other income, net</b>		<u>330,004,900</u>	<u>241,616,498</u>
General and administrative expenses:			
Salaries and other personnel expenses	25	202,828,221	189,660,469
Depreciation and amortization	9 and 10	37,685,687	37,165,994
Properties, furniture and equipment expenses		38,003,148	34,595,684
Other expenses		<u>83,273,733</u>	<u>80,514,403</u>
<b>Total general and administrative expenses</b>		<u>361,790,789</u>	<u>341,936,550</u>
<b>Net operating income</b>		<u>887,473,600</u>	<u>780,543,894</u>
Equity participation in associates	8	<u>14,908,375</u>	<u>14,509,214</u>
<b>Net income before tax</b>		<u>902,381,975</u>	<u>795,053,108</u>
Income tax, estimated		109,308,560	105,369,045
Income tax, deferred		<u>8,536,197</u>	<u>8,967,850</u>
<b>Income tax, net</b>	26	<u>117,844,757</u>	<u>114,336,895</u>
<b>Net income</b>		<u>784,537,218</u>	<u>680,716,213</u>

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

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

**Consolidated Statement of Comprehensive Income**

For the year ended December 31, 2024

(Expressed in Balboas)

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	<u>2024</u>	<u>2023</u>
Net income	<u>784,537,218</u>	<u>680,716,213</u>
<b>Other comprehensive income (expense):</b>		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	66,858,239	193,486,109
Transfer to profit or loss for sales of investments at FVOCI	(23,442,918)	(72,058,244)
Valuation of investment credit risk at FVOCI	<u>(72,304)</u>	<u>(5,737,909)</u>
<b>Total other comprehensive income, net</b>	<u>43,343,017</u>	<u>115,689,956</u>
<b>Total comprehensive income</b>	<u><u>827,880,235</u></u>	<u><u>796,406,169</u></u>

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Consolidated Statement of Changes in Equity**

For the year ended December 31, 2024

(Expressed in Balboas)

			Capital reserves				
				Valuation of	Total		
	Common	Legal	Insurance	investments and	capital	Retained	Total
Note	shares	reserves	reserve	other financial assets	reserves	earnings	equity
Balance as of December 31, 2022	500,000,000	206,514,168	1,000,000	(279,368,128)	(278,368,128)	2,150,470,978	2,578,617,018
Net income	0	0	0	0	0	680,716,213	680,716,213
Other comprehensive (expense) income:							
Items that are or may be reclassified to the consolidated statement of income:							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	193,486,109	193,486,109	0	193,486,109
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(72,058,244)	(72,058,244)	0	(72,058,244)
Valuation of investment credit risk at FVOCI	0	0	0	(5,737,909)	(5,737,909)	0	(5,737,909)
Total other comprehensive expense, net	0	0	0	115,689,956	115,689,956	0	115,689,956
Total comprehensive income	0	0	0	115,689,956	115,689,956	680,716,213	796,406,169
Transactions attributable to the shareholder							
Dividends paid on common shares	0	0	0	0	0	(443,000,000)	(443,000,000)
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	6,759,835	0	0	0	(6,759,835)	0
Changes due to adoption of IFRS 17, net	0	0	0	0	0	(45,899)	(45,899)
Total transactions attributable to the shareholder	0	6,759,835	0	0	0	(454,436,404)	(447,676,569)
Balance as of December 31, 2023	500,000,000	213,274,003	1,000,000	(163,678,172)	(162,678,172)	2,376,750,787	2,927,346,618
Net income	0	0	0	0	0	784,537,218	784,537,218
Other comprehensive income (expense):							
Items that are or may be reclassified to the consolidated statement of income:							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	66,858,239	66,858,239	0	66,858,239
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(23,442,918)	(23,442,918)	0	(23,442,918)
Valuation of investment credit risk at FVOCI	0	0	0	(72,304)	(72,304)	0	(72,304)
Total other comprehensive income, net	0	0	0	43,343,017	43,343,017	0	43,343,017
Total comprehensive income	0	0	0	43,343,017	43,343,017	784,537,218	827,880,235
Transactions attributable to the shareholder							
Dividends paid on common shares	0	0	0	0	0	(576,300,000)	(576,300,000)
Dividends tax	0	0	0	0	0	(1,855,466)	(1,855,466)
Complementary tax	0	0	0	0	0	(4,412,508)	(4,412,508)
Transfer of retained earnings	0	10,407,406	0	0	0	(10,407,406)	0
Total transactions attributable to shareholder	0	10,407,406	0	0	0	(592,975,380)	(582,567,974)
Balance as of December 31, 2024	500,000,000	223,681,409	1,000,000	(120,335,155)	(119,335,155)	2,568,312,625	3,172,658,879

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

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

**Consolidated Statement of Cash Flows**

For the year ended December 31, 2024

(Expressed in Balboas)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
<b>Operating activities:</b>			
Net income		784,537,218	680,716,213
Adjustments to reconcile net income and cash from operating activities:			
Reversal of provision for loan losses, net	7	(16,488,744)	(40,137,565)
Reversal for valuation of investments, net	6	(84,520)	(5,720,327)
Provision for foreclosed assets, net	13	3,141,912	3,593,309
Unrealized loss (gain) on investments and other financial assets	23	2,794,900	(28,269,882)
Unrealized gain on derivative instruments	23	(13,944,119)	(11,858,212)
(Gain) loss on sale of investments and other financial assets at FVTPL, net	23	(4,088,913)	6,202,510
Loss on sale of investments and other financial assets at FVOCI, net	23	26,009,499	63,963,149
Realized (gain) loss on derivative instruments	23	(355,800)	16,940,282
Foreign exchange fluctuations, net	24	94,612	24,175
Gain on sale of fixed assets, net	24	(150,521)	(4,272,490)
Depreciation and amortization	9 and 10	37,685,687	37,165,994
Amortization of intangible assets	12	1,757,793	2,617,392
Equity participation in associates	8	(14,908,375)	(14,509,214)
Income tax, net	26	117,844,757	114,336,895
Interest and commission income		(1,293,470,938)	(1,159,227,870)
Interest expense		387,642,801	320,628,507
Dividends income		(2,592,874)	(2,537,523)
Changes in operating assets and liabilities:			
Time deposits with banks		(973,819)	38,989,835
Investments and other financial assets at FVTPL		(38,018,621)	(20,498,709)
Loans		(800,691,188)	(282,839,959)
Unearned commissions		46,934,451	41,209,110
Tax credit from preferential interest	7	(65,632,677)	(58,560,814)
Other assets		75,020,036	93,542,942
Demand deposits		(91,317,926)	(8,299,816)
Savings deposits		(131,669,714)	(174,631,841)
Time deposits		729,200,407	250,941,757
Reserves of insurance operations		899,599	3,305,837
Other liabilities		73,246,160	(1,906,343)
Cash provided by operations:			
Income tax paid		(119,056,606)	(89,013,069)
Interest received		1,257,850,567	1,123,901,523
Interest paid		(368,840,239)	(312,827,786)
Dividends received	24	2,592,874	2,537,523
<b>Total</b>		<u>(199,569,539)</u>	<u>(95,210,680)</u>
<b>Cash flows from operating activities</b>		<u>584,967,679</u>	<u>585,505,533</u>
<b>Investing activities:</b>			
Purchases of investments and other financial assets at FVOCI		(4,561,684,009)	(3,149,062,406)
Sale and redemptions of investments and other financial assets at FVOCI		4,387,194,367	3,375,210,945
Purchases of securities at amortized cost		(6,631,170)	(5,693,896)
Redemptions of securities at amortized cost		5,693,896	4,817,356
Dividends received from associates		14,949,114	14,313,788
Sale of properties, furniture and equipment		262,372	8,251,177
Purchases of properties, furniture and equipment	9	(45,738,148)	(46,637,374)
<b>Cash flows (used) from investing activities</b>		<u>(205,953,578)</u>	<u>201,199,590</u>
<b>Financing activities:</b>			
Borrowings and debt securities issued	16	40,000,000	146,999,994
Redemption of debt securities issued and cancellation of borrowings	16	(199,307,686)	(86,906,084)
Securities sold under repurchase agreements	14	93,561,000	(198,242,891)
Payment of lease liabilities	18	(3,453,674)	(3,304,882)
Dividends paid on common shares		(576,300,000)	(443,000,000)
Complementary tax paid		(13,968,939)	(9,556,430)
Dividend tax		(1,855,466)	(1,669,675)
<b>Cash flows used from financing activities</b>		<u>(661,324,765)</u>	<u>(595,679,968)</u>
Net (decrease) increase in cash and cash equivalents		(282,310,664)	191,025,155
Cash and cash equivalents at the beginning of the year		809,389,684	618,364,529
<b>Cash and cash equivalents at the end of the year</b>	5	<u>527,079,020</u>	<u>809,389,684</u>

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

# **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Consolidated Financial Statements**

December 31, 2024

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### Index of Notes to the Consolidated Financial Statements:

1. General Information	18. Lease Liabilities
2. Basis of Preparation	19. Reserves of Insurance Operations
3. Materials Accounting Policies	20. Concentration of Financial Assets and Liabilities
4. Balances and Transactions with Related Parties	21. Segment Information
5. Cash and Cash Equivalents	22. Equity
6. Investments and Other Financial Assets	23. Loss on Financial Instruments, Net
7. Loans	24. Fees, Other Commissions and Other Income, Net
8. Investments in Associates	25. Personnel Benefits
9. Properties, Furniture, Equipment, and Improvements	26. Income Tax
10. Right-of-use Assets	27. Commitments and Contingencies
11. Investments and Other Financial Assets Sold and Purchased Pending Settlement	28. Investment Entities and Separate Vehicles
12. Goodwill and Intangible Assets, Net	29. Structured Entities
13. Foreclosed Assets, Net	30. Derivative Financial Instruments
14. Securities sold under repurchase agreements	31. Fair Value of Financial Instrument
15. Other Financial Liabilities at Fair Value	32. Financial Instruments Risk Management
16. Borrowings and Debt Securities Issued, Net	33. Critical Accounting Estimates and Judgments in Applying Accounting Policies
17. Perpetual Bonds	34. Main Applicable Laws and Regulations

# **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Consolidated Financial Statements**

December 31, 2024

(Expressed in Balboas)

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### **(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 Superintendency 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 59.65% (2023: 59.88%) 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, 2024, the subsidiary BG Valores, S. A. absorbed its subsidiary BG Investment, Co., Inc., by merger, for which reason all the asset, liability and equity accounts of the latter were incorporated into the statement of financial position of subsidiary BG Valores, S.A. on that date.

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

- 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. This in turn has the subsidiary:
  - Inmobiliaria de Bienes, S. A.: real estate in Panama, which began operations in August 2024.

# **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

## **Notes to the Consolidated Financial Statements**

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

### **(2) Basis of Preparation**

#### **(a) Statement of Compliance**

The consolidated financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

These consolidated financial statements were reviewed by the Board of Directors' Audit Committee and authorized for issuance by the Board of Directors on January 30, 2025.

#### **(b) Basis of Measurement**

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

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

#### **(c) Functional and Presentation Currency**

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

### **(3) Materials Accounting Policies**

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

#### **(a) Basis of Consolidation**

##### **- Subsidiaries**

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

##### **- Investment Entities and Separate Vehicles**

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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- *Structured Entities*

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

- *Investments in Associates*

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

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

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

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

- *Balances and Transactions Eliminated in Consolidation*

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

- (b) *Fair Value Measurement*

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

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

*(c) Cash and Cash Equivalents*

For the purpose of the consolidated statement of cash flows, cash equivalents includes: (i) cash comprising both cash and demand deposits in banks, and (ii) cash equivalents consisting of time deposits in banks with original maturities of three months or less.

*(d) Securities Purchased Under Resale Agreements*

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

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

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

*(e) Investments and Other Financial Assets*

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

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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The business model includes three classification categories for financial assets:

- *Amortized Cost (AC)*

A financial asset is measured at amortized cost if it complies with both of the following conditions:

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

- *Fair value through other comprehensive income (FVOCI)*

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

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

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

- *Fair value through profit or loss (FVTPL)*

All other financial assets are measured at fair value through profit or loss.

*Evaluation of the business model*

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

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

*Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)*

For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other risks on a basic loan agreement and other associated costs, as well as the profit margin.

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

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

*(f) Derivative Financial Instruments*

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

*- Fair value hedge*

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

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

---

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

- *Cash flow hedges*

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

- *Derivative without hedge accounting*

Derivative instruments that do not qualify for hedge accounting are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the fair value of these derivatives are recognized in the consolidated statement of income.

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

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

(g) *Loans and Interest*

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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(h) *Impairment of Financial Instruments*

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

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

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

Impairment losses on equity instruments investments are not recognized.

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

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

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

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

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

#### *Significant Increase in Credit Risk*

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

#### *Credit Risk Rating*

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

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

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

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

#### *Determining the significant increase of credit risk*

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

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

#### *Definition of Default*

A financial asset is considered in default when:

- It is probable that the debtor will not pay its credit obligations in full, without recourse to actions such as realizing collateral, if available; or
- The debtor has more than 90 days delinquency in all credit obligations, except for overdrafts, for which a delinquency of more than 30 days applies, and residential mortgages, in which case it is more than 120 days.

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

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

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

#### *Measurement of the ECL*

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

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

#### *Generating the term structure of the PD*

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

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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#### *Inputs in the measurement of the ECL*

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

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

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

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

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

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

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

Depending on the type of loans, the EAD may be equal to the current balance of the contracts or its programmed flow, discounted at the interest rate of the operation; exceptions apply to credit card and contingency products. For the credit cards and contingencies the current balance, the available balance and the CCF (credit conversion factor) were included in the EAD, in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

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

#### *Forward-looking information*

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

The Bank uses a prospective factor for the consumer portfolio that uses the growth of the Gross Domestic Product as a variable, as well as the country's unemployment rate. For the business portfolio, the prospective factor uses macroeconomic variables that depend on the country of risk of each client.

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

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

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

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

(j) *Right-of-Use Assets*

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

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

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

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

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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*(k) Goodwill and Intangible Assets*

*Goodwill*

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

*Intangible Assets*

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

*(l) Foreclosed Assets*

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

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

*(m) Impairment of Non-Financial Assets*

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

*(n) Securities sold under repurchase agreements*

Securities sold under repurchase agreements are short-term financing transactions with security guarantees, in which there is an obligation to repurchase the securities sold at a future date and at a determined price. The difference between the sale price and the future purchase value is recognized as interest expense under the effective interest rate method.

The securities delivered as collateral will continue to be accounted for in the consolidated financial statements, since the counterparty has no property right to them unless there is a breach of contract by the Bank.

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

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

(p) *Financial Liabilities*

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

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

(q) *Other Financial Liabilities at Fair Value*

This category of other liabilities includes financial liabilities, that are presented at fair value; and the changes in fair value are recognized in the consolidated statement of income.

(r) *Lease Liabilities*

On the beginning date of a lease, the Bank recognizes a lease liability calculated at the present value of the future lease payments.

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

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

(s) *Financial Guarantees*

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

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

(t) *Interest Income and Expenses*

Interest income and expenses are recognized in the consolidated statement of income for all financial instruments using the effective interest method.

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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(u) *Commission Income*

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

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

(v) *Insurance Operations*

The portion of unearned premiums as of the reporting date, considering the contractual term, is presented within the allowance for insurance operations line as an allowance for unearned premiums.

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

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

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

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

(w) *Trust Operations*

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

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

(x) *Income Tax*

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

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

*(y) Stock Purchase Option Plan and Restricted Stock Plan*

The Board of Directors of Grupo Financiero BG, S. A. authorized a grant to key executives of the Bank, hereinafter the “participants”, the following plans:

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

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

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

*(z) Segment Reporting*

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

*(aa) Foreign Currency Transactions*

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

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

*(ab) New Accounting Standards (IFRS) and Interpretations no adopted*

New standards, interpretations and amendments to IFRS have been published, but they are not mandatory as of December 31, 2024, and have not been adopted early by the Bank.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****(4) Balances and Transactions with Related Parties**

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

		<b>2024</b>		
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b><u>Assets:</u></b>				
Investments and other financial assets	<u>0</u>	<u>187,514,260</u>	<u>32,918,130</u>	<u>220,432,390</u>
Loans	<u>15,650,432</u>	<u>196,494,064</u>	<u>289,004</u>	<u>212,433,500</u>
Investments in associates	<u>0</u>	<u>30,071,382</u>	<u>0</u>	<u>30,071,382</u>
Accrued interest receivable				
Investment securities	0	894,603	382,451	1,277,054
Loans	<u>43,984</u>	<u>742,402</u>	<u>532</u>	<u>786,918</u>
	<u>43,984</u>	<u>1,637,005</u>	<u>382,983</u>	<u>2,063,972</u>
<b><u>Liabilities:</u></b>				
Deposits:				
Demand	962,991	96,370,332	133,966,595	231,299,918
Savings	6,424,518	47,681,535	48,431	54,154,484
Time	<u>6,265,985</u>	<u>304,733,303</u>	<u>135,950,344</u>	<u>446,949,632</u>
	<u>13,653,494</u>	<u>448,785,170</u>	<u>269,965,370</u>	<u>732,404,034</u>
Perpetual bonds	<u>0</u>	<u>17,000,000</u>	<u>127,984,000</u>	<u>144,984,000</u>
Accrued interest payable:				
Deposits	136,664	6,447,850	5,209,946	11,794,460
Perpetual bonds	<u>0</u>	<u>133,875</u>	<u>1,007,874</u>	<u>1,141,749</u>
	<u>136,664</u>	<u>6,581,725</u>	<u>6,217,820</u>	<u>12,936,209</u>
<u>Commitments and contingencies</u>	<u>0</u>	<u>11,232,112</u>	<u>5,781,868</u>	<u>17,013,980</u>
<b><u>Interest income:</u></b>				
Loans	<u>880,570</u>	<u>14,790,807</u>	<u>50,647</u>	<u>15,722,024</u>
Investments and other financial assets	<u>0</u>	<u>11,342,112</u>	<u>2,850,153</u>	<u>14,192,265</u>
<b><u>Interest expenses:</u></b>				
Deposits				
Financing	<u>340,124</u>	<u>17,240,734</u>	<u>8,501,610</u>	<u>26,082,468</u>
	<u>0</u>	<u>924,373</u>	<u>6,735,638</u>	<u>7,660,011</u>
<b><u>Other income:</u></b>				
Equity participation in associates				
Received dividends	<u>0</u>	<u>14,908,375</u>	<u>0</u>	<u>14,908,375</u>
	<u>0</u>	<u>1,305,235</u>	<u>0</u>	<u>1,305,235</u>
<b><u>General and administrative expenses:</u></b>				
Directors' fees	<u>973,770</u>	<u>0</u>	<u>0</u>	<u>973,770</u>
Benefits to key management personnel	<u>5,907,237</u>	<u>0</u>	<u>0</u>	<u>5,907,237</u>

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

**Notes to the Consolidated Financial Statements**

		<b>2023</b>		
	<b>Directors and Management</b>	<b>Related Companies</b>	<b>Affiliated Companies</b>	<b>Total</b>
<b>Assets:</b>				
Investments and other financial assets	<u>0</u>	<u>139,598,650</u>	<u>33,313,138</u>	<u>172,911,788</u>
Loans	<u>16,659,882</u>	<u>187,242,166</u>	<u>351,909</u>	<u>204,253,957</u>
Investments in associates	<u>0</u>	<u>30,112,121</u>	<u>0</u>	<u>30,112,121</u>
Accrued interest receivable				
Investment securities	0	613,054	422,836	1,035,890
Loans	<u>44,864</u>	<u>617,417</u>	<u>694</u>	<u>662,975</u>
	<u>44,864</u>	<u>1,230,471</u>	<u>423,530</u>	<u>1,698,865</u>
<b>Liabilities:</b>				
Deposits:				
Demand	1,133,271	88,720,492	90,589,391	180,443,154
Savings	9,228,185	60,717,726	48,431	69,994,342
Time	<u>5,411,848</u>	<u>239,985,223</u>	<u>130,000,000</u>	<u>375,397,071</u>
	<u>15,773,304</u>	<u>389,423,441</u>	<u>220,637,822</u>	<u>625,834,567</u>
Perpetual bonds	<u>0</u>	<u>17,000,000</u>	<u>127,984,000</u>	<u>144,984,000</u>
Accrued interest payable:				
Deposits	116,297	5,163,363	3,208,774	8,488,434
Perpetual bonds	<u>0</u>	<u>131,396</u>	<u>1,008,603</u>	<u>1,139,999</u>
	<u>116,297</u>	<u>5,294,759</u>	<u>4,217,377</u>	<u>9,628,433</u>
Commitments and contingencies	<u>1,349,600</u>	<u>13,144,865</u>	<u>36,128,214</u>	<u>50,622,679</u>
<b>Interest income:</b>				
Loans	<u>712,673</u>	<u>12,361,501</u>	<u>269,977</u>	<u>13,344,151</u>
Investments and other financial assets	<u>0</u>	<u>7,393,981</u>	<u>3,082,488</u>	<u>10,476,469</u>
<b>Interest expenses:</b>				
Deposits	<u>231,060</u>	<u>15,369,588</u>	<u>5,501,580</u>	<u>21,102,228</u>
Financing	<u>0</u>	<u>896,761</u>	<u>6,701,684</u>	<u>7,598,445</u>
<b>Other income:</b>				
Equity participation in associates	<u>0</u>	<u>14,509,214</u>	<u>0</u>	<u>14,509,214</u>
Received dividends	<u>0</u>	<u>1,381,653</u>	<u>0</u>	<u>1,381,653</u>
<b>General and administrative expenses:</b>				
Directors' fees	<u>807,211</u>	<u>0</u>	<u>0</u>	<u>807,211</u>
Benefits to key management personnel	<u>6,190,908</u>	<u>0</u>	<u>0</u>	<u>6,190,908</u>

The benefits to key management personnel include salaries and other expenses for B/.5,609,193 (2023: B/.5,950,563) and options to purchase shares for B/.298,044 (2023: B/.240,345).

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****(5) Cash and Cash Equivalents**

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

	<u>2024</u>	<u>2023</u>
Cash and cash items	170,110,069	195,541,375
Demand deposits with banks	337,468,951	613,848,309
Time deposits with banks	<u>20,929,461</u>	<u>455,642</u>
Total deposits with banks	<u>358,398,412</u>	<u>614,303,951</u>
Less: Time deposits with banks, with original maturities greater than three months	<u>1,429,461</u>	<u>455,642</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>527,079,020</u>	<u>809,389,684</u>

Demand deposits with banks include cash collateral accounts for B/.26,057,411 (2023: B/.33,792,357) that secure derivative operations and the next payments of principal, interest of certain obligations.

**(6) Investments and Other Financial Assets**

Investments and other financial assets are detailed as follows:

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

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

	<u>2024</u>	<u>2023</u>
Local Corporate Bonds and Fixed Income Funds	51,950,168	54,119,205
Bonds of the Republic of Panama	2,619,000	1,632,040
Local Corporate Shares	31,915,176	38,056,132
Local Financing	0	2,500,000
Foreign Treasury Bills	309,434	1,489,237
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	537,177,189	462,927,380
Asset Backed Securities (ABS)	71,649,083	75,767,198
Foreign Corporate Bonds and Fixed Income Funds	133,306,564	156,234,911
Foreign Corporate Shares and Variable Income Mutual Funds	<u>627,528</u>	<u>290,439</u>
<b>Total</b>	<u>829,554,142</u>	<u>793,016,542</u>

The Bank sold from the portfolio of investments and other financial assets at fair value through profit or loss the amount of B/.11,775,502,295 (2023: B/.10,993,228,109). These sales generated a net gain of B/.4,854,750 (2023: net loss B/.12,772,628) which is presented in the consolidated statement of income a loss on financial instruments, net.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****Investments and Other Financial Assets at Fair Value Through OCI**

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

	<b>2024</b>		<b>2023</b>	
	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>
Local Commercial Papers and Treasury Bills	59,495,878	59,634,850	7,292,981	7,300,000
Local Corporate Bonds	1,097,481,422	1,146,720,465	1,089,500,182	1,147,912,172
Bonds of the Republic of Panama	92,273,856	94,118,207	92,522,833	94,322,240
Bonds of the US Government	148,829,594	151,540,168	136,751,904	144,112,922
Foreign Commercial Paper and Treasury Bills	70,097,487	70,067,197	287,219,669	286,817,406
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,970,915,361	2,038,596,284	1,297,058,939	1,362,107,722
Asset Backed Securities (ABS)	135,423,082	137,121,892	188,920,050	192,164,543
Foreign Corporate Bonds	922,213,746	937,662,089	1,213,905,377	1,258,504,135
Other Government Bonds	<u>14,870,996</u>	<u>15,084,237</u>	<u>13,069,355</u>	<u>13,604,449</u>
<b>Total</b>	<u><b>4,511,601,422</b></u>	<u><b>4,650,545,389</b></u>	<u><b>4,326,241,290</b></u>	<u><b>4,506,845,589</b></u>

The Bank sold investments and other financial assets at fair value through OCI for the amount of B/.2,179,963,098 (2023: B/.2,038,612,455). These sales generated a net loss of B/.26,009,499 (2023: B/.63,963,149), which is presented in the consolidated statement of income as loss on financial instruments, net.

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

	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>2024 Lifetime ECL credit- impaired</b>	<b>Purchase credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	7,768,101	1,591,709	0	51,323	9,411,133
Transferred to 12-month ECL	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	443,704	(871,662)	0	3,087	(424,871)
New investment securities purchased	3,031,323	0	0	0	3,031,323
Investment securities that have been derecognized	<u>(2,627,433)</u>	<u>0</u>	<u>0</u>	<u>(51,323)</u>	<u>(2,678,756)</u>
<b>Balance at the end of the year</b>	<u><b>8,615,695</b></u>	<u><b>720,047</b></u>	<u><b>0</b></u>	<u><b>3,087</b></u>	<u><b>9,338,829</b></u>

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

**Notes to the Consolidated Financial Statements**

	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>2023 Lifetime ECL credit- impaired</b>	<b>Purchase credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	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	(1,491,302)	619,178	(1,601,663)	18,666	(2,455,121)
New investment securities purchased	2,663,611	0	0	0	2,663,611
Investment securities that have been derecognized	<u>(3,908,064)</u>	<u>(76,504)</u>	<u>(1,894,827)</u>	<u>(67,004)</u>	<u>(5,946,399)</u>
<b>Balance at the end of the year</b>	<u>7,768,101</u>	<u>1,591,709</u>	<u>0</u>	<u>51,323</u>	<u>9,411,133</u>

**Investments at Amortized Cost**

The investments and other financial assets at amortized cost amounts to B/.6,631,170 (2023: B/.5,693,896) less a 12-month expected credit loss allowance of B/.17,506 (2023: B/.29,722) which are detailed below:

	<b>2024 Amortized Cost</b>	<b>Fair Value</b>	<b>2023 Amortized Cost</b>	<b>Fair Value</b>
Foreign Bank Acceptances, net	<u>6,613,664</u>	<u>6,631,170</u>	<u>5,664,174</u>	<u>5,693,896</u>
<b>Total</b>	<u>6,613,664</u>	<u>6,631,170</u>	<u>5,664,174</u>	<u>5,693,896</u>

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

	<b>2024</b>	<b>2023</b>
Balance at the beginning of the year	29,722	12,140
(Reversal) provisions charged to expenses	<u>(12,216)</u>	<u>17,582</u>
Balance at the end of the year	<u>17,506</u>	<u>29,722</u>

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

	<b>2024</b>	<b>2023</b>
Investments portfolio and other financial assets at amortized cost, net	6,613,664	5,664,174
Accrued interest receivable	<u>1,474</u>	<u>3,796</u>
Total of investments and other financial assets at amortized cost	<u>6,615,138</u>	<u>5,667,970</u>

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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The payment of capital and interest on 100% (2023: 100%) of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 65.6% (2023: 59.0%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 4.34 years and CMOs is of 1.67 years (2023: 4.52 years for MBS and 1.76 years for CMOs).

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

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

The Bank uses internal valuation methodologies for some assets and liabilities at fair value classified at level 3 of fair value. The calculation of fair values using internal methodologies is the responsibility of the VPE of Treasury, Asset Banking and Investment Banking, and is 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.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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

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

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

	<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	51,950,168	0	0	51,950,168
Bonds of the Republic of Panama	2,619,000	0	2,619,000	0
Local Corporate Shares	31,915,176	0	0	31,915,176
Foreign Treasury Bills	309,434	309,434	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	537,177,189	0	537,177,189	0
Asset Backed Securities (ABS)	71,649,083	0	71,649,083	0
Foreign Corporate Bonds and Fixed Income Funds	133,306,564	0	1,133,135	132,173,429
Foreign Corporate Shares and Income Mutual Funds	<u>627,528</u>	<u>0</u>	<u>0</u>	<u>627,528</u>
<b>Total</b>	<u>829,554,142</u>	<u>309,434</u>	<u>612,578,407</u>	<u>216,666,301</u>

	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	54,119,205	0	0	54,119,205
Bonds of the Republic of Panama	1,632,040	0	1,632,040	0
Local Corporate Shares	38,056,132	0	0	38,056,132
Local Financing	2,500,000	0	0	2,500,000
Foreign Treasury Bills	1,489,237	1,489,237	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	462,927,380	0	462,927,380	0
Asset Backed Securities (ABS)	75,767,198	0	75,767,198	0
Foreign Corporate Bonds and Fixed Income Funds	156,234,911	0	783,164	155,451,747
Foreign Corporate Shares and Income Mutual Funds	<u>290,439</u>	<u>0</u>	<u>160,650</u>	<u>129,789</u>
<b>Total</b>	<u>793,016,542</u>	<u>1,489,237</u>	<u>541,270,432</u>	<u>250,256,873</u>

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

**Notes to the Consolidated Financial Statements**

<b>Fair Value Measurement of Investments and Other Financial Assets at Fair Value Through OCI</b>				
	<b>2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper and Treasury Bills	59,495,878	0	0	59,495,878
Local Corporate Bonds	1,097,481,422	0	392,424,079	705,057,343
Bonds of the Republic of Panama	92,273,856	0	92,273,856	0
Bonds of the US Government	148,829,594	148,829,594	0	0
Foreign Commercial Paper and Treasury Bills	70,097,487	70,097,487	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,970,915,361	0	1,970,915,361	0
Asset Backed Securities (ABS)	135,423,082	0	135,423,082	0
Foreign Corporate Bonds	922,213,746	0	922,213,746	0
Other Governments Bonds	14,870,996	0	14,870,996	0
<b>Total</b>	<b>4,511,601,422</b>	<b>218,927,081</b>	<b>3,528,121,120</b>	<b>764,553,221</b>
	<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Commercial Paper	7,292,981	0	0	7,292,981
Local Corporate Bonds	1,089,500,182	0	386,248,749	703,251,433
Bonds of the Republic of Panama	92,522,833	0	92,522,833	0
Bonds of the US Government	136,751,904	136,751,904	0	0
Foreign Commercial Paper and Treasury Bills	287,219,669	168,105,063	119,114,606	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,297,058,939	0	1,297,058,939	0
Asset Backed Securities (ABS)	188,920,050	0	188,920,050	0
Foreign Corporate Bonds	1,213,905,377	0	1,213,905,377	0
Other Governments Bonds	13,069,355	0	13,069,355	0
<b>Total</b>	<b>4,326,241,290</b>	<b>304,856,967</b>	<b>3,310,839,909</b>	<b>710,544,414</b>

**Changes in Fair Value Measurement of Level 3 hierarchy  
Investments and other  
financial assets**

	<b>Fair Value through Profit or Loss</b>	<b>Fair Value through OCI</b>	<b>Total</b>
<b>December 31, 2023</b>	250,256,873	710,544,414	960,801,287
Gain recognized in income	4,196,034	0	4,196,034
Loss recognized in equity	0	(2,585,252)	(2,585,252)
Purchases	35,406,707	147,404,500	182,811,207
Amortization, sales and redemptions	(73,353,963)	(90,810,441)	(164,164,404)
Transferred to Level 3	160,650	0	160,650
<b>December 31, 2024</b>	<b>216,666,301</b>	<b>764,553,221</b>	<b>981,219,522</b>
<b>Total (loss) gain related to instruments held as of December 31, 2024</b>	<b>245,383</b>	<b>(1,073,201)</b>	<b>(827,818)</b>
<b>December 31, 2022</b>	256,019,343	705,293,940	961,313,283
Gain recognized in income	3,618,508	62,000	3,680,508
Gain recognized in equity	0	12,165,446	12,165,446
Purchases	62,259,695	200,751,855	263,011,550
Amortization, sales and redemptions	(71,640,673)	(207,728,827)	(279,369,500)
<b>December 31, 2023</b>	<b>250,256,873</b>	<b>710,544,414</b>	<b>960,801,287</b>
<b>Total gain related to instruments held as of December 31, 2023</b>	<b>4,496,364</b>	<b>12,295,135</b>	<b>16,791,499</b>

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

**Notes to the Consolidated Financial Statements**

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

During 2024 and 2023, there were no transfers between levels 1 and 2 of the fair value hierarchy.

During the year 2024, due to changes in the source of estimation of the fair value level of shares of foreign mutual funds, a non-significant transfer was made from level 2 to level 3 of the fair value hierarchy.

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 techniques</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>		<u>Fair value sensitivity to unobservable inputs</u>
			<u>2024</u>	<u>2023</u>	
<b>Corporate Shares</b>	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Minimum 5.70% Maximum 11.86%	Minimum 5.90% Maximum 13.51%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Minimum (24.25%) Maximum 91.25%	Minimum (100.00%) Maximum 80.56%	If the growth increases the price increases and vice versa
<b>Fixed Income</b>	Discounted cash flow	Credit spreads	Minimum 1.12% Maximum 7.44% Average 2.08%	Minimum 1.46% Maximum 7.89% Average 2.22%	If the credit spreads increase, the price decreases and vice versa

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

**Notes to the Consolidated Financial Statements**

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

<u>Instruments</u>	<u>Valuation techniques</u>	<u>Inputs used</u>	<u>Level</u>
<b>Local Fixed Income</b>	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
<b>Local Shares</b>	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	
<b>Foreign Fixed Income</b>	Quoted market prices	Quoted prices in active markets	1-2
	Quoted observable market prices for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Buying/Selling prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	
<b>Agencies' MBS / CMOs</b>	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2
<b>Private MBS / CMOs and ABS</b>	Discounted cash flows model	Features of collateral Treasury yield Yield curves Expected cash flow and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
<b>Foreign Shares</b>	Carrying Amount Model	Carrying amount of the shares of the company	3
<b>Investment Vehicles</b>	Net asset value	Net asset value	2-3

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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:

	<b>2024</b>			
	<b>Fair Value</b>		<b>FV OCI</b>	
	<b>Effect in profit or loss</b>		<b>Effect in equity</b>	
	<b>Favorable</b>	<b>(Unfavorable)</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
Fixed Income	17,828	(18,755)	6,947,129	(9,149,988)
Corporate Shares	<u>1,664,530</u>	<u>(1,528,438)</u>	<u>0</u>	<u>0</u>
Total	<u>1,682,358</u>	<u>(1,547,193)</u>	<u>6,947,129</u>	<u>(9,149,988)</u>

  

	<b>2023</b>			
	<b>Fair Value</b>		<b>FV OCI</b>	
	<b>Effect in profit or loss</b>		<b>Effect in equity</b>	
	<b>Favorable</b>	<b>(Unfavorable)</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
Fixed Income	29,052	(60,404)	7,156,389	(9,045,952)
Corporate Shares	<u>1,935,343</u>	<u>(1,780,290)</u>	<u>0</u>	<u>0</u>
Total	<u>1,964,395</u>	<u>(1,840,694)</u>	<u>7,156,389</u>	<u>(9,045,952)</u>

**(7) Loans**

The composition of the loan portfolio is summarized as follows:

	<b>2024</b>	<b>2023</b>
Internal sector:		
Residential mortgages	4,574,595,919	4,659,177,582
Personal, auto and credit cards	2,203,922,414	1,963,721,467
Commercial mortgages	1,773,621,765	1,785,135,972
Lines of credit and commercial loans	1,680,520,164	1,347,048,892
Interim financing	293,807,622	265,160,413
Finance leases, net	110,162,091	91,931,089
Other secured loans	198,524,473	208,253,162
Overdrafts	<u>129,967,985</u>	<u>121,406,289</u>
Total internal sector	<u>10,965,122,433</u>	<u>10,441,834,866</u>
External sector:		
Residential mortgages	135,832,352	148,073,509
Personal, auto and credit cards	11,936,623	8,087,985
Commercial mortgages	140,403,064	139,404,710
Lines of credit and commercial loans	1,462,160,261	1,188,013,843
Other secured loans	10,196,389	9,688,042
Overdrafts	<u>36,620,534</u>	<u>39,858,070</u>
Total external sector	<u>1,797,149,223</u>	<u>1,533,126,159</u>
Total	<u>12,762,271,656</u>	<u>11,974,961,025</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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

	<b>2024</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	132,011,957	208,039,313	54,735,809	394,787,079
Transferred to 12-month ECL	47,751,008	(47,733,985)	(17,023)	0
Transferred to lifetime ECL not credit-impaired	(16,134,328)	28,139,657	(12,005,329)	0
Transferred to lifetime ECL credit-impaired	(6,541,755)	(13,232,924)	19,774,679	0
Net remeasurement of portfolio	(74,059,988)	47,558,092	19,308,597	(7,193,299)
New loans	19,747,230	42,291,510	5,961,706	68,000,446
Loans that have been derecognized	(14,015,272)	(44,216,739)	(19,063,880)	(77,295,891)
Recovery of loan write-off	0	0	48,500,695	48,500,695
Loans written-off	0	0	(61,881,252)	(61,881,252)
<b>Balance at the end of the year</b>	<b>88,758,852</b>	<b>220,844,924</b>	<b>55,314,002</b>	<b>364,917,778</b>

	<b>2023</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	136,926,931	234,895,462	61,176,842	432,999,235
Transferred to 12-month ECL	18,996,569	(12,361,212)	(6,635,357)	0
Transferred to lifetime ECL not credit-impaired	(4,188,565)	47,699,030	(43,510,465)	0
Transferred to lifetime ECL credit-impaired	(3,249,716)	(9,911,619)	13,161,335	0
Net remeasurement of portfolio	(25,178,460)	(46,542,739)	56,918,894	(14,802,305)
New loans	21,470,500	6,270,907	3,101,784	30,843,191
Loans that have been derecognized	(12,765,302)	(12,010,516)	(31,402,633)	(56,178,451)
Recovery of loan write-off	0	0	49,565,066	49,565,066
Loans written-off	0	0	(47,639,657)	(47,639,657)
<b>Balance at the end of the year</b>	<b>132,011,957</b>	<b>208,039,313</b>	<b>54,735,809</b>	<b>394,787,079</b>

**Loan loss allowance for consumer loans:**

	<b>2024</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit – impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	124,374,141	107,737,040	37,273,865	269,385,046
Transferred to 12-month ECL	41,991,215	(41,974,468)	(16,747)	0
Transferred to lifetime ECL not credit-impaired	(16,021,839)	23,996,874	(7,975,035)	0
Transferred to lifetime ECL credit-impaired	(6,535,611)	(9,528,302)	16,063,913	0
Net remeasurement of portfolio	(68,846,997)	58,301,448	18,866,656	8,321,107
New loans	13,789,813	23,799,992	3,808,034	41,397,839
Loans that have been derecognized	(11,395,759)	(10,909,806)	(15,406,953)	(37,712,518)
Recovery of loans write-off	0	0	47,554,085	47,554,085
Loans written-off	0	0	(60,952,638)	(60,952,638)
<b>Balance at end of the year</b>	<b>77,354,963</b>	<b>151,422,778</b>	<b>39,215,180</b>	<b>267,992,921</b>

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

**Notes to the Consolidated Financial Statements**

		<b>2023</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit – impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	124,543,314	120,496,961	42,180,961	287,221,236
Transferred to 12-month ECL	16,949,570	(10,365,530)	(6,584,040)	0
Transferred to lifetime ECL not credit-impaired	(3,987,464)	8,782,916	(4,795,452)	0
Transferred to lifetime ECL credit-impaired	(3,245,713)	(9,652,566)	12,898,279	0
Net remeasurement of portfolio	(17,322,983)	5,648,987	2,906,888	(8,767,108)
New loans	17,327,963	3,410,541	2,226,627	22,965,131
Loans that have been derecognized	(9,890,546)	(10,584,269)	(15,209,161)	(35,683,976)
Recovery of loans write-off	0	0	48,678,510	48,678,510
Loans written-off	0	0	(45,028,747)	(45,028,747)
<b>Balance at end of the year</b>	<b>124,374,141</b>	<b>107,737,040</b>	<b>37,273,865</b>	<b>269,385,046</b>

**Loan loss allowance for corporate loans:**

		<b>2024</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit - impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at beginning of the year</b>	7,637,816	100,302,273	17,461,944	125,402,033
Transferred to 12 months ECL	5,759,793	(5,759,517)	(276)	0
Transferred to lifetime ECL not credit impaired	(112,489)	4,142,783	(4,030,294)	0
Transferred to lifetime ECL credit impaired	(6,144)	(3,704,622)	3,710,766	0
Net remeasurement of portfolio	(5,212,991)	(10,743,356)	441,941	(15,514,406)
New loans	5,957,417	18,491,518	2,153,672	26,602,607
Loans that have been derecognized	(2,619,513)	(33,306,933)	(3,656,927)	(39,583,373)
Recovery of loans write-off	0	0	946,610	946,610
Loans written-off	0	0	(928,614)	(928,614)
<b>Balance at end of the year</b>	<b>11,403,889</b>	<b>69,422,146</b>	<b>16,098,822</b>	<b>96,924,857</b>

		<b>2023</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit - impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b>Balance at beginning of the year</b>	12,383,617	114,398,501	18,995,881	145,777,999
Transferred to 12 months ECL	2,046,999	(1,995,682)	(51,317)	0
Transferred to lifetime ECL not credit impaired	(201,101)	38,916,114	(38,715,013)	0
Transferred to lifetime ECL credit impaired	(4,003)	(259,053)	263,056	0
Net remeasurement of portfolio	(7,855,477)	(52,191,726)	54,012,006	(6,035,197)
New loans	4,142,537	2,860,366	875,157	7,878,060
Loans that have been derecognized	(2,874,756)	(1,426,247)	(16,193,472)	(20,494,475)
Recovery of loans write-off	0	0	886,556	886,556
Loans written-off	0	0	(2,610,910)	(2,610,910)
<b>Balance at end of the year</b>	<b>7,637,816</b>	<b>100,302,273</b>	<b>17,461,944</b>	<b>125,402,033</b>

During the year, a recalibration of the expected credit loss model was carried out with the aim of improving the accuracy of the required credit reserve, taking into account changes in market conditions, portfolio behavior and the system evolution.

A 52% (2023: 56%) of the Bank's credit portfolio is constituted by residential and commercial mortgage loans backed by residential units and commercial or industrial buildings.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
	(in thousands)	
Mortgages on real estate	7,359,967	7,429,022
Mortgages on moveable property	731,339	662,937
Deposits	306,295	308,677
Other guaranties	249,288	197,306
Unsecured	<u>4,115,383</u>	<u>3,377,019</u>
Total	<u>12,762,272</u>	<u>11,974,961</u>

The Bank recognized a tax credit in the amount of B/.65,632,677 (2023: B/.58,560,814), originating from the annual benefit awarded on mortgage loans granted with preferential interest rates. The accumulated tax credit receivable for B/.61,136,795 (2023: B/.96,722,836) is presented in the consolidated statement of financial position under other assets.

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

**Finance Leases, Net**

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
Minimum payments up to 1 year	45,088,361	39,030,736
Minimum payments from 1 year	<u>81,996,697</u>	<u>66,090,201</u>
Total minimum payments	127,085,058	105,120,937
Less unearned interest	<u>16,922,967</u>	<u>13,189,848</u>
Total finance leases, net	<u>110,162,091</u>	<u>91,931,089</u>

**(8) Investments in Associates**

The investments in associates are detailed as follows:

<u><b>Associates</b></u>	<u><b>Activity</b></u>	<u><b>Equity Participation</b></u>		<u><b>2024</b></u>	<u><b>2023</b></u>
		<u><b>2024</b></u>	<u><b>2023</b></u>		
Telered, S. A.	Processing of electronic transactions	40%	40%	17,603,531	18,321,072
Proyectos de Infraestructura, S. A.	Real estate investors	38%	38%	5,664,846	5,815,990
Processing Center, S. A.	Credit card processing	49%	49%	3,594,922	2,910,897
Financial Warehousing of Latin America, Inc.	Administrator of trust funds	38%	38%	<u>3,208,083</u>	<u>3,064,162</u>
				<u>30,071,382</u>	<u>30,112,121</u>

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

**Notes to the Consolidated Financial Statements**

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

<b>2024</b>								
<b>Associates</b>	<b>Financial Information Date</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Income</b>	<b>Expenses</b>	<b>Net income</b>	<b>Participation recognized in profit or loss</b>
Telered, S. A.	30-Nov-2024	<u>66,923,391</u>	<u>19,426,605</u>	<u>47,496,786</u>	<u>53,125,477</u>	<u>40,221,373</u>	<u>12,904,104</u>	5,589,115
Proyectos de Infraestructura, S. A.	31-Dec-2024	<u>14,846,165</u>	<u>0</u>	<u>14,846,165</u>	<u>7,029,643</u>	<u>1,113</u>	<u>7,028,530</u>	2,687,418
Processing Center, S. A.	30-Nov-2024	<u>27,067,111</u>	<u>8,404,004</u>	<u>18,663,107</u>	<u>31,817,192</u>	<u>19,579,875</u>	<u>12,237,317</u>	6,106,590
Financial Warehousing of Latin America, Inc.	31-Oct-2024	<u>16,286,557</u>	<u>7,478,501</u>	<u>8,808,056</u>	<u>4,769,740</u>	<u>2,688,550</u>	<u>2,081,190</u>	<u>525,252</u>
<b>Total</b>								<u>14,908,375</u>

  

<b>2023</b>								
<b>Associates</b>	<b>Financial Information Date</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Income</b>	<b>Expenses</b>	<b>Net income</b>	<b>Participation recognized in profit or loss</b>
Telered, S. A.	30-Nov-2023	<u>66,594,019</u>	<u>16,688,451</u>	<u>49,905,568</u>	<u>55,713,630</u>	<u>39,340,082</u>	<u>16,373,548</u>	7,337,841
Proyectos de Infraestructura, S. A.	31-Dec-2023	<u>15,242,598</u>	<u>0</u>	<u>15,242,598</u>	<u>3,934,345</u>	<u>616</u>	<u>3,933,729</u>	1,504,100
Processing Center, S. A.	30-Nov-2023	<u>27,876,182</u>	<u>10,547,820</u>	<u>17,328,362</u>	<u>28,261,268</u>	<u>16,892,818</u>	<u>11,368,450</u>	5,094,650
Financial Warehousing of Latin America, Inc.	31-Oct-2023	<u>13,161,351</u>	<u>4,572,540</u>	<u>8,588,811</u>	<u>4,340,452</u>	<u>2,471,962</u>	<u>1,868,490</u>	<u>572,623</u>
<b>Total</b>								<u>14,509,214</u>

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

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

<b>2024</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At the beginning of the year	34,943,143	138,901,310	203,963,748	127,465,817	48,104,869	553,378,887
Additions	0	0	22,223,291	19,799,259	3,715,598	45,738,148
Sales and disposals	0	227,864	525	10,469,479	0	10,697,868
At the end of the year	<u>34,943,143</u>	<u>138,673,446</u>	<u>226,186,514</u>	<u>136,795,597</u>	<u>51,820,467</u>	<u>588,419,167</u>
Accumulated depreciation and amortization:						
At the beginning of the year	0	45,816,994	127,048,289	85,198,524	35,341,467	293,405,274
Expense of the year	0	3,616,862	17,297,716	11,305,368	1,911,840	34,131,786
Sales and disposal	0	116,061	525	10,469,431	0	10,586,017
At the end of the year	0	<u>49,317,795</u>	<u>144,345,480</u>	<u>86,034,461</u>	<u>37,253,307</u>	<u>316,951,043</u>
Net balance	<u>34,943,143</u>	<u>89,355,651</u>	<u>81,841,034</u>	<u>50,761,136</u>	<u>14,567,160</u>	<u>271,468,124</u>

  

<b>2023</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Licenses and internally developed projects</b>	<b>Furniture and Equipment</b>	<b>Improvements</b>	<b>Total</b>
Cost:						
At the beginning of the year	31,999,135	135,380,209	183,989,593	123,056,424	49,468,645	523,894,006
Additions	3,208,608	4,308,637	20,370,708	16,532,940	2,216,481	46,637,374
Sales and disposals	264,600	787,536	396,553	12,123,547	3,580,257	17,152,493
At the end of the year	<u>34,943,143</u>	<u>138,901,310</u>	<u>203,963,748</u>	<u>127,465,817</u>	<u>48,104,869</u>	<u>553,378,887</u>
Accumulated depreciation and amortization:						
At the beginning of the year	0	42,731,801	107,729,572	88,874,573	33,527,102	272,863,048
Expense of the year	0	3,569,477	19,715,270	8,447,225	1,984,060	33,716,032
Sales and disposal	0	484,284	396,553	12,123,274	169,695	13,173,806
At the end of the year	0	<u>45,816,994</u>	<u>127,048,289</u>	<u>85,198,524</u>	<u>35,341,467</u>	<u>293,405,274</u>
Net balance	<u>34,943,143</u>	<u>93,084,316</u>	<u>76,915,459</u>	<u>42,267,293</u>	<u>12,763,402</u>	<u>259,973,613</u>

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

**Notes to the Consolidated Financial Statements**

**(10) Right-of-Use Assets**

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

	<u>2024</u>	<u>2023</u>
<b>Cost:</b>		
At the beginning of the year	28,510,025	27,235,400
New contracts	2,162,107	4,293,733
Cancellations	<u>(1,832,000)</u>	<u>(3,019,108)</u>
At the end of the year	<u>28,840,132</u>	<u>28,510,025</u>
<b>Accumulated depreciation:</b>		
At the beginning of the year	12,047,726	11,616,872
Expense of the year	3,553,901	3,449,962
Cancellations	<u>(1,665,394)</u>	<u>(3,019,108)</u>
At the end of the year	<u>13,936,233</u>	<u>12,047,726</u>
<b>Net balance</b>	<u>14,903,899</u>	<u>16,462,299</u>

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

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

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

Investments and other financial assets pending settlement amount to B/.272,708,272 (2023: B/.302,824,536) for sales of investments and other financial assets and B/.538,873,658 (2023: B/.432,587,385) for purchases of investments and other financial assets.

**(12) Goodwill and Intangible Assets, Net**

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

<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 Cesantía, 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 Cesantía, 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>
<b>Total</b>				<u>41,091,499</u>
(1) Banking CGU				
(2) Pension and Retirement Fund				

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

**Notes to the Consolidated Financial Statements**

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

		<b><u>2024</u></b>	
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning and end of the year	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
<b>Accumulated amortization:</b>			
Balance at the beginning of the year	0	42,532,568	42,532,568
Amortization of the year	<u>0</u>	<u>1,757,793</u>	<u>1,757,793</u>
Balance at the end of the year	<u>0</u>	<u>44,290,361</u>	<u>44,290,361</u>
Net balance at the end of the year	<u>41,091,499</u>	<u>3,171,723</u>	<u>44,263,222</u>
		<b><u>2023</u></b>	
	<b><u>Goodwill</u></b>	<b><u>Intangible assets</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance at the beginning and end of the year	41,091,499	47,462,084	88,553,583
<b>Accumulated amortization:</b>			
Balance at the beginning of the year	0	39,915,176	39,915,176
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>42,532,568</u>	<u>42,532,568</u>
Net balance at the end of the year	<u>41,091,499</u>	<u>4,929,516</u>	<u>46,021,015</u>

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

It is the Bank's policy to conduct an impairment test annually or more frequently when there is some indication that an asset may be impaired (a trigger event). As of December 31, 2024 and 2023, no impairment losses were recognized. Additionally, the valuation calculated by discounting the future cash flows generated from the acquisition of assets or businesses resulted in a present value which exceeded their carrying value.

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

To calculate the present value of future cash flows and determine the value of the assets or businesses being evaluated, the Bank's estimated average cost of capital was used as a discount rate for the periods referred to, when the business unit being assessed is the Bank; when discounting cash flows of assets or units with a profile other than that of the Bank, the applicable cost of capital to that unit is used. The Bank's capital cost is based on the average interest rates of long-term AAA dollar instruments, the country risk premium and return premium applicable for capital investments. The cost of capital used fluctuates between 14% and 15%.

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

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

#### (13) Foreclosed Assets, Net

The Bank holds foreclosed assets, amounting to B/.62,249,042 (2023: B/.51,273,528), less a reserve of B/.2,061,997 (2023: B/.4,912,876).

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

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	4,912,876	3,408,621
Provisions charged to expenses	4,785,064	8,578,705
Reversal of provision	(1,643,152)	(4,985,396)
Foreclosed assets sold	<u>(5,992,791)</u>	<u>(2,089,054)</u>
Balance at the end of the year	<u>2,061,997</u>	<u>4,912,876</u>

#### (14) Securities sold under repurchase agreements

As of December 31, 2024, the Bank maintains obligations resulting from securities sold under repurchase agreements amounting to B/.93,561,000 with various maturities until August 2025 and annual interest rates of 4.88% to 4.95%; the weighted average interest rate of these securities is 4.92%. These values are guaranteed with investment values for B/.96,005,517.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

The securities sold under repurchase agreements at amortized cost are detailed below:

	<b><u>2024</u></b>
Securities sold under repurchase agreements	93,561,000
Accrued interest payable	<u>562,055</u>
Securities sold under repurchase agreements at amortized cost	<u>94,123,055</u>

**(15) 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:

	<b><u>Level</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Bonds of the US Government	1	0	3,374,894
Mortgage Backed Securities (MBS)	2	<u>176,152,762</u>	<u>192,749,318</u>
Total		<u>176,152,762</u>	<u>196,124,212</u>

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

**(16) Borrowings and Debt Securities Issued, Net**

The Bank issued bonds and other borrowings, as follows:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Corporate bonds with maturities in 2026, at an interest rate of 3 month SOFR plus a margin	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000
Borrowings with maturity in 2024, at interest rates of 6 month SOFR plus a margin	0	116,999,994
Borrowings with maturity in 2025, at interest rates of 6 month SOFR plus a margin	40,000,000	50,000,000
Borrowings with maturity in 2026, at interest rates of 6 month SOFR plus a margin	50,000,000	50,000,000
Borrowings with maturity in 2030, at a fixed interest rate	27,692,308	30,000,000
Notes with maturities in 2024, at a fixed interest rate	0	15,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>37,500,000</u>	<u>52,500,000</u>
<b>Subtotal of borrowings and debt securities issued</b>	<b>695,089,308</b>	<b>854,396,994</b>
Revaluation coverage	<u>4,525,587</u>	<u>6,251,370</u>
<b>Total borrowings and debt securities issued, net</b>	<b><u>699,614,895</u></b>	<b><u>860,648,364</u></b>

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

**Notes to the Consolidated Financial Statements**

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

	<b><u>2024</u></b>	<b><u>2023</u></b>
Borrowings and debt securities issued, net	699,614,895	860,648,364
Accrued interest payable	<u>9,690,360</u>	<u>13,059,295</u>
Borrowings and debt securities issued at amortized cost	<u>709,305,255</u>	<u>873,707,659</u>

The Bank is the residual beneficiary of the liquid assets of Banco General DPR Funding Limited, a special purpose entity. Through this vehicle, the following transactions have been executed: notes issued for B/.200,000,000 in 2016, which matured in August 2024, and notes issued for B/.75,000,000 in 2017, in force, and are backed by future flows of transfers received (MT103), and whose balance is B/.37,500,000 (2023: B/.67,500,000). The Bank maintains Money Market deposits for the sum equal to the next payment of principal and interest of the total financing, which are presented within the category of deposits in banks.

The notes detailed above were agreed to the following terms and types of rates: those of 2016 for 8 years with principal repayments starting in the third year and fixed interest rate, and those of 2017 for 10 years with principal repayments as of the fifth year and fixed interest rate.

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

In December 2019, the Bank entered into a long-term loan agreement with a multilateral entity for B/.150,000,000 at a variable Libor rate of 6 months plus a margin and payment of six-monthly interest and maturity capital. The balance of this borrowing as of December 31, 2023 was B/.50,000,000, in the month of January 2024 this borrowing was canceled.

In April 2020, the Bank entered into a long-term loan agreement with a multilateral entity for B/.50,000,000 at a variable rate of Libor of 6 months plus a margin and payment of biannual interest and principal at maturity. In April 2024, this borrowing was canceled.

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

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

	<b><u>2024</u></b>	<b><u>2023</u></b>
Balance at the beginning of the year	860,648,364	802,268,103
New borrowings and debt securities issued	40,000,000	146,999,994
Redemption of debt securities issued and cancellation of borrowings	(199,307,686)	(86,906,084)
Revaluation coverage	<u>(1,725,783)</u>	<u>(1,713,649)</u>
Balance at the end of the year	<u>699,614,895</u>	<u>860,648,364</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****(17) Perpetual Bonds**

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

The perpetual bonds at amortized cost are summarized as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Perpetual bonds	400,000,000	400,000,000
Accrued interest payable	<u>3,150,000</u>	<u>3,150,000</u>
Perpetual bonds at amortized cost	<u><b>403,150,000</b></u>	<u><b>403,150,000</b></u>

**(18) Lease Liabilities**

The movement of lease liabilities is detailed as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Balance at the beginning of the year	18,301,593	17,312,742
New contracts	2,162,107	4,293,733
Payments	(3,453,674)	(3,304,882)
Cancellations	<u>(166,606)</u>	<u>0</u>
Balance at the end of the year	<u><b>16,843,420</b></u>	<u><b>18,301,593</b></u>

Interest expense on lease liabilities for B/.816,797 (2023: B/.792,188), is included in the line as of commission expenses and other expenses in the consolidated statement of income.

The Bank maintains lease liabilities whose contracts range between 1 and 20 years (2023: 1 and 20 years), and were calculated using discount rates between 3.25% and 7.80% (2023: 3.00% and 6.10%).

**(19) Reserves of Insurance Operations**

Reserves of insurance operations amount to B/.24,728,077 (2023: B/.23,828,478) and are comprised of unearned premiums and estimated insurance claims incurred.

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

**Notes to the Consolidated Financial Statements**

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

	<u>2024</u>	<u>2023</u>
<b>Unearned Premiums</b>		
Balance at the beginning of the year	23,126,177	21,314,216
Issued premiums	51,324,616	45,379,762
Earned premiums	<u>(47,809,989)</u>	<u>(43,567,801)</u>
Balance at the end of the year	26,640,804	23,126,177
Reinsurers participation	<u>(6,541,308)</u>	<u>(4,553,853)</u>
Unearned premiums, net	<u>20,099,496</u>	<u>18,572,324</u>
<b>Estimated Insurance Claims Incurred</b>		
Balance at the beginning of the year	6,609,172	5,045,986
Incurred claims	12,427,110	12,454,279
Paid claims	<u>(13,224,290)</u>	<u>(10,891,093)</u>
Balance at the end of the year	5,811,992	6,609,172
Reinsurer participation	<u>(1,183,411)</u>	<u>(1,353,018)</u>
Estimated insurance claims incurred, net	<u>4,628,581</u>	<u>5,256,154</u>
<b>Total reserves of insurance operations</b>	<u>24,728,077</u>	<u>23,828,478</u>

**(20) Concentration of Financial Assets and Liabilities**

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

	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>2024 United States of America and Others</u>	<u>Total</u>
<b>Assets:</b>				
Deposits with banks:				
Demand	66,224,403	66,092,658	205,151,890	337,468,951
Time	500,000	429,461	20,000,000	20,929,461
Investments and other financial assets at fair value through profit or loss	68,916,719	22,540,020	738,097,403	829,554,142
Investments and other financial assets at FVOCI	1,253,851,471	208,062,327	3,049,687,624	4,511,601,422
Investments and other financial assets at amortized cost, net	0	6,613,664	0	6,613,664
Loans	<u>10,965,122,433</u>	<u>1,619,908,468</u>	<u>177,240,755</u>	<u>12,762,271,656</u>
<b>Total</b>	<u>12,354,615,026</u>	<u>1,923,646,598</u>	<u>4,190,177,672</u>	<u>18,468,439,296</u>
<b>Liabilities:</b>				
Deposits:				
Demand	2,685,273,746	86,677,326	13,957,660	2,785,908,732
Saving	4,674,235,334	65,470,313	14,262,353	4,753,968,000
Time	5,931,294,415	211,043,356	58,650,208	6,200,987,979
Securities sold under repurchase agreements	0	0	93,561,000	93,561,000
Borrowings and debt securities issued, net	120,372,308	0	579,242,587	699,614,895
Perpetual bonds	0	0	400,000,000	400,000,000
Lease liabilities	16,083,412	760,008	0	16,843,420
Other liabilities/securities sold in short	0	0	<u>176,152,762</u>	<u>176,152,762</u>
<b>Total</b>	<u>13,427,259,215</u>	<u>363,951,003</u>	<u>1,335,826,570</u>	<u>15,127,036,788</u>
Commitments and contingencies	<u>420,585,597</u>	<u>9,897,256</u>	<u>0</u>	<u>430,482,853</u>

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

**Notes to the Consolidated Financial Statements**

		<u>2023</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
<b>Assets:</b>				
Deposits with banks:				
Demand	77,941,131	72,508,276	463,398,902	613,848,309
Time	0	455,642	0	455,642
Investments and other financial assets at fair value through profit or loss	76,180,755	28,424,722	688,411,065	793,016,542
Investments and other financial assets at FVOCI	1,195,357,281	216,329,387	2,914,554,622	4,326,241,290
Investments and other financial assets at amortized cost, net	0	5,664,174	0	5,664,174
Loans	<u>10,441,834,866</u>	<u>1,354,689,984</u>	<u>178,436,175</u>	<u>11,974,961,025</u>
<b>Total</b>	<u>11,791,314,033</u>	<u>1,678,072,185</u>	<u>4,244,800,764</u>	<u>17,714,186,982</u>
<b>Liabilities:</b>				
Deposits:				
Demand	2,758,521,383	102,962,527	15,742,748	2,877,226,658
Saving	4,771,586,932	101,178,712	12,872,070	4,885,637,714
Time	5,206,076,424	208,695,480	57,015,668	5,471,787,572
Borrowings and debt securities issued, net	147,680,000	0	712,968,364	860,648,364
Perpetual bonds	0	0	400,000,000	400,000,000
Lease liabilities	17,875,451	426,142	0	18,301,593
Other liabilities/securities sold in short	0	0	<u>196,124,212</u>	<u>196,124,212</u>
<b>Total</b>	<u>12,901,740,190</u>	<u>413,262,861</u>	<u>1,394,723,062</u>	<u>14,709,726,113</u>
Commitments and contingencies	<u>594,891,418</u>	<u>6,575,382</u>	<u>0</u>	<u>601,466,800</u>

**(21) 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.

<u>Segments</u>	<u>Operations</u>
<b>Banking and Financial Activities</b>	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
<b>Insurance and Reinsurance</b>	Insurance and reinsurance of policies of general lines, collective life and various risks
<b>Pension and Retirement Fund</b>	Management of pension and retirement, severance and investment funds

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Consolidated Financial Statements

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

	<b>Banking and Financial Activities</b>	<b>Insurance and Reinsurance</b>	<b>2024 Pension and retirement Fund</b>	<b>Eliminations</b>	<b>Total</b>
Interest and commission income	1,288,884,549	19,279,546	2,846,693	17,539,850	1,293,470,938
Interest and provision expenses	391,643,029	108,270	0	17,539,850	374,211,449
Other income, net	274,277,643	37,299,594	18,440,943	13,280	330,004,900
General and administrative expenses	314,632,364	3,400,565	6,085,453	13,280	324,105,102
Depreciation and amortization expense	37,387,920	20,087	277,680	0	37,685,687
Equity participation in associates	14,908,375	0	0	0	14,908,375
Net income before income tax	834,407,254	53,050,218	14,924,503	0	902,381,975
Net Income tax, estimated	99,408,164	6,697,599	3,202,797	0	109,308,560
Net Income tax, deferred	8,536,197	0	0	0	8,536,197
Net Income tax	107,944,361	6,697,599	3,202,797	0	117,844,757
Net income	726,462,893	46,352,619	11,721,706	0	784,537,218
Total assets	19,357,152,227	412,204,544	69,373,961	391,231,706	19,447,499,026
Total liabilities	16,584,264,403	62,359,191	1,342,197	373,125,644	16,274,840,147

	<b>Banking and Financial Activities</b>	<b>Insurance and Reinsurance</b>	<b>2023 Pension and retirement Fund</b>	<b>Eliminations</b>	<b>Total</b>
Interest and commission income	1,154,997,368	14,809,856	2,125,373	12,704,727	1,159,227,870
Interest and provision expenses	291,015,944	52,707	0	12,704,727	278,363,924
Other income, net	192,993,328	32,180,305	16,455,701	12,836	241,616,498
General and administrative expenses	295,945,033	3,076,006	5,762,353	12,836	304,770,556
Depreciation and amortization expense	36,931,228	18,139	216,627	0	37,165,994
Equity participation in associates	14,509,214	0	0	0	14,509,214
Net income before income tax	738,607,705	43,843,309	12,602,094	0	795,053,108
Net Income tax, estimated	96,265,117	6,338,923	2,765,005	0	105,369,045
Net Income tax, deferred	8,967,850	0	0	0	8,967,850
Net Income tax	105,232,967	6,338,923	2,765,005	0	114,336,895
Net income	633,374,738	37,504,386	9,837,089	0	680,716,213
Total assets	18,647,081,290	370,813,144	60,828,942	347,116,525	18,731,606,851
Total liabilities	16,074,986,270	57,508,623	775,803	329,010,463	15,804,260,233

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

	<b>Panama</b>	<b>2024 Latin America and the Caribbean</b>	<b>United States of America and Others</b>	<b>Total</b>
Income from interest and commissions, other net income and equity participation in associates	1,245,413,895	208,304,195	184,666,123	1,638,384,213
Non-financial assets	312,516,195	3,215,151	0	315,731,346

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

	<b>2023</b>			
	<b>Panama</b>	<b>Latin America and the Caribbean</b>	<b>United States of America and Others</b>	<b>Total</b>
Income from interest and commissions, other net income and equity participation in associates	<u>1,146,971,272</u>	<u>166,286,289</u>	<u>102,096,021</u>	<u>1,415,353,582</u>
Non-financial assets	<u>302,716,445</u>	<u>3,278,183</u>	<u>0</u>	<u>305,994,628</u>

**(22) Equity**

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (2023: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (2023: 9,787,108 common shares).

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

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

		<b>2024 Reserves</b>				
	<b><u>Dynamic</u></b>	<b><u>Foreclosed Assets</u></b>	<b><u>Loans in the process of awarding</u></b>	<b><u>Legal</u></b>	<b><u>Insurance</u></b>	<b><u>Total</u></b>
Banco General, S. A.	139,009,941	4,738,127	14,682,221	0	0	158,430,289
General de Seguros, S. A.	0	0	0	0	43,308,077	43,308,077
Banco General (Overseas), Inc.	14,018,604	0	0	0	0	14,018,604
Banco General (Costa Rica), S. A.	<u>3,783,023</u>	<u>0</u>	<u>0</u>	<u>4,141,416</u>	<u>0</u>	<u>7,924,439</u>
<b>Total</b>	<u>156,811,568</u>	<u>4,738,127</u>	<u>14,682,221</u>	<u>4,141,416</u>	<u>43,308,077</u>	<u>223,681,409</u>

  

		<b>2023 Reserves</b>				
	<b><u>Dynamic</u></b>	<b><u>Foreclosed Assets</u></b>	<b><u>Loans in the process of awarding</u></b>	<b><u>Legal</u></b>	<b><u>Insurance</u></b>	<b><u>Total</u></b>
Banco General, S. A.	133,877,476	4,251,413	16,379,960	0	0	154,508,849
General de Seguros, S. A.	0	0	0	0	40,642,782	40,642,782
Banco General (Overseas), Inc.	11,447,322	0	0	0	0	11,447,322
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>
<b>Total</b>	<u>149,466,988</u>	<u>4,251,413</u>	<u>16,379,960</u>	<u>2,532,860</u>	<u>40,642,782</u>	<u>213,274,003</u>

  

<b>Transfer (reversal) from retained earnings of the year</b>	<u>7,344,580</u>	<u>486,714</u>	<u>(1,697,739)</u>	<u>1,608,556</u>	<u>2,665,295</u>	<u>10,407,406</u>
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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 Superintendency of Insurance and Reinsurance of Panama. The use and restitution of these reserves shall be regulated by the Superintendency of Insurance and Reinsurance of the Republic of Panama.

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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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.

#### Adoption of IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

In 2023, the Bank through the subsidiary of Overseas Capital Markets, Inc., Commercial Re Overseas, Ltd., applied the adoption of this new standard, the results of which as a result of the transition from IFRS 4 to IFRS 17 generated a decrease in retained earnings for the total amount of B/.45,899.

#### (23) Loss on Financial Instruments, Net

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

	<u>2024</u>	<u>2023</u>
Unrealized (loss) gain on investments and other financial assets	(2,794,900)	28,269,882
Unrealized gain on derivative instruments	13,944,119	11,858,212
Net gain (loss) on sale of investments and other financial assets at FV through profit or loss	4,088,913	(6,202,510)
Net loss on sale of investments and other financial assets at FVOCI	(26,009,499)	(63,963,149)
Realized gain (loss) on derivative instruments	<u>355,800</u>	<u>(16,940,282)</u>
Total loss on financial instruments, net	<u>(10,415,567)</u>	<u>(46,977,847)</u>

The net gain (loss) on sale of investments and other financial assets at FV through profit or loss includes loss on sale of financial instruments of debt for short sales for B/.765,837 (2023: gain on sale for B/.6,570,118).

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****(24) Fees, Other Commissions and Other Income, Net**

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

	<u>2024</u>	<u>2023</u>
Credit and debit card bankings services	276,348,890	237,670,515
Other banking services	84,124,719	75,410,073
Management of funds and trusts	25,337,173	22,998,196
Securities brokerage	21,360,980	13,010,882
Insurance and reinsurance operations	1,796,492	2,079,485
Food voucher business	<u>2,860,006</u>	<u>1,940,373</u>
Total fees and other commissions	<u>411,828,260</u>	<u>353,109,524</u>

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

	<u>2024</u>	<u>2023</u>
Dividends	2,592,874	2,537,523
Foreign exchange fluctuations, net	(94,612)	(24,175)
Various banking services	17,522,938	15,211,599
Gain on sale of fixed assets, net	150,521	4,272,490
Fiduciary services	83,525	130,025
Other income	<u>31,496,393</u>	<u>29,890,463</u>
Total other income, net	<u>51,751,639</u>	<u>52,017,925</u>

**(25) 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 Bank's Board of Directors approved in 2023, updating the option plan for the options granted in 2018 and 2019, for which it canceled and reissued options to purchase shares for 704,205. During 2024, the Bank granted options to purchase shares for 163,850 (2023: 213,500). The options balance is 1,659,667 (2023: 1,844,685), which have an average exercise price of B/.67.08 (2023: B/.66.58). The total expense of the options granted to the participants based on their fair value, amounted to B/.1,394,644 (2023: B/.1,379,121). These options may be exercised by the executives until the year 2032.

**Restricted Share Plan**

On March 2018, the Board of Directors of Grupo Financiero BG, S. A. approved to reserve a total of up to 350,000 common shares of its authorized share capital in order to be awarded under the Restricted Share Plan for participants, which applies for the 2018-2024 period. In October 2024, the Board of Directors of Grupo Financiero BG, S. A. authorized the reservation of 20,491 additional common shares to the current plan.

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

The shares to be issued to the participants are awarded at the average price of the Bolsa Latinoamericana de Valores, S. A. of the month prior to the award.

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

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

In 2024, 56,876 (2023: 55,205) shares were granted under the restricted share plan and recognized as an expense of B/.5,043,564 (2023: B/.4,195,321). The reconciliation of the balance for these shares is as follows:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Shares at the beginning of the year	36,385	91,590
Shares approved	20,491	0
Shares issued	<u>(56,876)</u>	<u>(55,205)</u>
Shares at the end of the year	<u>0</u>	<u>36,385</u>

#### **Retirement Plan**

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

The contribution to the retirement plan was B/.81,600 (2023: B/.81,600) and the disbursements to former employees who are covered under the retirement plan amount to B/.156,020 (2023: B/.156,175).

#### **(26) 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 Superintendency 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 Consolidated Financial Statements**

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 income tax, estimated is of B/.108,252,924 (2023: B/.103,410,402) on a financial income generated by companies incorporated in the Republic of Panama of B/.817,727,313 (2023: B/.736,908,708) and the average effective estimated income tax rate is 13.2% (2023: 14.0%). The income tax rate applicable according to current legislation in the Republic of Panama is 25% (2023: 25%) or based on the alternative calculation, whichever is greater.

Net income tax is detailed as follows:

	<u>2024</u>	<u>2023</u>
Estimated income tax	109,762,702	105,369,605
Prior year income tax adjustments	(454,142)	(560)
Deferred income tax	<u>8,536,197</u>	<u>8,967,850</u>
Total income tax, net	<u>117,844,757</u>	<u>114,336,895</u>

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

	<u>2024</u>	<u>2023</u>
Financial income before income tax	817,727,313	736,908,708
Net foreign income, exempt and non-taxable	(639,458,551)	(562,094,410)
Non-deductible costs and expenses	<u>254,742,933</u>	<u>238,827,309</u>
Fiscal net income	<u>433,011,695</u>	<u>413,641,607</u>

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

**Notes to the Consolidated Financial Statements**

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

	<u>2024</u>	<u>2023</u>	<u>Effects on results</u>
<b>Deferred income tax – asset:</b>			
Loan loss allowance	87,008,502	95,139,006	(8,130,504)
Allowance for foreclosed assets for sale	<u>369,556</u>	<u>768,025</u>	<u>(398,469)</u>
Total deferred income tax – asset	<u>87,378,058</u>	<u>95,907,031</u>	<u>(8,528,973)</u>
<b>Deferred income tax – liability:</b>			
Loan loss allowance	959,409	959,409	0
Investment loss allowance	(8,728)	(8,728)	0
Deferred commissions	<u>208,081</u>	<u>200,925</u>	<u>7,156</u>
Total deferred income tax – liability	<u>1,158,762</u>	<u>1,151,606</u>	<u>7,156</u>
Effect of exchange rate differential			<u>(68)</u>
Total deferred income tax			<u>(8,536,197)</u>

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

**(27) Commitments and Contingencies**

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

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

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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

	<b>0 – 1 Year</b>	<b>2024 1 – 5 Years</b>	<b>Total</b>
Letters of credit	111,383,877	2,473,001	113,856,878
Financial guarantees	47,762,268	1,534,143	49,296,411
Mortgage disbursement commitment	<u>267,329,564</u>	<u>0</u>	<u>267,329,564</u>
Total	<u>426,475,709</u>	<u>4,007,144</u>	<u>430,482,853</u>

  

	<b>0 – 1 Year</b>	<b>2023 1 – 5 Years</b>	<b>Total</b>
Letters of credit	65,123,376	42,576,960	107,700,336
Financial guarantees	72,973,803	2,653,385	75,627,188
Mortgage disbursement commitment	<u>418,139,276</u>	<u>0</u>	<u>418,139,276</u>
Total	<u>556,236,455</u>	<u>45,230,345</u>	<u>601,466,800</u>

**Credit Quality Analysis of Commitments and Contingencies**

The table below presents information about the credit quality of commitments and contingencies held by the Bank:

	<b>2024</b>	<b>2023</b>
<b><u>Maximum exposure</u></b>		
Carrying amount	<u>430,482,853</u>	<u>601,466,800</u>
<b><u>Letters of credit</u></b>		
Grade 1: Standard	110,879,263	105,122,767
Grade 2: Special mention	1,297,856	233,485
Grade 3: Sub-standard	1,679,759	1,544,084
Grade 4: Doubtful	<u>0</u>	<u>800,000</u>
Gross amount	<u>113,856,878</u>	<u>107,700,336</u>
<b><u>Financial guarantees</u></b>		
Grade 1: Standard	49,114,150	74,533,579
Grade 2: Special mention	158,652	1,070,000
Grade 3: Sub-standard	<u>23,609</u>	<u>23,609</u>
Gross amount	<u>49,296,411</u>	<u>75,627,188</u>
<b><u>Mortgage disbursement commitment</u></b>		
Grade 1: Standard	264,541,476	390,502,080
Grade 2: Special mention	1,596,840	26,228,404
Grade 3: Sub-standard	1,191,248	1,263,892
Grade 5: Uncollectible	<u>0</u>	<u>144,900</u>
Gross amount	<u>267,329,564</u>	<u>418,139,276</u>

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

#### (28) Investment Entities and Separate Vehicles

The Bank managed trust funds and fiduciary contracts at client's own behalf and risk in the amount of B/.3,361,284,917 (2023: B/.3,239,630,892), and the custody of securities in investment accounts at client's own behalf and risk amounting to B/.16,422,858,807 (2023: B/.14,446,954,385), which include asset accounts under discretionary administration for the sum of B/.67,364,092 (2023: B/.57,559,532).

According to the nature of these services, the management considers that there are no significant risks attributable to the Bank.

#### (29) Structured Entities

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

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interest Held by the Bank</u>
- Investment funds	To offer an alternative to investors through a diversified portfolio while preserving capital	10.79% (2023: 10.79%)

The funds managed at client's own behalf and risk amount to B/.560,579,300 (2023: B/.550,477,169); income fees for administration and custody amount to B/.6,019,552 (2023: B/.5,754,126), and are presented as fees and other commissions in the consolidated statement of income.

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

#### (30) Derivative Financial Instruments

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

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

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

**Notes to the Consolidated Financial Statements**

Below is the summary of derivative contracts is as follow:

	<b>Over the Counter (OTC)</b>							
	<b>Total</b>		<b>Exchange-Traded</b>		<b>Liquidated in a securities exchange</b>		<b>Other bilateral counterparts</b>	
	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>
<b>2024</b>								
Derivative assets	1,849,774,471	43,344,266	247,956,620	0	907,312,215	38,372,380	694,505,636	4,971,886
Derivative liabilities	670,524,460	6,108,920	174,458,830	0	330,730,000	4,667,119	165,335,630	1,441,801
<b>2023</b>								
Derivative assets	1,443,195,226	31,700,222	261,381,130	0	604,884,462	30,009,988	576,929,634	1,690,234
Derivative liabilities	808,222,015	9,819,410	193,850,132	0	315,545,124	7,007,712	298,826,759	2,811,698

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA+ y A- (2023: AA+ y BBB+), which support derivative operations in the amount of B/.18.1MM (2023: B/.23.3MM).

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

Other Derivatives classified by Risk:

	<b>2024</b>		<b>2023</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Other Derivatives				
Credit	409,192	131,023	687,374	2,376,571
Interest	25,670,930	5,892,807	19,492,357	5,111,934
Currency	0	0	10,238	8,537
Total	<u>26,080,122</u>	<u>6,023,830</u>	<u>20,189,969</u>	<u>7,497,042</u>

The Bank has derivative contracts in books for a notional value of B/.2,520,298,931 (2023: B/.2,251,417,241), of which B/.2,079,932,746 (2023: B/.2,019,108,180) are part of the portfolios given under management to third parties. Of these derivatives managed by third parties B/.1,927,517,130 (2023: B/.1,825,058,767) are aimed at manage the duration and interest rate risk of these portfolios.

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

Hedge Derivatives for Risk Management:

	<b>2024</b>		<b>2023</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b><u>Exposure to risk:</u></b>				
<b>Interest rate</b>				
Fair value hedge	11,170,195	0	10,580,535	0
Others	2,288,237	0	878,230	0
Total interest rate	<u>13,458,432</u>	<u>0</u>	<u>11,458,765</u>	<u>0</u>
<b>Currency</b>				
Others	3,805,712	85,090	51,488	2,322,368
Total Currency	<u>3,805,712</u>	<u>85,090</u>	<u>51,488</u>	<u>2,322,368</u>
Total derivatives for risk exposure	<u>17,264,144</u>	<u>85,090</u>	<u>11,510,253</u>	<u>2,322,368</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**Interest rate risk derivatives hedge

The Bank uses ("interest rate swaps") to hedge part of the exposure of the fair value of investments in bonds or debt issues to changes in interest rates. ("Interest rate swaps") must replicate the terms of these positions.

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

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

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

<u>Risk Category</u>	<u>2024</u> <u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	20,000,000	29,900,000
Average interest rate				5.25%	5.13%

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

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

	<u>Notional Value</u>	<u>Book Value</u>		<u>2024</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>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
<b>Interest rate risk:</b>						
Interest rate derivatives – Bonds						
Hedge	49,900,000	11,170,195	0	Other assets (liabilities)	0	0
<b>Total interest rate risk</b>	49,900,000	11,170,195	0			

## Notes to the Consolidated Financial Statements

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

63

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

**Notes to the Consolidated Financial Statements**

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

	<b>2024</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>				
Other derivatives:				
Credit	0	409,192	0	409,192
Interest	0	25,670,930	0	25,670,930
Total	0	26,080,122	0	26,080,122
Hedge derivatives for risk management:				
Interest	0	13,458,432	0	13,458,432
Currency	0	3,805,712	0	3,805,712
Total	0	17,264,144	0	17,264,144
<b>Total derivatives assets</b>	0	43,344,266	0	43,344,266
<b><u>Liabilities</u></b>				
Other derivatives:				
Credit	0	131,023	0	131,023
Interest	0	5,892,807	0	5,892,807
Total	0	6,023,830	0	6,023,830
Hedge derivatives for risk management:				
Currency	0	85,090	0	85,090
Total	0	85,090	0	85,090
<b>Total derivatives liabilities</b>	0	6,108,920	0	6,108,920
	<b>2023</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>				
Other derivatives:				
Credit	0	687,374	0	687,374
Interest	0	19,492,357	0	19,492,357
Currency	0	10,238	0	10,238
Total	0	20,189,969	0	20,189,969
Hedge derivatives for risk management:				
Interest	0	11,458,765	0	11,458,765
Currency	0	51,488	0	51,488
Total	0	11,510,253	0	11,510,253
<b>Total derivatives assets</b>	0	31,700,222	0	31,700,222
<b><u>Liabilities</u></b>				
Other derivatives:				
Credit	0	2,376,571	0	2,376,571
Interest	0	5,111,934	0	5,111,934
Currency	0	8,537	0	8,537
Total	0	7,497,042	0	7,497,042
Hedge derivatives for risk management:				
Currency	0	2,322,368	0	2,322,368
Total	0	2,322,368	0	2,322,368
<b>Total derivatives liabilities</b>	0	9,819,410	0	9,819,410

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

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

See Note 6, for the description of these Levels.

#### (31) Fair Value of Financial Instruments

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

(a) *Investments and other financial assets*

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

(b) *Loans*

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

(c) *Demand deposits from customers/savings deposits from customers/securities sold under repurchase agreements/other financial assets/other financial liabilities*

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.

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Consolidated Financial Statements

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

	<u>2024</u>		<u>2023</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<b><u>Assets:</u></b>				
Time deposits with banks	20,964,082	20,963,477	464,397	462,768
Investments at amortized cost, net	6,615,138	6,632,644	5,667,970	5,697,692
Loans, net	12,414,611,692	12,255,102,495	11,606,492,899	11,463,280,668
Other financial assets	<u>272,708,272</u>	<u>272,708,272</u>	<u>302,824,536</u>	<u>302,824,536</u>
	<u>12,714,899,184</u>	<u>12,555,406,888</u>	<u>11,915,449,802</u>	<u>11,772,265,664</u>
<b><u>Liabilities:</u></b>				
Deposits	13,851,769,365	13,789,756,357	13,323,949,471	13,243,825,999
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	1,206,578,310	1,047,318,034	1,276,857,659	1,140,800,020
Other financial liabilities	<u>538,873,658</u>	<u>538,873,658</u>	<u>432,587,385</u>	<u>432,587,385</u>
	<u>15,597,221,333</u>	<u>15,375,948,049</u>	<u>15,033,394,515</u>	<u>14,817,213,404</u>

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

	<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>Assets:</u></b>				
Time deposits with banks	20,963,477	0	0	20,963,477
Investments at amortized cost, net	6,632,644	0	0	6,632,644
Loans, net	12,255,102,495	0	0	12,255,102,495
Other financial assets	<u>272,708,272</u>	<u>0</u>	<u>0</u>	<u>272,708,272</u>
	<u>12,555,406,888</u>	<u>0</u>	<u>0</u>	<u>12,555,406,888</u>
<b><u>Liabilities:</u></b>				
Deposits	13,789,756,357	0	0	13,789,756,357
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	1,047,318,034	0	0	1,047,318,034
Other financial liabilities	<u>538,873,658</u>	<u>0</u>	<u>0</u>	<u>538,873,658</u>
	<u>15,375,948,049</u>	<u>0</u>	<u>0</u>	<u>15,375,948,049</u>
	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>Assets:</u></b>				
Time deposits with banks	462,768	0	0	462,768
Investments at amortized cost, net	5,697,692	0	0	5,697,692
Loans, net	11,463,280,668	0	0	11,463,280,668
Other financial assets	<u>302,824,536</u>	<u>0</u>	<u>0</u>	<u>302,824,536</u>
	<u>11,772,265,664</u>	<u>0</u>	<u>0</u>	<u>11,772,265,664</u>
<b><u>Liabilities:</u></b>				
Deposits	13,243,825,999	0	0	13,243,825,999
Borrowings, debt securities issued and perpetual bonds	1,140,800,020	0	0	1,140,800,020
Other financial liabilities	<u>432,587,385</u>	<u>0</u>	<u>0</u>	<u>432,587,385</u>
	<u>14,817,213,404</u>	<u>0</u>	<u>0</u>	<u>14,817,213,404</u>

See Note 6, for the description of these levels.

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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#### **(32) Financial Instruments Risk Management**

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the credit, liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established 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 consolidated statement of financial position of the Bank.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****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:

	<b>2024</b> (in thousands)			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b><u>Loans at amortized cost</u></b>				
Grade 1: Standard	10,624,692	505,805	0	11,130,497
Grade 2: Special mention	175,407	556,805	14,764	746,976
Grade 3: Sub-standard	16,691	495,360	67,294	579,345
Grade 4: Doubtful	41	8,133	64,556	72,730
Grade 5: Uncollectible	151	4,884	117,527	122,562
Gross amount	10,816,982	1,570,987	264,141	12,652,110
Loan losses allowance	(88,356)	(220,719)	(55,312)	(364,387)
Net carrying amount	<u>10,728,626</u>	<u>1,350,268</u>	<u>208,829</u>	<u>12,287,723</u>
<b><u>Finance leases</u></b>				
Grade 1: Standard	107,305	455	0	107,760
Grade 2: Special mention	0	1,472	0	1,472
Grade 3: Sub-standard	0	907	0	907
Grade 4: Doubtful	0	0	23	23
Gross amount	107,305	2,834	23	110,162
Loan losses allowance	(403)	(126)	(2)	(531)
Net carrying amount	<u>106,902</u>	<u>2,708</u>	<u>21</u>	<u>109,631</u>
<b><u>Total loans</u></b>	<u>10,924,287</u>	<u>1,573,821</u>	<u>264,164</u>	<u>12,762,272</u>
Loan losses allowance	(88,759)	(220,845)	(55,314)	(364,918)
Net carrying amount	<u>10,835,528</u>	<u>1,352,976</u>	<u>208,850</u>	<u>12,397,354</u>
<b><u>Restructured loans</u></b>				
Gross amount	1,463	611,753	129,383	742,599
Loan losses allowance	(163)	(90,598)	(24,937)	(115,698)
Net carrying amount	<u>1,300</u>	<u>521,155</u>	<u>104,446</u>	<u>626,901</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

	<b>2023</b> (in thousands)			
	<b>12-month ECL</b>	<b>Lifetime ECL Not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
<b><u>Loans at amortized cost</u></b>				
Grade 1: Standard	9,730,226	337,019	0	10,067,245
Grade 2: Special mention	187,705	765,784	10,445	963,934
Grade 3: Sub-standard	43,040	530,622	59,015	632,677
Grade 4: Doubtful	10,135	6,263	69,276	85,674
Grade 5: Uncollectible	<u>7,356</u>	<u>2,467</u>	<u>123,677</u>	<u>133,500</u>
Gross amount	9,978,462	1,642,155	262,413	11,883,030
Loan losses allowance	<u>(131,699)</u>	<u>(207,950)</u>	<u>(54,700)</u>	<u>(394,349)</u>
Net carrying amount	<u>9,846,763</u>	<u>1,434,205</u>	<u>207,713</u>	<u>11,488,681</u>
<b><u>Finance leases</u></b>				
Grade 1: Standard	88,946	3	0	88,949
Grade 2: Special mention	722	713	0	1,435
Grade 3: Sub-standard	586	797	123	1,506
Grade 4: Doubtful	<u>0</u>	<u>30</u>	<u>11</u>	<u>41</u>
Gross amount	90,254	1,543	134	91,931
Loan losses allowance	<u>(313)</u>	<u>(89)</u>	<u>(36)</u>	<u>(438)</u>
Net carrying amount	<u>89,941</u>	<u>1,454</u>	<u>98</u>	<u>91,493</u>
<b>Total loans</b>	<u>10,068,716</u>	<u>1,643,698</u>	<u>262,547</u>	<u>11,974,961</u>
Loan losses allowance	<u>(132,012)</u>	<u>(208,039)</u>	<u>(54,736)</u>	<u>(394,787)</u>
Net carrying amount	<u>9,936,704</u>	<u>1,435,659</u>	<u>207,811</u>	<u>11,580,174</u>
<b><u>Restructured loans</u></b>				
Gross amount	55,426	659,633	129,852	844,911
Loan losses allowance	<u>(3,533)</u>	<u>(81,707)</u>	<u>(27,624)</u>	<u>(112,864)</u>
Net carrying amount	<u>51,893</u>	<u>577,926</u>	<u>102,228</u>	<u>732,047</u>

Of the total restructured loans for B/.742,599 (2023: B/.844,911), B/.616,183 correspond to loans with mortgage guarantee (2023: B/.733,938).

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

	<b>Banco General, S. A.</b>	<b>2024 Subsidiaries</b>	<b>Total</b>
Current	10,997,686,330	957,578,231	11,955,264,561
From 31 to 90 days	495,180,625	5,602,565	500,783,190
More than 90 days (capital or interest)	273,544,845	4,225,878	277,770,723
More than 30 days past due (capital at maturity)	<u>27,656,317</u>	<u>796,865</u>	<u>28,453,182</u>
Total	<u>11,794,068,117</u>	<u>968,203,539</u>	<u>12,762,271,656</u>
	<b>Banco General, S. A.</b>	<b>2023 Subsidiaries</b>	<b>Total</b>
Current	10,357,475,302	832,345,698	11,189,821,000
From 31 to 90 days	474,926,729	5,929,238	480,855,967
More than 90 days (capital or interest)	285,002,734	4,296,943	289,299,677
More than 30 days past due (capital at maturity)	<u>14,935,826</u>	<u>48,555</u>	<u>14,984,381</u>
Total	<u>11,132,340,591</u>	<u>842,620,434</u>	<u>11,974,961,025</u>

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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/.32,542,704 (2023: B/.38,346,571), which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>2024 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<b><u>At Amortized Cost</u></b>					
<i>Foreign:</i>					
Lower than BBB-	6,631,170	0	0	0	6,631,170
Carrying amount	6,631,170	0	0	0	6,631,170
Loss allowance	(17,506)	0	0	0	(17,506)
<b>Total carrying amount, net</b>	<u>6,613,664</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,613,664</u>
<b><u>At FVOCI</u></b>					
<i>Local:</i>					
AA+ to BBB-	231,928,652	0	0	0	231,928,652
Lower than BBB-	1,002,017,620	15,304,884	0	0	1,017,322,504
Carrying amount	1,233,946,272	15,304,884	0	0	1,249,251,156
Valuation of credit risk	(3,663,258)	(155,194)	0	0	(3,818,452)
<i>Foreign:</i>					
AAA	2,042,461,951	0	0	0	2,042,461,951
AA+ to BBB-	1,017,192,221	0	0	0	1,017,192,221
Lower than BBB-	199,162,160	3,311,040	0	23,785	202,496,985
NR	0	0	0	199,109	199,109
Carrying amount	3,258,816,332	3,311,040	0	222,894	3,262,350,266
Valuation of credit risk	(4,952,437)	(564,853)	0	(3,087)	(5,520,377)
<b>Total carrying amount</b>	<u>4,492,762,604</u>	<u>18,615,924</u>	<u>0</u>	<u>222,894</u>	<u>4,511,601,422</u>
<b>Total valuation of credit risk</b>	<u>(8,615,695)</u>	<u>(720,047)</u>	<u>0</u>	<u>(3,087)</u>	<u>(9,338,829)</u>
<b><u>At Fair Value TPL</u></b>					
<i>Local:</i>					
Lower than BBB-	54,569,168				
Carrying amount	54,569,168				
<i>Foreign:</i>					
AAA	506,979,999				
AA+ to BBB-	199,885,187				
Lower than BBB-	33,765,911				
NR	1,811,173				
Carrying amount	742,442,270				
<b>Total carrying amount</b>	<u>797,011,438</u>				

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Consolidated Financial Statements

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>2023 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<b><u>At Amortized Cost</u></b>					
<i>Foreign:</i>					
Lower than BBB-	5,693,896	0	0	0	5,693,896
Carrying amount	5,693,896	0	0	0	5,693,896
Loss allowance	(29,722)	0	0	0	(29,722)
<b>Total carrying amount, net</b>	<b>5,664,174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,664,174</b>
<b><u>At FVOCI</u></b>					
<i>Local:</i>					
AA+ to BBB-	438,798,422	0	0	0	438,798,422
Lower than BBB-	733,415,643	17,101,931	0	0	750,517,574
Carrying amount	1,172,214,065	17,101,931	0	0	1,189,315,996
Valuation of credit risk	(2,145,346)	(1,123,709)	0	0	(3,269,055)
<i>Foreign:</i>					
AAA	1,505,892,966	0	0	0	1,505,892,966
AA+ to BBB-	1,418,629,738	0	0	0	1,418,629,738
Lower than BBB-	205,516,892	6,581,178	0	304,520	212,402,590
Carrying amount	3,130,039,596	6,581,178	0	304,520	3,136,925,294
Valuation of credit risk	(5,622,755)	(468,000)	0	(51,323)	(6,142,078)
<b>Total carrying amount</b>	<b>4,302,253,661</b>	<b>23,683,109</b>	<b>0</b>	<b>304,520</b>	<b>4,326,241,290</b>
<b>Total valuation of credit risk</b>	<b>(7,768,101)</b>	<b>(1,591,709)</b>	<b>0</b>	<b>(51,323)</b>	<b>(9,411,133)</b>
<b><u>At Fair Value TPL</u></b>					
<i>Local:</i>					
AA+ to BBB-	1,632,040				
Lower than BBB-	56,619,205				
Carrying amount	58,251,245				
<i>Foreign:</i>					
AAA	420,019,868				
AA+ to BBB-	246,754,206				
Lower than BBB-	28,053,867				
NR	1,590,785				
Carrying amount	696,418,726				
<b>Total carrying amount</b>	<b>754,669,971</b>				

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

### Time deposits with banks

As of December 31, 2024, the deposits with banks are held with central banks and financial institution counterparties that are rated at least between AA+ y BBB- (2023: AA+ y BBB-), based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to B/.291,944,138 (2023: B/.541,516,071).

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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According to the calculations made by management, the amounts of reserves for expected credit losses associated with these instruments are not significant.

Factors of major influence in the credit risk of the Bank and the assumptions used for this disclosure are as follows:

- *Impairment of loans and investments and other financial assets and deposits with banks:*  
Impairment of loans, investments and other financial assets and deposits with banks is determined by comparing the carrying value of the asset to its estimated recoverable amount. At December 31, 2024 and 2023 the Bank has no impaired deposits.
- *Past due but not impaired loans and investments and other financial assets:*  
Loans and investments and other financial assets that have a level of collateral and/or sources of payment sufficient to cover the book value of said loan and investment and other financial assets are considered in default without impairment, that is, without expected losses.
- *Restructured loans:*  
Restructured loans are those that, due to material difficulties in the debtor's ability to pay, have been formally documented with a significant variation in the original terms of the loan (balance, term, payment schedule, rate and guarantees), and the result of the assessment of their current condition does not allow them to be reclassified as standard.

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

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

- *Impairment reserves:*  
The Bank has established reserves for impairment of financial instruments, which are described in Note 3, literal h.
- *Write-off policy:*  
The Bank periodically reviews its impaired or restructured corporate loan portfolio to identify credits that are deemed to be written off based on the collectability of the balance and for the amount of its real guarantees. For unsecured consumer loans, write-offs are carried out based on the accrued level of delinquency. In the case of mortgage and consumer loans, write-offs are recognized for the estimated portion of the carrying value that is not covered by loan collateral.

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****Collateral to Reduce Credit Risk and its Financial Effect**

The Bank holds collateral to reduce its exposure to credit risk and to ensure the collection of its financial assets exposed to credit risk.

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

	% of exposure that is subject to <u>Collateral requirements</u>		<u>Type of Collateral</u>
	<u>2024</u>	<u>2023</u>	
Loans	67.75%	71.80%	Cash, Properties, Equipment, and Others
Investments and Other Financial Assets	59.71%	51.42%	Cash, Properties, and Equipment

**Residential mortgage loans**

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

	<u>2024</u>	<u>2023</u>
Residential mortgages loans:		
Less than 50%	739,946,640	743,949,464
51% - 70%	1,296,903,982	1,272,381,821
71% - 90%	2,248,558,351	2,305,475,648
More than 90%	<u>425,019,298</u>	<u>485,444,158</u>
Total	<u>4,710,428,271</u>	<u>4,807,251,091</u>

**Concentration of Credit Risk**

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

	<u>Loans</u>		<u>Investments and other financial assets</u>	
	<u>2024</u> (in thousands)	<u>2023</u> (in thousands)	<u>2024</u> (in thousands)	<u>2023</u> (in thousands)
<b><u>Concentration by Sector:</u></b>				
Corporate	5,460,675	4,816,695	2,731,250	3,229,550
Consumer	6,926,288	6,779,061	0	0
Government and Government Agencies	0	0	2,583,976	1,857,025
Other Sectors	<u>375,309</u>	<u>379,205</u>	<u>0</u>	<u>0</u>
	<u>12,762,272</u>	<u>11,974,961</u>	<u>5,315,226</u>	<u>5,086,575</u>
<b><u>Geographical Concentration:</u></b>				
Panama	10,965,123	10,441,835	1,290,853	1,233,482
Latin America and the Caribbean	1,619,908	1,354,690	237,216	250,418
United States of America and Other	<u>177,241</u>	<u>178,436</u>	<u>3,787,157</u>	<u>3,602,675</u>
	<u>12,762,272</u>	<u>11,974,961</u>	<u>5,315,226</u>	<u>5,086,575</u>

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

**(b) Counterparty Risk**

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

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

**(c) Market Risk**

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

*Management of market risk:*

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

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

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

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

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

*Exposure to market risk:*

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

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Consolidated Financial Statements

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

- *Exchange rate risk:*

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

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

The following table details the Bank's currency exposure agreed in currencies other than the United States of America (USA) dollar:

				2024				
	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
<b>Exchange rate</b>	<b><u>1.04</u></b>	<b><u>512.73</u></b>	<b><u>1.25</u></b>	<b><u>157.18</u></b>	<b><u>20.81</u></b>	<b><u>7.30</u></b>		
<b>Assets</b>								
Cash and cash items	1,590,843	7,077,167	538,386	78,411	12,198	16,466	365,344	9,678,815
Investments and other financial assets	79,476,546	6,686,134	25,680,297	0	0	0	10,008,508	121,851,485
Loans	0	7,889,448	0	0	0	0	0	7,889,448
Other assets	<u>2,875,337</u>	<u>29</u>	<u>1,560,053</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,409</u>	<u>4,493,828</u>
	<u>83,942,726</u>	<u>21,652,778</u>	<u>27,778,736</u>	<u>78,411</u>	<u>12,198</u>	<u>16,466</u>	<u>10,432,261</u>	<u>143,913,576</u>
<b>Liabilities</b>								
Deposits	0	21,688,241	0	0	0	0	0	21,688,241
Borrowings and debt securities issued	0	11,899	0	0	0	0	0	11,899
Other liabilities	<u>84,553,835</u>	<u>0</u>	<u>27,466,832</u>	<u>0</u>	<u>12,724</u>	<u>0</u>	<u>10,112,488</u>	<u>122,145,879</u>
	<u>84,553,835</u>	<u>21,700,140</u>	<u>27,466,832</u>	<u>0</u>	<u>12,724</u>	<u>0</u>	<u>10,112,488</u>	<u>143,846,019</u>
<b>Net currency positions</b>	<u>(611,109)</u>	<u>(47,362)</u>	<u>311,904</u>	<u>78,411</u>	<u>(526)</u>	<u>16,466</u>	<u>319,773</u>	<u>67,557</u>

# BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

## Notes to the Consolidated Financial Statements

	<b>2023</b>							
	<b>Euro, expressed in USD</b>	<b>Costa Rican Colon, expressed in USD</b>	<b>Sterling Pound, expressed in USD</b>	<b>Japanese Yen, expressed in USD</b>	<b>Mexican Peso, expressed in USD</b>	<b>Chinese Yuan, expressed in USD</b>	<b>Other currencies, expressed in USD*</b>	<b>Total</b>
<b>Exchange rate</b>	<b><u>1.10</u></b>	<b><u>526.88</u></b>	<b><u>1.27</u></b>	<b><u>141.03</u></b>	<b><u>16.97</u></b>	<b><u>7.10</u></b>		
<b>Assets</b>								
Cash and cash items	1,600,626	7,132,338	565,287	32,398	11,819	10,480	395,216	9,748,164
Investments and other financial assets	77,936,985	5,750,033	34,372,359	0	0	0	1,393,029	119,452,406
Loans	0	7,416,346	0	0	0	0	0	7,416,346
Other assets	<u>1,769,462</u>	<u>5,458,409</u>	<u>8,004,239</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,403</u>	<u>15,249,513</u>
	<u>81,307,073</u>	<u>25,757,126</u>	<u>42,941,885</u>	<u>32,398</u>	<u>11,819</u>	<u>10,480</u>	<u>1,805,648</u>	<u>151,866,429</u>
<b>Liabilities</b>								
Deposits	0	18,272,114	0	0	0	0	0	18,272,114
Borrowings and debt securities issued	0	1,934,264	0	0	0	0	0	1,934,264
Other liabilities	<u>80,739,293</u>	<u>121,841</u>	<u>42,171,171</u>	<u>60,138</u>	<u>14,680</u>	<u>0</u>	<u>1,517,311</u>	<u>124,624,434</u>
	<u>80,739,293</u>	<u>20,328,219</u>	<u>42,171,171</u>	<u>60,138</u>	<u>14,680</u>	<u>0</u>	<u>1,517,311</u>	<u>144,830,812</u>
<b>Net currency positions</b>	<u>567,780</u>	<u>5,428,907</u>	<u>770,714</u>	<u>(27,740)</u>	<u>(2,861)</u>	<u>10,480</u>	<u>288,337</u>	<u>7,035,617</u>

\* Other currencies include Australian Dollar, Swiss Franc, Singapore Dollar, Colombian Peso, Canadian Dollar, Guatemalan Quetzal, Peruvian New Sun, South Africa Rand, Turkish Lira, Hong Kong Dollar, Norwegian Krone, Danish Krone, Swedish Krona, New Zealand Dollar, Indonesian Rupiah, Polish Zloty and Hungarian Forint.

- **Interest rate risk on cash flows and fair value:**

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

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

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

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

	<b>Up to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 months to 1 year</b>	<b>2024 From 1 to 5 years</b>	<b>From 5 to 10 years</b>	<b>More than 10 years</b>	<b>Total</b>
<b>Assets:</b>							
Time deposits with banks	20,866,597	0	62,864	0	0	0	20,929,461
Investments and other financial assets	1,277,422,942	143,859,717	232,157,760	1,704,674,594	977,479,919	544,519,683	4,880,114,615
Loans	<u>12,341,982,697</u>	<u>190,687,830</u>	<u>77,626,802</u>	<u>151,179,607</u>	<u>403,081</u>	<u>391,639</u>	<u>12,762,271,656</u>
Total	<u>13,640,272,236</u>	<u>334,547,547</u>	<u>309,847,426</u>	<u>1,855,854,201</u>	<u>977,883,000</u>	<u>544,911,322</u>	<u>17,663,315,732</u>
<b>Liabilities:</b>							
Deposits	7,258,579,473	864,484,231	1,424,514,275	2,453,729,418	0	0	12,001,307,397
Securities sold under repurchase agreements	93,561,000	0	0	0	0	0	93,561,000
Borrowings, debt securities issued and perpetual bonds	<u>6,430,000</u>	<u>96,057,692</u>	<u>9,807,692</u>	<u>582,704,126</u>	<u>404,615,385</u>	<u>0</u>	<u>1,099,614,895</u>
Total	<u>7,358,570,473</u>	<u>960,541,923</u>	<u>1,434,321,967</u>	<u>3,036,433,544</u>	<u>404,615,385</u>	<u>0</u>	<u>13,194,483,292</u>
Total interest sensitivity gap	<u>6,281,701,763</u>	<u>(625,994,376)</u>	<u>(1,124,474,541)</u>	<u>(1,180,579,343)</u>	<u>573,267,615</u>	<u>544,911,322</u>	<u>4,468,832,440</u>

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

**Notes to the Consolidated Financial Statements**

	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	2023 From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
<b>Assets:</b>							
Time deposits with banks	394,232	47,653	13,757	0	0	0	455,642
Investments and other financial assets	1,295,302,153	159,860,336	306,846,938	1,733,691,728	899,990,709	343,341,926	4,739,033,790
Loans	<u>11,427,537,696</u>	<u>319,955,311</u>	<u>64,662,944</u>	<u>161,847,334</u>	<u>466,016</u>	<u>491,724</u>	<u>11,974,961,025</u>
Total	<u>12,723,234,081</u>	<u>479,863,300</u>	<u>371,523,639</u>	<u>1,895,539,062</u>	<u>900,456,725</u>	<u>343,833,650</u>	<u>16,714,450,457</u>
<b>Liabilities:</b>							
Deposits	7,105,347,272	753,955,211	1,446,872,106	2,080,945,625	0	0	11,387,120,214
Borrowings, debt securities issued and perpetual bonds	<u>111,430,000</u>	<u>125,749,995</u>	<u>14,807,692</u>	<u>599,429,908</u>	<u>409,230,769</u>	<u>0</u>	<u>1,260,648,364</u>
Total	<u>7,216,777,272</u>	<u>879,705,206</u>	<u>1,461,679,798</u>	<u>2,680,375,533</u>	<u>409,230,769</u>	<u>0</u>	<u>12,647,768,578</u>
Total interest sensitivity gap	<u>5,506,456,809</u>	<u>(399,841,906)</u>	<u>(1,090,156,159)</u>	<u>(784,836,471)</u>	<u>491,225,956</u>	<u>343,833,650</u>	<u>4,066,681,879</u>

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

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

	<b>Sensitivity of the net interest income</b>			
	<b>100bp Increase</b>		<b>100bp decrease</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
At the end of the year	26,110,012	19,005,665	(25,902,392)	(17,388,172)
Average for the year	23,782,996	19,773,740	(23,635,377)	(18,905,776)
Maximum for the year	26,110,012	20,484,211	(25,902,392)	(20,360,344)
Minimum for the year	19,972,538	19,005,665	(19,855,547)	(17,388,172)

	<b>Sensitivity in profit or loss for investments at fair value</b>			
	<b>100bp Increase</b>		<b>100bp decrease</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
At the end of the year	(18,285,934)	(11,613,348)	11,985,533	14,161,339
Average for the year	(16,133,069)	(18,589,963)	13,130,510	16,591,174
Maximum for the year	(19,683,691)	(23,273,562)	16,997,404	20,298,816
Minimum for the year	(10,172,637)	(11,613,348)	9,342,015	14,161,339

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**


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	<u>Sensitivity of other comprehensive income</u>			
	<u>100bp Increase</u>		<u>100bp decrease</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
At the end of the year	(160,820,123)	(132,276,224)	151,696,457	135,329,309
Average for the year	(138,951,892)	(134,324,022)	139,433,350	139,696,083
Maximum for the year	(160,820,123)	(141,881,648)	151,696,457	147,709,379
Minimum for the year	(126,966,538)	(128,647,472)	131,935,400	135,329,309

**(d) Liquidity and Financing Risk**

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

***Liquidity Risk Management:***

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

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

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

## Notes to the Consolidated Financial Statements

				2024				
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
<b>Assets:</b>								
Cash and cash items	170,110,069	0	0	0	0	0	0	170,110,069
Deposits with banks	320,395,497	20,643,025	11,832,885	5,527,005	0	0	0	358,398,412
Investments and other financial assets, net	4,335,582,617	18,887,993	99,687,853	418,562,356	419,653,580	23,479,653	61,986,558	5,377,840,610
Loans, net	1,868,910,712	976,321,068	1,213,438,073	7,458,828,448	624,800,147	213,459,020	0	12,355,757,468
Accrued interest receivable	0	0	88,454,708	2,575,195	0	0	0	91,029,903
Other assets	272,708,272	0	0	0	0	0	0	272,708,272
Total	6,967,707,167	1,015,852,086	1,413,413,519	7,885,493,004	1,044,453,727	236,938,673	61,986,558	18,625,844,734
<b>Liabilities:</b>								
Deposits	8,994,108,268	864,484,231	1,428,542,794	2,453,729,418	0	0	0	13,740,864,711
Securities sold under repurchase agreements	93,561,000	0	0	0	0	0	0	93,561,000
Borrowings, debt securities issued and perpetual bonds	3,750,000	18,557,692	62,307,692	610,384,126	4,615,385	0	400,000,000	1,099,614,895
Lease Liabilities	882,915	850,743	1,613,676	8,817,040	3,645,239	1,033,807	0	16,843,420
Accrued interest payable	0	0	124,367,215	0	0	0	0	124,367,215
Other liabilities	715,026,420	0	0	0	0	0	0	715,026,420
Total	9,807,328,603	883,892,666	1,616,831,377	3,072,930,584	8,260,624	1,033,807	400,000,000	15,790,277,661
Net position	(2,839,621,436)	131,959,420	(203,417,858)	4,812,562,420	1,036,193,103	235,904,866	(338,013,442)	2,835,567,073

				2023				
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
<b>Assets:</b>								
Cash and cash items	195,541,375	0	0	0	0	0	0	195,541,375
Deposits with banks	571,445,515	21,177,759	9,363,047	12,317,630	0	0	0	614,303,951
Investments and other financial assets, net	4,121,613,326	54,487,176	93,756,625	351,724,548	442,282,417	24,205,482	66,964,553	5,155,034,127
Loans, net	1,723,867,687	976,171,059	1,318,997,621	6,671,869,400	624,800,294	225,506,657	0	11,541,212,718
Accrued interest receivable	0	0	88,852,582	10,856,219	0	0	0	99,708,801
Other assets	<u>302,824,536</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>302,824,536</u>
Total	<u>6,915,292,439</u>	<u>1,051,835,994</u>	<u>1,510,969,875</u>	<u>7,046,767,797</u>	<u>1,067,082,711</u>	<u>249,712,139</u>	<u>66,964,553</u>	<u>17,908,625,508</u>
<b>Liabilities:</b>								
Deposits	8,949,444,928	753,955,211	1,450,306,180	2,080,945,625	0	0	0	13,234,651,944
Borrowings, debt securities issued and perpetual bonds	8,750,000	10,749,994	129,807,692	702,109,909	9,230,769	0	400,000,000	1,260,648,364
Lease Liabilities	817,949	806,826	1,554,113	9,595,015	4,063,807	1,463,883	0	18,301,593
Accrued interest payable	0	0	105,564,653	0	0	0	0	105,564,653
Other liabilities	<u>628,711,597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>628,711,597</u>
Total	<u>9,587,724,474</u>	<u>765,512,031</u>	<u>1,687,232,638</u>	<u>2,792,650,549</u>	<u>13,294,576</u>	<u>1,463,883</u>	<u>400,000,000</u>	<u>15,247,878,151</u>
Net position	(2,672,432,035)	286,323,963	(176,262,763)	4,254,117,248	1,053,788,135	248,248,256	(333,035,447)	2,660,747,357

79

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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#### *Exposure to Liquidity Risk:*

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

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

	<b><u>2024</u></b>	<b><u>2023</u></b>
At the end of the year	27.74%	29.58%
Average for the year	28.11%	28.59%
Maximum for the year	30.09%	29.64%
Minimum for the year	27.34%	27.58%

#### (e) *Operational Risk*

Operational risk is the risk that losses may occur due to failure or insufficiency of processes, personnel, technology, infrastructure, management information, models used or the occurrence of external events. This definition includes the legal risk associated with such factors; but excludes losses due to loss of profits, reputational risk and strategic risk. The Bank has designed an operational risk management model under a decentralized management structure through risk managers within functional areas.

Operational Risk is a division of the Corporate Risk department and its management model includes within its main functions:

- Business Continuity
- Risk Management
- Management and Control
- Cybersecurity as a second line

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

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements****(f) Capital Management**

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

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

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>Ordinary Primary Capital (Tier 1)</b>		
Common shares	500,000,000	500,000,000
Legal reserve	205,261,061	193,642,630
Other items of comprehensive income	(120,335,155)	(163,678,172)
Retained earnings	2,568,312,625	2,376,750,787
Less: regulatory adjustments	<u>44,263,222</u>	<u>46,021,015</u>
Total	<u><u>3,108,975,309</u></u>	<u><u>2,860,694,230</u></u>
<b>Additional Primary Capital (Tier 1)</b>		
Subordinated debt – perpetual bonds	<u>400,000,000</u>	<u>400,000,000</u>
Total	<u><u>400,000,000</u></u>	<u><u>400,000,000</u></u>
<b>Total primary capital</b>	<u><u>3,508,975,309</u></u>	<u><u>3,260,694,230</u></u>
<b>Total capital</b>	<u><u>3,508,975,309</u></u>	<u><u>3,260,694,230</u></u>
Credit risk-weighted assets	12,673,281,643	12,045,909,883
Market risk-weighted assets	608,972,129	641,963,397
Operative risk-weighted assets	<u>815,597,563</u>	<u>763,010,130</u>
<b>Total Risk-weighted assets</b>	<u><u>14,097,851,335</u></u>	<u><u>13,450,883,410</u></u>
<b>Capital ratios</b>		
Total capital	24.89%	24.24%
Total primary capital	24.89%	24.24%

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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#### **(33) Critical Accounting Estimates and Judgments in Applying Accounting Policies**

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

*(a) Impairment losses on loans:*

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

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

*(b) Fair value of derivative instruments:*

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

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

*(c) Impairment of investments and other financial assets:*

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

*(d) Goodwill impairment:*

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

#### **(34) Main Applicable Laws and Regulations**

*(a) Banking Law in the Republic of Panama*

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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#### **Liquidity Ratio**

The liquidity ratio reported by Banco General S. A. to the regulator, based on the parameters established in the Agreement No.4-2008, was 42.16% (2023: 41.83%).

#### **Capital Adequacy**

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

The Bank has a ratio of consolidated regulatory capital to its risk-weighted assets of 24.89% (2023: 24.24%) in accordance with Agreements No.1-2015, No.3-2016, modified by No. 8-2022, No.11-2018 and No.6-2019 issued by the Superintendency of Banks of Panama.

Agreement No.1-2015 establishes applicable capital adequacy standards for banks and banking groups, which came into effect on January 1, 2016. Agreement No.3-2016, which came into effect on July 1, 2016, modification in certain appraisal parameters based on Agreement No.8-2022. Establishes standards for the calculation of risk-weighted assets for credit and counterparty risks. Agreements No.11-2018 and No.6-2019 establishes the standards for the determination of assets weighted by operational risk and market risk, respectively, begin on December 31, 2019.

#### **Market Risk Weighted Assets**

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

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

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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

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

<u>Category</u>	<u>Market Risk-Weighted Assets</u>	
	<u>2024</u>	<u>2023</u>
Fixed income	221,750,723	115,524,990
Variable income	90,544,207	110,282,250
Derivatives	<u>296,677,199</u>	<u>416,156,157</u>
<b>Market risk-weighted assets</b>	<b><u>608,972,129</u></b>	<b><u>641,963,397</u></b>

The net gain obtained during 2024 in the trading portfolio amounts to B/.15,625,747 (2023: net loss B/.227,003).

#### **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 Superintendency 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 Superintendency of Banks of Panama mandates that general license banks apply these prudential standards.

#### **Loans and Loan Allowances**

##### **Specific Provisions**

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

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

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

The table below summarizes the classification of the loan portfolio and reserves for loan losses of Banco General, S. A. based on Agreement No. 4-2013:

<b>2024</b>						
(in thousands)						
	<b><u>Standard</u></b>	<b><u>Special mention</u></b>	<b><u>Sub- standard</u></b>	<b><u>Doubtful</u></b>	<b><u>Uncollectible</u></b>	<b><u>Total</u></b>
Corporate loans	4,182,491	270,994	451,311	13,796	32,206	4,950,798
Consumer loans	<u>6,095,421</u>	<u>473,473</u>	<u>128,443</u>	<u>63,716</u>	<u>91,217</u>	<u>6,852,270</u>
Total	<u>10,277,912</u>	<u>744,467</u>	<u>579,754</u>	<u>77,512</u>	<u>123,423</u>	<u>11,803,068</u>
Specific Reserve	<u>0</u>	<u>38,070</u>	<u>52,589</u>	<u>26,230</u>	<u>25,356</u>	<u>142,245</u>

  

<b>2023</b>						
(in thousands)						
	<b><u>Standard</u></b>	<b><u>Special mention</u></b>	<b><u>Sub- standard</u></b>	<b><u>Doubtful</u></b>	<b><u>Uncollectible</u></b>	<b><u>Total</u></b>
Corporate loans	3,588,376	337,772	472,332	19,978	32,182	4,450,640
Consumer loans	<u>5,784,030</u>	<u>627,815</u>	<u>161,635</u>	<u>65,027</u>	<u>98,763</u>	<u>6,737,270</u>
Total	<u>9,372,406</u>	<u>965,587</u>	<u>633,967</u>	<u>85,005</u>	<u>130,945</u>	<u>11,187,910</u>
Specific Reserve	<u>0</u>	<u>43,540</u>	<u>61,719</u>	<u>23,812</u>	<u>25,463</u>	<u>154,534</u>

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

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

<b>2024</b>				
(in thousands)				
	<b><u>Current</u></b>	<b><u>Past Due</u></b>	<b><u>Delinquent</u></b>	<b><u>Total</u></b>
Corporate loans	4,675,672	216,591	58,535	4,950,798
Consumer loans	<u>6,331,017</u>	<u>278,557</u>	<u>242,696</u>	<u>6,852,270</u>
Total	<u>11,006,689</u>	<u>495,148</u>	<u>301,231</u>	<u>11,803,068</u>

  

<b>2023</b>				
(in thousands)				
	<b><u>Current</u></b>	<b><u>Past Due</u></b>	<b><u>Delinquent</u></b>	<b><u>Total</u></b>
Corporate loans	4,220,315	184,544	45,781	4,450,640
Consumer loans	<u>6,192,729</u>	<u>289,748</u>	<u>254,793</u>	<u>6,737,270</u>
Total	<u>10,413,044</u>	<u>474,292</u>	<u>300,574</u>	<u>11,187,910</u>

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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

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

Total loans of Banco General, S. A. in non-accrual status of interest based on Agreement No.4-2013, modified by Agreement No.8-2014, amounts to B/.253,020,677 (2023: B/.254,450,391). Total interest income not recognized on these loans is of B/.16,754,219 (2023: B/.17,149,192).

#### **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 provision is an equity item that is presented under legal reserves in the consolidated statement of changes in equity and appropriates undistributed profits. The credit balance of this dynamic provision is part of the regulatory capital but does not replace or compensate for the minimum capital adequacy percentage requirements established by the Superintendency of Banks of Panama.

Through the General Resolution of the Board of Directors SBP-GJD-0007-2020 of July 16, 2020, the Superintendency 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, provision effective as of 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 Superintendency 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 came into force upon its promulgation.

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

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

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

**Notes to the Consolidated Financial Statements**

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

	<u>2024</u>	<u>2023</u>
Banco General, S. A.	139,009,941	133,877,476
Banco General (Overseas), Inc.	14,018,604	11,447,322
Banco General (Costa Rica), S. A.	<u>3,783,023</u>	<u>4,142,190</u>
Total	<u>156,811,568</u>	<u>149,466,988</u>

As of January 2024, based on the General Resolution of the Board of Directors SBP-GJD-R-2023-01125, the Bank returned to undistributed profits, the excess of 2.50% of the dynamic provision in a subsidiary to establish the maximum percentage required.

**Provision of Assets for Loans in the Process of Awarding**

Article 27 of Agreement No.4-2013, modified by Agreement No.11-2019, establishes mortgage loans and consumer loans and corporate loans with real estate guarantees must be written off in a period not exceeding two years from the date they were classified as unrecoverable; except for mortgage loans and consumer loans, the term of which may be extended for an additional year prior approval of the Superintendent.

After the established deadlines, a reserve must be created in the equity account, through the appropriation of its retained earnings to which the net loan value charges of the provisions already constituted will be made, according to the percentages established in the following table:

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

The balance of the equity provision of assets for loans in the process of awarding is of B/.14,682,221 (2023: B/.16,379,960), which will be maintained until the effective adjudication of the assets is made and will not be computed for the purpose of calculating the capital adequacy index.

**Foreclosed Assets**

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

**BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

**Notes to the Consolidated Financial Statements**

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

<u>Years</u>	<u>Minimum reserve percentage</u>
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

Banco General, S. A. holds foreclosed assets held for sale in the amount of B/.41,045,143 (2023: B/.48,129,623) and a provision in the amount of B/.6,176,260 (2023: B/.7,219,443). The regulatory provision was estimated based on Agreements No.1-2000 and No.3-2009 in the amounts of B/.4,871,300 (2023: B/.4,384,586).

**Off-Balance Sheet Operations**

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

	<u>Standard</u>	<u>Special Mention</u>	<u>2024</u> (in thousands)			<u>Total</u>
			<u>Sub-Standard</u>	<u>Doubtful</u>	<u>Uncollectible</u>	
Letters of credit	108,682	1,298	1,680	0	0	111,660
Bank guarantees and promissory notes	<u>303,852</u>	<u>1,742</u>	<u>1,215</u>	<u>0</u>	<u>0</u>	<u>306,809</u>
Total	<u>412,534</u>	<u>3,040</u>	<u>2,895</u>	<u>0</u>	<u>0</u>	<u>418,469</u>
Reserve required	<u>0</u>	<u>243</u>	<u>311</u>	<u>0</u>	<u>0</u>	<u>554</u>

  

	<u>Standard</u>	<u>Special Mention</u>	<u>2023</u> (in thousands)			<u>Total</u>
			<u>Sub-Standard</u>	<u>Doubtful</u>	<u>Uncollectible</u>	
Letters of credit	102,815	233	1,544	800	0	105,392
Bank guarantees and promissory notes	<u>459,567</u>	<u>26,383</u>	<u>1,288</u>	<u>0</u>	<u>145</u>	<u>487,383</u>
Total	<u>562,382</u>	<u>26,616</u>	<u>2,832</u>	<u>800</u>	<u>145</u>	<u>592,775</u>
Reserve required	<u>0</u>	<u>7</u>	<u>649</u>	<u>192</u>	<u>0</u>	<u>848</u>

**Investments**

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

## BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

### Notes to the Consolidated Financial Statements

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#### Capital Conservation Calculation

Agreement No. 5-2023 issued by the Superintendency of Banks of Panama, which began on July 1, 2024, established regulations the rules on the capital conservation buffer, whose objectives are: (i) to ensure that banks accumulate reserves that can be used in case of incurring losses, (ii) to ensure that banks do not fail to meet the minimum requirements established, without considering the conservation buffer, in case of solvency deterioration.

Banking entities must establish a capital conservation buffer of 2.5% of risk-weighted assets (credit, market, and operational), consisting of common equity tier 1 capital and in addition to all minimum regulatory capital requirements that are established.

The following table, is the ordinary primary capital and capital conservation buffer ratio (in percentage), which banks must maintain:

	Common tier one capital	Total tier one capital	Total minimum (regulatory) capital
Minimum	4.5	6.0	8.0
Conservation buffer	2.5		
Minimum plus conservation buffer	7.0	8.5	10.5

Banking entities will have an adaptation period for the constitution of the capital conservation buffer established in this Agreement, on the following dates:

	Applicable percentage/ Capital Conservation Buffer	Minimum Common Tier One Capital + Conservation Buffer
July 1, 2024	0.50%	5.00%
July 1, 2025	0.75%	5.75%
July 1, 2026	1.25%	7.00%

(b) *Banking Law of Costa Rica*

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

(c) *Banking Law of the Cayman Islands*

The operations of Banco General (Overseas), Inc. is regulated by the Bank and Fiduciary Institutions Law of May 15, 1989, which was last revised on December 31, 2020, issued by the Government of the Cayman Islands.

(d) *Finance leases Law*

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

## **BANCO GENERAL, S. A. AND SUBSIDIARIES**

(Panama, Republic of Panama)

### **Notes to the Consolidated Financial Statements**

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(e) *Insurance and Reinsurance Law*

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

(f) *Insurance Law of the British Virgin Islands*

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

(g) *Securities Law*

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

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

(h) *Fiduciary Law*

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

(i) *Labor Law of the Ministry of Labor and Labor Development (MITRADEL)*

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