

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

**Condensed Consolidated Interim
Financial Information**

September 30, 2023

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Condensed Consolidated Statement of Financial Position

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in Balboas)

		(Unaudited) September 2023	(Audited) December 2022	(Unaudited) September 2022
Assets	Note			
Cash and cash items	5	161,872,299	199,528,689	242,860,386
Deposits with banks:				
Demand deposits		430,797,729	369,835,840	334,672,808
Time deposits		451,538	88,445,477	92,904,781
Accrued interest receivable		5,866	762,123	1,565,776
Total deposits with banks		431,255,133	459,043,440	429,143,365
Total cash, cash items and deposits with banks		593,127,432	658,572,129	672,003,751
Investments and other financial assets at FVTPL		809,777,418	761,506,289	735,899,184
Investments and other financial assets at FVOCI		4,119,822,873	4,483,609,412	4,611,196,231
Investments and other financial at amortized cost, net		86,884,515	4,805,216	132,851,636
Accrued interest receivable		26,367	3,554	11,242
Investments and other financial assets, net		5,016,511,173	5,249,924,471	5,479,958,293
Loans	6	11,914,423,409	11,690,195,657	11,401,520,554
Accrued interest receivable		68,581,057	73,490,156	76,498,704
Less:				
Loan losses allowance		413,249,513	432,999,235	471,028,026
Unearned commissions		39,729,006	38,496,425	38,051,165
Loans, net		11,530,025,947	11,292,190,153	10,968,940,067
Investments in associates		34,768,242	29,916,695	34,376,709
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	259,169,320	251,030,958	249,602,485
Right-of-Use Assets, net	8	15,784,423	15,618,528	16,503,891
Investments and other financial assets sold pending settlement		215,900,179	308,927,685	335,011,764
Deferred tax assets		100,311,057	104,908,428	113,604,555
Goodwill and other intangible assets, net	9	46,675,363	48,638,407	49,292,755
Other assets		552,213,076	447,004,010	487,842,934
Total assets		18,364,486,212	18,406,731,464	18,407,137,204

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

		(Unaudited) September 2023	(Audited) December 2022	(Unaudited) September 2022
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,672,344,624	2,885,526,474	2,776,900,576
Savings		4,886,558,847	5,060,269,555	5,097,579,414
Time:				
Customers		5,461,779,158	5,218,903,829	5,337,463,577
Banks		2,098,108	1,941,986	21,970,946
Accrued interest payable		82,709,308	81,778,894	81,499,974
Total deposits		13,105,490,045	13,248,420,738	13,315,414,487
Financing:				
Securities sold under repurchase agreements		0	198,242,891	244,771,738
Borrowings and debt securities issued, net	11	774,827,910	802,268,103	766,535,511
Perpetual bonds		400,000,000	400,000,000	400,000,000
Accrued interest payable		14,068,230	15,936,629	12,997,747
Total financing		1,188,896,140	1,416,447,623	1,424,304,996
Lease Liabilities	12	17,574,009	17,312,742	18,147,924
Investments and other financial assets purchased pending settlement		436,171,644	469,324,455	493,078,938
Reserves of insurance operations	13	24,581,818	20,522,641	20,450,905
Deferred tax liabilities		1,158,640	1,185,413	2,783,127
Other liabilities	10	733,028,311	654,900,834	735,412,319
Total liabilities		15,506,900,607	15,828,114,446	16,009,592,696
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		212,662,132	206,514,168	207,969,016
Capital reserves		(273,725,004)	(278,368,128)	(365,073,483)
Retained earnings		2,418,648,477	2,150,470,978	2,054,648,975
Total equity		2,857,585,605	2,578,617,018	2,397,544,508
Total liabilities and equity		18,364,486,212	18,406,731,464	18,407,137,204

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

Condensed Consolidated Statement of Income

For the nine months ended September 30, 2023 and 2022

(Expressed in Balboas)

		(Unaudited) (3rd Quarter)		(Unaudited) (Accumulated)	
	Note	2023	2022	2023	2022
Interest and commission income:					
Interest:					
Loans		220,381,306	186,824,401	636,437,930	551,971,237
Deposits with banks		3,287,410	1,551,117	8,814,948	4,122,928
Investments and other financial assets		62,024,851	47,331,292	179,599,375	127,307,571
Commissions on loans		10,596,539	10,334,820	30,959,930	28,958,555
Total interest and commission income		296,290,106	246,041,630	855,812,183	712,360,291
Interest expenses:					
Deposits		69,877,938	50,825,526	187,202,802	155,263,352
Financing		14,151,331	13,873,274	44,162,939	39,814,121
Total interest expenses		84,029,269	64,698,800	231,365,741	195,077,473
Net interest and commission income		212,260,837	181,342,830	624,446,442	517,282,818
Reversal of provision for loan losses, net	6	(15,157,109)	(15,390,926)	(28,958,020)	(3,657,590)
(Reversal) provision for impairment of investments, net		(2,356,850)	(2,850,251)	(5,054,676)	11,866,331
Provision (reversal) for foreclosed assets, net		2,144,687	(359,136)	2,287,467	892,590
Net interest and commission income, after provisions		227,630,109	199,943,143	656,171,671	508,181,487
Other income (expenses):					
Fees and other commissions		90,262,087	80,331,416	257,828,578	226,313,953
Insurance premiums, net		10,493,329	9,745,212	29,959,364	28,609,463
Loss on financial instruments, net		(9,614,563)	(10,871,260)	(33,590,417)	(77,001,940)
Other income, net		16,284,403	7,493,631	39,620,332	17,610,533
Commission expenses and other expenses	12	(38,419,066)	(29,496,027)	(116,359,349)	(80,675,840)
Total other income, net		69,006,190	57,202,972	177,458,508	114,856,169
General and administrative expenses:					
Salaries and other personnel expenses	16	47,212,010	43,394,613	138,722,932	127,306,210
Depreciation and amortization	7 and 8	8,447,631	7,554,366	25,152,554	22,674,406
Properties, furniture and equipment expenses		8,325,013	7,334,363	25,275,240	21,905,217
Other expenses		18,730,918	23,264,827	55,540,774	67,003,465
Total general and administrative expenses		82,715,572	81,548,169	244,691,500	238,889,298
Net operating income		213,920,727	175,597,946	588,938,679	384,148,358
Equity participation in associates		3,900,206	3,366,543	11,826,372	12,049,897
Net income before tax		217,820,933	178,964,489	600,765,051	396,198,255
Income tax, estimated		28,097,832	20,408,546	77,237,865	51,205,557
Income tax, deferred		2,985,884	3,347,300	4,571,053	(1,257,845)
Income tax, net	17	31,083,716	23,755,846	81,808,918	49,947,712
Net income		186,737,217	155,208,643	518,956,133	346,250,543

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

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

Condensed Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2023 and 2022

(Expressed in Balboas)

	(Unaudited)	
	<u>2023</u>	<u>2022</u>
Net income	<u>518,956,133</u>	<u>346,250,543</u>
Other comprehensive income (expense):		
Items that are or may be reclassified to the condensed consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	70,590,210	(419,871,170)
Transfer to profit or loss for sales of investments at FVOCI	(60,882,520)	(32,069,605)
Valuation of investment credit risk at FVOCI	<u>(5,064,566)</u>	<u>11,859,308</u>
Total other comprehensive income (expense), net	<u>4,643,124</u>	<u>(440,081,467)</u>
Total comprehensive income (loss)	<u><u>523,599,257</u></u>	<u><u>(93,830,924)</u></u>

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

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

Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Balboas)

	Capital reserves						
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2022 (Audited)	<u>500,000,000</u>	<u>206,514,168</u>	<u>1,000,000</u>	<u>(279,368,128)</u>	<u>(278,368,128)</u>	<u>2,150,470,978</u>	<u>2,578,617,018</u>
Net income	0	0	0	0	0	518,956,133	518,956,133
Other comprehensive income (expense):							
Items that are or may be reclassified to the condensed consolidated statement of income							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	70,590,210	70,590,210	0	70,590,210
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(60,882,520)	(60,882,520)	0	(60,882,520)
Valuation of investment credit risk at FVOCI	0	0	0	(5,064,566)	(5,064,566)	0	(5,064,566)
Total other comprehensive income, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,643,124</u>	<u>4,643,124</u>	<u>0</u>	<u>4,643,124</u>
Total comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,643,124</u>	<u>4,643,124</u>	<u>518,956,133</u>	<u>523,599,257</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(240,000,000)	(240,000,000)
Dividends tax	0	0	0	0	0	(1,669,675)	(1,669,675)
Complementary tax	0	0	0	0	0	(2,960,995)	(2,960,995)
Transfer of retained earnings	0	5,844,245	0	0	0	(5,844,245)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>5,844,245</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(250,474,915)</u>	<u>(244,630,670)</u>
Balance as of September 30, 2023 (Unaudited)	<u>500,000,000</u>	<u>212,358,413</u>	<u>1,000,000</u>	<u>(274,725,004)</u>	<u>(273,725,004)</u>	<u>2,418,952,196</u>	<u>2,857,585,605</u>
Balance as of December 31, 2021 (Audited)	<u>500,000,000</u>	<u>199,882,419</u>	<u>1,000,000</u>	<u>74,007,984</u>	<u>75,007,984</u>	<u>1,916,157,883</u>	<u>2,691,048,286</u>
Net income	0	0	0	0	0	346,250,543	346,250,543
Other comprehensive (expense) income:							
Items that are or may be reclassified to the condensed consolidated statement of income							
Valuation of investments and other financial assets:							
Net changes in valuation of investments at FVOCI	0	0	0	(419,871,170)	(419,871,170)	0	(419,871,170)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(32,069,605)	(32,069,605)	0	(32,069,605)
Valuation of investment credit risk at FVOCI	0	0	0	11,859,308	11,859,308	0	11,859,308
Total other comprehensive expense, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(440,081,467)</u>	<u>(440,081,467)</u>	<u>0</u>	<u>(440,081,467)</u>
Total comprehensive (loss) income	<u>0</u>	<u>0</u>	<u>0</u>	<u>(440,081,467)</u>	<u>(440,081,467)</u>	<u>346,250,543</u>	<u>(93,830,924)</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(197,400,000)	(197,400,000)
Dividends tax	0	0	0	0	0	(1,713,675)	(1,713,675)
Complementary tax	0	0	0	0	0	(559,179)	(559,179)
Transfer of retained earnings	0	8,086,597	0	0	0	(8,086,597)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>8,086,597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(207,759,451)</u>	<u>(199,672,854)</u>
Balance as of September 30, 2022 (Unaudited)	<u>500,000,000</u>	<u>207,969,016</u>	<u>1,000,000</u>	<u>(366,073,483)</u>	<u>(365,073,483)</u>	<u>2,054,648,975</u>	<u>2,397,544,508</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in Balboas)

		(Unaudited)	
	Note	2023	2022
Operating activities:			
Net income		518,956,133	346,250,543
Adjustments to reconcile net income and cash from operating activities:			
Reversal of provision for loan losses, net	6	(28,958,020)	(3,657,590)
(Reversal) provision for valuation of investments, net		(5,054,676)	11,866,331
Provision of provision for foreclosed assets, net		2,287,467	892,590
Unrealized (gain) loss on investments and other financial assets		(7,998,054)	68,299,476
Unrealized gain on derivative instruments		(31,143,772)	(16,554,630)
Loss on sale of investments and other financial assets at FVTPL, net		8,367,611	36,967,372
Loss on sale of investments and other financial assets at FVOCI, net		52,652,216	34,004,780
Realized loss (gain) on derivative instruments		11,712,416	(45,715,058)
Foreign exchange fluctuations, net		49,878	95,235
Gain on sale of fixed assets, net		(4,523,799)	(1,668,957)
Other net income from cancellations of right-of-use assets		0	(28,193)
Depreciation and amortization	7 and 8	25,152,554	22,674,406
Loss due to impairment of goodwill and amortization of intangible assets	9	1,963,044	2,254,044
Equity participation in associates		(11,826,372)	(12,049,897)
Income tax, net		81,808,918	49,947,712
Interest and commission income		(855,812,183)	(712,360,291)
Interest expense		231,365,741	195,077,473
Changes in operating assets and liabilities:			
Time deposits with banks		38,993,939	101,347,877
Investments and other financial assets at FVTPL		(63,614,145)	189,967,496
Loans		(215,019,454)	(96,762,037)
Unearned commissions		32,192,511	30,917,652
Tax credit from preferential interest		(43,722,085)	(40,918,378)
Other assets		32,079,168	(170,382,289)
Demand deposits		(213,181,850)	(386,095,642)
Savings deposits		(173,710,708)	132,184,352
Time deposits		243,031,451	(312,785,868)
Reserves of insurance operations		4,059,177	748,541
Other liabilities		(2,253,171)	429,401,165
Cash provided by operations:			
Interest received		828,254,812	697,812,453
Interest paid		(232,288,842)	(208,135,582)
Dividends received		1,675,088	2,235,811
Total		(293,461,140)	(419,646)
Cash flows from operating activities		225,494,993	345,830,897
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(2,185,494,896)	(3,589,862,824)
Sale and redemptions of investments and other financial assets at FVOCI		2,507,121,162	3,486,096,791
Purchases of securities at amortized cost		(86,906,545)	(308,880,478)
Redemptions of securities at amortized cost		4,817,356	298,207,361
Dividends received from associates		6,974,825	2,693,831
Sale of properties, furniture and equipment		8,502,221	2,597,605
Purchases of properties, furniture and equipment	7	(34,693,835)	(31,524,855)
Cash flows from (used) investing activities		220,320,288	(140,672,569)
Financing activities:			
Borrowings and debt securities issued		1,999,994	0
Redemption of debt securities issued and cancellation of borrowings		(28,156,084)	(121,494,943)
Securities sold under repurchase agreements		(198,242,891)	244,771,738
Payment of lease liabilities		(2,480,131)	(2,430,585)
Dividends paid on common shares		(240,000,000)	(197,400,000)
Complementary and dividends tax		(4,630,670)	(2,272,854)
Cash flows used from financing activities		(471,509,782)	(78,826,644)
Net (decreased) increase in cash and cash equivalents		(25,694,501)	126,331,684
Cash and cash equivalents at the beginning of the period		618,364,529	451,201,510
Cash and cash equivalents at the end of the period	5	592,670,028	577,533,194

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

September 30, 2023

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

September 30, 2023

(Expressed in Balboas)

(1) General Information

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

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

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

Grupo Financiero BG, S. A., a 59.91% (December 31, 2022: 59.87%) subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

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

(2) Basis of Preparation

(a) Statement of Compliance

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

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

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	September 30, 2023			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>137,690,826</u>	<u>33,374,693</u>	<u>171,065,519</u>
Loans	<u>14,211,196</u>	<u>194,900,752</u>	<u>366,380</u>	<u>209,478,328</u>
Investments in associates	<u>0</u>	<u>34,768,242</u>	<u>0</u>	<u>34,768,242</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,015,909	104,138,660	102,693,376	207,847,945
Savings	6,364,414	58,407,076	2,248,431	67,019,921
Time	<u>5,089,149</u>	<u>257,045,663</u>	<u>133,921,914</u>	<u>396,056,726</u>
	<u>12,469,472</u>	<u>419,591,399</u>	<u>238,863,721</u>	<u>670,924,592</u>
Perpetual bonds	<u>0</u>	<u>17,000,000</u>	<u>127,984,000</u>	<u>144,984,000</u>
Commitments and contingencies	<u>1,349,600</u>	<u>16,277,780</u>	<u>36,128,214</u>	<u>53,755,594</u>
<u>Interest income:</u>				
Loans	<u>505,686</u>	<u>8,732,661</u>	<u>259,087</u>	<u>9,497,434</u>
Investments and other financial assets	<u>0</u>	<u>5,516,430</u>	<u>2,348,446</u>	<u>7,864,876</u>
<u>Interest expenses:</u>				
Deposits	<u>154,250</u>	<u>11,151,690</u>	<u>3,708,326</u>	<u>15,014,266</u>
Financing	<u>0</u>	<u>666,695</u>	<u>5,017,976</u>	<u>5,684,671</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>11,826,372</u>	<u>0</u>	<u>11,826,372</u>
Received dividends	<u>0</u>	<u>654,427</u>	<u>0</u>	<u>654,427</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>576,690</u>	<u>0</u>	<u>0</u>	<u>576,690</u>
Benefits to key management personnel	<u>1,719,878</u>	<u>0</u>	<u>0</u>	<u>1,719,878</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	September 30, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>156,875,593</u>	<u>37,603,403</u>	<u>194,478,996</u>
Loans	<u>14,136,958</u>	<u>145,650,344</u>	<u>7,190,877</u>	<u>166,978,179</u>
Investments in associates	<u>0</u>	<u>34,376,709</u>	<u>0</u>	<u>34,376,709</u>
Liabilities:				
Deposits:				
Demand	1,029,365	106,081,801	84,245,279	191,356,445
Savings	7,430,033	84,019,670	17,370,931	108,820,634
Time	<u>3,443,944</u>	<u>239,157,208</u>	<u>132,615,385</u>	<u>375,216,537</u>
	<u>11,903,342</u>	<u>429,258,679</u>	<u>234,231,595</u>	<u>675,393,616</u>
Perpetual bonds	<u>0</u>	<u>15,000,000</u>	<u>126,754,000</u>	<u>141,754,000</u>
Commitments and contingencies	<u>0</u>	<u>8,857,021</u>	<u>35,955,000</u>	<u>44,812,021</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

		September 30, 2022		
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Interest income:</u>				
Loans	<u>463,399</u>	<u>5,599,260</u>	<u>342,311</u>	<u>6,404,970</u>
Investments and other financial assets	<u>0</u>	<u>4,559,824</u>	<u>1,324,023</u>	<u>5,883,847</u>
<u>Interest expenses:</u>				
Deposits	<u>93,714</u>	<u>7,837,710</u>	<u>1,106,640</u>	<u>9,038,064</u>
Financing	<u>0</u>	<u>590,625</u>	<u>4,780,129</u>	<u>5,370,754</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>12,049,897</u>	<u>0</u>	<u>12,049,897</u>
Received dividends	<u>0</u>	<u>557,727</u>	<u>0</u>	<u>557,727</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>422,431</u>	<u>0</u>	<u>0</u>	<u>422,431</u>
Benefits to key management personnel	<u>1,814,626</u>	<u>0</u>	<u>0</u>	<u>1,814,626</u>

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

(5) Cash and Cash Equivalents

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

	September 30	
	<u>2023</u>	<u>2022</u>
Cash and cash items	161,872,299	242,860,386
Demand deposits with banks	430,797,729	334,672,808
Time deposits with banks	<u>451,538</u>	<u>92,904,781</u>
Total deposits with banks	<u>431,249,267</u>	<u>427,577,589</u>
Less: Deposits with banks, with original maturities greater than three months	<u>451,538</u>	<u>92,904,781</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>592,670,028</u>	<u>577,533,194</u>

Demand deposits with banks include cash collateral accounts for B/.34,754,185 (December 31, 2022: B/.36,139,963) that secure derivative operations and the next payments of principal, interest of certain obligations.

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

The composition of the loan portfolio is summarized as follows:

	September 30 2023	December 31 2022	September 30 2022
Internal sector:			
Residential mortgages	4,651,738,502	4,634,457,178	4,598,181,083
Personal, auto and credit cards	1,927,035,524	1,801,739,885	1,753,740,240
Commercial mortgages	1,797,122,060	1,878,587,554	1,847,505,019
Lines of credit and commercial loans	1,396,664,529	1,307,429,023	1,282,245,159
Interim financing	281,478,142	286,741,891	280,310,261
Finance leases, net	90,083,235	73,634,394	72,368,287
Other secured loans	203,220,542	195,455,740	200,484,529
Overdrafts	<u>135,376,243</u>	<u>120,003,600</u>	<u>125,666,430</u>
Total internal sector	<u>10,482,718,777</u>	<u>10,298,049,265</u>	<u>10,160,501,008</u>
External sector:			
Residential mortgages	150,457,909	163,068,975	170,133,871
Personal, auto and credit cards	7,171,873	7,805,083	8,233,185
Commercial mortgages	142,515,319	164,734,813	119,694,641
Lines of credit and commercial loans	1,081,042,240	996,812,470	898,453,565
Other secured loans	13,606,267	24,572,603	12,352,654
Overdrafts	<u>36,911,024</u>	<u>35,152,448</u>	<u>32,151,630</u>
Total external sector	<u>1,431,704,632</u>	<u>1,392,146,392</u>	<u>1,241,019,546</u>
Total	<u>11,914,423,409</u>	<u>11,690,195,657</u>	<u>11,401,520,554</u>

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

	September 30, 2023			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	136,926,931	234,895,462	61,176,842	432,999,235
Transferred to 12-month ECL	16,838,667	(11,232,392)	(5,606,275)	0
Transferred to lifetime ECL not credit-impaired	(3,933,488)	49,577,872	(45,644,384)	0
Transferred to lifetime ECL credit-impaired	(3,202,894)	(8,969,098)	12,171,992	0
Net remeasurement of portfolio	1,637,883	(60,920,407)	50,971,650	(8,310,874)
New loans	14,444,471	6,153,957	1,699,261	22,297,689
Loans that have been derecognized	(9,899,956)	(8,909,034)	(24,135,845)	(42,944,835)
Recovery of loan write-off	0	0	39,246,521	39,246,521
Loans written-off	<u>0</u>	<u>0</u>	<u>(30,038,223)</u>	<u>(30,038,223)</u>
Balance at the end of the period	<u>152,811,614</u>	<u>200,596,360</u>	<u>59,841,539</u>	<u>413,249,513</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	September 30, 2022			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	197,388,884	129,812,916	140,504,262	467,706,062
Transferred to 12-month ECL	20,085,605	(10,989,140)	(9,096,465)	0
Transferred to lifetime ECL not credit-impaired	(23,712,176)	67,260,436	(43,548,260)	0
Transferred to lifetime ECL credit-impaired	(3,866,359)	(5,855,591)	9,721,950	0
Net remeasurement of portfolio	(14,818,700)	57,221,628	(20,575,607)	21,827,321
New loans	11,160,975	5,716,740	1,016,735	17,894,450
Loans that have been derecognized	(13,542,563)	(9,470,825)	(20,365,973)	(43,379,361)
Recovery of loan write-off	0	0	29,721,015	29,721,015
Loans written-off	0	0	(22,741,461)	(22,741,461)
Balance at the end of the period	<u>172,695,666</u>	<u>233,696,164</u>	<u>64,636,196</u>	<u>471,028,026</u>

The balance of accrued interest receivable from loans to which the Bank applied a postponement of installments between March 2020 and June 2021 as a financial relief measure due to COVID-19 amounts to B/.14,221,442 (December 31, 2022 B/.28,414,331) and (September 30, 2022 B/.35,229,990).

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	September 30, 2023					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	31,999,135	135,380,209	183,989,593	123,056,424	49,468,645	523,894,006
Additions	3,208,608	4,308,637	14,485,094	10,906,464	1,785,032	34,693,835
Sales and disposals	<u>264,600</u>	<u>787,536</u>	<u>59,613</u>	<u>11,062,533</u>	<u>3,580,257</u>	<u>15,754,539</u>
At the end of the period	<u>34,943,143</u>	<u>138,901,310</u>	<u>198,415,074</u>	<u>122,900,355</u>	<u>47,673,420</u>	<u>542,833,302</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	42,731,801	107,729,572	88,874,573	33,527,102	272,863,048
Expense of the period	0	2,666,136	12,219,730	6,189,837	1,501,348	22,577,051
Sales and disposal	<u>0</u>	<u>484,284</u>	<u>59,613</u>	<u>11,062,525</u>	<u>169,695</u>	<u>11,776,117</u>
At the end of the period	<u>0</u>	<u>44,913,653</u>	<u>119,889,689</u>	<u>84,001,885</u>	<u>34,858,755</u>	<u>283,663,982</u>
Net balance	<u>34,943,143</u>	<u>93,987,657</u>	<u>78,525,385</u>	<u>38,898,470</u>	<u>12,814,665</u>	<u>259,169,320</u>

	December 31, 2022					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Additions	0	0	20,859,867	13,730,901	5,708,283	40,299,051
Sales and disposals	<u>525,490</u>	<u>1,479,430</u>	<u>224,607</u>	<u>4,012,198</u>	<u>1,165,060</u>	<u>7,406,785</u>
At the end of the year	<u>31,999,135</u>	<u>135,380,209</u>	<u>183,989,593</u>	<u>123,056,424</u>	<u>49,468,645</u>	<u>523,894,006</u>
Accumulated depreciation and amortization:						
At the beginning of the year	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Expense of the year	0	3,662,183	13,291,193	8,097,385	2,178,217	27,228,978
Sales and disposal	<u>0</u>	<u>1,091,180</u>	<u>224,606</u>	<u>3,778,128</u>	<u>1,147,919</u>	<u>6,241,833</u>
At the end of the year	<u>0</u>	<u>42,731,801</u>	<u>107,729,572</u>	<u>88,874,573</u>	<u>33,527,102</u>	<u>272,863,048</u>
Net balance	<u>31,999,135</u>	<u>92,648,408</u>	<u>76,260,021</u>	<u>34,181,851</u>	<u>15,941,543</u>	<u>251,030,958</u>

	September 30, 2022					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	32,524,625	136,859,639	163,354,333	113,337,721	44,925,422	491,001,740
Additions	0	0	14,210,060	11,856,527	5,458,268	31,524,855
Sales and disposals	<u>525,490</u>	<u>1,192,087</u>	<u>84,940</u>	<u>2,453,402</u>	<u>421,657</u>	<u>4,677,576</u>
At the end of the period	<u>31,999,135</u>	<u>135,667,552</u>	<u>177,479,453</u>	<u>122,740,846</u>	<u>49,962,033</u>	<u>517,849,019</u>
Accumulated depreciation and amortization:						
At the beginning of the period	0	40,160,798	94,662,985	84,555,316	32,496,804	251,875,903
Expense of the period	0	2,658,133	9,735,137	6,144,980	1,581,309	20,119,559
Sales and disposal	<u>0</u>	<u>803,837</u>	<u>84,939</u>	<u>2,453,249</u>	<u>406,903</u>	<u>3,748,928</u>
At the end of the period	<u>0</u>	<u>42,015,094</u>	<u>104,313,183</u>	<u>88,247,047</u>	<u>33,671,210</u>	<u>268,246,534</u>
Net balance	<u>31,999,135</u>	<u>93,652,458</u>	<u>73,166,270</u>	<u>34,493,799</u>	<u>16,290,823</u>	<u>249,602,485</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	September 30 2023	December 31 2022	September 30 2022
Cost:			
At the beginning of the period	27,235,400	26,704,514	26,704,514
New contracts	2,741,398	2,727,031	2,745,313
Cancellations	<u>(1,731,280)</u>	<u>(2,196,145)</u>	<u>(2,196,145)</u>
At the end of the period	<u>28,245,518</u>	<u>27,235,400</u>	<u>27,253,682</u>
Accumulated depreciation:			
At the beginning of the period	11,616,872	9,706,856	9,706,856
Expense of the period	2,575,503	3,421,927	2,554,847
Cancellations	<u>(1,731,280)</u>	<u>(1,511,911)</u>	<u>(1,511,912)</u>
At the end of the period	<u>12,461,095</u>	<u>11,616,872</u>	<u>10,749,791</u>
Net balance	<u>15,784,423</u>	<u>15,618,528</u>	<u>16,503,891</u>

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

(9) Goodwill and Intangible Assets, Net

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

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

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Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

<u>September 30, 2023</u>			
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	39,915,176	39,915,176
Amortization of the period	<u>0</u>	<u>1,963,044</u>	<u>1,963,044</u>
Balance at the end of the period	<u>0</u>	<u>41,878,220</u>	<u>41,878,220</u>
Net balance at the end of the period	<u>41,091,499</u>	<u>5,583,864</u>	<u>46,675,363</u>
<u>December 31, 2022</u>			
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the year	41,382,499	47,462,084	88,844,583
Impairment loss	<u>(291,000)</u>	<u>0</u>	<u>(291,000)</u>
Net Balance at the end of the year	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
Accumulated amortization:			
Balance at the beginning of the year	0	37,297,784	37,297,784
Amortization of the year	<u>0</u>	<u>2,617,392</u>	<u>2,617,392</u>
Balance at the end of the year	<u>0</u>	<u>39,915,176</u>	<u>39,915,176</u>
Net balance at the end of the year	<u>41,091,499</u>	<u>7,546,908</u>	<u>48,638,407</u>
<u>September 30, 2022</u>			
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning of the period	41,382,499	47,462,084	88,844,583
Impairment loss	<u>(291,000)</u>	<u>0</u>	<u>(291,000)</u>
Net Balance at the end of the period	<u>41,091,499</u>	<u>47,462,084</u>	<u>88,553,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	37,297,784	37,297,784
Amortization of the period	<u>0</u>	<u>1,963,044</u>	<u>1,963,044</u>
Balance at the end of the period	<u>0</u>	<u>39,260,828</u>	<u>39,260,828</u>
Net balance at the end of the period	<u>41,091,499</u>	<u>8,201,256</u>	<u>49,292,755</u>

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

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

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

	<u>Level</u>	<u>September 30 2023</u>	<u>December 31 2022</u>	<u>September 30 2022</u>
Bonds of the US Government	1	3,228,062	3,284,758	3,253,902
Mortgage Backed Securities (MBS)	2	<u>144,164,282</u>	<u>145,211,067</u>	<u>139,362,847</u>
Total		<u>147,392,344</u>	<u>148,495,825</u>	<u>142,616,749</u>

See the description of the levels in Note 19.

(11) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	<u>September 30 2023</u>	<u>December 31 2022</u>	<u>September 30 2022</u>
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	537,217,000	537,217,000
Borrowings with maturity in 2022, at interest rates of 6 month SOFR plus a margin	0	0	5,000,000
Borrowings with maturity in 2023, at interest rates of 6 month SOFR plus a margin	50,000,000	50,000,000	0
Borrowings with maturity in 2024, at interest rates of 6 and 12 month Libor/SOFR plus a margin	51,999,994	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	0	1,906,084	1,996,966
Notes with maturities in 2024, at a fixed interest rate	20,000,000	35,000,000	40,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>56,250,000</u>	<u>67,500,000</u>	<u>71,250,000</u>
Subtotal of borrowings and debt securities issued	<u>768,146,994</u>	<u>794,303,084</u>	<u>758,143,966</u>
Revaluation coverage	<u>6,680,916</u>	<u>7,965,019</u>	<u>8,391,545</u>
Total borrowings and debt securities issued, net	<u>774,827,910</u>	<u>802,268,103</u>	<u>766,535,511</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

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

	September 30	
	<u>2023</u>	<u>2022</u>
Balance at the beginning of the period	802,268,103	893,646,075
New borrowings and debt securities	1,999,994	0
Redemption of debt securities issued and cancellation of borrowings	(28,156,084)	(121,494,943)
Revaluation coverage	<u>(1,284,103)</u>	<u>(5,615,621)</u>
Balance at the end of the period	<u><u>774,827,910</u></u>	<u><u>766,535,511</u></u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	September 30	December 31	September 30
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Balance at the beginning of the period	17,312,742	18,545,622	18,545,622
New contracts	2,741,398	2,727,031	2,745,313
Payments	(2,480,131)	(3,247,484)	(2,430,585)
Cancellations	<u>0</u>	<u>(712,427)</u>	<u>(712,426)</u>
Balance at the end of the period	<u><u>17,574,009</u></u>	<u><u>17,312,742</u></u>	<u><u>18,147,924</u></u>

Interest expense on lease liabilities for B/.581,634 (2022: B/.591,262) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

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

Reserves of insurance operations amounted to B/.24,581,818 (December 31, 2022: B/.20,522,641) and (September 30, 2022: B/.20,450,905) and are comprised of unearned premiums and estimated insurance claims incurred.

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

	September 30 2023	December 31 2022	September 30 2022
Unearned Premiums			
Balance at the beginning of the period	21,314,216	20,473,022	20,473,022
Issued premiums	35,575,121	42,525,570	33,883,866
Earned premiums	<u>(33,278,532)</u>	<u>(41,684,376)</u>	<u>(32,139,794)</u>
Balance at the end of the period	23,610,805	21,314,216	22,217,094
Reinsurers participation	<u>(5,043,819)</u>	<u>(4,447,976)</u>	<u>(4,767,754)</u>
Unearned premiums, net	<u>18,566,986</u>	<u>16,866,240</u>	<u>17,449,340</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	5,045,986	4,574,850	4,574,850
Incurred claims	9,784,566	10,263,931	7,244,442
Paid claims	<u>(6,255,566)</u>	<u>(9,792,795)</u>	<u>(7,593,556)</u>
Balance at the end of the period	8,574,986	5,045,986	4,225,736
Reinsurer participation	<u>(2,560,154)</u>	<u>(1,389,585)</u>	<u>(1,224,171)</u>
Estimated insurance claims incurred, net	<u>6,014,832</u>	<u>3,656,401</u>	<u>3,001,565</u>
Total reserves of insurance operations	<u>24,581,818</u>	<u>20,522,641</u>	<u>20,450,905</u>

(14) Segment Information

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

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

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

Insurance and Reinsurance

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

Pension and Retirement Fund

Administration of pension and retirement, severance and investment funds

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	September 30, 2023				
	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	852,842,746	10,599,181	1,488,898	9,118,642	855,812,183
Interest and provision expenses	208,660,455	98,699	0	9,118,642	199,640,512
Other income, net	142,410,823	22,848,224	12,209,132	9,671	177,458,508
General and administrative expenses	213,252,693	2,204,256	4,091,668	9,671	219,538,946
Depreciation and amortization expense	24,977,100	12,674	162,780	0	25,152,554
Equity participation in associates	<u>11,826,372</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,826,372</u>
Net income before income tax	560,189,693	31,131,776	9,443,582	0	600,765,051
Net Income tax, estimated	70,625,680	4,446,772	2,165,413	0	77,237,865
Net Income tax, deferred	<u>4,571,053</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,571,053</u>
Net Income tax	<u>75,196,733</u>	<u>4,446,772</u>	<u>2,165,413</u>	<u>0</u>	<u>81,808,918</u>
Net income	<u>484,992,960</u>	<u>26,685,004</u>	<u>7,278,169</u>	<u>0</u>	<u>518,956,133</u>
Total assets	<u>18,272,873,502</u>	<u>368,813,736</u>	<u>63,862,105</u>	<u>341,063,131</u>	<u>18,364,486,212</u>
Total liabilities	<u>15,756,848,957</u>	<u>66,640,833</u>	<u>6,367,886</u>	<u>322,957,069</u>	<u>15,506,900,607</u>

	September 30, 2022				
	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	710,057,749	5,267,893	1,169,912	4,135,263	712,360,291
Interest and provision expenses	208,271,879	42,188	0	4,135,263	204,178,804
Other income, net	80,698,248	22,574,168	11,592,357	8,604	114,856,169
General and administrative expenses	210,234,192	2,076,769	3,912,535	8,604	216,214,892
Depreciation and amortization expense	22,461,688	10,213	202,505	0	22,674,406
Equity participation in associates	<u>12,049,897</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,049,897</u>
Net income before income tax	361,838,135	25,712,891	8,647,229	0	396,198,255
Net Income tax, estimated	45,183,392	4,065,874	1,956,291	0	51,205,557
Net Income tax, deferred	<u>(1,257,845)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,257,845)</u>
Net Income tax	<u>43,925,547</u>	<u>4,065,874</u>	<u>1,956,291</u>	<u>0</u>	<u>49,947,712</u>
Net income	<u>317,912,588</u>	<u>21,647,017</u>	<u>6,690,938</u>	<u>0</u>	<u>346,250,543</u>
Total assets	<u>18,315,353,692</u>	<u>335,060,996</u>	<u>57,633,715</u>	<u>300,911,199</u>	<u>18,407,137,204</u>
Total liabilities	<u>16,226,337,523</u>	<u>58,707,230</u>	<u>6,053,080</u>	<u>281,505,137</u>	<u>16,009,592,696</u>

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

	September 30, 2023			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and Equity participation in associates	<u>839,034,011</u>	<u>127,715,967</u>	<u>78,347,086</u>	<u>1,045,097,064</u>
Non-financial	<u>302,552,582</u>	<u>3,292,101</u>	<u>0</u>	<u>305,844,683</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	September 30, 2022			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and Equity participation in associates	<u>719,369,360</u>	<u>78,077,292</u>	<u>41,819,705</u>	<u>839,266,357</u>
Non-financial	<u>295,432,153</u>	<u>3,463,088</u>	<u>0</u>	<u>298,895,241</u>

(15) Equity

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

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

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

	September 30, 2023					
	Reserves					
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	3,724,859	17,818,754	0	0	155,421,089
General de Seguros, S. A.	0	0	0	0	39,951,000	39,951,000
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,142,190</u>	<u>0</u>	<u>0</u>	<u>2,532,860</u>	<u>0</u>	<u>6,675,050</u>
Total	<u>148,634,659</u>	<u>3,724,859</u>	<u>17,818,754</u>	<u>2,532,860</u>	<u>39,951,000</u>	<u>212,662,132</u>

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

Transfer (reversal) from retained earnings of the period	<u>(809,660)</u>	<u>(231,206)</u>	<u>5,177,301</u>	<u>0</u>	<u>2,011,529</u>	<u>6,147,964</u>
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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(15) Equity, continued

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

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

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.1,030,152 (2022: B/.907,949). These options may be exercised by the executives until the year 2030.

Restricted Share Plan

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

Retirement Plan

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

The contribution to the retirement plan was B/.61,200 (2022: B/.64,935) and the disbursements to former employees who are covered under the retirement plan amount to B/.117,131 (2022: B/.117,131).

(17) Income Tax

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

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

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

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

Net income tax is detailed as follows:

	<u>3rd Quarter</u> <u>September 30</u>		<u>Accumulated</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Estimated income tax	28,097,832	20,664,518	77,238,425	51,703,402
Prior year income tax adjustments	0	(255,972)	(560)	(497,845)
Deferred income tax	<u>2,985,884</u>	<u>3,347,300</u>	<u>4,571,053</u>	<u>(1,257,845)</u>
Total income tax, net	<u>31,083,716</u>	<u>23,755,846</u>	<u>81,808,918</u>	<u>49,947,712</u>

(18) Derivative Financial Instruments

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

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

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

(18) Derivative Financial Instruments, continued

Below is the summary of derivative contracts is as follow:

	<u>Over the Counter (OTC)</u>							
	<u>Total</u>		<u>Exchange-Traded</u>		<u>Liquidated in a securities exchange</u>		<u>Other bilateral counterparts</u>	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>September 30, 2023</u>								
Derivative assets	1,685,331,453	59,474,784	253,081,560	0	634,372,337	48,626,840	797,877,556	10,847,944
Derivative liabilities	773,663,110	11,015,903	327,429,557	0	133,182,200	5,917,513	313,051,353	5,098,390
<u>December 31, 2022</u>								
Derivative assets	944,657,233	45,531,436	170,594,455	0	582,951,796	41,897,073	191,110,982	3,634,363
Derivative liabilities	1,065,421,005	29,580,183	373,776,010	0	156,127,970	20,160,928	535,517,025	9,419,255
<u>September 30, 2022</u>								
Derivative assets	1,337,397,276	66,733,727	133,194,410	0	683,644,124	54,645,482	520,558,742	12,088,245
Derivative liabilities	1,243,860,173	48,812,686	416,077,346	0	385,580,570	41,591,052	442,202,257	7,221,634

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA+ and A- (December 31, 2022: AA- and A-) and (September 30, 2022: AA and A-), which support derivative operations in the amount of B/.23.9MM (December 31, 2022: B/.25.3MM) and (September 30, 2022: B/.43.2MM).

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

Other Derivatives classified by Risk:

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	801,583	1,163,739	530,597	362,550	561,461	4,331,951
Interest	36,467,505	8,316,464	34,209,986	22,829,393	47,233,485	42,401,058
Currency	18,553	16,166	8,187	4,840	19,126	14,785
Total	<u>37,287,641</u>	<u>9,496,369</u>	<u>34,748,770</u>	<u>23,196,783</u>	<u>47,814,072</u>	<u>46,747,794</u>

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

Hedge Derivatives for Risk Management:

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Exposure to risk:						
Interest rate						
Fair value hedge	14,616,127	0	9,501,570	0	9,106,628	0
Others	2,641,606	0	972,579	0	699,811	0
Total interest rate	<u>17,257,733</u>	<u>0</u>	<u>10,474,149</u>	<u>0</u>	<u>9,806,439</u>	<u>0</u>
Currency						
Others	4,929,410	1,519,534	308,517	6,383,400	8,976,425	2,064,892
Total Currency	<u>4,929,410</u>	<u>1,519,534</u>	<u>308,517</u>	<u>6,383,400</u>	<u>8,976,425</u>	<u>2,064,892</u>
Credit						
Others	0	0	0	0	136,791	0
Total Credit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>136,791</u>	<u>0</u>
Total derivatives for risk exposure	<u>22,187,143</u>	<u>1,519,534</u>	<u>10,782,666</u>	<u>6,383,400</u>	<u>18,919,655</u>	<u>2,064,892</u>

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

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

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

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

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>September 30, 2023</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>69,900,000</u>	<u>14,616,127</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>69,900,000</u>	<u>14,616,127</u>	<u>0</u>		
<u>December 31, 2022</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>60,000,000</u>	<u>9,501,570</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>60,000,000</u>	<u>9,501,570</u>	<u>0</u>		
<u>September 30, 2022</u>					
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>60,000,000</u>	<u>9,106,628</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>60,000,000</u>	<u>9,106,628</u>	<u>0</u>		

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

<u>September 30, 2023</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	<u>58,212,687</u>		<u>0</u>	<u>11,421,726</u>	Investment securities FVOCI	0

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>December 31, 2022</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	<u>52,051,700</u>		<u>0</u>	<u>7,760,417</u>	Investment securities FVOCI	0
						0

<u>September 30, 2022</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	<u>49,841,862</u>		<u>0</u>	<u>7,255,756</u>	Investment securities FVOCI	0
						0

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

		<u>September 30, 2023</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Assets</u>					
Other derivatives:					
Credit		0	801,583	0	801,583
Interest		0	36,467,505	0	36,467,505
Currency		0	18,553	0	18,553
Total		0	37,287,641	0	37,287,641
Hedge derivatives for risk management:					
Interest		0	17,257,733	0	17,257,733
Currency		0	4,929,410	0	4,929,410
Total		0	22,187,143	0	22,187,143
Total derivatives assets		0	59,474,784	0	59,474,784
<u>Liabilities</u>					
Other derivatives:					
Credit		0	1,163,739	0	1,163,739
Interest		27,500	8,288,964	0	8,316,464
Currency		0	16,166	0	16,166
Total		27,500	9,468,869	0	9,496,369
Hedge derivatives for risk management:					
Currency		0	1,519,534	0	1,519,534
Total		0	1,519,534	0	1,519,534
Total derivatives liabilities		27,500	10,988,403	0	11,015,903

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Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

		December 31, 2022			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	530,597	0	530,597	
Interest	0	34,209,986	0	34,209,986	
Currency	0	8,187	0	8,187	
Total	0	34,748,770	0	34,748,770	
Hedge derivatives for risk management:					
Interest	0	10,474,149	0	10,474,149	
Currency	0	308,517	0	308,517	
Total	0	10,782,666	0	10,782,666	
Total derivatives assets	0	45,531,436	0	45,531,436	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	362,550	0	362,550	
Interest	444,150	22,385,243	0	22,829,393	
Currency	0	4,840	0	4,840	
Total	444,150	22,752,633	0	23,196,783	
Hedge derivatives for risk management:					
Currency	0	6,383,400	0	6,383,400	
Total	0	6,383,400	0	6,383,400	
Total derivatives liabilities	444,150	29,136,033	0	29,580,183	

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments

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

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

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	September 30			
	2023	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	53,038,279	0	0	53,038,279
Bonds of the Republic of Panama	1,688,400	0	1,688,400	0
Local Corporate Shares	37,797,190	0	0	37,797,190
Foreign Treasury Bills	1,441,288	1,441,288	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	494,868,852	0	494,868,852	0
Asset Backed Securities (ABS)	70,478,778	0	70,478,778	0
Foreign Corporate Bonds and Fixed Income Funds	150,245,414	0	759,128	149,486,286
Foreign Corporate Shares and Variable Income Mutual Funds	219,217	0	89,428	129,789
Total	809,777,418	1,441,288	567,884,586	240,451,544

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	<u>September 30</u>			
	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	10,966,842	0	0	10,966,842
Local Corporate Bonds	1,149,222,402	0	391,960,304	757,262,098
Bonds of the Republic of Panama	20,411,059	0	20,411,059	0
Bonds of the US Government and Agency	164,000,814	160,889,138	3,111,676	0
Foreign Commercial Paper and Treasury Bills	195,083,056	103,361,802	91,721,254	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,223,286,163	0	1,223,286,163	0
Asset Backed Securities (ABS)	179,933,166	0	179,933,166	0
Foreign Corporate Bonds	1,162,627,650	0	1,162,627,650	0
Bonds of Other Governments	<u>14,291,721</u>	<u>0</u>	<u>14,291,721</u>	<u>0</u>
Total	<u>4,119,822,873</u>	<u>264,250,940</u>	<u>3,087,342,993</u>	<u>768,228,940</u>
	<u>December 31</u>			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	29,299,277	0	19,475,910	9,823,367
Local Corporate Bonds	1,089,621,475	0	394,150,902	695,470,573
Bonds of the Republic of Panama	34,057,622	0	34,057,622	0
Bonds of the US Government	188,900,602	188,900,602	0	0
Foreign Commercial Paper and Treasury Bills	446,816,255	363,311,405	83,504,850	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,239,463,343	0	1,239,463,343	0
Asset Backed Securities (ABS)	197,396,759	0	197,396,759	0
Foreign Corporate Bonds	1,240,523,287	0	1,240,523,287	0
Other Governments Bonds	<u>17,530,792</u>	<u>0</u>	<u>17,530,792</u>	<u>0</u>
Total	<u>4,483,609,412</u>	<u>552,212,007</u>	<u>3,226,103,465</u>	<u>705,293,940</u>
	<u>September 30</u>			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	26,610,042	0	19,331,810	7,278,232
Local Corporate Bonds	1,076,714,768	0	375,977,428	700,737,340
Bonds of the Republic of Panama	85,941,532	0	85,941,532	0
Bonds of the US Government	190,542,620	190,542,620	0	0
Foreign Commercial Paper and Treasury Bills	462,316,346	302,417,310	159,899,036	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,211,440,543	0	1,211,440,543	0
Asset Backed Securities (ABS)	191,520,255	0	191,520,255	0
Foreign Corporate Bonds	1,332,544,598	0	1,332,544,598	0
Bonds of Other Governments	<u>33,565,527</u>	<u>0</u>	<u>33,565,527</u>	<u>0</u>
Total	<u>4,611,196,231</u>	<u>492,959,930</u>	<u>3,410,220,729</u>	<u>708,015,572</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	<u>Changes in Fair Value Measurement of Level 3 hierarchy</u>		
	<u>Investments and other financial assets</u>		<u>Total</u>
	<u>Fair Value through Profit or Loss</u>	<u>Fair Value through OCI</u>	
December 31, 2022	256,019,343	705,293,940	961,313,283
(Loss) gain recognized in income	(279,118)	62,000	(217,118)
Gain recognized in equity	0	3,822,932	3,822,932
Purchases	53,682,891	200,751,855	254,434,746
Amortization, sales and redemptions	<u>(68,971,572)</u>	<u>(141,701,787)</u>	<u>(210,673,359)</u>
September 30, 2023	<u>240,451,544</u>	<u>768,228,940</u>	<u>1,008,680,484</u>
Total gain related to instruments held as of September 30, 2023	<u>618,538</u>	<u>3,578,237</u>	<u>4,196,775</u>
December 31, 2021	267,861,250	664,948,183	932,809,433
Loss recognized in income	(19,340,513)	0	(19,340,513)
Loss recognized in equity	0	(34,406,041)	(34,406,041)
Purchases	44,209,623	158,527,016	202,736,639
Amortization, sales and redemptions	<u>(36,711,017)</u>	<u>(83,775,218)</u>	<u>(120,486,235)</u>
December 31, 2022	<u>256,019,343</u>	<u>705,293,940</u>	<u>961,313,283</u>
Total loss related to instruments held as of December 31, 2022	<u>(18,835,534)</u>	<u>(34,196,612)</u>	<u>(53,032,146)</u>
December 31, 2021	267,861,250	664,948,183	932,809,433
Loss recognized in income	(16,185,206)	0	(16,185,206)
Loss recognized in equity	0	(39,035,481)	(39,035,481)
Purchases	29,291,326	154,027,016	183,318,342
Amortization, sales and redemptions	<u>(22,897,399)</u>	<u>(71,924,146)</u>	<u>(94,821,545)</u>
September 30, 2022	<u>258,069,971</u>	<u>708,015,572</u>	<u>966,085,543</u>
Total loss related to instruments held as of September 30, 2022	<u>(16,216,995)</u>	<u>(38,826,052)</u>	<u>(55,043,047)</u>

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

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Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

Instruments	Valuation technique	Unobservable inputs used	Range for unobservable inputs			Fair value sensitivity to unobservable inputs
			September 30 2023	December 31 2022	September 30 2022	
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min 5.90% Max 13.02%	Min 5.90% Max 10.19%	Min 5.77% Max 8.18%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Min (45.53%) Max 313.83%	Min (45.53%) Max 313.83%	Min (54.09%) Max 239.91%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Min 1.42% Max 8.99% Ave 2.67%	Min 0.79% Max 13.23% Ave 2.81%	Min 1.07% Max 22.00% Ave 3.22%	If the credit spreads increase, the price decreases and vice versa

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

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

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

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

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

	<u>September 30, 2023</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	63,149	(61,878)	9,629,213	(12,407,955)
Corporate Shares	<u>2,552,687</u>	<u>(2,232,822)</u>	<u>0</u>	<u>0</u>
Total	<u>2,615,836</u>	<u>(2,294,700)</u>	<u>9,629,213</u>	<u>(12,407,955)</u>

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

	<u>September 30, 2022</u>			
	<u>Fair Value</u>		<u>FV OCI</u>	
	<u>Effect in profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	73,784	(72,162)	10,271,809	(11,607,311)
Corporate Shares	<u>3,526,595</u>	<u>(2,918,934)</u>	<u>0</u>	<u>0</u>
Total	<u>3,600,379</u>	<u>(2,991,096)</u>	<u>10,271,809</u>	<u>(11,607,311)</u>

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

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

(a) Investments and other financial assets

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

(b) Loans

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

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

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

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

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

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

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

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Assets:						
Time deposits with banks	457,404	452,233	89,207,600	89,138,402	92,904,781	92,510,139
Investments at amortized cost, net	86,910,882	86,932,912	4,808,770	4,820,910	132,851,636	132,880,478
Loans, net	<u>11,530,025,947</u>	<u>11,403,486,405</u>	<u>11,292,190,153</u>	<u>11,299,469,039</u>	<u>10,892,441,363</u>	<u>10,876,045,682</u>
	<u>11,617,394,233</u>	<u>11,490,871,550</u>	<u>11,386,206,523</u>	<u>11,393,428,351</u>	<u>11,118,197,780</u>	<u>11,101,436,299</u>
Liabilities:						
Deposits	13,105,490,045	13,012,259,474	13,248,420,738	13,181,776,225	13,233,914,513	13,229,887,521
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,188,896,140</u>	<u>1,038,277,872</u>	<u>1,416,447,623</u>	<u>1,297,912,599</u>	<u>1,411,307,249</u>	<u>1,314,393,004</u>
	<u>14,294,386,185</u>	<u>14,050,537,346</u>	<u>14,664,868,361</u>	<u>14,479,688,824</u>	<u>14,645,221,762</u>	<u>14,544,280,525</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	September 30 2023	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	452,233	0	0	452,233
Investments at amortized cost, net	86,932,912	0	79,923,837	7,009,075
Loans, net	<u>11,403,486,405</u>	<u>0</u>	<u>0</u>	<u>11,403,486,405</u>
	<u>11,490,871,550</u>	<u>0</u>	<u>79,923,837</u>	<u>11,410,947,713</u>
<u>Liabilities:</u>				
Deposits	13,012,259,474	0	0	13,012,259,474
Borrowings, debt securities issued and perpetual bonds	<u>1,038,277,872</u>	<u>0</u>	<u>0</u>	<u>1,038,277,872</u>
	<u>14,050,537,346</u>	<u>0</u>	<u>0</u>	<u>14,050,537,346</u>
	December 31 2022	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	89,138,402	0	0	89,138,402
Investments at amortized cost, net	4,820,910	0	0	4,820,910
Loans, net	<u>11,299,469,039</u>	<u>0</u>	<u>0</u>	<u>11,299,469,039</u>
	<u>11,393,428,351</u>	<u>0</u>	<u>0</u>	<u>11,393,428,351</u>
<u>Liabilities:</u>				
Deposits	13,181,776,225	0	0	13,181,776,225
Securities sold under repurchase agreements, Borrowings, debt securities issued and perpetual bonds	<u>1,297,912,599</u>	<u>0</u>	<u>0</u>	<u>1,297,912,599</u>
	<u>14,479,688,824</u>	<u>0</u>	<u>0</u>	<u>14,479,688,824</u>
	September 30 2022	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits with banks	92,510,139	0	0	92,510,139
Investments at amortized cost, net	132,880,478	0	131,300,000	1,580,478
Loans, net	<u>10,876,045,682</u>	<u>0</u>	<u>0</u>	<u>10,876,045,682</u>
	<u>11,101,436,299</u>	<u>0</u>	<u>131,300,000</u>	<u>10,970,136,299</u>
<u>Liabilities:</u>				
Deposits	13,229,887,521	0	0	13,229,887,521
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,314,393,004</u>	<u>0</u>	<u>0</u>	<u>1,314,393,004</u>
	<u>14,544,280,525</u>	<u>0</u>	<u>0</u>	<u>14,544,280,525</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management

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

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

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

(a) *Credit Risk*

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	September 30, 2023 (in thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,641,107	327,934	0	9,969,041
Grade 2: Special mention	187,729	775,436	10,757	973,922
Grade 3: Sub-standard	44,883	554,284	55,190	654,357
Grade 4: Doubtful	9,553	4,711	72,162	86,426
Grade 5: Uncollectible	<u>7,019</u>	<u>2,244</u>	<u>131,331</u>	<u>140,594</u>
Gross amount	9,890,291	1,664,609	269,440	11,824,340
Loan losses allowance	<u>(152,502)</u>	<u>(200,497)</u>	<u>(59,828)</u>	<u>(412,827)</u>
Net carrying amount	<u>9,737,789</u>	<u>1,464,112</u>	<u>209,612</u>	<u>11,411,513</u>
<u>Finance leases</u>				
Grade 1: Standard	86,974	147	0	87,121
Grade 2: Special mention	703	726	0	1,429
Grade 3: Sub-standard	597	883	49	1,529
Grade 4: Doubtful	0	0	3	3
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Gross amount	88,274	1,756	53	90,083
Loan losses allowance	<u>(310)</u>	<u>(99)</u>	<u>(14)</u>	<u>(423)</u>
Net carrying amount	<u>87,964</u>	<u>1,657</u>	<u>39</u>	<u>89,660</u>
Total loans	<u>9,978,565</u>	<u>1,666,365</u>	<u>269,493</u>	<u>11,914,423</u>
Loan losses allowance	<u>(152,812)</u>	<u>(200,596)</u>	<u>(59,842)</u>	<u>(413,250)</u>
Net carrying amount	<u>9,825,753</u>	<u>1,465,769</u>	<u>209,651</u>	<u>11,501,173</u>
<u>Restructured loans</u>				
Gross amount	60,120	736,909	123,861	920,890
Loan losses allowance	<u>(3,235)</u>	<u>(87,094)</u>	<u>(26,700)</u>	<u>(117,029)</u>
Net carrying amount	<u>56,885</u>	<u>649,815</u>	<u>97,161</u>	<u>803,861</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	September 30, 2022 (in Thousands)			
	12-month ECL	Lifetime ECL Not credit- impaired	Lifetime ECL credit- impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	9,075,230	242,768	0	9,317,998
Grade 2: Special mention	34,761	1,061,844	12,448	1,109,053
Grade 3: Sub-standard	47,401	547,370	64,829	659,600
Grade 4: Doubtful	4,442	3,501	91,529	99,472
Grade 5: Uncollectible	<u>9,137</u>	<u>2,432</u>	<u>131,461</u>	<u>143,030</u>
Gross amount	9,170,971	1,857,915	300,267	11,329,153
Loan losses allowance	<u>(171,525)</u>	<u>(233,262)</u>	<u>(64,241)</u>	<u>(469,028)</u>
Net carrying amount	<u>8,999,446</u>	<u>1,624,653</u>	<u>236,026</u>	<u>10,860,125</u>
<u>Finance leases</u>				
Grade 1: Standard	65,890	299	0	66,189
Grade 2: Special mention	156	2,989	0	3,145
Grade 3: Sub-standard	206	1,680	746	2,632
Grade 4: Doubtful	14	0	272	286
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>116</u>	<u>116</u>
Gross amount	66,266	4,968	1,134	72,368
Loan losses allowance	<u>(1,171)</u>	<u>(434)</u>	<u>(395)</u>	<u>(2,000)</u>
Net carrying amount	<u>65,095</u>	<u>4,534</u>	<u>739</u>	<u>70,368</u>
Total loans	<u>9,237,237</u>	<u>1,862,883</u>	<u>301,401</u>	<u>11,401,521</u>
Loan losses allowance	<u>(172,696)</u>	<u>(233,696)</u>	<u>(64,636)</u>	<u>(471,028)</u>
Net carrying amount	<u>9,064,541</u>	<u>1,629,187</u>	<u>236,765</u>	<u>10,930,493</u>
<u>Restructured loans</u>				
Gross amount	79,008	1,072,483	107,791	1,259,282
Loan losses allowance	<u>(4,555)</u>	<u>(114,384)</u>	<u>(23,435)</u>	<u>(142,374)</u>
Net carrying amount	<u>74,453</u>	<u>958,099</u>	<u>84,356</u>	<u>1,116,908</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	<u>September 30, 2023</u>		<u>Total</u>
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
Current	10,397,377,297	765,472,733	11,162,850,030
From 31 to 90 days	442,296,990	5,744,195	448,041,185
More than 90 days (capital or interest)	286,111,386	4,202,973	290,314,359
More than 30 days past due (capital at maturity)	<u>13,165,740</u>	<u>52,095</u>	<u>13,217,835</u>
Total	<u>11,138,951,413</u>	<u>775,471,996</u>	<u>11,914,423,409</u>

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.38,016,407 (December 31, 2022: B/.40,782,807) and (September 30, 2022: B/.41,196,028) which are not subject to credit risk:

		September 30, 2023			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	79,900,000	0	0	0	79,900,000
Lower than BBB-	7,006,545	0	0	0	7,006,545
Carrying amount	86,906,545	0	0	0	86,906,545
Loss allowance	(22,030)	0	0	0	(22,030)
Total carrying amount, net	86,884,515	0	0	0	86,884,515
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	538,633,330	0	0	0	538,633,330
Lower than BBB-	623,753,410	18,213,563	0	0	641,966,973
Carrying amount	1,162,386,740	18,213,563	0	0	1,180,600,303
Valuation of credit risk	(1,987,749)	(1,238,098)	0	0	(3,225,847)
<i>Foreign:</i>					
AAA	1,411,329,497	0	0	0	1,411,329,497
AA+ to BBB-	1,325,902,309	0	0	0	1,325,902,309
Lower than BBB-	194,974,043	6,711,589	0	305,132	201,990,764
Carrying amount	2,932,205,849	6,711,589	0	305,132	2,939,222,570
Valuation of credit risk	(6,345,978)	(468,000)	0	(44,651)	(6,858,629)
Total carrying amount	4,094,592,589	24,925,152	0	305,132	4,119,822,873
Total valuation of credit risk	(8,333,727)	(1,706,098)	0	(44,651)	(10,084,476)
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	1,688,400				
Lower than BBB-	53,038,279				
Carrying amount	54,726,679				
<i>Foreign:</i>					
AAA	446,964,918				
AA+ to BBB-	240,126,632				
Lower than BBB-	28,341,333				
NR	1,601,449				
Carrying amount	717,034,332				
Total carrying amount	771,761,011				

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

		<u>September 30, 2022</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	131,300,000	0	0	0	131,300,000
Lower than BBB-	<u>1,580,478</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,580,478</u>
Carrying amount	<u>132,880,478</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>132,880,478</u>
Loss allowance	<u>(28,842)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(28,842)</u>
Total carrying amount, net	<u><u>132,851,636</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>132,851,636</u></u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	523,999,612	0	0	0	523,999,612
Lower than BBB-	<u>644,793,088</u>	<u>8,570,114</u>	<u>11,903,528</u>	<u>0</u>	<u>665,266,730</u>
Carrying amount	<u>1,168,792,700</u>	<u>8,570,114</u>	<u>11,903,528</u>	<u>0</u>	<u>1,189,266,342</u>
Valuation of credit risk	<u>(2,802,659)</u>	<u>(553,758)</u>	<u>(1,601,663)</u>	<u>0</u>	<u>(4,958,080)</u>
<i>Foreign:</i>					
AAA	1,883,331,925	0	0	0	1,883,331,925
AA+ to BBB-	1,264,436,474	0	0	0	1,264,436,474
Lower than BBB-	256,773,222	15,948,947	277,274	838,299	273,837,742
NR	<u>0</u>	<u>323,748</u>	<u>0</u>	<u>0</u>	<u>323,748</u>
Carrying amount	<u>3,404,541,621</u>	<u>16,272,695</u>	<u>277,274</u>	<u>838,299</u>	<u>3,421,929,889</u>
Valuation of credit risk	<u>(12,951,911)</u>	<u>(3,389,143)</u>	<u>(22,151)</u>	<u>(60,328)</u>	<u>(16,423,533)</u>
Total carrying amount	<u><u>4,573,334,321</u></u>	<u><u>24,842,809</u></u>	<u><u>12,180,802</u></u>	<u><u>838,299</u></u>	<u><u>4,611,196,231</u></u>
Total valuation of credit risk	<u><u>(15,754,570)</u></u>	<u><u>(3,942,901)</u></u>	<u><u>(1,623,814)</u></u>	<u><u>(60,328)</u></u>	<u><u>(21,381,613)</u></u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,258,900				
Lower than BBB-	<u>53,657,671</u>				
Carrying amount	<u>55,916,571</u>				
<i>Foreign:</i>					
AAA	332,606,133				
AA+ to BBB-	259,038,791				
Lower than BBB-	44,580,678				
NR	<u>2,560,983</u>				
Carrying amount	<u>638,786,585</u>				
Total carrying amount	<u><u>694,703,156</u></u>				

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

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

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

	September 30, 2023				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the period	10,503,856	1,049,035	3,496,490	99,661	15,149,042
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(994,594)	732,902	(1,601,663)	11,994	(1,851,361)
New investment securities purchased	2,296,591	0	0	0	2,296,591
Investment securities that have been derecognized	<u>(3,472,126)</u>	<u>(75,839)</u>	<u>(1,894,827)</u>	<u>(67,004)</u>	<u>(5,509,796)</u>
Balance at the end of the period	<u>8,333,727</u>	<u>1,706,098</u>	<u>0</u>	<u>44,651</u>	<u>10,084,476</u>

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

	September 30, 2022				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance at the beginning of the period	7,166,582	575,141	1,780,582	0	9,522,305
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(56,275)	56,275	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	6,138,017	3,329,723	(156,705)	60,328	9,371,363
New investment securities purchased	3,825,359	0	0	0	3,825,359
Investment securities that have been derecognized	<u>(1,319,113)</u>	<u>(18,238)</u>	<u>(63)</u>	<u>0</u>	<u>(1,337,414)</u>
Balance at the end of the period	<u>15,754,570</u>	<u>3,942,901</u>	<u>1,623,814</u>	<u>60,328</u>	<u>21,381,613</u>

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Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

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

Regulatory Reserves

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

Dynamic Provision

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

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

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

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

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

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

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

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

As of June 30, 2023, based on the General Resolution of the Boards of Directors SBP-GJD-R-2023-01125, the Bank made a return to undistributed profits of the excess of 2.50% of the dynamic provision in a subsidiary to establish the maximum percentage required.