

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

**Condensed Consolidated Interim
Financial Information**

March 31, 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)

Table of Contents

Condensed Consolidated Statement of Financial Position
Condensed Consolidated Statement of Income
Condensed Consolidated Statement of Comprehensive Income
Condensed Consolidated Statement of Changes in Equity
Condensed Consolidated Statement of Cash Flows
Notes to the Condensed Consolidated Interim Financial Information

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

Condensed Consolidated Statement of Financial Position

March 31, 2023, December 31, 2022 and March 31, 2022

(Expressed in Balboas)

		(Unaudited) March 2023	(Audited) December 2022	(Unaudited) March 2022
Assets	Note			
Cash and cash items	5	210,287,715	199,528,689	217,507,440
Deposits with banks:				
Demand deposits		450,757,436	369,835,840	351,759,557
Time deposits		135,454,673	88,445,477	250,279,347
Accrued interest receivable		21,309	762,123	2,072,792
Total deposits with banks		586,233,418	459,043,440	604,111,696
Total cash, cash items and deposits with banks		796,521,133	658,572,129	821,619,136
Investments and other financial assets at FVTPL		823,563,835	761,506,289	941,989,378
Investments and other financial assets at FVOCI		4,230,311,025	4,483,609,412	4,928,543,263
Investments and other financial at amortized cost, net		67,902,751	4,805,216	62,828,384
Accrued interest receivable		9,854	3,554	2,516
Investments and other financial assets, net		5,121,787,465	5,249,924,471	5,933,363,541
Loans	6	11,552,661,717	11,690,195,657	11,270,950,777
Accrued interest receivable		71,515,872	73,490,156	89,323,853
Less:				
Loan losses allowance		434,345,907	432,999,235	488,959,058
Unearned commissions		39,030,476	38,496,425	35,789,944
Loans, net		11,150,801,206	11,292,190,153	10,835,525,628
Investments in associates		33,684,803	29,916,695	29,809,495
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	251,611,610	251,030,958	239,267,738
Right-of-Use Assets, net	8	15,930,893	15,618,528	16,412,642
Investments and other financial assets sold pending settlement		285,767,090	308,927,685	345,761,524
Deferred tax assets		105,173,073	104,908,428	118,167,823
Goodwill and other intangible assets, net	9	47,984,059	48,638,407	50,892,451
Other assets		450,616,437	447,004,010	407,587,803
Total assets		18,259,877,769	18,406,731,464	18,798,407,781

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) March 2023	(Audited) December 2022	(Unaudited) March 2022
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Local:				
Demand		2,818,710,658	2,885,526,474	3,090,681,912
Savings		4,930,825,426	5,060,269,555	4,970,301,885
Time:				
Customers		5,250,376,058	5,218,903,829	5,591,990,343
Banks		1,913,256	1,941,986	2,042,895
Accrued interest payable		68,968,677	81,778,894	83,735,745
Total deposits		<u>13,070,794,075</u>	<u>13,248,420,738</u>	<u>13,738,752,780</u>
Financing:				
Securities sold under repurchase agreements		102,800,443	198,242,891	0
Borrowings and debt securities issued, net	11	793,067,241	802,268,103	883,388,211
Perpetual bonds		400,000,000	400,000,000	400,000,000
Accrued interest payable		14,149,713	15,936,629	12,985,694
Total financing		<u>1,310,017,397</u>	<u>1,416,447,623</u>	<u>1,296,373,905</u>
Lease Liabilities	12	17,655,122	17,312,742	17,999,197
Investments and other financial assets purchased pending settlement		509,428,558	469,324,455	519,009,270
Reserves of insurance operations	13	20,868,115	20,522,641	19,828,782
Deferred tax liabilities		1,181,166	1,185,413	2,515,060
Other liabilities	10	652,662,517	654,900,834	664,059,943
Total liabilities		<u>15,582,606,950</u>	<u>15,828,114,446</u>	<u>16,258,538,937</u>
Equity:	15			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserves		211,619,549	206,514,168	201,201,769
Capital reserves		(246,872,324)	(278,368,128)	(93,323,907)
Retained earnings		2,212,523,594	2,150,470,978	1,931,990,982
Total equity		<u>2,677,270,819</u>	<u>2,578,617,018</u>	<u>2,539,868,844</u>
Total liabilities and equity		<u>18,259,877,769</u>	<u>18,406,731,464</u>	<u>18,798,407,781</u>

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

Condensed Consolidated Statement of Income

For the three months ended March 31, 2023 and 2022

(Expressed in Balboas)

		(Unaudited)	
	Note	2023	2022
Interest and commission income:			
Interest:			
Loans		203,739,984	182,976,247
Deposits with banks		2,551,435	1,148,400
Investments and other financial assets		58,773,867	38,203,148
Commissions on loans		10,128,654	8,327,221
Total interest and commission income		275,193,940	230,655,016
Interest expenses:			
Deposits		55,547,322	52,826,104
Financing		15,175,286	12,674,256
Total interest expenses		70,722,608	65,500,360
Net interest and commission income		204,471,332	165,154,656
(Reversal) provision for loan losses, net	6	(1,137,618)	17,485,627
(Reversal) provision for impairment of investments, net		(795,782)	9,622,740
(Reversal) provision for foreclosed assets, net		(254,250)	182,596
Net interest and commission income, after provisions		206,658,982	137,863,693
Other income (expenses):			
Fees and other commissions		86,360,714	71,849,119
Insurance premiums, net		9,603,293	9,136,661
Loss on financial instruments, net		(20,843,711)	(31,582,443)
Other income, net		8,347,753	6,414,245
Commission expenses and other expenses	12	(40,147,710)	(26,667,749)
Total other income, net		43,320,339	29,149,833
General and administrative expenses:			
Salaries and other personnel expenses	16	45,400,756	41,845,163
Depreciation and amortization	7 and 8	8,565,639	7,399,060
Properties, furniture and equipment expenses		8,358,259	7,076,672
Other expenses		17,666,243	21,730,207
Total general and administrative expenses		79,990,897	78,051,102
Net operating income		169,988,424	88,962,424
Equity participation in associates		3,894,648	4,894,872
Net income before tax		173,883,072	93,857,296
Income tax, estimated		22,404,457	14,723,038
Income tax, deferred		(274,634)	(6,091,045)
Income tax, net	17	22,129,823	8,631,993
Net income		151,753,249	85,225,303

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 three months ended March 31, 2023 and 2022

(Expressed in Balboas)

	(Unaudited)	
	<u>2023</u>	<u>2022</u>
Net income	<u>151,753,249</u>	<u>85,225,303</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	55,955,590	(167,783,322)
Transfer to profit or loss for sales of investments at FVOCI	(23,650,220)	(10,170,584)
Valuation of investment credit risk at FVOCI	<u>(809,566)</u>	<u>9,622,015</u>
Total other comprehensive income (expense), net	<u>31,495,804</u>	<u>(168,331,891)</u>
Total comprehensive income (loss)	<u><u>183,249,053</u></u>	<u><u>(83,106,588)</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 three months ended March 31, 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	151,753,249	151,753,249
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	55,955,590	55,955,590	0	55,955,590
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(23,650,220)	(23,650,220)	0	(23,650,220)
Valuation of investment credit risk at FVOCI	0	0	0	(809,566)	(809,566)	0	(809,566)
Total other comprehensive income, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,495,804</u>	<u>31,495,804</u>	<u>0</u>	<u>31,495,804</u>
Total comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,495,804</u>	<u>31,495,804</u>	<u>151,753,249</u>	<u>183,249,053</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(80,000,000)	(80,000,000)
Dividends tax	0	0	0	0	0	(1,634,257)	(1,634,257)
Complementary tax	0	0	0	0	0	(2,960,995)	(2,960,995)
Transfer of retained earnings	0	5,105,381	0	0	0	(5,105,381)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>5,105,381</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(89,700,633)</u>	<u>(84,595,252)</u>
Balance as of March 31, 2023 (Unaudited)	<u>500,000,000</u>	<u>211,619,549</u>	<u>1,000,000</u>	<u>(247,872,324)</u>	<u>(246,872,324)</u>	<u>2,212,523,594</u>	<u>2,677,270,819</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	85,225,303	85,225,303
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	(167,783,322)	(167,783,322)	0	(167,783,322)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(10,170,584)	(10,170,584)	0	(10,170,584)
Valuation of investment credit risk at FVOCI	0	0	0	9,622,015	9,622,015	0	9,622,015
Total other comprehensive expense, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(168,331,891)</u>	<u>(168,331,891)</u>	<u>0</u>	<u>(168,331,891)</u>
Total comprehensive (loss) income	<u>0</u>	<u>0</u>	<u>0</u>	<u>(168,331,891)</u>	<u>(168,331,891)</u>	<u>85,225,303</u>	<u>(83,106,588)</u>
Transactions with owner:							
Dividends paid on common shares	0	0	0	0	0	(65,800,000)	(65,800,000)
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	1,319,350	0	0	0	(1,319,350)	0
Total transactions attributable to the shareholder	<u>0</u>	<u>1,319,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(69,392,204)</u>	<u>(68,072,854)</u>
Balance as of March 31, 2022 (Unaudited)	<u>500,000,000</u>	<u>201,201,769</u>	<u>1,000,000</u>	<u>(94,323,907)</u>	<u>(93,323,907)</u>	<u>1,931,990,982</u>	<u>2,539,868,844</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 three months ended March 31, 2023 and 2022

(Expressed in Balboas)

		(Unaudited)	
	Note	2023	2022
Operating activities:			
Net income		151,753,249	85,225,303
Adjustments to reconcile net income and cash from operating activities:			
(Reversal) provision for loan losses, net	6	(1,137,618)	17,485,627
(Reversal) provision for valuation of investments, net		(795,782)	9,622,740
(Reversal) provision for provision for foreclosed assets, net		(254,250)	182,596
Unrealized (gain) loss on investments and other financial assets		(13,629,330)	26,702,517
Unrealized gain on derivative instruments		(9,523,425)	(2,318,614)
Loss on sale of investments and other financial assets at FVTPL, net		2,391,123	8,811,514
Loss on sale of investments and other financial assets at FVOCI, net		24,756,609	9,023,344
Realized (gain) loss on derivative instruments		16,848,734	(10,636,318)
Foreign exchange fluctuations, net		(1,296)	15,037
Gain on sale of fixed assets, net		(4,011)	(940,088)
Other net income from cancellations of right-of-use assets		0	(7,983)
Depreciation and amortization	7 and 8	8,565,639	7,399,060
Amortization of intangible assets	9	654,348	654,348
Equity participation in associates		(3,894,648)	(4,894,872)
Income tax, net		22,129,823	8,631,993
Interest and commission income		(275,193,940)	(230,655,016)
Interest expense		70,722,608	65,500,360
Changes in operating assets and liabilities:			
Time deposits with banks		38,990,804	(1,026,689)
Investments and other financial assets at FVTPL		(54,968,073)	45,694,457
Loans		140,018,230	30,595,555
Unearned commissions		10,662,705	8,025,097
Tax credit from preferential interest		(14,243,630)	(13,499,536)
Other assets		38,081,127	(123,876,396)
Demand deposits		(66,815,816)	(72,314,306)
Savings deposits		(129,444,129)	4,906,823
Time deposits		31,443,499	(78,187,153)
Reserves of insurance operations		345,474	126,418
Other liabilities		2,100,632	346,117,934
Cash provided by operations:			
Interest received		266,147,182	226,596,450
Interest paid		(85,298,926)	(76,358,976)
Dividends received		389,896	418,272
Total		19,043,559	201,794,195
Cash flows from operating activities		170,796,808	287,019,498
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(799,141,894)	(1,896,340,866)
Sale and redemptions of investments and other financial assets at FVOCI		1,066,934,034	1,803,044,599
Purchases of securities at amortized cost		(76,428,675)	(63,950,929)
Redemptions of securities at amortized cost		13,317,356	123,307,361
Dividends received from associates		126,540	106,020
Sale of properties, furniture and equipment		4,012	1,737,499
Purchases of properties, furniture and equipment	7	(8,287,238)	(7,492,238)
Cash flows from (used) investing activities		196,524,135	(39,588,554)
Financing activities:			
Redemption of debt securities issued and cancellation of borrowings		(8,773,582)	(5,493,043)
Securities sold under repurchase agreements		(95,442,448)	0
Payment of lease liabilities		(829,039)	(799,560)
Dividends paid on common shares		(80,000,000)	(65,800,000)
Complementary and dividends tax		(4,595,252)	(2,272,854)
Cash flows used from financing activities		(189,640,321)	(74,365,457)
Net increase in cash and cash equivalents		177,680,622	173,065,487
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	796,045,151	624,266,997

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

March 31, 2023

Index of Notes to the Condensed Consolidated Interim Financial Information:

1. General Information
2. Basis of Preparation
3. Summary of Significant Accounting Policies
4. Balances and Transactions with Related Parties
5. Cash and Cash Equivalents
6. Loans
7. Properties, Furniture, Equipment and Improvements
8. Right-of-use assets
9. Goodwill and Intangible Assets, Net
10. Other Financial Liabilities at Fair Value
11. Borrowings and Debt Securities Issued, net
12. Lease Liabilities
13. Reserves of Insurance Operations
14. Segment Information
15. Equity
16. Personnel Benefits
17. Income Tax
18. Derivative Financial Instruments
19. Fair Value of Financial Instruments
20. Financial Instruments Risk Management
21. Main Applicable Laws and Regulations

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 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 and Mexico which closed operations during the month of March 2022.

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management issue on April 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:

	March 31, 2023			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	<u>0</u>	<u>136,917,159</u>	<u>37,552,315</u>	<u>174,469,474</u>
Loans	<u>13,494,426</u>	<u>161,551,587</u>	<u>5,471,113</u>	<u>180,517,126</u>
Investments in associates	<u>0</u>	<u>33,684,803</u>	<u>0</u>	<u>33,684,803</u>
Liabilities:				
Deposits:				
Demand	1,089,543	112,095,092	83,606,374	196,791,009
Savings	7,693,929	48,862,215	2,248,431	58,804,575
Time	<u>4,301,646</u>	<u>218,638,831</u>	<u>125,461,538</u>	<u>348,402,015</u>
	<u>13,085,118</u>	<u>379,596,138</u>	<u>211,316,343</u>	<u>603,997,599</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>12,695,692</u>	<u>35,955,000</u>	<u>48,650,692</u>
Interest income:				
Loans	<u>159,109</u>	<u>2,672,336</u>	<u>121,042</u>	<u>2,952,487</u>
Investments and other financial assets	<u>0</u>	<u>1,815,110</u>	<u>797,074</u>	<u>2,612,184</u>
Interest expenses:				
Deposits	<u>44,758</u>	<u>3,046,725</u>	<u>957,751</u>	<u>4,049,234</u>
Financing	<u>0</u>	<u>213,780</u>	<u>2,632,695</u>	<u>2,846,475</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>3,894,648</u>	<u>0</u>	<u>3,894,648</u>
Received dividends	<u>0</u>	<u>224,890</u>	<u>0</u>	<u>224,890</u>
General and administrative expenses:				
Directors' fees	<u>143,649</u>	<u>0</u>	<u>0</u>	<u>143,649</u>
Benefits to key management personnel	<u>537,861</u>	<u>0</u>	<u>0</u>	<u>537,861</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			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
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>
<u>Liabilities:</u>				
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>

	March 31, 2022			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investments and other financial assets	<u>0</u>	<u>124,906,729</u>	<u>38,808,611</u>	<u>163,715,340</u>
Loans	<u>12,171,719</u>	<u>120,274,233</u>	<u>8,910,992</u>	<u>141,356,944</u>
Investments in associates	<u>0</u>	<u>29,809,495</u>	<u>0</u>	<u>29,809,495</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,062,791	111,422,596	84,043,619	196,529,006
Savings	9,230,619	131,921,764	8,308,431	149,460,814
Time	<u>3,024,086</u>	<u>266,181,521</u>	<u>133,518,744</u>	<u>402,724,351</u>
	<u>13,317,496</u>	<u>509,525,881</u>	<u>225,870,794</u>	<u>748,714,171</u>
Perpetual bonds	<u>0</u>	<u>15,000,000</u>	<u>123,721,970</u>	<u>138,721,970</u>
Commitments and contingencies	<u>1,648,670</u>	<u>10,575,321</u>	<u>35,955,000</u>	<u>48,178,991</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**

	March 31, 2022			
	Directors and Management	Related Companies	Affiliated Companies	Total
Interest income:				
Loans	<u>130,132</u>	<u>1,644,799</u>	<u>120,604</u>	<u>1,895,535</u>
Investments and other financial assets	<u>0</u>	<u>1,336,651</u>	<u>437,810</u>	<u>1,774,461</u>
Interest expenses:				
Deposits	<u>32,793</u>	<u>2,545,332</u>	<u>384,471</u>	<u>2,962,596</u>
Financing	<u>0</u>	<u>76,562</u>	<u>1,463,151</u>	<u>1,539,713</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>4,894,872</u>	<u>0</u>	<u>4,894,872</u>
Received dividends	<u>0</u>	<u>197,953</u>	<u>0</u>	<u>197,953</u>
General and administrative expenses:				
Directors' fees	<u>127,220</u>	<u>0</u>	<u>0</u>	<u>127,220</u>
Benefits to key management personnel	<u>621,071</u>	<u>0</u>	<u>0</u>	<u>621,071</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:

	March 31	
	<u>2023</u>	<u>2022</u>
Cash and cash items	210,287,715	217,507,440
Demand deposits with banks	450,757,436	351,759,557
Time deposits with banks	<u>135,454,673</u>	<u>250,279,347</u>
Total deposits with banks	<u>586,212,109</u>	<u>602,038,904</u>
Less: Deposits with banks, with original maturities greater than three months	<u>454,673</u>	<u>195,279,347</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>796,045,151</u>	<u>624,266,997</u>

Demand deposits with banks include cash collateral accounts for B/.33,284,676 (December 31, 2022: B/.36,139,963) that secure derivative operations and the next payments of principal, interest of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	March 31 2023	December 31 2022	March 31 2022
Internal sector:			
Residential mortgages	4,644,734,923	4,634,457,178	4,546,365,952
Personal, auto and credit cards	1,834,773,650	1,801,739,885	1,710,318,869
Commercial mortgages	1,847,372,594	1,878,587,554	1,924,147,199
Lines of credit and commercial loans	1,163,141,622	1,307,429,023	1,168,671,100
Interim financing	274,038,880	286,741,891	347,862,498
Finance leases, net	77,651,916	73,634,394	65,790,900
Other secured loans	197,812,534	195,455,740	199,331,648
Overdrafts	123,466,338	120,003,600	105,855,750
Total internal sector	<u>10,162,992,457</u>	<u>10,298,049,265</u>	<u>10,068,343,916</u>
External sector:			
Residential mortgages	158,587,758	163,068,975	181,000,603
Personal, auto and credit cards	7,280,037	7,805,083	8,707,156
Commercial mortgages	156,735,044	164,734,813	148,097,229
Lines of credit and commercial loans	1,018,606,247	996,812,470	826,316,788
Other secured loans	10,393,158	24,572,603	10,323,940
Overdrafts	38,067,016	35,152,448	28,161,145
Total external sector	<u>1,389,669,260</u>	<u>1,392,146,392</u>	<u>1,202,606,861</u>
Total	<u>11,552,661,717</u>	<u>11,690,195,657</u>	<u>11,270,950,777</u>

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

	March 31, 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	8,681,821	(6,261,996)	(2,419,825)	0
Transferred to lifetime ECL not credit-impaired	(3,513,737)	51,045,548	(47,531,811)	0
Transferred to lifetime ECL credit-impaired	(1,130,497)	(7,403,411)	8,533,908	0
Net remeasurement of portfolio	(8,494,679)	(61,508,322)	47,892,588	(22,110,413)
New loans	12,584,683	21,295,146	5,423,714	39,303,543
Loans that have been derecognized	(3,065,324)	(2,062,939)	(13,202,485)	(18,330,748)
Recovery of loan write-off	0	0	11,645,137	11,645,137
Loans written-off	0	0	(9,160,847)	(9,160,847)
Balance at the end of the period	<u>141,989,198</u>	<u>229,999,488</u>	<u>62,357,221</u>	<u>434,345,907</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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>

	March 31, 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	13,593,218	(8,788,242)	(4,804,976)	0
Transferred to lifetime ECL not credit-impaired	(11,072,675)	16,057,601	(4,984,926)	0
Transferred to lifetime ECL credit-impaired	(2,467,481)	(11,736,375)	14,203,856	0
Net remeasurement of portfolio	(280,649)	3,219,678	12,705,698	15,644,727
New loans	10,766,563	1,812,769	3,544,499	16,123,831
Loans that have been derecognized	(3,127,778)	(1,670,829)	(9,484,324)	(14,282,931)
Recovery of loan write-off	0	0	7,504,988	7,504,988
Loans written-off	0	0	(3,737,619)	(3,737,619)
Balance at the end of the period	<u>204,800,082</u>	<u>128,707,518</u>	<u>155,451,458</u>	<u>488,959,058</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/.23,155,150 (December 31, 2022 B/.28,414,331) and (March 31, 2022 B/.49,005,963).

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 2023					
	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the period	31,999,135	135,380,209	183,989,593	123,056,424	49,468,645	523,894,006
Additions	0	236,255	5,073,936	2,737,604	239,443	8,287,238
Sales and disposals	0	0	0	8,565,734	0	8,565,734
At the end of the period	<u>31,999,135</u>	<u>135,616,464</u>	<u>189,063,529</u>	<u>117,228,294</u>	<u>49,708,088</u>	<u>523,615,510</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	879,933	4,307,055	2,022,942	496,655	7,706,585
Sales and disposal	0	0	0	8,565,733	0	8,565,733
At the end of the period	<u>0</u>	<u>43,611,734</u>	<u>112,036,627</u>	<u>82,331,782</u>	<u>34,023,757</u>	<u>272,003,900</u>
Net balance	<u>31,999,135</u>	<u>92,004,730</u>	<u>77,026,902</u>	<u>34,896,512</u>	<u>15,684,331</u>	<u>251,611,610</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	0	<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>

	March 31, 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	4,509,410	1,863,716	1,119,112	7,492,238
Sales and disposals	<u>513,130</u>	<u>582,734</u>	<u>0</u>	<u>384,795</u>	<u>92,002</u>	<u>1,572,661</u>
At the end of the period	<u>32,011,495</u>	<u>136,276,905</u>	<u>167,863,743</u>	<u>114,816,642</u>	<u>45,952,532</u>	<u>496,921,317</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	884,483	3,069,024	2,093,002	506,417	6,552,926
Sales and disposal	0	<u>298,455</u>	<u>0</u>	<u>384,794</u>	<u>92,001</u>	<u>775,250</u>
At the end of the period	<u>0</u>	<u>40,746,826</u>	<u>97,732,009</u>	<u>86,263,524</u>	<u>32,911,220</u>	<u>257,653,579</u>
Net balance	<u>32,011,495</u>	<u>95,530,079</u>	<u>70,131,734</u>	<u>28,553,118</u>	<u>13,041,312</u>	<u>239,267,738</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31 <u>2023</u>	December 31 <u>2022</u>	March 31 <u>2022</u>
Cost:			
At the beginning of the period	27,235,400	26,704,514	26,704,514
New contracts	1,171,419	2,727,031	367,146
Cancellations	<u>(689,895)</u>	<u>(2,196,145)</u>	<u>(625,912)</u>
At the end of the period	<u>27,716,924</u>	<u>27,235,400</u>	<u>26,445,748</u>
Accumulated depreciation:			
At the beginning of the period	11,616,872	9,706,856	9,706,856
Expense of the period	859,054	3,421,927	846,134
Cancellations	<u>(689,895)</u>	<u>(1,511,911)</u>	<u>(519,884)</u>
At the end of the period	<u>11,786,031</u>	<u>11,616,872</u>	<u>10,033,106</u>
Net balance	<u>15,930,893</u>	<u>15,618,528</u>	<u>16,412,642</u>

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

(9) Goodwill and Intangible Assets, Net

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(9) Goodwill and Intangible Assets, Net, continued

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

	<u>March 31, 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>654,348</u>	<u>654,348</u>
Balance at the end of the period	<u>0</u>	<u>40,569,524</u>	<u>40,569,524</u>
Net balance at the end of the period	<u>41,091,499</u>	<u>6,892,560</u>	<u>47,984,059</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>March 31, 2022</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of the period	<u>41,382,499</u>	<u>47,462,084</u>	<u>88,844,583</u>
Accumulated amortization:			
Balance at the beginning of the period	0	37,297,784	37,297,784
Amortization of the period	<u>0</u>	<u>654,348</u>	<u>654,348</u>
Balance at the end of the period	<u>0</u>	<u>37,952,132</u>	<u>37,952,132</u>
Net balance at the end of the period	<u>41,382,499</u>	<u>9,509,952</u>	<u>50,892,451</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 March 31, 2023, no evaluation was necessary.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	<u>Level</u>	<u>March 31 2023</u>	<u>December 31 2022</u>	<u>March 31 2022</u>
Bonds of the US Government	1	3,362,848	3,284,758	0
Foreign Fixed Income Funds	2	120,842	0	0
Mortgage Backed Securities (MBS)	2	<u>143,998,656</u>	<u>145,211,067</u>	<u>103,599,293</u>
Total		<u>147,482,346</u>	<u>148,495,825</u>	<u>103,599,293</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>March 31 2023</u>	<u>December 31 2022</u>	<u>March 31 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 2023, at interest rates of 6 month SOFR plus a margin	50,000,000	50,000,000	5,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	1,882,502	1,906,084	2,226,857
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	0	0	2,022,009
Notes with maturities in 2024, at a fixed interest rate	30,000,000	35,000,000	50,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>63,750,000</u>	<u>67,500,000</u>	<u>75,000,000</u>
Subtotal of borrowings and debt securities issued	785,529,502	794,303,084	874,145,866
Revaluation coverage	<u>7,537,739</u>	<u>7,965,019</u>	<u>9,242,345</u>
Total borrowings and debt securities issued, net	<u>793,067,241</u>	<u>802,268,103</u>	<u>883,388,211</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	March 31	
	<u>2023</u>	<u>2022</u>
Balance at the beginning of the period	802,268,103	893,646,075
Redemption of debt securities issued and cancellation of borrowings	(8,773,582)	(5,493,043)
Revaluation coverage	<u>(427,280)</u>	<u>(4,764,821)</u>
Balance at the end of the period	<u><u>793,067,241</u></u>	<u><u>883,388,211</u></u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	March 31	December 31	March 31
	<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	1,171,419	2,727,031	367,146
Payments	(829,039)	(3,247,484)	(799,560)
Cancellations	<u>0</u>	<u>(712,427)</u>	<u>(114,011)</u>
Balance at the end of the period	<u><u>17,655,122</u></u>	<u><u>17,312,742</u></u>	<u><u>17,999,197</u></u>

Interest expense on lease liabilities for B/.192,410 (2022: B/.204,215) is included in the line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Reserves of insurance operations amounted to B/.20,868,115 (December 31, 2022: B/.20,522,641) and (March 31, 2022: B/.19,828,782) and are comprised of unearned premiums and estimated insurance claims incurred.

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

	March 31 2023	December 31 2022	March 31 2022
Unearned Premiums			
Balance at the beginning of the period	21,314,216	20,473,022	20,473,022
Issued premiums	12,730,129	42,525,570	12,053,845
Earned premiums	<u>(11,058,810)</u>	<u>(41,684,376)</u>	<u>(10,863,342)</u>
Balance at the end of the period	22,985,535	21,314,216	21,663,525
Reinsurers participation	<u>(5,488,898)</u>	<u>(4,447,976)</u>	<u>(4,863,712)</u>
Unearned premiums, net	<u>17,496,637</u>	<u>16,866,240</u>	<u>16,799,813</u>
Estimated Insurance Claims Incurred			
Balance at the beginning of the period	5,045,986	4,574,850	4,574,850
Incurred claims	3,022,424	10,263,931	2,425,555
Paid claims	<u>(3,125,086)</u>	<u>(9,792,795)</u>	<u>(2,696,138)</u>
Balance at the end of the period	4,943,324	5,045,986	4,304,267
Reinsurer participation	<u>(1,571,846)</u>	<u>(1,389,585)</u>	<u>(1,275,298)</u>
Estimated insurance claims incurred, net	<u>3,371,478</u>	<u>3,656,401</u>	<u>3,028,969</u>
Total reserves of insurance operations	<u>20,868,115</u>	<u>20,522,641</u>	<u>19,828,782</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.

<u>Segments</u>	<u>Operations</u>
Banking and Financial Activities	Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of food vouchers, asset management and securities brokerage
Insurance and Reinsurance	Insurance and reinsurance of policies of general lines, collective life and various risks
Pension and Retirement Fund	Administration of pension and retirement, severance and investment funds

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(14) Segment Information, continued

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

			<u>March 31, 2023</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	274,344,159	3,199,837	406,966	2,757,022	275,193,940
Interest and provision expenses	71,199,655	92,325	0	2,757,022	68,534,958
Other income, net	31,930,596	7,403,823	3,989,403	3,483	43,320,339
General and administrative expenses	69,315,915	760,162	1,352,664	3,483	71,425,258
Depreciation and amortization expense	8,509,631	3,787	52,221	0	8,565,639
Equity participation in associates	3,894,648	0	0	0	3,894,648
Net income before income tax	161,144,202	9,747,386	2,991,484	0	173,883,072
Net Income tax, estimated	20,314,250	1,404,260	685,947	0	22,404,457
Net Income tax, deferred	(274,634)	0	0	0	(274,634)
Net Income tax	20,039,616	1,404,260	685,947	0	22,129,823
Net income	141,104,586	8,343,126	2,305,537	0	151,753,249
Total assets	18,182,305,281	340,979,843	57,096,816	320,504,171	18,259,877,769
Total liabilities	15,823,903,646	56,526,184	4,575,229	302,398,109	15,582,606,950

			<u>March 31, 2022</u>		
	<u>Banking and</u>	<u>Insurance</u>	<u>Pension and</u>		
	<u>Financial</u>	<u>and</u>	<u>retirement</u>		
	<u>Activities</u>	<u>Reinsurance</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	229,857,339	1,677,852	379,484	1,259,659	230,655,016
Interest and provision expenses	94,027,694	23,288	0	1,259,659	92,791,323
Other income, net	17,953,647	7,386,184	3,813,010	3,008	29,149,833
General and administrative expenses	68,697,947	662,462	1,294,641	3,008	70,652,042
Depreciation and amortization expense	7,328,413	3,599	67,048	0	7,399,060
Equity participation in associates	4,894,872	0	0	0	4,894,872
Net income before income tax	82,651,804	8,374,687	2,830,805	0	93,857,296
Net Income tax, estimated	12,670,155	1,412,501	640,382	0	14,723,038
Net Income tax, deferred	(6,091,045)	0	0	0	(6,091,045)
Net Income tax	6,579,110	1,412,501	640,382	0	8,631,993
Net income	76,072,694	6,962,186	2,190,423	0	85,225,303
Total assets	18,656,684,363	312,164,195	51,667,550	222,108,327	18,798,407,781
Total liabilities	16,406,126,797	50,526,975	4,587,430	202,702,265	16,258,538,937

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

		<u>March 31, 2023</u>		
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	273,460,420	41,272,876	7,675,631	322,408,927
Non-financial	296,239,987	3,355,682	0	299,595,669

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	<u>March 31, 2022</u>			
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	<u>Total</u>
Interest and commission income, other income, net and Equity participation in associates	<u>237,480,572</u>	<u>22,602,529</u>	<u>4,616,621</u>	<u>264,699,721</u>
Non-financial	<u>286,598,696</u>	<u>3,561,493</u>	<u>0</u>	<u>290,160,189</u>

(15) Equity

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

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

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

	<u>March 31, 2023</u>					
			<u>Reserves</u>			
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	4,444,376	16,611,176	0	0	154,933,028
General de Seguros, S. A.	0	0	0	0	38,586,818	38,586,818
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>4,444,376</u>	<u>16,611,176</u>	<u>2,532,860</u>	<u>38,586,818</u>	<u>211,619,549</u>

	<u>December 31, 2022</u>					
			<u>Reserves</u>			
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Loans in the process of awarding</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	3,956,065	12,641,453	0	0	150,474,994
General de Seguros, S. A.	0	0	0	0	37,939,471	37,939,471
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>0</u>	<u>2,532,860</u>	<u>0</u>	<u>7,484,710</u>
Total	<u>149,444,319</u>	<u>3,956,065</u>	<u>12,641,453</u>	<u>2,532,860</u>	<u>37,939,471</u>	<u>206,514,168</u>
Transfer from retained earnings of the period	<u>0</u>	<u>488,311</u>	<u>3,969,723</u>	<u>0</u>	<u>647,347</u>	<u>5,105,381</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(15) Equity, continued

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

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

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.348,796 (2022: B/. B/.303,045). 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 March 31, 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/.20,400 (2022: B/.21,645) and the disbursements to former employees who are covered under the retirement plan amount to B/.39,044 (2022: B/.39,044).

(17) Income Tax

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(17) Income Tax, continued

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

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

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

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

Net income tax is detailed as follows:

	March 31	
	<u>2023</u>	<u>2022</u>
Estimated income tax	22,404,457	14,783,506
Prior year income tax adjustments	0	(60,468)
Deferred income tax	<u>(274,634)</u>	<u>(6,091,045)</u>
Total income tax, net	<u>22,129,823</u>	<u>8,631,993</u>

(18) Derivative Financial Instruments

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

Below is the summary of derivative contracts is as follow:

	Total		Exchange-Traded		Over the Counter (OTC)			
	Notional Value	Book Value	Notional Value	Book Value	Liquidated in a securities exchange		Other bilateral counterparts	
					Notional Value	Book Value	Notional Value	Book Value
<u>March 31, 2023</u>								
Derivative assets	1,210,026,663	28,284,373	231,065,630	0	450,272,936	24,544,106	528,688,097	3,740,267
Derivative liabilities	922,741,009	5,753,838	395,106,052	0	28,021,130	1,048,157	499,613,827	4,705,681
<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>March 31, 2022</u>								
Derivative assets	1,240,015,021	32,778,748	209,326,010	0	472,776,934	22,636,566	557,912,077	10,142,182
Derivative liabilities	1,424,368,583	32,100,556	349,832,346	0	292,152,963	21,837,679	782,383,274	10,262,877

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA- and A- (December 31, 2022: AA- to A-) and (March 31, 2022: AA and BBB+), which support derivative operations in the amount of B/.21.7MM (December 31, 2022: B/.25.3MM) and (March 31, 2022: B/.32.0MM).

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

Other Derivatives classified by Risk:

	March 31, 2023		December 31, 2022		March 31, 2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Others derivatives:						
Credit	894,532	95,088	530,597	362,550	1,395,789	4,428,765
Interest	17,884,512	3,011,477	34,209,986	22,829,393	23,956,888	22,952,047
Currency	8,382	6,358	8,187	4,840	24,503	18,623
Total	18,787,426	3,112,923	34,748,770	23,196,783	25,377,180	27,399,435

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Hedge Derivatives for Risk Management:

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
<u>Exposure to risk:</u>						
<u>Interest rate</u>						
Fair value hedge	8,427,019	0	9,501,570	0	2,484,663	0
Others	<u>424,751</u>	<u>0</u>	<u>972,579</u>	<u>0</u>	<u>0</u>	<u>2,716,337</u>
Total interest rate	<u>8,851,770</u>	<u>0</u>	<u>10,474,149</u>	<u>0</u>	<u>2,484,663</u>	<u>2,716,337</u>
<u>Currency</u>						
Others	<u>645,177</u>	<u>2,640,915</u>	<u>308,517</u>	<u>6,383,400</u>	<u>4,916,905</u>	<u>1,469,862</u>
Total Currency	<u>645,177</u>	<u>2,640,915</u>	<u>308,517</u>	<u>6,383,400</u>	<u>4,916,905</u>	<u>1,469,862</u>
<u>Credit</u>						
Others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>514,922</u>
Total Credit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>514,922</u>
Total derivatives for risk exposure	<u>9,496,947</u>	<u>2,640,915</u>	<u>10,782,666</u>	<u>6,383,400</u>	<u>7,401,568</u>	<u>4,701,121</u>

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

<u>Risk Category</u>	<u>March 31, 2023</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<u>Interest rate risk</u>					
<u>Hedging of Bonds</u>					
Notional Value	0	0	0	20,000,000	40,000,000
Average interest rate				1.66%	5.19%

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>March 31, 2022</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	0	20,000,000
Average interest rate					5.13%

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

	<u>March 31, 2023</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>60,000,000</u>	<u>8,427,019</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>60,000,000</u>	<u>8,427,019</u>	<u>0</u>		

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

	<u>March 31, 2022</u>				
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>
		<u>Assets</u>	<u>Liabilities</u>		
Interest rate risk:					
Interest rate derivatives – Bonds Hedge	<u>20,000,000</u>	<u>2,484,663</u>	<u>0</u>	Other assets (liabilities)	0
Total interest rate risk	<u>20,000,000</u>	<u>2,484,663</u>	<u>0</u>		

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>March 31, 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>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	<u>51,329,186</u>		<u>0</u>	<u>6,800,609</u>	Investment securities FVOCI	<u>0</u>
						<u>0</u>
<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	<u>0</u>
						<u>0</u>
<u>March 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>18,200,000</u>		<u>0</u>	<u>2,484,663</u>	Investment securities FVOCI	<u>0</u>
						<u>0</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

		March 31, 2023			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	894,532	0	894,532	
Interest	0	17,884,512	0	17,884,512	
Currency	0	8,382	0	8,382	
Total	0	18,787,426	0	18,787,426	
Hedge derivatives for risk management:					
Interest	0	8,851,770	0	8,851,770	
Currency	0	645,177	0	645,177	
Total	0	9,496,947	0	9,496,947	
Total derivatives assets	0	28,284,373	0	28,284,373	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	95,088	0	95,088	
Interest	382,619	2,628,858	0	3,011,477	
Currency	0	6,358	0	6,358	
Total	382,619	2,730,304	0	3,112,923	
Hedge derivatives for risk management:					
Currency	0	2,640,915	0	2,640,915	
Total	0	2,640,915	0	2,640,915	
Total derivatives liabilities	382,619	5,371,219	0	5,753,838	

		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	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

		March 31, 2022			
		Level 1	Level 2	Level 3	Total
	<u>Assets</u>				
Other derivatives:					
Credit		0	1,395,789	0	1,395,789
Interest		0	23,956,888	0	23,956,888
Currency		0	24,503	0	24,503
Total		0	25,377,180	0	25,377,180
Hedge derivatives for risk management:					
Interest		0	2,484,663	0	2,484,663
Currency		0	4,916,905	0	4,916,905
Total		0	7,401,568	0	7,401,568
Total derivatives assets		0	32,778,748	0	32,778,748
	<u>Liabilities</u>				
Other derivatives:					
Credit		0	4,428,765	0	4,428,765
Interest		172,529	22,779,518	0	22,952,047
Currency		0	18,623	0	18,623
Total		172,529	27,226,906	0	27,399,435
Hedge derivatives for risk management:					
Credit		0	514,922	0	514,922
Interest		0	2,716,337	0	2,716,337
Currency		0	1,469,862	0	1,469,862
Total		0	4,701,121	0	4,701,121
Total derivatives liabilities		172,529	31,928,027	0	32,100,556

(19) Fair Value of Financial Instruments

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

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

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

	March 31			
	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	54,700,567	0	0	54,700,567
Bonds of the Republic of Panama	1,697,180	0	1,697,180	0
Local Corporate Shares	40,540,426	0	0	40,540,426
Foreign Treasury Bills	239,005	239,005	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	493,087,038	0	493,087,038	0
Asset Backed Securities (ABS)	68,440,790	0	68,440,790	0
Foreign Corporate Bonds and Fixed Income Funds	164,729,040	0	2,240,769	162,488,271
Foreign Corporate Shares	129,789	0	0	129,789
Total	<u>823,563,835</u>	<u>239,005</u>	<u>565,465,777</u>	<u>257,859,053</u>
	December 31			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>761,506,289</u>	<u>250,645</u>	<u>505,236,301</u>	<u>256,019,343</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	March 31			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	56,794,747	0	0	56,794,747
Bonds of the Republic of Panama	2,496,572	0	2,496,572	0
Local Corporate Shares	40,005,425	0	0	40,005,425
Foreign Treasury Bills	249,965	249,965	0	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	397,990,626	0	397,990,626	0
Asset Backed Securities (ABS)	73,892,235	0	73,892,235	0
Foreign Corporate Bonds and Fixed Income Funds	368,395,842	0	202,101,768	166,294,074
Foreign Corporate Shares and Variable Income				
Mutual Funds	<u>2,163,966</u>	<u>0</u>	<u>34,000</u>	<u>2,129,966</u>
Total	<u>941,989,378</u>	<u>249,965</u>	<u>676,515,201</u>	<u>265,224,212</u>

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

	March 31			
	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	9,353,468	0	0	9,353,468
Local Corporate Bonds	1,133,930,226	0	384,578,422	749,351,804
Bonds of the Republic of Panama	22,486,669	0	22,486,669	0
Bonds of the US Government and Agency	235,889,852	227,807,764	8,082,088	0
Foreign Commercial Paper and Treasury Bills	164,315,135	83,298,297	81,016,838	0
Mortgage Backed Securities (MBS) and Collateralized				
Mortgage Obligations (CMOs)	1,244,725,626	0	1,244,725,626	0
Asset Backed Securities (ABS)	173,118,359	0	173,118,359	0
Foreign Corporate Bonds	1,220,930,316	0	1,220,930,316	0
Bonds of Other Governments	<u>25,561,374</u>	<u>0</u>	<u>25,561,374</u>	<u>0</u>
Total	<u>4,230,311,025</u>	<u>311,106,061</u>	<u>3,160,499,692</u>	<u>758,705,272</u>

	December 31			
	<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>

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

	March 31 <u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	24,695,655	0	19,350,645	5,345,010
Local Corporate Bonds	1,133,356,192	0	389,432,659	743,923,533
Bonds of the Republic of Panama	105,753,803	0	105,753,803	0
Bonds of the US Government	247,075,689	247,075,689	0	0
Foreign Commercial Paper and Treasury Bills	520,628,123	428,758,912	91,869,211	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,236,893,239	0	1,236,893,239	0
Asset Backed Securities (ABS)	186,958,591	0	186,958,591	0
Foreign Corporate Bonds	1,429,490,665	0	1,429,490,665	0
Bonds of Other Governments	43,691,306	0	43,691,306	0
Total	<u>4,928,543,263</u>	<u>675,834,601</u>	<u>3,503,440,119</u>	<u>749,268,543</u>

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

	<u>Fair Value through Profit or Loss</u>	<u>Fair Value through OCI</u>	<u>Total</u>
December 31, 2022	256,019,343	705,293,940	961,313,283
Loss recognized in income	(530,122)	0	(530,122)
Loss recognized in equity	0	(5,620,522)	(5,620,522)
Purchases	35,092,708	140,565,500	175,658,208
Amortization, sales and redemptions	<u>(32,722,876)</u>	<u>(81,533,646)</u>	<u>(114,256,522)</u>
March 31, 2023	<u>257,859,053</u>	<u>758,705,272</u>	<u>1,016,564,325</u>
Total loss related to instruments held as of March 31, 2023	<u>(608,752)</u>	<u>(5,562,028)</u>	<u>(6,260,780)</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	(3,867,392)	0	(3,867,392)
Loss recognized in equity	0	(15,219,585)	(15,219,585)
Purchases	12,410,183	118,006,016	130,416,199
Amortization, sales and redemptions	<u>(11,179,829)</u>	<u>(18,466,071)</u>	<u>(29,645,900)</u>
March 31, 2022	<u>265,224,212</u>	<u>749,268,543</u>	<u>1,014,492,755</u>
Total loss related to instruments held as of March 31, 2022	<u>(3,858,139)</u>	<u>(15,215,104)</u>	<u>(19,073,243)</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

<u>Instruments</u>	<u>Valuation technique</u>	<u>Unobservable inputs used</u>	<u>Range for unobservable inputs</u>						<u>Fair value sensitivity to unobservable inputs</u>
			<u>March 31 2023</u>		<u>December 31 2022</u>		<u>March 31 2022</u>		
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Min	5.90%	Min	5.90%	Min	5.77%	If equity risk premiums increase, the price decreases and vice versa
			Max	10.19%	Max	10.19%	Max	8.18%	
		Growth rate of assets, liabilities, equity, profits and dividends	Min	(45.53%)	Min	(45.53%)	Min	(54.09%)	If the growth increases the price increases and vice versa
			Max	313.83%	Max	313.83%	Max	239.91%	
Fixed Income	Discounted cash flow	Credit spreads	Min	1.42%	Min	0.79%	Min	0.36%	If the credit spreads increase, the price decreases and vice versa
			Max	12.48%	Max	13.23%	Max	16.92%	
			Ave	3.30%	Ave	2.81%	Ave	2.77%	

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

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

	<u>March 31, 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	64,708	(63,377)	12,053,102	(12,524,388)
Corporate Shares	<u>2,567,919</u>	<u>(2,250,681)</u>	<u>0</u>	<u>0</u>
Total	<u>2,632,627</u>	<u>(2,314,058)</u>	<u>12,053,102</u>	<u>(12,524,388)</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>March 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	18,305	(69,951)	9,315,643	(11,160,252)
Corporate Shares	<u>3,569,486</u>	<u>(2,979,303)</u>	<u>0</u>	<u>0</u>
Total	<u>3,587,791</u>	<u>(3,049,254)</u>	<u>9,315,643</u>	<u>(11,160,252)</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The 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>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 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	135,475,982	135,870,772	89,207,600	89,138,402	252,352,139	252,208,479
Investments at amortized cost, net	67,912,605	67,938,529	4,808,770	4,820,910	62,830,900	62,853,444
Loans, net	<u>11,150,801,206</u>	<u>11,115,678,333</u>	<u>11,292,190,153</u>	<u>11,299,469,039</u>	<u>10,835,525,628</u>	<u>10,803,521,714</u>
	<u>11,354,189,793</u>	<u>11,319,487,634</u>	<u>11,386,206,523</u>	<u>11,393,428,351</u>	<u>11,150,708,667</u>	<u>11,118,583,637</u>
Liabilities:						
Deposits	13,070,794,075	12,980,996,400	13,248,420,738	13,181,776,225	13,738,752,780	13,777,103,768
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,310,017,397</u>	<u>1,201,594,381</u>	<u>1,416,447,623</u>	<u>1,297,912,599</u>	<u>1,296,373,905</u>	<u>1,266,420,938</u>
	<u>14,380,811,472</u>	<u>14,182,590,781</u>	<u>14,664,868,361</u>	<u>14,479,688,824</u>	<u>15,035,126,685</u>	<u>15,043,524,706</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31 2023	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	135,870,772	0	0	135,870,772
Investments at amortized cost, net	67,938,529	0	62,808,643	5,129,886
Loans, net	<u>11,115,678,333</u>	<u>0</u>	<u>0</u>	<u>11,115,678,333</u>
	<u>11,319,487,634</u>	<u>0</u>	<u>62,808,643</u>	<u>11,256,678,991</u>
Liabilities:				
Deposits	12,980,996,400	0	0	12,980,996,400
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	<u>1,201,594,381</u>	<u>0</u>	<u>0</u>	<u>1,201,594,381</u>
	<u>14,182,590,781</u>	<u>0</u>	<u>0</u>	<u>14,182,590,781</u>
	December 31 2022	Level 1	Level 2	Level 3
Assets:				
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>
Liabilities:				
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>
	March 31 2022	Level 1	Level 2	Level 3
Assets:				
Time deposits with banks	252,208,479	0	0	252,208,479
Investments at amortized cost, net	62,853,444	0	59,702,975	3,150,469
Loans, net	<u>10,803,521,714</u>	<u>0</u>	<u>0</u>	<u>10,803,521,714</u>
	<u>11,118,583,637</u>	<u>0</u>	<u>59,702,975</u>	<u>11,058,880,662</u>
Liabilities:				
Deposits	13,777,103,768	0	0	13,777,103,768
Borrowings, debt securities issued and perpetual bonds	<u>1,266,420,938</u>	<u>0</u>	<u>0</u>	<u>1,266,420,938</u>
	<u>15,043,524,706</u>	<u>0</u>	<u>0</u>	<u>15,043,524,706</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management

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

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

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

(a) Credit Risk

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 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	9,173,956	315,637	0	9,489,593
Grade 2: Special mention	187,474	892,241	11,662	1,091,377
Grade 3: Sub-standard	40,343	551,598	60,962	652,903
Grade 4: Doubtful	6,786	3,241	91,838	101,865
Grade 5: Uncollectible	<u>9,038</u>	<u>2,692</u>	<u>127,542</u>	<u>139,272</u>
Gross amount	9,417,597	1,765,409	292,004	11,475,010
Loan losses allowance	<u>(141,675)</u>	<u>(229,789)</u>	<u>(62,290)</u>	<u>(433,754)</u>
Net carrying amount	<u>9,275,922</u>	<u>1,535,620</u>	<u>229,714</u>	<u>11,041,256</u>
<u>Finance leases</u>				
Grade 1: Standard	72,853	250	0	73,103
Grade 2: Special mention	445	2,079	0	2,524
Grade 3: Sub-standard	437	1,428	78	1,943
Grade 4: Doubtful	11	0	18	29
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>53</u>	<u>53</u>
Gross amount	73,746	3,757	149	77,652
Loan losses allowance	<u>(314)</u>	<u>(211)</u>	<u>(67)</u>	<u>(592)</u>
Net carrying amount	<u>73,432</u>	<u>3,546</u>	<u>82</u>	<u>77,060</u>
Total loans	<u>9,491,343</u>	<u>1,769,166</u>	<u>292,153</u>	<u>11,552,662</u>
Loan losses allowance	<u>(141,989)</u>	<u>(230,000)</u>	<u>(62,357)</u>	<u>(434,346)</u>
Net carrying amount	<u>9,349,354</u>	<u>1,539,166</u>	<u>229,796</u>	<u>11,118,316</u>
<u>Restructured loans</u>				
Gross amount	68,513	829,707	123,906	1,022,126
Loan losses allowance	<u>(3,851)</u>	<u>(100,186)</u>	<u>(26,257)</u>	<u>(130,294)</u>
Net carrying amount	<u>64,662</u>	<u>729,521</u>	<u>97,649</u>	<u>891,832</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 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	9,260,577	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**

	March 31, 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	8,860,058	150,437	0	9,010,495
Grade 2: Special mention	47,534	1,152,291	13,778	1,213,603
Grade 3: Sub-standard	29,235	135,112	556,416	720,763
Grade 4: Doubtful	3,433	4,748	132,240	140,421
Grade 5: Uncollectible	<u>7,912</u>	<u>2,674</u>	<u>109,292</u>	<u>119,878</u>
Gross amount	8,948,172	1,445,262	811,726	11,205,160
Loan losses allowance	<u>(203,707)</u>	<u>(128,463)</u>	<u>(154,771)</u>	<u>(486,941)</u>
Net carrying amount	<u>8,744,465</u>	<u>1,316,799</u>	<u>656,955</u>	<u>10,718,219</u>
<u>Finance leases</u>				
Grade 1: Standard	58,191	334	0	58,525
Grade 2: Special mention	106	4,015	0	4,121
Grade 3: Sub-standard	75	940	1,474	2,489
Grade 4: Doubtful	17	0	186	203
Grade 5: Uncollectible	<u>0</u>	<u>0</u>	<u>453</u>	<u>453</u>
Gross amount	58,389	5,289	2,113	65,791
Loan losses allowance	<u>(1,093)</u>	<u>(245)</u>	<u>(680)</u>	<u>(2,018)</u>
Net carrying amount	<u>57,296</u>	<u>5,044</u>	<u>1,433</u>	<u>63,773</u>
Total loans	<u>9,006,561</u>	<u>1,450,551</u>	<u>813,839</u>	<u>11,270,951</u>
Loan losses allowance	<u>(204,800)</u>	<u>(128,708)</u>	<u>(155,451)</u>	<u>(488,959)</u>
Net carrying amount	<u>8,801,761</u>	<u>1,321,843</u>	<u>658,388</u>	<u>10,781,992</u>
<u>Restructured loans</u>				
Gross amount	69,092	824,923	361,003	1,255,018
Loan losses allowance	<u>(5,428)</u>	<u>(67,874)</u>	<u>(74,698)</u>	<u>(148,000)</u>
Net carrying amount	<u>63,664</u>	<u>757,049</u>	<u>286,305</u>	<u>1,107,018</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	<u>March 31, 2023</u>		<u>Total</u>
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
Current	10,069,472,760	765,635,772	10,835,108,532
From 31 to 90 days	394,868,283	4,861,627	399,729,910
More than 90 days (capital or interest)	297,137,622	4,608,517	301,746,139
More than 30 days past due (capital at maturity)	<u>16,047,928</u>	<u>29,208</u>	<u>16,077,136</u>
Total	<u>10,777,526,593</u>	<u>775,135,124</u>	<u>11,552,661,717</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>March 31, 2022</u>		<u>Total</u>
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	
Current	9,689,836,505	812,212,167	10,502,048,672
From 31 to 90 days	378,658,613	10,589,420	389,248,033
More than 90 days (capital or interest)	357,540,700	5,767,785	363,308,485
More than 30 days past due (capital at maturity)	<u>15,570,074</u>	<u>775,513</u>	<u>16,345,587</u>
Total	<u>10,441,605,892</u>	<u>829,344,885</u>	<u>11,270,950,777</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.40,670,215 (December 31, 2022: B/.40,782,807) and (March 31, 2022: B/.42,169,391) which are not subject to credit risk:

	<u>12-month ECL</u>	<u>Lifetime ECL Not credit- impaired</u>	<u>March 31, 2023 Lifetime ECL credit- impaired</u>	<u>Purchased credit- impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	62,800,000	0	0	0	62,800,000
Lower than BBB-	<u>5,128,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,128,675</u>
Carrying amount	<u>67,928,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,928,675</u>
Loss allowance	<u>(25,924)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,924)</u>
Total carrying amount, net	<u><u>67,902,751</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>67,902,751</u></u>
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	443,074,584	0	0	0	443,074,584
Lower than BBB-	<u>702,265,434</u>	<u>8,243,205</u>	<u>12,187,140</u>	<u>0</u>	<u>722,695,779</u>
Carrying amount	<u>1,145,340,018</u>	<u>8,243,205</u>	<u>12,187,140</u>	<u>0</u>	<u>1,165,770,363</u>
Valuation of credit risk	<u>(2,065,739)</u>	<u>(535,179)</u>	<u>(1,512,681)</u>	<u>0</u>	<u>(4,113,599)</u>
<i>Foreign:</i>					
AAA	1,708,366,332	0	0	0	1,708,366,332
AA+ to BBB-	1,095,994,079	0	0	0	1,095,994,079
Lower than BBB-	<u>245,348,612</u>	<u>13,715,486</u>	<u>797,761</u>	<u>318,392</u>	<u>260,180,251</u>
Carrying amount	<u>3,049,709,023</u>	<u>13,715,486</u>	<u>797,761</u>	<u>318,392</u>	<u>3,064,540,662</u>
Valuation of credit risk	<u>(7,731,617)</u>	<u>(548,999)</u>	<u>(1,845,061)</u>	<u>(100,200)</u>	<u>(10,225,877)</u>
Total carrying amount	<u><u>4,195,049,041</u></u>	<u><u>21,958,691</u></u>	<u><u>12,984,901</u></u>	<u><u>318,392</u></u>	<u><u>4,230,311,025</u></u>
Total valuation of credit risk	<u><u>(9,797,356)</u></u>	<u><u>(1,084,178)</u></u>	<u><u>(3,357,742)</u></u>	<u><u>(100,200)</u></u>	<u><u>(14,339,476)</u></u>
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,873,180				
Lower than BBB-	<u>53,524,567</u>				
Carrying amount	<u>56,397,747</u>				
<i>Foreign:</i>					
AAA	423,190,844				
AA+ to BBB-	262,536,094				
Lower than BBB-	39,086,010				
NR	<u>1,682,925</u>				
Carrying amount	<u>726,495,873</u>				
Total carrying amount	<u><u>782,893,620</u></u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

		December 31, 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

(Panama, Republic of Panama)

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

			<u>March 31, 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	58,700,000	0	0	0	58,700,000
Lower than BBB-	4,150,928	0	0	0	4,150,928
Carrying amount	62,850,928	0	0	0	62,850,928
Loss allowance	(22,544)	0	0	0	(22,544)
Total carrying amount, net	62,828,384	0	0	0	62,828,384
<u>At FVOCI</u>					
<i>Local:</i>					
AA+ to BBB-	611,672,876	0	0	0	611,672,876
Lower than BBB-	630,284,427	8,926,904	12,921,443	0	652,132,774
Carrying amount	1,241,957,303	8,926,904	12,921,443	0	1,263,805,650
Valuation of credit risk	(2,303,542)	(560,950)	(1,779,625)	0	(4,644,117)
<i>Foreign:</i>					
AAA	2,053,624,183	0	0	0	2,053,624,183
AA+ to BBB-	1,334,705,007	0	0	0	1,334,705,007
Lower than BBB-	251,812,785	24,094,622	100,200	400,816	276,408,423
Carrying amount	3,640,141,975	24,094,622	100,200	400,816	3,664,737,613
Valuation of credit risk	(7,222,861)	(7,253,115)	(3,336)	(20,891)	(14,500,203)
Total carrying amount	4,882,099,278	33,021,526	13,021,643	400,816	4,928,543,263
Total valuation of credit risk	(9,526,403)	(7,814,065)	(1,782,961)	(20,891)	(19,144,320)
<u>At Fair Value TPL</u>					
<i>Local:</i>					
AA+ to BBB-	2,496,572				
Lower than BBB-	56,794,747				
Carrying amount	59,291,319				
<i>Foreign:</i>					
AAA	320,216,231				
AA+ to BBB-	406,920,938				
Lower than BBB-	110,136,585				
NR	3,254,914				
Carrying amount	840,528,668				
Total carrying amount	899,819,987				

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 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	(205,343)	43,261	(138,419)	824	(299,677)
New investment securities purchased	977,430	0	0	0	977,430
Investment securities that have been derecognized	<u>(1,478,587)</u>	<u>(8,118)</u>	<u>(329)</u>	<u>(285)</u>	<u>(1,487,319)</u>
Balance at the end of the period	<u>9,797,356</u>	<u>1,084,178</u>	<u>3,357,742</u>	<u>100,200</u>	<u>14,339,476</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>

	March 31, 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	(65,734)	65,734	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	1,645,967	7,178,656	2,398	20,891	8,847,912
New investment securities purchased	1,245,842	0	0	0	1,245,842
Investment securities that have been derecognized	<u>(466,254)</u>	<u>(5,466)</u>	<u>(19)</u>	<u>0</u>	<u>(471,739)</u>
Balance at the end of the period	<u>9,526,403</u>	<u>7,814,065</u>	<u>1,782,961</u>	<u>20,891</u>	<u>19,144,320</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of March 31, 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. The balance of the Bank's dynamic reserve is detailed as follows:

	March 31 <u>2023</u>	December 31 <u>2022</u>	March 31 <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>4,951,850</u>	<u>4,951,850</u>	<u>4,951,850</u>
Total	<u>149,444,319</u>	<u>149,444,319</u>	<u>152,254,380</u>

The current Agreement establishes that the dynamic reserve will not be lower than 1.25%, nor greater than 2.50% of risk-weighted assets applied to the loan facilities classified as standard.

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