IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") (WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**")) OR (2) NON-US PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) OUTSIDE THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum (the "**offering memorandum**") following this page, and you are advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION (OTHER THAN PANAMA) AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("**EEA**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"), (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2016/97/EU (THE "**INSURANCE DISTRIBUTION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN THE REGULATION (EU) 2017/1129 (THE "**PROSPECTUS REGULATION**"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION. THIS OFFERING MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFERS OR SALES OF THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM IN ANY MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OR SALES OF THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS REGULATION.

THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM ("**UK**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("**EUWA**"); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "**FSMA**") AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE "**UK PRIIPS REGULATION**") FOR OFFERING OR SELLING THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES

DESCRIBED IN THIS OFFERING MEMORANDUM OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

IN ADDITION, IN THE UK THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 AS AMENDED (THE "**ORDER**"), (II) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER AND (III) OTHER PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS IN (I) TO (III) ABOVE TOGETHER REFERRED TO AS "**RELEVANT PERSONS**"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO AND WILL ONLY BE ENGAGED WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS COMMUNICATION. THE OFFERING MEMORANDUM MAY ONLY BE PROVIDED TO PERSONS IN THE UK IN CIRCUMSTANCES WHERE SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY TO BANCO GENERAL, S.A. (THE "**BANK**").

Confirmation of your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S) outside the U.S. The offering memorandum is being sent at your request and by accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S), and (2) that you consent to delivery of the offering memorandum by electronic transmission.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers (as defined in the offering memorandum) or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Bank in such jurisdiction.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Initial Purchasers, any person who controls them, any of their directors, officers, employees or agents or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

THESE SECURITIES ARE CURRENTLY IN THE PROCESS OF BEING REGISTERED WITH THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA, AND, THEREFORE, THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS SUBJECT TO REVISION AND CHANGES THAT MAY SUBSTANTIALLY VARY THE TERMS AND CONDITIONS OF THE OFFER DESCRIBED. THIS DOCUMENT IS DISTRIBUTED FOR INFORMATION PURPOSES ONLY.

(Subject to completion, dated April 29, 2021)

PRELIMINARY OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

Banco General

Banco General, S.A.

(incorporated in the Republic of Panama)

U.S.$

% Perpetual Non-Cumulative Fixed-to-Fixed Subordinated Notes

The % Perpetual Non-Cumulative Fixed-to-Fixed Subordinated Notes offered hereby (the "notes") will be issued by Banco General, S.A. ("Banco General," the "Issuer" or the "Bank"), a corporation (*sociedad anónima*) organized under the laws of the Republic of Panama ("Panama"), domiciled in Panama and duly incorporated since January 11, 1955 in the Mercantile Section of the Panamanian Public Registry Office, at Folio No.16183 (S), with contact telephone +507 303-7000. Its commercial address is Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Panama.

The notes are perpetual instruments with no fixed maturity or fixed redemption date. We have the option to redeem the notes, in whole or in part, as described below. The notes will constitute additional tier 1 capital of the Bank in accordance with Panamanian banking laws at the date of issuance. The notes will be our direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event an Insolvency or Liquidation Event (as defined herein) occurs in respect of the Bank, the notes will rank: (i) junior in right of payment to the payment of all of our Senior Debt (as defined herein); (ii) *pari passu* in right of payment among themselves and with our Parity Securities (as defined herein); and (iii) senior in right of payment to the payment of our Junior Securities (as defined herein). See "Description of the Notes—Ranking."

Interest on the notes will initially accrue at a rate of % per year until , (the "Initial Reset Date") and will be payable semi-annually in arrears on and of each year, beginning on , 2021. The Initial Reset Date and every anniversary thereafter will each be a "Reset Date." Subject to the limitations on interest described below, from, and including, each Reset Date, including the Initial Reset Date, to, but excluding, the next succeeding Reset Date, interest on the notes will accrue at a fixed rate *per annum* equal to the sum of (a) the Treasury Yield (as defined below) and basis points (rounded to two decimal places, with any value equal to or lesser than 0.005 being rounded down). The ratio of the total principal amount of the notes being offered to the paid-in capital (defined as common shares plus additional paid-in capital) of the Bank is to 1.00. Interest payments on the notes will be non-cumulative.

We will have the right to cancel the payment of interest on the notes at any time without giving rise to an event of default. In the event that any interest payment is cancelled, unpaid interest will not accrue and, subject to specified exceptions, until interest payments on a subsequent Interest Payment Date (as defined herein), and with respect to the relevant interest period, have been paid in full, we will recommend to our shareholders that they refrain from voting to take and, to the fullest extent permitted by applicable law, will otherwise act to prevent any (i) declaration, payment or distribution of dividend or the making of a payment on or in respect of, any of our Junior Securities or Parity Securities; or (ii) redemption, purchase or other acquisition for any consideration any of our or our subsidiaries' Junior Securities or any Parity Securities. See "Description of the Notes—Limitation on Interest." Pursuant to Panamanian law, following the administrative taking of control of the Issuer by the Superintendency of Banks of Panama and subsequent reorganization of the Issuer ordered by such entity, the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks of Panama may decree that the principal amount and/or interest owed under the notes be used to absorb our losses. The Superintendency of Banks of Panama may take this action in the absence of any Acceleration Event or other similar legal proceeding. The notes will provide for the write-off on a permanent basis, in a minimum amount corresponding to the balance of any losses allocated to the Tier 1 capital, under applicable laws and regulations of the Superintendency of Banks of Panama, upon the occurrence of certain events described under "Description of the Notes—Loss Absorption."

We may redeem the notes, subject to the prior approval of the Superintendency of Banks or any other applicable Panamanian regulator, if such approval is then required, on the Initial Reset Date or on any interest payment date thereafter, in whole or in part at par, subject to certain requirements. See "Description of the Notes—Redemption—Optional Redemption." In addition, we may redeem the notes, subject to the prior approval of the Superintendency of Banks or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date, in whole but not in part, upon the occurrence of a Tax Event (as defined herein), Regulatory Event (as defined herein) or Rating Agency Event (as defined herein), subject to certain requirements. See "Description of the Notes—Redemption—Early Redemption Upon Tax Event" and "Description of the Notes—Redemption—Early Redemption Upon Regulatory Event or Rating Agency Event."

Grupo Financiero BG, S.A. ("GFBG"), our parent company, has stated that it intends to purchase approximately U.S.$ of the notes, as further described in "Plan of Distribution."

THE BANK WILL OFFER THE NOTES FOR SALE ON THE PANAMA STOCK EXCHANGE (*BOLSA DE VALORES DE PANAMÁ, S.A.*, OR "PSE") ON THE LOCAL TRADING DATE PURSUANT TO A PUBLIC AUCTION PROCESS DETAILED IN THIS OFFERING MEMORANDUM. SEE "PLAN OF DISTRIBUTION—SETTLEMENT—PANAMANIAN SETTLEMENT PROCESS."

Prior to this offering there has been no market for the notes. Application will be made for the listing of and quotation for the notes on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Approval in-principle from, and listing and quotation of any notes on, the SGX-ST is not to be taken as an indication of the merits of either us, this offering, or the notes. The notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 as long as any of the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 37 of this offering memorandum.

Price per note: % plus accrued interest, if any, from , 2021

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction, except in Panama as described in the next paragraph. The notes may not be offered or sold except (a) to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) outside the United States only to non-U.S. persons in compliance with Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

THE PUBLIC OFFERING OF THE NOTES HAS BEEN AUTHORIZED IN PANAMA BY THE PANAMANIAN SUPERINTENDENCY OF CAPITAL MARKETS (*SUPERINTENDENCIA DEL MERCADO DE VALORES DE PANAMÁ*, OR "SMV"). THIS AUTHORIZATION DOES NOT IMPLY THAT THE SMV RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER'S BUSINESS PROSPECTS. THE SMV WILL NOT BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM OR OF THE DECLARATIONS CONTAINED IN THE REGISTRATION APPLICATION OR THE OTHER DOCUMENTATION AND INFORMATION PRESENTED BY US FOR THE REGISTRATION OF THE PUBLIC OFFER.

THE LISTING AND TRADING OF THE NOTES HAVE BEEN AUTHORIZED BY THE PSE. THIS AUTHORIZATION DOES NOT IMPLY ANY RECOMMENDATION OR OPINION REGARDING THE NOTES OR THE BANK.

The offering date, the issue date, the interest rate on the notes, the interest payment dates and the particulars of any potential redemption of the notes will be notified to the SMV and the PSE by means of the delivery of a supplemental prospectus on the business day prior to the Panamanian Public Auction (as defined herein).

On or prior to the date the notes are issued, the notes are expected to have been rated " " by Moody's Investor Services, Inc. ("Moody's") and " " by Standard & Poor's ("S&P"). A CREDIT RATING DOES NOT GUARANTEE THE REPAYMENT OF THE OFFERING. SECURITIES RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO A REVISION OR WITHDRAWAL AT ANY TIME.

The notes will be issued in the form of one or more registered notes in global form without interest coupons and will be deposited with a custodian for The Depository Trust Company ("DTC") in New York, New York and registered in the name of Cede & Co., as nominee of DTC. Investors may hold their interests in global notes representing the Notes through organizations that are participants in DTC, including Euroclear Bank SA/NV ("Euroclear"), or Clearstream Banking, société anonyme Luxembourg ("Clearstream"). Beneficial interests in a Global Note may be held in Panama through Clearstream's participant, Central Latinoamericana de Valores S.A. ("Latinclear"). We expect that delivery will be made in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream on or about , 2021.

TO THE EXTENT THAT THE SPANISH TRANSLATION OF THIS OFFERING MEMORANDUM USED IN CONNECTION WITH THE OFFERING OF THE NOTES CONFLICTS WITH THIS ENGLISH LANGUAGE OFFERING MEMORANDUM, THIS ENGLISH LANGUAGE OFFERING MEMORANDUM SHALL GOVERN AND CONTROL. *EN LA MEDIDA QUE LA TRADUCCIÓN AL ESPAÑOL DE ESTE PROSPECTO INFORMATIVO EN INGLÉS UTILIZADO EN RELACIÓN CON LA OFERTA DE LOS BONOS CONTRADIGA O PRESENTE UN CONFLICTO CON EL PROSPECTO INFORMATIVO EN IDIOMA INGLÉS, ÉSTE ÚLTIMO REGIRÁ Y CONTROLARÁ.*

Global Coordinators and Book-Running Managers

BofA Securities **J.P. Morgan**

Active Book-Running Manager

Goldman Sachs & Co. LLC

The date of this offering memorandum is: , 2021.

SMV Resolution No. SMV-200-21 dated April 22, 2021.

Printing date: , 2021.

TABLE OF CONTENTS

Page

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NOTICE TO INVESTORS

In making your investment decision, you should rely only on the information contained in this offering memorandum. We and the initial purchasers have not authorized any other person to provide you with different information. If anyone provides you with different information or inconsistent information, you should not rely on it.

You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes described in this offering memorandum.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the notes from qualified investors and for the public offering of the notes in Panama and does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes that are contained in the indenture being entered into in connection with the issuance of the notes and other transaction documents described herein. This offering memorandum summarizes certain documents and other information, and we refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. Certain of the market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility only for correctly extracting and reproducing such information. Notwithstanding any investigation that the initial purchasers may have conducted with respect to the information contained in this offering memorandum, the initial purchasers accept no liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by us or on our behalf.

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum, you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We have made available this offering memorandum as required by Panamanian laws and regulations in connection with the public offering of the notes in Panama, and in the United States solely to qualified institutional buyers, and outside the United States to investors who are non-U.S. persons, so they can consider a purchase of the notes. We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities, which do not involve a public offering within the meaning of the Securities Act. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and applicable Panamanian law. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions."

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. None of us, the initial purchasers or any of our or their respective representatives are making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. We are not providing you with any legal, business, tax or other advice in this offering memorandum, and prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

None of the U.S. Securities and Exchange Commission, any United States state securities commission or any other United States regulatory authority or commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes will not be registered under the Securities Act. This offering memorandum does not contain certain information that would be part of a registration statement filed under the Securities Act.

None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

The notes have been listed and admitted for trading on the PSE. Application will also be made to list the notes in Singapore on the Official List of the SGX-ST and admit them for trading on the SGX-ST. We cannot assure you that such application will be granted as of the settlement date of the notes or at any time thereafter, and settlement of the notes is not conditioned on obtaining this listing.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the notes that is material to the offering and sale of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this offering memorandum that, by their absence herefrom, make this offering memorandum misleading. We accept responsibility for the information contained in this offering memorandum regarding us and the notes. The opinions and intentions expressed in this offering memorandum regarding us and the notes are honestly held and based on reasonable assumptions.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended, the "EU Prospectus Regulation"). The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the EU PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation").

The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum has not been approved by an authorized person for the purposes of Section 21 of the FSMA. This offering memorandum is for distribution only to persons who: (i) are outside the UK; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO PANAMANIAN INVESTORS

THE PUBLIC OFFERING OF THE NOTES HAS BEEN REGISTERED IN PANAMA WITH AND AUTHORIZED BY THE SMV AND THE NOTES HAVE BEEN LISTED AND ADMITTED FOR TRADING ON THE PSE. NONE OF THE REGISTRATION WITH OR THE AUTHORIZATION BY THE SMV, THE LISTING OF THE NOTES ON THE PSE OR THE REST OF THE DOCUMENTATION AND INFORMATION PRESENTED FOR THE REGISTRATION OF THE PUBLIC OFFERING OF THE NOTES IMPLIES ANY CERTIFICATION OR RECOMMENDATION TO THE INVESTMENT QUALITY OF THE NOTES, THE SOLVENCY OF THE BANK, OR A FAVORABLE OR UNFAVORABLE OPINION OF THE BANK'S BUSINESS OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION AS CONTAINED IN THIS OFFERING MEMORANDUM AND IN ITS FILING REQUEST.

This offering memorandum will be the *Prospecto Informativo* for purposes of the registration of the public offering of the Notes with the SMV and its filing before the PSE. Any future amendments to the terms and conditions of the Notes are subject to SMV Accord 4-2003 (*Acuerdo* 4-2003) of April 11, 2003, or Accord 7-2020 of May 31, 2020 (as applicable), both as amended, restated or replaced, or any other applicable regulation, and must be performed in compliance with the provisions thereof. To the extent that the Spanish translation of this offering memorandum conflicts with this offering memorandum in English, this English language offering memorandum will govern and control.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

AVAILABLE INFORMATION

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will prepare and furnish, upon the request of any holder of the notes, information specified in Rule 144A(d)(4) under the Securities Act (i) to such holder, (ii) to a prospective purchaser of a note (or beneficial interests therein) that is a QIB designated by such holder, and (iii) to the Trustee for delivery to any applicable holders, at Banco General's expense, in each case in order to permit compliance by such holder with Rule 144A in connection with the resale of such note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language. See "Transfer Restrictions."

We have filed with the SMV a registration statement, which includes this offering memorandum, together with a Spanish language translation of this offering memorandum made by an authorized public translator. We have also filed with the SMV and the PSE our audited consolidated annual financial statements (as defined herein) prepared in accordance with IAS 34 – Interim Financial Reporting and audited combined financial statements (as defined herein) prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board (the "IASB"). This information can be obtained by investors upon request at the PSE, located at Edificio Bolsa de Valores de Panamá, Av. Federico Boyd y Calle 49, Panama City, Panama, or upon request at the SMV located at Calle 50, Edificio Global Plaza, Piso 8, Panama City, Panama. The additional documents filed with the SMV are not and will not form part of this offering memorandum and are not incorporated by reference herein.

Banco General's principal executive offices are located at Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Republic of Panama.

The Bank is currently required to file annual and quarterly reports in Spanish with the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*, or the "SBP") and with the SMV. Additionally, the Bank also publishes annual and quarterly Management's Discussion and Analysis reports in English, providing an overview of the Bank's results of operations and financial condition for the corresponding fiscal year or quarter. All such reports are available at https://www.superbancos.gob.pa/en and www.bgeneral.com. These reports are not incorporated by reference in, and do not constitute a part of, this offering memorandum, nor does any information on the Bank's website referenced to herein.

Holders of the notes may obtain a copy of the indenture that governs the notes by requesting it in writing at either address below:

Banco General, S.A.
Urbanización Marbella,
Calle Aquilino de la Guardia, Torre Banco General,
Panama City, Republic of Panama

The Bank of New York Mellon
240 Greenwich Street, 7E
New York, New York 10286
Attention: Global Corporate Trust

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

All references to "we," "us," "our," the "Bank" and "Banco General" in this offering memorandum are to Banco General, S.A., a corporation (*sociedad anónima*) organized under the laws of Panama, and, unless otherwise indicated or the context otherwise requires, its consolidated subsidiaries.

Banco General's main subsidiaries are Finanzas Generales, S.A. and its subsidiaries ("Finanzas Generales"); BG Investment Co., Inc. ("BG Investment"); General de Seguros, S.A. ("GS"); Overseas Capital Markets, Inc. and its subsidiaries ("Overseas Capital Markets"); BG Valores, S.A. ("BG Valores"); Banco General (Costa Rica), S.A. ("BGCR"); and ProFuturo Administradora de Fondos de Pensiones y Cesantia, S.A. ("ProFuturo").

Financial Information

Our annual audited consolidated financial statements as of December 31, 2020 and 2019 and for each of the years in the two-year period ended December 31, 2020 and as of December 31, 2019 and 2018 and for each of the years in the two-year period ended December 31, 2019 (collectively, our "financial statements") contained in this offering memorandum have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standard Board ("IASB").

All references herein to "Balboas" or "B/." are to Balboas, the Republic of Panama's national currency. All references to "dollars," "US$," "U.S.$," "USD," and "$" are to United States dollars. Shortly after Panama's independence from Colombia in 1903, through a monetary agreement with the United States executed on June 20, 1904, Panama established the U.S. dollar as legal tender. The use of the U.S. dollar as legal tender is also expressly recognized by Panama's Tax Code. The Balboa/U.S. dollar exchange rate has been fixed at B/.1.00 to U.S.$1.00 since the Balboa was first introduced in 1904 and has always circulated alongside U.S. dollars in Panama. Balboas only circulate in coins, mostly with values of B/1.00 or less. There are no circulating Balboa bills. In addition, the Constitution of the Republic of Panama sets forth that there is no forced circulation paper currency (*papel moneda de curso forzoso*) in Panama.

We maintain our financial books and records and publish our financial statements in Balboas, but we accept payments only in U.S. dollars and use the U.S. dollar as the functional currency for all of our transactions.

Currency conversions contained in this offering memorandum should not, however, be construed as representations that Balboas have been, could have been or could be converted into U.S. dollars at the indicated, or any other, rate of exchange.

Effect of Rounding

Certain figures included in this offering memorandum and in our financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

Ratios and Measures of Financial Performance

In this offering memorandum, we present our Return on Average Equity ("ROAE") and Return on Average Assets ("ROAA").

We define ROAE as net income for the period as a percentage of average total equity and ROAA as net income for the period as a percentage of average assets. We present average balances and nominal average interest rates in this offering memorandum. Except as otherwise indicated, average balances are based on monthly balances, which are not audited. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities.

	As of December 31,		
	2020	2019	2018
	(in millions of U.S. dollars)		
Net income for the year....................................	321,160	504,266	434,208
Average total assets for the period..................	19,169,134	18,789,815	18,007,684
ROAA..	1.68%	2.68%	2.41%

	As of December 31,		
	2020	2019	2018
	(in millions of U.S. dollars)		
Net income for the year....................................	321,160	504,266	434,208
Average of total equity for the period.............	2,611,683	2,392,936	2,148,328
ROAE..	12.30%	21.07%	20.21%

We also present our operating efficiency ratio ("operating efficiency"), a core component of our profitability. We measure our operating efficiency ratio in terms of total general and administrative expenses divided by the sum of net interest and commission income, total other income, net, and equity participation in associates.

	As of December 31,		
	2020	2019	2018
	(in millions of U.S. dollars)		
Total general and administrative expenses......	290,239	308,175	293,967
Net interest and commission income..............	662,739	699,182	650,934
Total other income, net....................................	211,063	212,143	171,727
Equity participation in associates....................	7,329	10,898	9,934
	881,131	922,223	832,595
Operating efficiency ratio................................	32.94%	33.42%	35.31%

Each of these measures is an important measure used by us to assess financial performance. We believe that these ratios represent meaningful disclosure to investors and provide useful supplemental information to investors. Other companies, including our competitors, may calculate ROAE, ROAA and operating efficiency ratio differently and our presentation of these measures may not be comparable to other similarly titled measures used by other companies.

Industry and Market Data

In this offering memorandum, unless otherwise indicated, all macroeconomic data relating to Panama is based on information published by the SBP and the Panamanian Ministry of Economy and Finance. References in this offering memorandum to "GDP" refer to real gross domestic product, except for GDP per capita and penetration ratios of loan products.

Unless otherwise indicated, statistical information in this offering memorandum relating to Banco General regarding market share, ranking, and other measures, as well as information on other Panamanian financial institutions and the Panamanian financial system generally, has been derived from reports and information published by the SBP, the Panamanian Ministry of Economy and Finance or from other publicly available sources and industry publications.

Other market share information and other statistical information and quantitative statements in this offering memorandum regarding our market position relative to our competitors reflects management estimates based upon our internal records and surveys, statistics published by providers of industry data, information published by our competitors, and information published by trade and business organizations and associations and other sources within the industry in which we operate. We have not independently verified any data produced by third parties or industry or general publications, although we believe such data and publications are reliable. In addition, while we believe our internal data and surveys to be reliable, such data and surveys have not been verified by any independent sources.

Loan Portfolio Data

Unless otherwise indicated, references in this offering memorandum to performing loans refer to loans in compliance with their original contractual obligations. References to past due loans refer to overdue loans defined as follows: at any date, the sum representing the full balance of (a) loans payable in installments which are over 90 days past due as to principal and interest and (b) all unpaid loans that have reached their final maturity dates and are unpaid for more than 30 days after their final maturity dates. Past due loans do not include refinanced and restructured loans. References to total gross loans include total loans outstanding, including past due loans, refinanced loans and restructured loans, and references to total net loans are to gross loans less allowances for loan losses and unearned commissions.

Non accrual loans consist of all loans more than 90 days ("90+ days") past due on interest and/or principal payments and residential mortgages more than 120 days ("120+ days") past due, in accordance with SBP requirements. For more information, see "Statistical and Other Information—Classification of the Loan Portfolio Based on the Borrowers' Performance" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity, Funding and Capital Expenditures—Liquidity and Funding—Non accrual."

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact included in this offering memorandum regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this offering memorandum includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Panama-specific risks, foreign exchange rate risk, interest rate risks and other risks related to our financial performance. The words "aim," "may," "will," "expect," "is expected to," "anticipate," "believe," "future," "continue," "help," "estimate," "plan," "schedule," "intend," "should," "would be," "seeks," "estimates," "shall," or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical fact, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management's current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- events in the global economy, including as a result of the outbreak of novel coronavirus ("COVID-19"), or in the global financial system and its impact on the Panamanian economy, other global or local pandemics and the Panamanian government's response thereto;
- economic, business and political developments in Panama and in the countries in which we operate;
- changes in laws and regulations in Panama and in the countries in which we operate;
- increased competition in our markets and industry consolidation may adversely affect our results of operations;
- inflation;
- market and interest rate fluctuations in Panama, the United States, the countries in which we operate and other global financial markets;
- the ability to maintain sufficient liquidity and access to capital markets, as well as downturns in the capital markets and changes in capital markets in general that affect policies or attitudes towards lending to Panama or Panamanian companies or securities issued by Panamanian companies;
- the inability to obtain the capital we need for further expansion of our business;
- the strength of the global economy and the strength of the economies of the countries in which we conduct operations, in particular the risk of a continued U.S., European or global economic downturn;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the effects of, and changes in, fiscal, monetary, trade and tax laws and policies, currency fluctuations and our credit ratings and those of Panama;

- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct operations;
- severe weather, natural disasters, adverse climate changes, regional or global pandemics, or similar events;
- geopolitical instability in the United States, Latin America, Europe and Asia could affect our revenues;
- political and social developments, including war, civil unrest or terrorist activity;
- changes in regional or global markets;
- dependence on sovereign debt;
- credit and other risks of lending, such as increases in defaults of borrowers;
- increased costs of funding or our inability to obtain additional debt or equity financing on attractive terms or at all;
- failure to adequately price insurance premiums;
- dependence on information technology systems or a breach of our data security systems;
- the ability to maintain and improve our distribution networks;
- changes in IFRS accounting standards;
- changes in our management;
- the ability to increase market share and control expenses; and
- other risks and uncertainties described in "Risk Factors."

We urge you to read the sections of this offering memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations," "Business" and "Panamanian Banking Services Industry" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. Accordingly, you should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this offering memorandum are based on information available to us on the date of this offering memorandum. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law, including the rules of the SMV, the PSE and the SGX-ST. All other written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this offering memorandum.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

We have been advised by our Panamanian counsel, Arias, Fábrega & Fábrega, that no treaty exists between the United States and Panama for the reciprocal enforcement of foreign judgments and that there is doubt as to the enforceability, in original actions in Panamanian courts, of liabilities predicated solely on United States federal securities laws and as to the enforceability in Panamanian courts of judgments of United States courts obtained in actions predicated upon the civil liability provision of the United States federal securities laws. In any case, judgments of courts outside Panama, including but not limited to judgments of United States courts, may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates the judgment by issuing a writ of exequatur. Subject to a writ of exequatur, any final money judgment rendered by any foreign court will be recognized, conclusive, and enforceable in the courts of Panama without reconsideration of the merits, provided that (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama, (ii) the party against whom the judgment was rendered, or its agent, was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction, (iii) the judgment arises out of a personal action against the defendant, (iv) the obligation under the judgment is lawful in Panama and does not contradict the public policy of Panama, (v) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vi) the judgment is properly authenticated by diplomatic or consular officers of Panama, or pursuant to the 1961 Hague Convention on the legalization of documents, and (vii) a copy of the final judgment is translated into Spanish by a licensed translator in Panama.

Substantially all of our directors and officers are residents of Panama or elsewhere outside the United States, and all or a significant portion of the assets of those persons may be, and the most significant portion of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, or to enforce against them judgments predicated upon the civil liability provisions of U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because all or a substantial portion of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States.

Furthermore, your rights under the notes may be subject to intervention, reorganization, forceful liquidation of the Bank and the administrative laws of Panama, and we cannot assure you that you will be able to effectively enforce your rights in such or similar proceedings. In addition, other laws of Panama may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related party creditors. The application of these laws, or any conflict among them, could call into question what and how Panamanian laws should apply. The laws of Panama may not be as favorable to your interests as the laws of jurisdictions with which you are familiar.

We are a bank duly licensed in Panama, and, therefore, in accordance with Decree Law No. 9 of February 26, 1998, as amended by Decree Law No. 2 of February 22, 2008 and compiled in a single text by Executive Decree No. 52 of April 30, 2008 (the “Banking Law”), in case of an attachment, embargo or any other injunction in Panama against assets owned by us, the Court shall provide the relevant order to the SBP before its execution. The SBP shall have 30 days to make the proper arrangements in accordance with the provisions of the Banking Law. If the SBP makes no arrangement or does not take any measures whatsoever within this period, the judge will continue with the execution of the respective resolution as provided for in the Judicial Code of Panama, without prejudice to the powers that the Banking Law grants the SBP. Such issues may adversely affect your ability to enforce your rights under the notes in Panama, as the case may be, or limit any amounts that you may receive.

We will appoint Corporation Service Company, New York, New York, as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the Courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York under the federal securities laws of the United States. With respect to such actions, we have submitted to the exclusive jurisdiction of the courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York.

SUMMARY

This summary highlights selected information about us and should be read as an introduction to the more detailed information included in this offering memorandum. This summary does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including "Risk Factors," "Presentation of Financial and Other Information," "Selected Financial Information," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations" and our financial statements and related notes.

The information presented is a summary of the principal terms and conditions of the offering, including the details of the risk factors included in the same. Potential investors that are interested should read this section together with the totality of the information contained in this offering memorandum and request clarification if you do not understand any of the terms and conditions, including the risk factors, of the offering.

Overview

Banco General was founded in 1955 and is the oldest and largest private sector, locally owned bank in Panama, conducting operations for more than 65 years. We believe we have the premier universal banking franchise in Panama, with the number one market share in local private deposits (28.2%; U.S.$12.9 billion) and local loans (18.5%; U.S.$10.2 billion), as of December 31, 2020, market share information is in accordance with data published by the SBP, and the balance of local private deposits and local loans are in accordance with our financial statements, both measured on a consolidated basis. As of December 31, 2020, we had U.S.$18.6 billion in assets, servicing a customer base of approximately 1.2 million corporate and individual clients.

We offer a wide range of universal banking services and products including deposit-taking, residential mortgage loans, personal loans, credit cards, automobile loans, commercial mortgages, corporate and commercial lines of credit, interim construction loans and commercial loans. In addition to our direct banking operations, we offer related financial services either directly or through our subsidiaries and affiliates, including wealth management, investment banking, insurance products related to loans, securities brokerage and asset management, pension fund management and leasing. As of December 31, 2020, corporate loans accounted for 40.5% of our loan portfolio, while residential mortgages, consumer loans (comprised of automobile loans, credit cards and personal loans) and other loans (comprised of pledge loans, overdrafts, and leasings) accounted for 40.2%, 15.5% and 3.9%, respectively.

We have developed a vast national distribution network comprised of 75 strategically located branches in Panama and the largest and most utilized ATM network in terms of total transactions and portfolio of debit cards in Panama. We have over 657,000 local brand debit cards, representing 29.1% of all local brand debit cards in Panama, which account for a leading 54.2% of all debit card ATM and POS transactions processed through Telered (the only network of ATMs and POS in Panama). Additionally, we have over 270,000 international brand debit cards in circulation. Our 629 ATMs in Panama process a leading 49.0% of all ATM transactions in Panama. As of December 31, 2020, we had 4,554 permanent full-time employees.

We also maintain leading online and mobile banking platforms, since 2000 and 2013, respectively, and a dedicated sales force and customer service center. Among our digital products and services, we offer online computer-based banking (*Banca en Línea*), an Android and iPhone mobile-based app for personal banking (*Banca Móvil*) and "Yappy," a digital wallet through which customers can request and send money on their mobile phones or make purchases were supported by websites or shops online. Over 762,000 of our clients, or 64%, actively used either *Banca en Línea* or *Banca Móvil* during 2020, and over 571,000, or 48%, of our clients were affiliated with Yappy as of December 31, 2020. Our customers' usage of our digital products has grown in recent years, with digital transactions in 2020 accounting for 52% of our total monetary transactions, compared to 23% in-person transactions at our branches or through our ATMs. We believe this growth in use of our digital products is due in part to the effects of the COVID-19 pandemic, but we expect that this trend will continue as we continue to invest in and cross-sell our digital products to customers and grow our customer base with new digital clients.

We have regional banking operations that, as of December 31, 2020, represented 6.6% of our total assets and comprise a regional corporate banking network with offices and representatives in Mexico, Colombia, Guatemala, El Salvador and Peru, and a universal banking subsidiary in Costa Rica, BGCR, which has 8 branches. As of December 31, 2020, BGCR had total assets of U.S.$498.3 million.

We maintain capital and liquidity ratios that consistently exceed the levels required by the SBP. As of December 31, 2020, our total capital ratio was 20.74%, calculated in accordance with SBP methodology. This ratio is 2.5x the 8.0% regulatory minimum, consists entirely of Tier 1 capital and compares favorably to the National Banking System ("NBS"), which stood at 15.71% as of the same date. Our strong capital position is crucial as Panama does not have a lender of last resort. Our primary liquidity ratio, measured as primary liquid assets (comprised of cash, bank deposits and investment grade fixed income liquid investments) to total deposits and borrowings, was 29.4% as of December 31, 2020, corresponding to U.S.$4.3 billion in primary liquidity. Our total primary liquidity has an average credit rating of AA-, of which 50.0% has a AAA credit rating. Bank deposits are held with financial institutions with international investment grade credit ratings. Moreover, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a Short Term Liquidity Coverage Ratio ("LCR") that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

We have maintained consistent profitability measures over recent years. For the years ended December 31, 2020, 2019 and 2018, our net income was U.S.$321.2 million, U.S.$504.3 million and U.S.$434.2 million, respectively, representing a ROAA of 1.68%, 2.68% and 2.41% respectively, and a ROAE of 12.30%, 21.07% and 20.21% respectively. In addition, we have historically maintained industry leading operating efficiency, which allows us to realize higher levels of profitability and provides the Bank with more flexibility through economic downturns.

For the years ended December 31, 2020, 2019 and 2018, our operating efficiency ratio was 32.94%, 33.42% and 35.31%, respectively.

	For the Year Ended December 31,		
	2020	2019	2018
Profitability and efficiency:			
Net interest margin(1)	3.79%	4.06%	3.91%
Return on average assets(2)	1.68%	2.68%	2.41%
Return on average equity(2)	12.30%	21.07%	20.21%
Operating efficiency ratio(3)	32.94%	33.42%	35.31%
Total general and administrative expenses / average total assets(2)	1.51%	1.64%	1.63%
Total other income, net / operating income(4)	35.78%	24.49%	22.11%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see "Selected Statistical Information."

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income, after provisions and total other income, net.

Panamanian Economy

Panama, a country with a population of approximately 4.2 million people, experienced one of the highest economic growth rates in Latin America with average nominal GDP growth of 0.2% over the last five years, which was impacted in 2020 by the effects of the COVID-19 pandemic. Excluding 2020, Panama's average nominal GDP growth rate from 2016 through 2019 was 5.5%. However, like other countries in the region and around the world, the economy of Panama has been adversely affected by the COVID-19 pandemic. For more information, see "Recent Developments—The COVID-19 pandemic."

Panama's stable political environment has contributed to an attractive business environment and developed regulatory system. Additionally, the use of the U.S. dollar as its legal tender further increases the attractiveness of

Panama as a business center, supported by the Panama Canal, the Panama Pacífico Project Zone, the Colon Free Zone (which includes international trade-related services for electronics, pharmaceutics, liquor, textile, jewelry, toys, among others), bunkering services, seaports and real estate. According to public sources, Panama maintains investment grade sovereign ratings for its debt, currently rated Baa2 (stable) (downgraded on March 17, 2021), BBB (stable), and BBB- (negative outlook) (downgraded on February 3, 2021), by Moody's, Standard & Poor's and Fitch, respectively. The country also benefits from a relatively well educated population with sizable spending power, as well as a fast-growing middle class and a relatively high per capita income. These socioeconomic conditions have resulted in high levels of discretionary spending. Panama's GDP per capita for 2020 was approximately U.S.$12,373, which is among the highest in Latin America. Like the rest of the region, however, Panama has been adversely affected by the COVID-19 pandemic. Nonetheless, we believe that, as a financial services and logistics hub for the Americas, the country's dollarized economy and favorable economic conditions provide a strong foundation with attractive growth prospects and a positive outlook for the banking services sector in which we operate, as demonstrated by strong foreign direct investments in the last decade relative to GDP.

Prior to the social and economic impact of the COVID-19 pandemic, the Panamanian economy had experienced significant growth over the past decade with real GDP growth of 3.0% in 2019 and 3.6% in 2018. As a result of the COVID-19 pandemic, the Panamanian economy contracted 17.9% in 2020.

Panamanian Banking Sector

Panama boasts a sophisticated financial industry, largely as a result of the significant presence of large multinational and national corporations, bolstered by a strong consumer culture and a dollarized economy. Panama's National Banking System consists of 41 general license banks - including two government-owned banks - actively competing in the local market. However, the NBS is concentrated in a small number of relatively large participants. The five largest banks accounted for 58.4% of total gross loans, 60.6% of total deposits and 69.7% of ATMs in the NBS, as of December 31, 2020.

This has resulted in a developed and highly penetrated banking system, as compared to the banking systems in various countries in Latin America that also maintain sovereign debt investment grade ratings. Panama's local loans-to-GDP and local client deposits-to-GDP ratios were 104.2% and 86.4%, respectively as of December 31, 2020, and Panama's local loans-to-GDP and local client deposits-to-GDP ratios were 85.6% and 65.9%, respectively as of December 31, 2019. Local client deposits exclude government and bank deposits.

The steady economic growth trend prior to the COVID-19 pandemic resulted in a significant expansion of credit and, consequently, the NBS. However, as a result of the decline in economic activity resulting from the COVID-19 pandemic, as of December 31, 2020, gross local sector loans throughout the NBS have decreased to U.S.$55.1 billion from U.S.$57.2 billion in 2019 and U.S.$56.6 billion in 2018, according to the SBP. Conversely, local private sector deposits in the NBS grew to U.S.$45.8 billion as of December 31, 2020, from U.S.$44.0 billion in 2019 and U.S.$43.0 billion in 2018, according the SBP.

Please see "Panamanian Banking Services Industry" for more information on the Panamanian banking sector.

Regional Comparison[1]

The following table provides information with respect to us and selected leading banks in the region as of December 31, 2020 (unless otherwise indicated), as reported by the relevant regulatory entities in each bank's jurisdiction. This comparison is for illustrative purposes only. We are not in the same markets and therefore do not compete with any of these banks, nor do we seek to assert or imply how any of these banks would compare with each other or with us if we were all or competed in the same jurisdictions.

	Banco General	**BCP**	**Bancolombia**	**BBVA Bancomer**	**Santander Chile**
Country of operations	Panama	Peru	Colombia	Mexico	Chile
Country ratings[2]	Baa2/BBB/BBB-	A3/BBB+/BBB+	Baa2/BBB-/BBB-	Baa1/BBB/BBB-	A1/A+/A-
Bank ratings[2]	Baa2/BBB/BBB-	Baa1/BBB+/BBB+	Baa2/BB+/BBB-	Baa1/BBB/BBB	A1/A/A-
Market share (net loans)[3]	18.5%[4]	34.5%	25.1%	24.1%	17.2%
Market share (deposits)[3]	28.2%[4]	35.2%	24.0%[5]	22.6%[6]	16.0%
Net loans / Total deposits	82.0%	92.5%	96.7%	85.1%	132.9%
ROAA	1.7%	0.5%	0.1%	1.6%	0.9%
ROAE	12.3%	4.3%	1.1%	17.2%	14.4%
Operating efficiency	32.9%	46.3%	50.5%	38.2%	41.2%
Total equity / total assets	14.1%	9.7%	11.0%	10.0%	6.6%
Tier 1 ratio	20.7%	10.4%	11.2%	14.4%	10.7%
Total capital ratio	20.7%	14.9%	14.8%	17.5%	15.4%
NPL ratio	1.5%	3.6%	5.4%[7]	3.0%	1.4%

(1) Information for BCP, Bancolombia, BBVA Bancomer and Santander Chile based on data as reported by SNL Financal, unless otherwise indicated. Accordingly, this tabular comparison is for illustrative purposes only and we do not purport to assert that the above information is actually comparable.

(2) Refers to Moody's / S&P / Fitch ratings sourced from Bloomberg as of April 2021.

(3) Market share percentages for BCP, Bancolombia, BBVA Bancomer and Santander Chile based on data as reported by each country's regulator, unless otherwise noted. For BCP in Peru, data sourced from the Superintendencia de Banca, Seguros y AFP; for Bancolombia in Colombia, data sourced from the Superintendencia Financiera de Colombia (SFC); for BBVA Bancomer in Mexico, data sourced from the Comisión Nacional Bancaria y de Valores; and for Santander Chile in Chile, data sourced from Superintendencia de Bancos e Instituciones Financieras.

(4) SBP. Based on consolidated financial statements.

(5) Deposits include checking accounts, simple deposits, term deposits and savings accounts ("depósitos en cuenta corriente," "depósitos simples," "certificados de depósito a término," "depósitos de ahorro," and "depósitos especiales," respectively, from its original Spanish source).

(6) Deposits include demand deposits and term deposits ("depósitos de exigibilidad inmediata" and "depósitos a plazo," respectively, from its original Spanish source).

(7) As reported by SFC. Defined by the regulator as quality of loan portfolio ("Calidad de cartera"). Metric calculated as non-perfoming loans to total loans.

History

Banco General, the first and oldest Panamanian-owned private sector bank, was founded in 1955 by a group of prominent Panamanian entrepreneurs. The Bank was originally established to complement the operations of Compañía General de Seguros, S.A., which later became part of ASSA Compañía de Seguros, S.A. ("ASSA Seguros"), one of Panama's largest insurers.

Pursuant to the requirements under Cabinet Decree No. 238 dated July 2, 1970, we began to operate as a mortgage bank. However, in the 1980s, following significant reforms to the Panamanian banking regulatory framework, banks were no longer required to operate as either commercial banks or mortgage banks, thus enabling banks to expand the services and products they offered. As a result, we were able to expand our business operations and, in 1985, we acquired Bank of America's branch network in Panama, enabling us to enter consumer and corporate banking. In 1988, we entered the credit card business through the acquisition of Diners Club International's operations in Panama, which we expanded further when we began to issue Visa cards in 1990 and MasterCard cards in 1999. We came to be recognized as a "universal" bank for our full range of consumer, mortgage and corporate services in 1990.

Since that time, we have entered into certain key strategic alliances, including a number of significant acquisitions to consolidate our local brand and to complement our existing universal banking services. Most notably, in January 2007, Empresa General de Inversiones, S.A. ("EGI"), our parent company, and Grupo Financiero Continental, S.A., 100% owner of Banco Continental de Panama S.A. ("BC"), then the second largest Panamanian-owned private sector bank in Panama by assets, agreed to integrate their respective banking operations under a new company named Grupo Financiero BG, S.A., resulting in the creation of the largest Panamanian bank.

Our merger with BC, which held corporate banking operations through representative offices in Central America, enabled us to increase our international presence in the region, later strengthened by the establishment of a universal bank in Costa Rica in 2007. BGCR began operations primarily as a corporate and retail private bank and has developed its retail business by acquiring Citibank's residential mortgage portfolio in Costa Rica in 2009 and expanding its branch network strategically throughout San José, the capital city of Costa Rica and the provinces of Heredia and Alajuela.

Our Principal Business Activities

Our business is divided into three operating segments: (i) banking and financial activities; (ii) insurance and reinsurance; and (iii) pension and retirement fund management.

These operating segments, which reflect sources of revenue (banking and financial activities, insurance and reinsurance, and pension and retirement fund management), are different from the business units we discuss below in connection with our principal business activities under the banking and financial activities segment (Local Corporate and Commercial Banking, Residential Mortgage and Consumer Banking, Regional Banking and Wealth Management). Our business units are organized to better serve the needs of the different types of clients served by each unit.

Our principal business activities consist of retail and corporate lending and deposit taking, the results of which are reflected in the banking and financial activities segment of our financial statements. These principal business activities are grouped into the following operating units: Local Corporate and Commercial Banking, Residential Mortgage and Consumer Banking, Regional Banking and Wealth Management. Through our insurance and reinsurance segment, we provide a range of fee-based products and services that include fire and life insurance products related to our lending products. Through our pension and retirement fund management segment we provide fee-based products and services that include severance fund management, pension and retirement fund management.

For the years ended December 31, 2020 and 2019, our banking and financial activities represented 88.5% and 93.2% of our total net income, respectively, our insurance and reinsurance segment represented 9.0% and 5.4% of our total net income, respectively, and our pension and retirement segment represented 2.5% and 1.4% of our total net income, respectively.

Local Corporate and Commercial Banking. We primarily serve local businesses through our Local Corporate and Commercial Banking units, through which we offer commercial mortgages, revolving lines of credit, interim construction loans, commercial loans and corporate credit cards, as well as trade financing, letters of credit, collection services, international and local payments, leasing, payroll services and deposits. The corporate banking unit focuses on larger corporations, multinationals, and specialized industries with annual sales greater than U.S.$10 million, while the Commercial Banking unit caters to middle-market and small businesses and entities within and outside of Panama City. As of December 31, 2020, we had U.S.$3.7 billion of local corporate and commercial loans outstanding, representing 32.2% of our total loan portfolio.

Local Retail Banking. We serve retail clients through our Residential Mortgage and Consumer Banking units. We are the largest provider of residential mortgages in Panama, with a market share of 26.4% as of December 31, 2020, according to SBP unconsolidated data. As of December 31, 2020, we had U.S.$4.4 billion in residential mortgage loans in Panama, representing 38.4% of our total loan portfolio. We are strongly committed to retaining our market share by providing mortgage loans to qualified individuals in various market segments. We also offer retail customers a range of credit products including personal loans, credit cards and automobile loans. As of December 31, 2020, we had U.S.$1.8 billion in consumer loans, representing 15.5 % of our total loan portfolio. Our consumer loans represented a market share of 15.4%, the largest in the NBS. We aim to benefit from strategic client segmentation to target customers in all economic sectors.

Regional Banking. We offer corporate and commercial banking services outside of Panama through our five representative offices in Mexico, Colombia, Guatemala, El Salvador and Peru. Additionally, in Costa Rica, we offer corporate, retail and wealth management services to our customers through our universal banking subsidiary, BGCR, which has 8 branches in Costa Rica. As of December 31, 2020, our total regional banking loan portfolio reached U.S.$1.2 billion, representing 10.7% of our total loan portfolio and 6.6% of total assets, of which 99.9% was denominated in U.S. dollars.

Wealth Management. We offer our high-net-worth clients a full range of banking products and services through our Wealth Management unit. Our Wealth Management unit serves clients with assets in excess of U.S.$250,000 in deposits and investment securities. As of December 31, 2020, we had U.S.$14.0 billion total assets under management (including investment securities and bank deposits) and more than 3,000 client relationships. All of our Wealth Management business is conducted through our subsidiary BG Valores.

The following table presents our key financial and operating information on a consolidated basis as of and for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Statement of Income Data:	**(in thousands of U.S. dollars)**		
Total interest and commission income	994,471	1,086,146	1,003,566
Total interest expenses	(331,732)	(386,964)	(352,632)
Net interest and commission income	**662,739**	**699,182**	**650,934**
Provision for loan losses, net, Provision for impairment of investments, net and (Reversal) provision for foreclosed assets, net	(283,992)	(44,923)	(45,804)
Net interest and commission income after provisions	**378,747**	**654,259**	**605,130**
Other income (expenses):			
Fees and other commissions	204,466	229,221	212,897
Insurance premiums, net	35,593	33,930	29,998
Gain (loss) on financial instruments, net	19,252	15,348	(11,538)
Other income, net	30,439	28,608	25,649
Commissions expenses and other expenses	(78,686)	(94,964)	(85,278)
Total other income, net	**211,063**	**212,143**	**171,727**
Total general and administrative expenses	(290,239)	(308,175)	(293,967)
Equity participation in associates	7,329	10,898	9,934
Net income before tax	**306,900**	**569,124**	**492,825**
Income tax, net	14,260	(64,858)	(58,616)
Net income	**321,160**	**504,266**	**434,208**

	As of December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars, unless otherwise indicated)		
Statement of Financial Position Data:			
Assets			
Total cash, cash items and deposits with banks	803,187	733,406	696,818
Investments and other financial assets, net	5,624,785	4,973,441	5,188,001
Loans	11,444,423	12,083,689	11,952,385
Accrued interest receivable	152,890	45,707	43,167
Loan losses allowance	(383,795)	(165,159)	(158,531)
Unearned commissions	(37,045)	(43,302)	(41,104)
Investments in associates	21,686	24,881	26,035
All other assets(4)	990,652	1,071,058	997,386
Total assets	**18,616,783**	**18,723,721**	**18,704,157**
Liabilities and equity			
Local deposits	12,895,359	11,924,894	11,668,832
Foreign deposits	554,177	530,374	559,475
Accrued interest payable	102,337	112,774	99,032
Total Deposits	**13,551,873**	**12,568,042**	**12,327,339**
Securities sold under repurchase agreements	-	403,947	-

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars, unless otherwise indicated)		
Borrowings and debt securities issued, net	1,076,469	1,914,581	2,886,528
Perpetual bonds	217,680	217,680	217,680
Accrued interest payable	12,340	15,524	19,147
All other liabilities[5]	1,125,210	1,121,208	1,068,439
Total equity	2,633,211	2,482,739	2,185,023
Total liabilities and equity	**18,616,783**	**18,723,721**	**18,704,157**
Operational data (in units):			
Number of customers[1]	1,200,346	1,052,219	951,034
Number of employees[2]	4,554	4,714	4,685
Number of branches	83	86	86
Number of ATMs	638	645	650
Assets under management[3]	11,300,281	11,823,121	10,885,827

(1) Total number of clients at the end of the period.
(2) Total number of permanent full-time employees at the end of the period.
(3) See Note 28 to our financial statements.
(4) All other assets include: properties, furniture, equipment and improvements, net of accumulated depreciation and amortization, right-of-Use assets, net, customer liabilities under acceptances, investments and other financial assets sold pending settlement, deferred tax assets, goodwill and other intangible assets, net, foreclosed assets, net and other assets.
(5) All other liabilities include: lease liabilities, acceptances outstanding, investments and other financial assets purchased pending settlement, reserves of insurance operations, deferred tax liabilities and other liabilities.

	For the Year Ended December 31,		
	2020	2019	2018
	(in percentages)		
Profitability and efficiency:			
Net interest margin[1]	3.79%	4.06%	3.91%
Return on average assets[2]	1.68%	2.68%	2.41%
Return on average equity[2]	12.30%	21.07%	20.21%
Operating efficiency ratio[3]	32.94%	33.42%	35.31%
Total general and administrative expenses / average total assets[2]	1.51%	1.64%	1.63%
Total other income, net / operating income[4]	35.78%	24.49%	22.11%
Liquidity:			
Primary Liquidity[5] / total deposits and obligations	29.40%	27.29%	28.16%
Regulatory liquidity[6] / qualified deposits	40.45%	38.21%	42.65%
Loans, net / total deposits	82.00%	96.10%	97.15%
Capital:			
Total capital ratio[7]	20.74%	20.38%	19.45%
Total regulatory primary capital ratio[8]	19.12%	18.70%	17.64%
Total primary capital ratio[9]	20.74%	20.38%	19.45%
Equity / assets	14.14%	13.26%	11.68%
Earning retention ratio	25.63%	42.89%	39.71%
Asset quality:			
Past due loans[10]/ loans	1.54%	1.27%	1.15%
Non accrual loans[11]/ loans	1.46%	1.07%	0.97%
Loan losses allowance / loans	3.35%	1.37%	1.33%
Loan losses allowance / past due loans	218.01%	107.65%	115.03%
Loan losses allowance / non accrual loans	230.33%	127.67%	137.14%
Write-offs / loans	0.73%	0.52%	0.43%

	For the Year Ended December 31,		
	2020	2019	2018
	(in percentages)		
Provision for loan losses, net / loans....................................	2.45%	0.35%	0.35%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see "Selected Statistical Information."

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income after provisions and total other income, net.

(5) Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, mortgage-backed securities ("MBS"), collateralized mortgage obligations ("CMOs") and asset-backed securities ("MBS, CMOs and ABS").

(6) As defined in Accord 1-2015, as amended, by the SBP.

(7) Total capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP. Includes our outstanding perpetual bonds. We intend to repay our outstanding perpetual bonds with the proceeds of this offering, as described in "Use of Proceeds."

(8) Common equity or ordinary primary capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(9) Total Tier 1 capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(10) Past due loans: All loans 90+ days past due on interest and/or principal payments and all loans past due 30 days post maturity.

(11) Non accrual loans: All loans 90+ days past due on interest and/or principal payments and residential mortgages 120+ days past due, in accordance with SBP requirements. Please see "Statistical and Other Information—Classification of the Loan Portfolio Based on the Borrowers' Performance" for a description of the effects of the government's modified loan program on non accrual loans.

For the five-year period ended December 31, 2020, our compounded annual growth rates ("CAGR") in loans, deposits and net income were 3.3%, 5.4%, and (0.5)%, respectively. In addition, as of December 31, 2020, our loans, deposits and net income grew (decreased) by (5.3%), 8.0%, and (36.3%), respectively, compared to the corresponding period in 2019, and our ROAA and ROAE were 1.68% and 12.30%, respectively. For a further description of our past due loans, see "Selected Statistical Information—Classification of the Loan Portfolio Based on the Borrowers' Performance—Past Due Loans."

Activities through Subsidiaries

We have several subsidiaries through which we conduct a number of our business operations.

The following table provides information with respect to our subsidiaries and affiliates for the year ended December 31, 2020.

		As of December 31, 2020 (in U.S.$ millions, except percentages)			
Subsidiary	Activity	% Owned	Assets	Equity	Net Income
Overseas Capital Markets, Inc. and Subsidiaries....................	International Banking Business and Re-Insurance	100%	2,575.0	922.3	83.3
General de Seguros, S.A.	Insurance Operations	100%	258.1	205.9	25.0
BG Valores, S.A.......................	Brokerage and Wealth Management	100%	117.7	90.8	11.1
ProFuturo Administradora de Fondos de Pensiones y Cesantía, S.A.	Pension Fund and Severance Fund Management	100%	44.1	42.6	8.1
Finanzas Generales, S.A. and Subsidiaries	Financial Leasing and Trust	100%	239.2	106.1	6.7
BG Investment Co., Inc.............	Brokerage and Asset Management	100%	36.2	35.4	3.6
Banco General (Costa Rica), S.A.	Universal Banking	100%	498.3	54.2	(3.1)

Overseas Capital Markets, Inc. and Subsidiaries. We own 100% of Overseas Capital Markets, a Cayman Islands holding company for Banco General (Overseas), Inc. ("BGO") and Commercial RE Overseas, Ltd. ("Commercial RE"). BGO is a Cayman Islands banking institution providing banking services to non-Cayman nationals. BGO offers loan facilities to wealth management clients, provides regional corporate and commercial banking services and also manages a segment of our liquidity portfolio in the international debt markets. BGO's results of operations are primarily reflected within the Regional Corporate Banking area. Commercial RE is our captive reinsurance company. Since 2014, Commercial RE takes risks only in connection with GS's automobile, fire and allied, multi-policy residential, multi-policy commercial, electronic equipment, transportation, C.A.R. (Contractors All Risk), machine breakdown, heavy equipment, life, personal accident, and bond insurance products. Commercial RE's results of operations are primarily reflected within the Insurance and Reinsurance segment of our financial statements.

General de Seguros, S.A. GS, our insurance subsidiary, mainly offers fire and life insurance policies to our clients in connection with our corporate, commercial, mortgage and consumer loan products. GS is authorized by the Superintendency of Insurance and Reinsurance of Panama (*Superintendencia de Seguros y Reaseguros de la República de Panamá*) to operate as an insurance company. GS's results of operations are reflected within the Insurance and Reinsurance segment of our financial statements.

BG Valores, S.A. BG Valores, a leading brokerage house at the BVP, services our high–net-worth clients through our Wealth Management unit. As of December 31, 2020, BG Valores had U.S.$14.0 billion total assets under management (including investment securities and bank deposits) and more than 3,000 client relationships. BG Valores's results of operations are reflected within the Wealth Management unit, which in turn are reflected in the banking and financial activities segment of our financial statements.

ProFuturo Administradora de Fondos de Pensiones y Cesantía, S.A. ProFuturo is a leading market participant in the administration of voluntary pension and severance funds in Panama and was founded by Banco General in 1995, along with BC and ASSA Seguros. ProFuturo is now a wholly owned subsidiary of Banco General. ProFuturo's results of operations are reflected within the Pension and Retirement Fund Management segment of our financial statements.

Finanzas Generales, S.A. and Subsidiaries. We own 100% of Finanzas Generales, BG Trust, and Vale General. Finanzas Generales primarily provides financial leasing to corporate and commercial clients. Finanzas Generales retains ownership of the leased assets and receives a monthly rental payment in consideration for the lessee's use of the assets throughout the term of the lease contract, at the end of which the asset is transferred to the lessee. Finanzas Generales's results of operations are primarily reflected within the Local Corporate and Commercial Banking and Consumer Banking units, which in turn are reflected in the banking and financial activities segment of our financial statements.

BG Investment Co., Inc. BG Investment provides securities brokerage and asset management services to its corporate customers and our treasury department. BG Investment's operations include the buying and selling of local securities, repurchase and resale agreements, and acting as the placement agent for issues underwritten or structured by our investment banking division. BG Investment is a licensed asset manager and an authorized securities broker, with brokers licensed by the SMV and is a founding member of Panama's Stock Exchange (*Bolsa de Valores de Panamá* or "BVP"). BG Investment's results of operations are reflected within the Wealth Management unit, which in turn are reflected in the banking and financial activities segment of our financial statements.

Banco General (Costa Rica), S.A. A wholly owned subsidiary of Banco General, BGCR focuses primarily on corporate lending, including to large corporations and medium-size enterprises, as well as consumer and wealth management, including deposit taking and retail lending. As of December 31, 2020, BGCR had 8 strategically located branches throughout San José, Alajuela, and Heredia and 10,045 clients. BGCR's results of operations are reflected within the Consumer Banking and Regional Corporate Banking units, which in turn are reflected in the banking and financial activities segment of our financial statements.

Competitive Strengths

We have consistently sought to achieve strong financial results, driven by our growing loan portfolio, low-cost deposit base, sound asset quality, consistent non-interest revenues, and solid operating efficiency. We believe that our board of directors and management team have implemented conservative policies that mitigate risks while allowing us to continue our growth strategy. We believe that our primary business strengths, which have helped us achieve positive results in a competitive environment, include the following:

Leading Financial Institution in Panama with Strong Brand Recognition

We are the largest privately owned, private sector local bank in Panama in terms of total assets, total local loans and total local private sector deposits with U.S.$18.6 billion in total assets, representing a 14.2% market share, U.S.$10.2 billion in total local loans, representing a 18.5% market share, and U.S.$12.9 billion in total local private sector deposits, representing a 28.2% market share, market share information is in accordance with information published by the SBP as of December 31, 2020 and information of total assets, total local loans and total local private sector deposits are in accordance with our financial statements as of December 31, 2020. This sizeable national footprint has allowed us to create a unique and strong brand awareness that delivers on customer appeal and loyalty, allowing us to service a wide spectrum of clients, maximize revenue and gain market share.

We are also the oldest Panamanian-owned private sector bank, having served Panama's financial industry for over 65 years. Our history, longstanding consistent growth, successful performance and solid image are some of the key elements that differentiate us from our competitors and that, we believe, contribute to our customers' loyalty. We are recognized by our customers and the market for the quality of our products and services, long-term consistency, reliability and commitment to social responsibility. Our strong commitment to social responsibility is engrained in the way we conduct our business with fairness and transparency, which we believe further strengthens and solidifies our corporate image.

We believe the public recognizes the Bank's quality during global economic stress. In the past, we have experienced a flight to quality resulting in the growth of our deposit base during times of stress relative to other Panamanian banks. Accordingly, at December 31, 2020, our local deposit market share was 28.2%, an increase from 26.9% at December 31, 2019, based on consolidated data from SBP.

Moreover, our commitment to the development of the Panamanian economy has led to our increased participation in projects of national interest. For example, we led the effort to create the Preferential Mortgage Interests Rates Law in 1985, which allowed the growing middle class to access home ownership. The law has been subsequently renewed since its enactment and has provided numerous families with home ownership opportunities that were previously inaccessible. As a result of our involvement in this program, we have U.S.$1.4 billion outstanding in preferential residential mortgages, which translates to a leading 22.2% market share in these mortgages as of December 31, 2020.

We have received a number of awards which reflect the strength of our brand, including: Best Bank in Panama by LatinFinance (2010, 2011, 2012, 2013, 2014, 2018, 2019), Best Bank in Panama by Global Finance (2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019), Bank of the Year by The Banker (2010, 2011, 2012, 2013, 2014, 2015, 2018, 2019), Best Bank in Panama by Euromoney (2010, 2011, 2012, 2014, 2015, 2016, 2018, 2019).

Panama's Strong Economy with Solid Fundamentals to Drive Post-COVID Recovery

The Panamanian economy has been one of the best performing in Latin America during the last decade as a result of a diversified economy, primarily driven by its well-developed services sector. The services sector includes the Panama Canal, shipping and port activities, transportation and logistics services, communications services, a large free trade zone, a thriving international banking center and tourism services. The Panamanian economy has also benefitted over recent years by the introduction of mining activities through the extraction and exporting of copper.

Panama's strategic location for international trade and important role as a regional hub is underpinned by its use of the U.S. dollar as legal tender and a politically stable democracy fostering economic stability and strong foreign direct investment. Panama is an open economy and has signed free trade agreements with several countries such as, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Canada, Chile, Peru, Mexico, the United States, Singapore, and Taiwan.

Prior to the COVID-19 pandemic, Panama sustained one of the highest GDP growth rates in Latin America, amounting to 3.6% in 2018 and 3.0% in 2019. From 2009 to 2019, according to data from the World Bank, Panama's rapid growth enabled its per capita nominal GDP to more than double from U.S.$7,576 to U.S.$15,731, marking Panama as one of the fastest growing countries in Latin America in terms of real GDP growth.

Panama continues to be one of only six countries in Latin America, along with Chile, Colombia, Mexico, Peru and Uruguay, to have sovereign debt investment grade ratings from Standard & Poor's, Fitch and Moody's.

Robust Capitalization and Stable and Diversified Retail Deposit Base and Minimum Wholesale Funding

Consistent with our capitalization strategy and supported by our strong capital base, we enjoy protection against potential losses in the loan and investment portfolios. As of December 31, 2020, our total equity amounted to U.S.$2.6 billion, and our total capital ratio was 20.74%, comprised entirely of Tier 1 capital. Our equity to total assets ratio was 14.14%, with a dividend payout ratio averaging 60.14% of our net income in the last five years, 2.5x the regulatory minimum.

Our main source of funding is our retail and corporate deposit base, which has been developed and serviced through our extensive strategically located branch network throughout Panama. We are the market leader in local private sector deposits, with a leading 28.2% market share as of December 31, 2020, according to the SBP. We have experienced strong steady growth, growing our deposits at a 5.4% CAGR in the five-year period ended December 31, 2020. Our local client private sector deposit base consists of U.S.$2.9 billion in demand deposits, U.S.$4.3 billion in savings accounts and U.S.$5.7 billion in time deposits, representing 22.46%, 33.12% and 44.41% of our local private sector client deposits as of December 31, 2020, respectively.

As of December 31, 2020, our total portfolio of time deposits, our main deposit source, has a remaining average life of 14.0 months, with 72.7% of the total amount having original maturities longer than one year. Our strong, highly diversified and low-cost funding structure reduces our dependency on institutional funding, providing stability to our balance sheet. As of December 31, 2020, total deposits excluding accrued interest accounted for 91.2% of our total funding needs and represented 117.5% of our total loan portfolio. As of December 31, 2020, our average cost of deposits was 2.55% and our nominal interest rate cost on total deposits was 2.47%.

We believe the public recognizes the Bank's quality during global economic stress. In the past, we have experienced a flight to quality resulting in the growth of our deposit base during times of stress relative to other Panamanian banks. Accordingly, at December 31, 2020, our local deposit market share was 28.2%, an increase from 26.9% at December 31, 2019, based on consolidated data from SBP.

The increase in our liquidity, allowed us to reduce our financial debt outstanding by U.S.$1,242.1 million during 2020, which helped us reduce our overall funding cost.

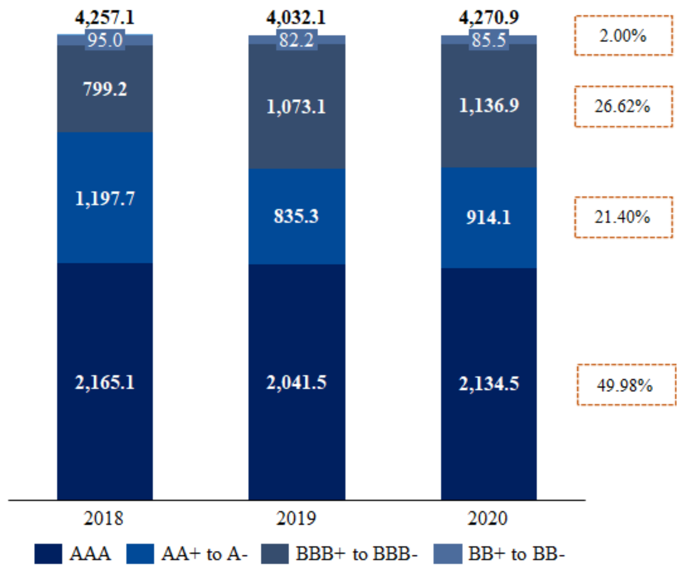
Our strong capital position has also enabled us to take advantage of other funding sources, such as the 2020 U.S.$50 million green finance loan granted by the International Finance Corporation ("IFC"); the 2019 U.S.$150 million preferential mortgage loan granted by the IFC; the U.S.$550 million 4.125% Notes due 2027 issued in 2017; and the 2017 U.S.$125 million and the 2016 U.S.$250 million loans and notes issued under our diversified payment rights ("DPR") program.

High Levels of Liquidity Consisting of Investment Grade, Liquid Investments

Our primary liquidity, which totaled U.S.$4.3 billion as of December 31, 2020, is comprised of U.S.$0.7 billion in cash and deposits and U.S.$3.5 billion in high quality fixed income securities with investment grade ratings and amounted to 29.4% of total deposits and medium and long-term borrowings. All of our high quality fixed income securities have investment grade ratings, with an average rating of AA- and 50.0% having a rating of AAA, as of December 31, 2020. Of our cash and deposits, 88.6% are held with financial institution counterparties that have investment grade ratings, with an average rating of A, as of December 31, 2020.

Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS.

Primary Liquid Assets by Rating



Our primary liquidity is further enhanced by our minimal exposure to foreign currency fluctuations, given that 99.8% of it is in U.S. dollars.

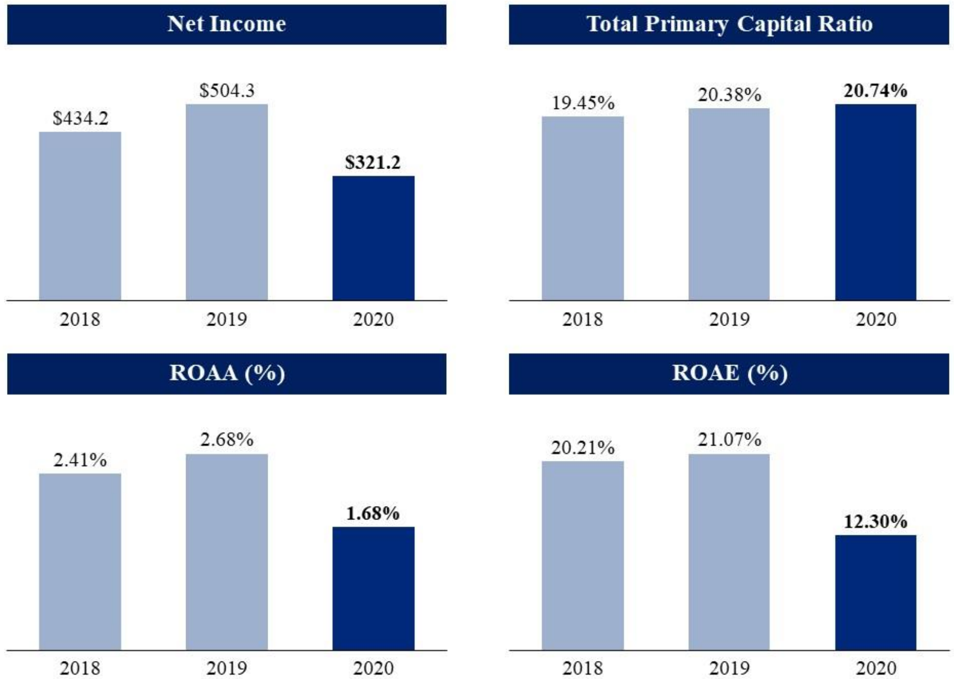
In addition to our own internal liquidity requirements, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a LCR that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

Positioned for Long-Term Profitability

We have grown consistently in the past five years, with the exception of 2020, given the macroeconomic conditions that were a direct result of COVID-19. Net income for the period of 2015 to 2019 grew at a CAGR of 11.3% and decreased 36.3% from U.S.$504.3 million in 2019 to U.S.$321.2 million in 2020. Our average ROAA and ROAE for the years 2016 through 2020 were 2.33% and 19.17%, respectively. Our pre-COVID growth was driven primarily by strong margins, growth in non-interest income and improved operating efficiency, while the decrease in 2020 was driven primarily by increased provisioning for loan losses to build our loan loss allowances given the uncertainty caused by COVID-19 pandemic. During 2020 our operating efficiency ratio was 32.94%, and our net interest margin was 3.79%.

Our net interest margin decreased from 4.06% in 2019 to 3.79% in 2020, mainly as a result of lower rates on our average interest-earning assets, from 6.31% in 2019 to 5.69% in 2020. This compares to net interest margin for the NBS of 3.43% in 2019 and 3.03% in 2020.

The following charts illustrate the evolution of our capital and profitability metrics for the three years ended December 31, 2020, 2019 and 2018.



Our fiscal year ends December 31

As a result of our strong business footprint and highly efficient operations compared to our peers, we are the most profitable bank, based on ROAA and ROAE, among the largest five banks, based on total assets, in the NBS. Our average three-year ROAA and ROAE were 2.26% and 17.86% respectively. As of December 31, 2020, our ROAA was 1.68% and our ROAE was 12.30%.

Diversified Loan Portfolio with Strong Asset Quality and Ample Reserve Coverage

Our loan portfolio is well-diversified across client segments, products and borrowers. A key pillar of our business model is our conservative underwriting policies, including ongoing monitoring of our loan portfolio, evaluating clients across our various operating business units and applying prudent reserve and provision criteria. As of December 31, 2020, total loans amounted to U.S.$11.4 billion, which was comprised of 40.5% corporate loans (32.2% local corporate loans and 8.3% foreign corporate loans), 55.6% retail loans (40.2% residential mortgages and 15.5% consumer loans) and 3.9% in other loans (comprised of pledge loans, overdrafts, and leasings).

Non accrual and past due loans based on Accord SBP 4-2013, represented 1.46% and 1.54%, respectively, of total loans outstanding as of December 31, 2020. The ratio of loan losses allowance to non accrual loans was 230.33%, and loan loss reserves to past due loans was 218.01%, each as of December 31, 2020. Our ratio of loan loss reserves to non accrual loans and loan loss reserves to past due loans have not changed materially as a result of the COVID-19 pandemic, in part benefiting from the relief measures enacted through contractual payment deferrals as further described in "—Recent Developments—COVID-19 Pandemic" and "Regulations and Supervision—Regulation in Panama—Loan Loss Allowances—Additional, Exceptional and Temporary measures for compliance with specific reserve provisions." Further, as of December 31, 2020, 78.1% of our loans were secured by collateral, including cash, residential or commercial properties, equipment or other types of collateral, which we believe reduces our exposure to losses and increases our ability to collect on our financial assets facing potential credit risk.

We had U.S.$83.2 million in write-offs, representing 0.73% of total loans outstanding for the year ended December 31, 2020.

Highly Experienced Management Team

We have a highly experienced senior management team, with an average of 26 years of experience in the banking industry, many of whom have worked together at the Bank for over 20 years. This continuity has helped develop a strong management team with a shared culture and establish longstanding relationships and loyalty with customers. Moreover, our management team's substantial industry knowledge and experience makes us a leader in the Panamanian financial sector, including with respect to corporate governance and regulatory developments. Our management team has been pivotal in establishing our robust framework of policies and procedures to manage compliance with applicable local and international laws, safeguard our and our customers' financial information, and identify and develop strategies to address regulatory changes. See "Business—Compliance Policies."

Our management team has a proven track record of successfully steering us through different economic cycles and of acquiring and integrating related businesses and assets into the Bank. The team has: (i) developed and implemented a clear and defined strategy to transform us into a leading universal bank; (ii) handled the acquisition and successful integration of three major banks in Panama; (iii) achieved consistent and solid long-term profitability, with net income growing at a 4.9% CAGR and average ROAA and ROAE of 2.41% and 19.78%, respectively, from 2011 through 2020; (iv) maintained a strong financial profile characterized by high liquidity levels, strong asset quality and ample loan loss provision coverage and strong capital ratios, which have allowed us to obtain and maintain investment grade ratings for over two decades; (v) transformed the Bank into a multi-channel entity through our digital platforms created by our agile multidisciplinary teams, which now handle a substantial part of our transactions, and (vi) successfully and permanently accessed the local and international debt markets, bilateral and syndicated loan markets with transactions of U.S.$2.7 billion from 2016 through 2020. For a more detailed description of our management team, see "Management."

Our Strategies

Our business strategy is to grow and strengthen our universal banking franchise, emphasizing our commitment to customer centric products and solutions, high quality service, digital excellence, financial strength and operating efficiency. We plan to pursue our business strategy by focusing on the following main drivers and initiatives:

Maintain our position as the premier universal banking franchise in Panama

We strive to maintain our position as the premier retail and corporate bank in Panama, offering differentiated universal banking solutions to our customer base. We hold a leading 18.5% market share in total local private sector loans and 28.2% in total local private sector deposits. We continue to strengthen our customer focus and quality service to maintain our strong market position by emphasizing our strategic multi-channel banking business model aimed at more effectively reaching our target customer segments. We have established our segmentation model in our daily operations offering, offering tailor made products, services and channels to retail, wealth management, commercial and corporate clients. To further penetrate our client base, our retail and corporate staff also act as client relationship managers, providing the products and services requested by our clients. Our staff is supported by our broad distribution network, which includes our branches and wide ATM network, our online and mobile banking platforms and our call center customer service platform, in addition to our branch-based sales force.

We have market leading online and mobile banking platforms and a growing plan to continue developing new digital functionalities to better serve our customers as a means to maintaining our leading position and strengthen our customer loyalty.

Increase our digital presence through rapid innovation to grow with our clients' needs and increase our competitive advantage

One of our many competitive advantages since 2000s has been our online banking platform for retail and corporate customers. With the initial success of this platform and in light of the rise of fintech competitors, we are committed to maintaining our competitive advantage through continued innovation of our digital capabilities.

In keeping with our commitment to improving customer experience, as well as growing our client base, we have introduced a number of products through our digital banking platforms, to expand our reach beyond our physical branch network. We offer online computer-based banking (*Banca en Línea*), an Android and iPhone mobile-based app for personal banking (*Banca Móvil*) and "Yappy," a digital wallet through which customers can request and send money on their mobile phones or make purchases were supported by websites or shops online. The adoption of our digital banking platform has been an attractive feature to our clients, with over 762,000, or 64%, actively using either

Banca en Línea or *Banca Móvil* in 2020, and over 571,000, or 48%, of our clients were affiliated with Yappy each as of December 31, 2020.

Our digital presence, in particular, has increased in connection with the COVID-19 pandemic. For the year ended December 31, 2020, 52% of our transactions were conducted through our digital platforms as opposed to through our physical branches and ATMs, compared to 35% in 2019 and 31% in 2018.

We believe that digital channels and product offerings will only continue to grow in importance to our existing clients and help us attract new clients. As a result, we intend to continue to improve and expand these channels, products and services through our highly efficient, agile teams.

With the support of global leading consultants, we have grown from one agile team of 20 people in 2017 to more than an estimated 43 teams and 447 employees in 2020 creating: (i) over 832,000 or 70% of our clients affiliated with *Banco Movil* generating more than 90 million transactions during 2020, including Yappy, our peer-to-peer payment system with over 571,000 or 48% of affiliated clients and generating more than 14 million transaction in 2020; (ii) a digital process for opening simplified bank accounts, allowing us to onboard more than 178,000 new clients, 100% digitally, since 2019; (iii) sales of more than 280,000 products (savings accounts, credit and debit cards, life insurance policies, among others) digitally; (iv) over 956,000 or 81% of our clients affiliated with *Banca en Línea*, an online banking platform generating more than 37.9 million transactions during 2020; (v) world class Core and CRM software for our branches and relationship managers; and (vi) 10+ analytic models, developed by BG Lab, our data analytics team, utilizing big data and cloud technology to support multiple business initiatives.

Maintain a solid financial profile, with strong capitalization, high asset quality and reserves, conservative liquidity levels and highly profitable and efficient operations

We believe our solid financial profile, which has allowed us to obtain and maintain investment grade ratings since 1997, has positioned us as the leading financial institution in Panama and is critical to our prestigious image and strong customer loyalty. We believe that our financial profile is supported by five pillars: (1) strong capitalization, (2) high quality liquidity, (3) a diversified loan portfolio, (4) a diversified deposit base, and (5) highly profitable operations. Through our solid financial profile, we have developed a market-leading, highly diversified deposit base with lower costs than our competitors. We also maintain broad access to local and international debt markets and institutional funding at competitive prices, which provides access to resources to fund our loan and investment portfolios and grow profitability. Our capital position, the cornerstone of our financial strategy, was comprised of U.S.$2.6 billion of total equity as of December 31, 2020 and represented 14.14% of total assets. Our total capital ratio, as calculated in accordance with the requirements of the SBP, was 20.74% and consisted entirely of Tier 1 capital as of December 31, 2020. We intend to maintain our conservative financial policies to support our ratings, financial strength and discipline, which we believe have been key to our strong image and position in the market.

Uphold our Corporate Social Responsibility mission to be an agent for positive change and a role model in the financial industry

During our 65 year history, we have been an integral part of Panama's economic development and pioneers of Social Responsibility as the Panamanian company of many firsts: (i) first to sign United Nations Global Compact in 2001; (ii) first to engage external auditors to certify our Corporate Social Responsibility Report; (iii) first Panamanian bank to implement an Environmental & Social Risk Management System in 2009; (iv) first bank to become a member of United Nations Environment Program Finance Initiative in 2011; (v) founders of the "Principles for Responsible Banking" in 2019; (vi) recipient of "Gender Seal" in recognition to our efforts on achieving gender equality in 2019.

Our non-profit foundation "*Fundación Sus Buenos Vecinos*" continues to play a vital role in our commitment to the community. In 2019, *Fundación Sus Buenos Vecinos* donated U.S.$5.2 million in supporting education programs and more than 165 non-profit organizations. Because of the COVID-19 pandemic, the foundation shifted its priorities and increased our donations to U.S.$10.0 million focused on healthcare, food distribution and to maintain other non-profit organizations afloat.

Further, as part of our corporate social responsibility, we are committed to measuring and reducing our environmental footprint. Since 2009, the Bank has applied an Environmental and Social Risk Management System

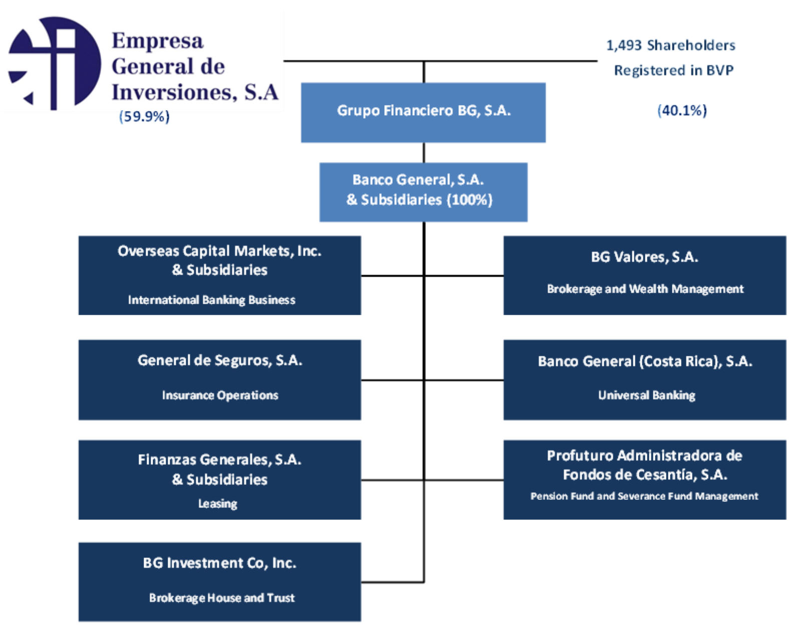
(ESMS) within its credit approval process and risk governance structure, to make informed decisions and mitigate the environmental and social impacts of our financial decisions. In 2011, we became the first Panamanian bank to become a member of United Nations Environment Program Finance Initiative ("UNEP FI"), which acts to identify and promote the adoption of better environmental and sustainability practices at financial institutions globally. In 2012, we began measuring the Bank's carbon footprint through the application of the GHG Protocol, with a scope that includes our branches and offices, as well as those of BG Valores S.A. and General de Seguros S.A. Through this protocol, we have collected and measured sources of emissions to calculate our impact. As an organization, we have adopted a responsible consumption program focused on reduction of energy usage at our branches and office buildings and by our employees and the reuse and recycling of materials used in our operations. We comprise a part of the Panama Green Building Council and have opened four LEED certified branches. In 2019, the Bank became a founding signatory of the Principles for Responsible Banking (PRB), a global framework launched by UNEP FI, by which banks commit to aligning their efforts and business strategies to consistently contribute to the Sustainable Development Goals, the Paris Climate Agreement, and the relevant national and regional frameworks. In 2020, the International Finance Corporation granted us a U.S.$50 million facility to make green loans for sustainable construction, which will be extended in 2021.

Beyond our organization, we sponsor the "I Recycle Fairs" held on a monthly basis in Panama City for the collection of recyclable waste and education about recycling. We are also a member of *Proyecto TermoSolar*, a project designed to support the development of the solar heating systems market in Panama. Through all these initiatives and programs, we plan to continue to drive change both within and outside our bank. We believe that our corporate social repsonsibility ultimately positions us a leader in sustainability initiatives within the financial industry and in the community, further strengthening our brand recognition.

Corporate Structure and Information

Banco General is a wholly owned subsidiary of GFBG, which in turn is 59.9% owned by EGI. GFBG and EGI are both publicly listed holding companies. GFBG may purchase notes as part of this offering, as further set forth in "Plan of Distribution." GFBG is the largest publicly traded company on the BVP in terms of market capitalization (U.S.$5.7 billion as of December 31, 2020), with more than 1,400 shareholders. Banco General is licensed by the SBP to operate as a general license bank in Panama. The Bank is a corporation with limited liability under the laws of the Republic of Panama.

The following chart illustrates our principal subsidiaries and the material aspects of our organizational structure as of December 31, 2020:



We were registered as a corporation (*sociedad anónima*) with the Public Registry of Panama (*Registro Público de Panamá*) on January 11, 1955 and started operations April 1, 1955. Our registration number is 280-134-61098.

Our principal executive offices are located at Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Republic of Panama.

Recent Developments

COVID-19 Pandemic

Measures taken by the Panamanian Government

In response to the COVID-19 pandemic and the ensuing negative economic outlook, the Panamanian Government, in an effort to safeguard public health, adopted a series of protective measures and actions, including temporary closure of certain businesses and industries and mandatory confinement of the population. Similar actions have been adopted by governments in the other countries where the Bank operates.

These measures include a mandatory shelter-in-place order that began on March 17, 2020, with certain exceptions for key activities, including banking, telecommunications, energy, agriculture, transportation, essential retail trade including supermarkets and pharmacies, among others. The order required people to stay at home with certain exceptions. As a result of such shelter-in-place order, certain industries are operating with a reduced capacity. In September 2020, mandatory mobility restrictions were lifted, although a nationwide night-time curfew remains in effect. Additionally, in September 2020, the Panamanian Government allowed certain businesses and industries to gradually restore activities, including construction, manufacturing, mining, restaurants, retail stores, shopping centers and national aviation. This gradual reopening of the economy is subject to health and sanitary measures such as social distance and maximum capacity restrictions and the mandatory use of protective masks, among other measures.

The government has also taken steps to mitigate the economic impact of the COVID-19 pandemic. The government incurred additional sovereign debt to finance an expanded fiscal policy through U.S.$4.75 billion in sovereign bond issuances, up to U.S.$1.65 billion in loans from multilateral organizations and up to U.S.$1.3 billion available from Panama's saving funds. The Panamanian Government also created economic recovery plans such as "Banca de Oportunidades" a U.S.$20 million investment program for micro-entrepreneurs implemented through state-owned banks, a U.S.$150 million fund for SMEs, a U.S.$50 million guaranty fund to back loans for micro and small enterprises, the U.S.$150 million "Panama Agro Solidario" program to provide flexible interest loans, and technical assistance for agriculture businesses, the "Recuperando mi Barrio" program offering temporary jobs to repair public buildings and infrastructure, the U.S.$80 million "Fondo Solidario de Vivienda" program to increase benefits for first installment payments for mortgagees from U.S.$10 thousand up to U.S.$70 thousand and the U.S.$1 billion "Liquidez Transitoria del Sistema Bancario Nacional" fund to support Panama's financial system and provide funding to the most affected industries.

On October 12, 2020, the Panamanian Government officially opened its borders with the reopening of Tocumen International Airport and resumed international flights. The reopening of borders came after months of strategic planning, which resulted in new health and safety protocols enacted by the Ministry of Health to safeguard the wellbeing of both Panamanians and international visitors.

In January 2021, in response to a resurgence in the infection rate, the government of Panama reintroduced certain public health measures (including a national shelter in place order) for a two-week period. Subsequent to the renewed measures, and as infection rates decreased, the government of Panama gradually reduced public safety measures and lifted weekend stay-at-home orders on February 26, 2021. Following the January 2021 surge, infection rates in Panama have continued to decrease, with the total number of active cases dropping below 5,000 for the first time since June 4, 2020.

The Panamanian Government has also requested about 1 million doses from the COVID-19 vaccine portfolio under the COVAX facility coordinated by the World Health Organization to support its national vaccination plan. Panama's national vaccination plan has provided for the purchase of over 9 million doses, which it expects to cover over 90% of its population (including over 7 million doses of the Pfizer vaccine of which it has already received over

600,000). Through April 20, 2021, the government of Panama has administered over 500,000 doses of COVID-19 vaccine to first responders, critical workers and persons over 60 years of age and has applied the first vaccine does to approximately 12% of its population.

Measures taken in the Banking Industry

To preserve the health and stability of the financial system, the Superintendency of Banks of Panama issued Accord No. 2-2020 (March 16, 2020) as subsequently amended, to create a temporary regulation for loans classified as "Special Mention Modified Loans." Banks are required to evaluate the loans granted to individual and business clients, whose payment capacity has been affected by the outbreak of COVID-19 and the Panamanian Government's protective measures, and, if appropriate, provide temporary financial relief. This relief may consist of the deferral of scheduled interest and/or principal payments, as well as amending other terms and conditions of the loans. The regulation defines a Special Mention Modified Loan as a loan for which the original terms and conditions (at the onset of the COVID-19 pandemic) have been modified at the request of the borrower or at the Bank's initiative, without causing the loan to be considered a restructured loan. As of December 2020, the Bank's Special Mention Modified Loans, under the SBP regulation, amounted to U.S.$5,273.4 million of which U.S.$2,620.6 million complied with the contractual payment of their installment and U.S.$2,652.9 million continued as deferred loans during the month of December 2020. The new terms of Special Mention Modified Loans have to consider financial feasibility criteria based on the borrower's capacity to pay and the bank's credit policies. Credits that are modified through contractual payment deferrals or other modifications are subject to special monitoring by the Bank, and the temporary regulation includes specific guidelines on the risk categorization and minimum provisioning requirements for these loans, based on the loans' initial standing (prior to the COVID-19 pandemic) and the borrower's compliance with the modified terms and conditions.

The Superintendency of Banks approved new amendments to Accord No. 02-2020, which established additional measures to adjust and comply with credit risk requirements applicable to all modified loans. In addition, the new amendments require banking entities to maintain provisions equivalent to three percent (3%) of the modified loan portfolio gross balance. In October 2020, the Superintendency of Banks further amended the regulations which extends the period to evaluate clients' loans whose payment capacity has been affected to June 30, 2021 and, if appropriate, provide temporary financial relief.

In addition to these measures, on June 30, 2020, the Panamanian Government enacted Law No. 156 of 2020 on June 30, 2020 (the "Moratorium Law"), which established a moratorium on scheduled payments of mortgage loans, personal loans, car loans, credit cards, SME loans, commercial loans, loans to the transportation sector, and loans to the agriculture and livestock sector until December 31, 2020. The moratorium is applicable to borrowers whose income and payment capacity has been impaired by suspension or termination of employment contracts, the closing downs of businesses and other measures mandated by the Panamanian Government to protect public health. Pursuant to SBP Accord No. 13-2020 (that amended Accord No. 02-2020), during the period from January 1, 2021 to June 30, 2021 banks cannot foreclose on collateral granted in connection with modified loans. For further information on these regulations, see "Regulation and Supervision—Regulations in Panama—Transitional Regulations relating to the COVID-19 Pandemic."

Measures adopted by Banco General in response to the COVID-19 pandemic

For our more than one million clients, we have implemented measures to support those affected by the COVID-19 pandemic to mitigate the impact of this crisis, including: (i) disbursing mortgage and consumer loans, (ii) providing payment deferrals to companies and individuals whose activities have been impacted by business closings, (iii) extending credit to corporations that remain operational, (iv) suspending home and auto loan foreclosures, and (v) waiving fees and late payment charges, among others.

To preserve jobs, the Ministry of Labor and Social Works enacted regulations, which allowed corporations to suspend their employees without pay or with partial pay, until June 30, 2021. As a result, the Bank has provided strong support and financial relief to its consumer, mortgage and corporate clients mostly through the deferral, on a monthly basis, of the contractual payments.

We maintain our strong commitment to our community. In response to the COVID-19 pandemic, Banco General, through its non-profit volunteering foundation "Fundación Sus Buenos Vecinos" (FSBV). *Fundación Sus*

Buenos Vecinos donated U.S.$5.2 million in 2019 and due to the impact of COVID-19 pandemic, decided to increase the 2020 donations to U.S.$10.0 million. *Fundación Sus Buenos Vecinos* is working to protect Panama's most vulnerable and prevent the spread of the virus, by focusing our efforts on three sectors:

- Healthcare: Donations focused on equipment, supplies, and tests to the Gorgas Commemorative Institute for Health Studies (main health and epidemiologic laboratory and hospital in Panama), responsible for analyzing COVID-19 tests and supervising testing in other hospitals.

- Food: Donations for a special food program "Alimenta Una Vida," created to help more than 150 non-profit organizations, as well as other food related programs. This program is responsible for feeding more than 30,000 people in vulnerable conditions. In addition to funding, employees have also volunteered their time.

- Non-Profit Organizations: Execution without interruption of our foundation's annual donation, strengthening social programs contributions, especially those relating to temporary housing for children and adolescents, nursing homes, and organizations whose objective is to serve vulnerable communities. These funds were in part used to purchase computers to allow children to continue studying from home.

As for our own employees, we (i) implemented all the recommended and required measures by the local and international health authorities with the objective of making our work environment as safe as possible and, (ii) introduced initiatives to mitigate the effects of the crisis. To follow a summary of main aspects of the plan:

- In March 2020, we established a COVID-19 Operations Committee, which coordinates the strategic and operational management of the Bank's Continuity and Sustainability Plan, including people, processes, business, clients, and communications.

- In the first fifteen days, we implemented our contingency plan for all our critical processes, and then we moved on to the sustainability phase where we implemented the contingency plan for the whole organization.

- The Bank continues to be 100% operational in all of its channels and has transitioned successfully into a physical/remote operation.

- In December 2020, the Bank had:

  - approximately 2,115 employees working remotely and 1,895 on site (which represents 91% of our labor force); the remaining employees were on leave or paid vacations.

  - expanded our call center capabilities and promoted the use of our digital channels to continue servicing our customers from their homes, demonstrated by 64% of our clients actively using either *Banca en Línea* or *Banca Móvil* in 2020 compared to 54% in 2019, and 52% of transactions during 2020 carried out through our digital channels, compared to 35% during 2019.

- In light of the ongoing pandemic, we have modified our physical infrastructure for the protection of our employees and clients by redesigning workstations, enhancing cleaning protocols, installing acrylic divisions in all customer service areas and alcohol gel dispensers in all of our offices and branches, providing masks, and applying diagnostic and serological tests to more than 50% of our employees.

Effect of COVID-19 on our Financial Position and Results of Operations

In connection with local regulation, we have offered our customers, meeting the requisite criteria, payment deferrals and, in turn, have increased our provisions in connection with the modified loan portfolio balance. The regulation defines a modified loan as a loan for which the original terms and conditions have been modified at the request of the borrower or at the Bank's initiative, without being considered a restructured loan. As of December 31, 2020, the Bank maintains the following monthly payment deferrals: (i) 36.2% of residential mortgage clients, equivalent to U.S.$1,790.6 million or 39.0% of the total outstanding residential mortgage portfolio; (ii) 11.4% of consumer clients, equivalent to U.S.$263.5 million or 14.9% of the total outstanding consumer portfolio; and (iii) 9.0% of corporate clients, equivalent to U.S.$804.8 million or 16.4% of the total outstanding corporate portfolio. The total deferral portfolio amounted to 25.0% of the total loan portfolio or U.S.$2,858.9 million; 79.3% or U.S.$2,268.2 million was backed by mortgage collateral.

As of December 31, 2020, our loan losses allowance was U.S.$383.8 million, a significant increase compared to our allowance for loan losses of U.S.$165.2 million as of December 31, 2019. Our non accrual loans to total loans ratio increased to 1.46% as of December 31, 2020 compared to 1.07% as of December 31, 2019. Our allowance for loan losses as a percent of past due loans improved from 107.65% in 2019 to 218.01% in 2020; and our allowance for loan losses as a percent of non accrual loans improved from 127.67% in 2019 to 230.33% in 2020. For a discussion of the effects of the government deferral program on our allowance for loans losses, see "Selected Statistical Information—Analysis of Allowance for Loan Losses."

Nonetheless, we expect that with the progressive reopening by the Panamanian Government of economic activities, a significant majority of our corporate clients will re-start operations, and individuals will return to their jobs, which we believe will reduce the need for further financial relief.

Availability of First Quarter 2021 Financial Results

As of the date of this offering memorandum, we do not have available financial statements as of and for the three-month period ended March 31, 2021. However, based on interim preliminary financial information for the quarter ended March 31, 2021, we expect our total interest and commission income for the three-month period ended March 31, 2021, to decrease as compared to the corresponding period in 2020, primarily due to a year-over-year decrease in our loan portfolio, consistent with the trends disclosed in this offering memorandum. Additionally, based on interim preliminary financial information for the quarter ended March 31, 2021, we continue to experience an improvement in our asset quality, reflected as a decrease in the percentage of loans categorized as deferred loans, as evidenced by the decrease in the ratio of deferred loans as a percentage of our overall loan portfolio (on a stand-alone basis), which amounted to 33.3% as of June 30, 2020, 31.2% as of September 30, 2020, 25.8% as of December 31, 2020 and 21.5% as of March 31, 2021. We cannot assure you that this decrease will continue during future quarters.

According to management's estimates, which are based on available information as of the date of this offering memorandum, we expect our financial statements for the three-month period ended March 31, 2021 to be substantially consistent with the trends and performance reflected in the financial information included in this offering memorandum, other than as disclosed throughout this offering memorandum. Nevertheless, the reviews and processes necessary to finalize our financial statements for the three-month period ended March 31, 2021 have not yet been completed, nor subject to a limited review by our auditors, and the financial information presented above is not indicative of the results that may be expected for the three-month period ended March 31, 2021, the current fiscal year or any other period. This preliminary financial information is derived from calculations or figures that have been prepared internally by our management and should not be viewed as a substitute for full financial statements prepared in accordance with IFRS. As a result, we cannot assure you that our financial statements for the three-month period ended March 31, 2021, which we will release following the completion of the offering of the notes, will be consistent with the trends and performance reflected in the financial information included in this offering memorandum, or that the market perception to the results set forth in our financial statements for the three-month period ended March 31, 2021 will not adversely affect the trading price of our notes.

THE OFFERING

The following is a brief summary of certain material provisions of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the notes, see "Description of the Notes" in this offering memorandum.

Issuer	Banco General, S.A.
Notes	U.S.$ aggregate principal amount of % perpetual non-cumulative fixed-to-fixed subordinated notes. The notes are perpetual instruments with no fixed maturity or fixed redemption date.
Issue Price	% of the principal amount, plus accrued interest, if any, from , 2021.
Issue Date	, 2021.
Interest	Subject to the limitations on interest described in "Cancellation of Interest Payments," from, and including, , 2021 (the "Closing Date") to, but excluding, the Initial Reset Date, interest on the notes will initially accrue at a fixed rate of % *per annum*. The Initial Reset Date and every anniversary thereafter will each be a "Reset Date." Subject to the limitations on interest described in "Cancellation of Interest Payments," from, and including, each Reset Date, including the Initial Reset Date, to, but excluding, the next succeeding Reset Date, interest on the notes will accrue at a fixed rate *per annum* equal to the sum of (a) the Treasury Yield (as defined below) and basis points (rounded to two decimal places, with any value equal to or lesser than 0.005 being rounded down). "H.15" means the statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication). "Reset Determination Date" means, with respect to any Reset Date, the second Business Day immediately preceding such Reset Date. "Treasury Yield" means, as of any Reset Determination Date, an interest rate (expressed as a decimal) determined by the Issuer to be (i) the rate per annum corresponding to the average semi-annual equivalent yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date as published in the most recent H.15, or (ii) if H.15 is no longer published or regularly available, the rate per annum equal to the semi-annual equivalent yield to maturity of the United States Treasury security, selected by the Issuer with a maturity closest to the Reset Date following the next succeeding Reset Determination Date and, if two or more have the same maturity, that is trading closest to par, and

	that is otherwise consistent with customary financial practice, assuming a price for such Reset Date equal to the average of the bid and asked prices for such United States Treasury (expressed in each case as a percentage of its principal amount) quoted utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the applicable Reset Determination Date. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months. Interest-payments are non-cumulative such that if an interest payment is cancelled (in whole or in part) as described under "Cancellation of Interest Payments," the unpaid interest will not accrue or be due and payable at any time and the failure to pay such interest will not constitute a default or an event of default. Accordingly, holders of the notes will not have any claim therefor, whether or not interest is paid in respect of any other period.
Interest Payment Dates..	Subject to the limitations on interest described in "Limitation on Interest," interest on the notes will be payable semi-annually in arrears on each and of each year (each an "Interest Payment Date"), commencing on , 2021.
Cancellation of Interest Payments..........................	Interest on the notes will not be due and payable on an Interest Payment Date (a "Cancellation of Interest") and such interest will not accrue or accumulate in the event that: (i) the Issuer determines that it is, or that such interest payment would result in it being, in noncompliance with applicable capital regulations or operational limits set by the Superintendency of Banks of Panama; or (ii) the Issuer determines that such interest payment would result in the notes no longer being characterized as Target Capital Instruments (as defined below); or (iii) the Superintendency of Banks of Panama determines that such interest payment may not be made; or (iv) certain Insolvency or Liquidation Events occur which limit the Issuer's ability to make payments in full in respect of the notes; or (v) certain defaults with respect to the Senior Debt having a principal amount in excess of U.S.$50,000,000 occur; or (vi) the Issuer elects to suspend the payment and accrual of interest for extraordinary reasons.

"Target Capital Instrument" means any securities or instruments that classify as Additional Tier 1 Capital (*Capital Primario Adicional*), under applicable laws and regulations of the Superintendency of Banks of Panama as in effect from time to time.

Target Capital Instrument will also include any such other securities or instruments with a classification by the Superintendency of Banks of Panama which denotes a greater equity content than Additional Tier I Capital (*Capital Primario Adicional*), under applicable laws and regulations of the Superintendency of Banks of Panama as in effect from time to time.

Dividend Stopper.. The indenture provides that, in the event that interest has not been paid as a result of a Cancellation of Interest, we will recommend to our shareholders that they refrain from voting to take and, to the fullest extent permitted by applicable law, will otherwise act to prevent, any of the following actions until interest payments on a subsequent Interest Payment Date, and with respect to the relevant interest period, have been paid in full:

(i) declare, pay or distribute a dividend or make a payment on or in respect of, any of our Junior Securities or Parity Securities; or

(ii) redeem, purchase or otherwise acquire for any consideration any of our or our subsidiaries' Junior Securities or any Parity Securities, other than:

(a) by conversion into, or in exchange for, Junior Securities;

(b) in connection with transactions effected by or for our customers or any of our subsidiaries' customers or in connection with interest, trading or market-making activities in respect of the Junior Securities or Parity Securities;

(c) in connection with the satisfaction of our obligations or the obligations of any of our subsidiaries under any employee benefit plans or similar arrangements with, or for the benefit of employees, officers, directors or consultants;

(d) as a result of a reclassification of our capital stock or the capital stock of any of our subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or

(e) the purchase of the fractional interests in shares of our capital stock or the capital stock of any of our subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

Optional Redemption	Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, we may at our option redeem the notes in whole or in part, on the Initial Reset Date or on any Interest Payment Date occurring thereafter, at the Redemption Price (as defined below), solely if (i) we replace the notes subject to redemption with securities or other instruments that qualify as Tier 1 capital deemed to be of equal or greater quality than that of the redeemed notes, or (ii) we prove to the Superintendency of Banks that our capital position will significantly exceed minimum capital requirements following redemption, *provided*, that in the event that we do not redeem the entire aggregate principal amount of the notes outstanding, following such redemption at least U.S.$ million in aggregate principal amount of the notes must remain outstanding. See "Description of the Notes—Redemption—Optional Redemption." "Redemption Price" means (i) 100% of the then outstanding aggregate principal amount of the notes to be redeemed on a proposed date of redemption (the "Redemption Date"), as set out in the notice of redemption delivered pursuant to "Redemption—Notice of Redemption," *plus* (ii) accrued and unpaid interest, if any, thereon with respect to the then current interest period through the Redemption Date, *plus* (iii) any other amounts accrued and unpaid thereon under the terms of the notes and the indenture, including Additional Amounts, if any.
Early Redemption Upon Tax Event	Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, we may at our option redeem the notes, in whole but not in part, at any time upon the occurrence of a Tax Event by giving notice of redemption to holders, at the Redemption Price, solely if (i) we (a) replace the notes subject to redemption with securities or other instruments that qualify as Tier 1 capital deemed to be of equal or greater quality than that of the redeemed notes, or (b) prove to the Superintendency of Banks of Panama that our capital position will significantly exceed minimum capital requirements following redemption, (ii) we certify to the paying agent (unless we are acting as sole paying agent, in which case, we will certify directly to the holders of the notes) in writing immediately prior to the giving of such notice that we have or will become obligated to pay Additional Amounts with respect to the notes or would not be entitled to deduct any interest to be paid on the notes (or such deduction is materially limited), in whole or in part, for Panamanian income tax purposes, and (iii) such obligation or circumstance cannot be avoided by taking

	reasonable measures available to us. See "Description of the Notes—Redemption—Early Redemption Upon Tax Event." "Tax Event" means a determination by the Issuer that, immediately prior to the giving of the notice of redemption, on the next Interest Payment Date the Issuer would, as a result of changes in, or amendments to, the laws (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction, be obligated to pay Additional Amounts or would not be entitled to claim a deduction, in whole or in part, for Panamanian income tax purposes, in respect of any interest to be paid on the notes (or such deduction is materially limited) and such change in law occurs after the later of the issue date of the notes and the date the Taxing Jurisdiction became a Taxing Jurisdiction. The terms "Additional Amounts," "Taxing Jurisdiction" and "Officer's Certificate" are defined under "Description of the Notes—Redemption—Early Redemption Upon Tax Event."
Early Redemption Upon Regulatory Event or Rating Agency Event	Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, we may at our option redeem the notes, in whole but not in part, by giving notice of redemption pursuant to "Redemption—Notice of Redemption," at the Redemption Price, solely if (i) we (a) replace the notes subject to redemption with securities or other instruments that qualify as Tier 1 capital deemed to be of equal or greater quality than that of the redeemed notes, or (b) prove to the Superintendency of Banks that our capital position will significantly exceed minimum capital requirements following redemption, and (ii) we certify to the paying agent (unless we are acting as sole paying agent, in which case, we will certify directly to the holders of the notes) in writing immediately prior to the giving of such notice that a Regulatory Event or a Rating Agency Event has occurred. See "Description of the Notes—Redemption—Early Redemption Upon Regulatory Event or Rating Agency Event." "Rating Agency Event" means that, any time on or after the issue date of the notes, the Issuer receives confirmation from any Rating Agency that then publishes a rating for the Issuer that an amendment, clarification or change has occurred in the equity credit criteria for securities such as the notes, which amendment, clarification or change results (1) in the length of time for which such current criteria are scheduled to be in effect being shortened with respect to the notes or (2) in a lower equity credit for the notes than the then respective equity credit assigned by such Rating Agency or its predecessor on the issue date of the notes. For purposes of this definition, "Rating Agency" means Standard & Poor's Ratings Services, Fitch Inc. and Moody's Investors Service, Inc. or, if Standard & Poor's Ratings Services, Fitch

Inc. or Moody's Investors Service, Inc. or the three of them shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall substitute Standard & Poor's Ratings Services, Fitch Inc. or Moody's Investors Service, Inc. or the three of them, as the case may be.

"Regulatory Event" means that the Issuer (i) is notified in writing by the Superintendency of Banks of Panama that under applicable law, regulations or rules the notes will no longer be classified as Target Capital Instruments, or (ii) determines, in its sole discretion, that under applicable laws, regulations or rules, the notes may no longer be classified as Target Capital Instruments.

Covenants.. The indenture governing the notes will contain covenants that, among other things:

- limit our ability to consolidate with or merge into any other corporation or spin-off, convey or transfer our properties and assets substantially as an entirety to any person; and
- require us to furnish to the trustee certain supplementary and periodic information, documents and reports.

These covenants are subject to a number of important limitations and exceptions. See "Description of the Notes—Covenants.

Payment of Additional Amounts............................. All payments in respect of the notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes, unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If we are required by any law of any Taxing Jurisdiction to withhold or deduct any Taxes from or in respect of any sum payable under the notes, we will (i) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction will equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, subject to certain exceptions.

Ranking... The notes will be our direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event an Insolvency or Liquidation Event (as defined below) occurs in respect of the Issuer, the notes will rank:

- junior in right of payment to the payment of all of our Senior Debt;

- *pari passu* in right of payment among themselves and with our Parity Securities; and

- senior in right of payment to the payment of our Junior Securities.

"Common Shares" means all existing and future common shares of the Issuer.

"Insolvency or Liquidation Event" means (i) emergency measures (*medidas correctivas*) or the appointment of an advisor (*asesor*), (ii) the taking of operating and administrative control (*control administrativo y operativo*) or the appointment of an administrator (*administrador*), (iii) reorganization (*reorganización*) or the appointment of a reorganizer (*reorganizador*), (iv) forceful liquidation (*liquidación forzosa*) or the appointment of a liquidator (*liquidador*), (v) insolvency, (vi) moratorium of payments, (vii) assignment for the benefit of creditors, (viii) marshalling of assets and liabilities, (ix) voluntary liquidation (*liquidación voluntaria*), (x) dissolution, (xi) winding up or (xii) other similar measures or proceedings with respect to the Issuer.

"Junior Securities" means all existing or future: (i) Common Shares (as defined below); (ii) Preferred Shares (as defined below); and (iii) other securities or instruments of the Issuer which, by its terms or by operation of law, rank junior in right of payment to the notes in an Insolvency or Liquidation Event, with regards to principal, interest or dividend.

"Parity Securities" means any existing or future securities or instruments of the Issuer which, by their terms or by operation of law, rank *pari passu* in right of payment with the notes in an Insolvency or Liquidation Event, with regards to principal, interest or other amounts. For the avoidance of doubt, the Issuer's outstanding perpetual bonds are considered Parity Securities.

"Preferred Shares" means all existing and future preferred shares of the Issuer, whether perpetual or not, and whether cumulative or not.

"Senior Debt" means all existing and future: (i) debt of the liquidation estate (*deudas de la masa*) in the event of our forceful liquidation; (ii) bank deposits; (iii) employee liabilities, including payroll expenses and employee pensions, (iv) claims from the Panamanian Social Security Administration (*Caja de Seguro Social*) for unpaid employer-employee social security contributions; (v) liability for taxes owed or owing by the Issuer; (vi) indebtedness or other obligation of the Issuer (including subordinated debt of the Issuer, with the exception of Parity

	Securities) or and any other claims of the Issuer's other creditors; (vii) other claims that are granted preference as a matter of law, except for (x) claims of holders of notes in respect of the notes, (y) claims in respect of Parity Securities and (z) claims in respect of Junior Securities.
Loss Absorption..	Pursuant to Panamanian law, in the event of an administrative taking of control of the Issuer by the Superintendency of Banks of Panama and subsequent reorganization of the Issuer ordered by such entity, the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks of Panama may decree that the principal amount and/or interest owed under the notes be used to absorb our losses. The Superintendency of Banks of Panama may take this action in the absence of any Acceleration Event or other similar legal proceeding. The notes will provide for the write-off on a permanent basis, in a minimum amount corresponding to the balance of any losses allocated to the Tier 1 capital, under applicable laws and regulations of the Superintendency of Banks of Panama, upon the occurrence of any of the following events: (a) a decree by the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks of Panama pursuant to a reorganization process of the Issuer ordered by such entity ; or (b) determination by the Superintendency of Banks of Panama of a write-off of the notes. See "Description of the Notes—Defaults and Remedies—Loss Absorption."
Acceleration Event...	There will be no right of acceleration in the case of a default in any payment on the notes (whether when due, upon redemption or otherwise) or the performance of any of our other obligations under the indenture or the notes. Acceleration of the notes will occur only upon the occurrence and continuation of an Acceleration Event, in which case the principal of and accrued interest on the notes then outstanding will become immediately due without any declaration or other act on the part of the trustee or any holder. See "Description of the Notes—Defaults and Remedies—Acceleration Event." "Acceleration Event" means that the Superintendency of Banks of Panama has entered a decree or similar order for the forceful liquidation (*liquidación forzosa*), voluntary liquidation (*liquidación voluntaria*), banking resolution, winding down or similar action of the Issuer and such decree or similar order has become effective and is no longer subject to challenge, appeal or revision.
Use of Proceeds	The net proceeds from the offering will be used for general corporate purposes, which may include, without limitation, repaying certain indebtedness (as further described under "Use of Proceeds"), working capital, funding the growth of

	our loan portfolio, and the offering of new products and services.
Perpetual Bonds' Redemption	On or around the closing of this offering, we expect to exercise the call option contained in our currently outstanding perpetual bonds and deliver a notice of redemption to redeem for cash all such notes. We intend to use a portion of the proceeds from this offering to fund the cash payment to the holders of our outstanding perpetual bonds and to pay the fees and expenses relating to that redemption. See "Use of Proceeds." Following expiration of a 30 day notice period after delivery of the notice of redemption in accordance with the terms of the perpetual bonds, we expect to consummate this redemption on June 15, 2021.
Further Issuances	Subject to the limitations contained in the indenture, we may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes on terms and conditions substantially identical to those of the notes offered hereby (except for the issue date, issue price and amount and date of the first payment of interest thereon) which additional notes shall be consolidated and form a series with the notes offered hereby. See "Description of the Notes."
Governing Law; Submission to Jurisdiction	The notes are being issued as direct, unsecured, junior subordinated obligations and the indenture provides that it and the notes will be governed by, and be construed in accordance with, the laws of the State of New York. We will submit to the jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the notes.
Listing	The notes will be listed on PSE and application will be made to list the notes on the Official List of the SGX-ST. The approval for listing on the Official List of the SGX-ST is not a condition to the consummation of this offering. For as long as any notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive notes. In addition, in the event that the Global Note is exchanged for definitive notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.
Panamanian Auction Process	The notes will be offered for sale by the Issuer and purchased by a representative of the initial purchasers (and any other purchasers pursuant to the PSE bidding process described

	herein) on the PSE. The settlement is expected to take place three Business Days after the date of this offering memorandum. However, consummation of the sale and purchase of the notes on the Closing Date as contemplated in the purchase agreement will be conditioned upon the initial purchasers' satisfaction on the Closing Date that all conditions have been met or waived on or prior to the settlement date. In addition, the purchase agreement permits the initial purchasers to terminate their respective obligations to purchase the notes upon certain termination events and to require the Issuer to repurchase the notes previously purchased on the PSE. The repurchase price (and, if redemption of any notes is required, the redemption price) will be equal to the price payable to the Issuer for the notes (including any premium, discount and/or prepaid interest), and no make-whole premium or any other amounts will be payable in connection therewith.
Book-Entry; Form and Denomination	The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants including Euroclear and Clearstream. The notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The notes will not be issued in definitive form except under certain limited circumstances. See "Description of the Notes—Book-Entry System; Delivery and Form—Certificated Notes."
Trustee, Security Registrar and Paying Agent........	The Bank of New York Mellon
Singapore Paying Agent and Transfer Agent.........	Clifford Chance LLP
Panamanian Broker Dealer	BG Investment Co., Inc.
Transfer Restrictions; no Registration Rights.........	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. The notes may only be offered and sold (1) to persons who are QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to non-U.S. Persons (as defined in Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act; and (3) in accordance with any applicable law. We will not be required to, nor do we intend to, register the notes for resale under the Securities Act or to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any jurisdiction. See "Notice to Investors."
No Established Trading Market...............................	The notes are a new issue of securities with no established trading market. We cannot assure you that an active or liquid trading market for the notes will develop. If an active or liquid trading market for the notes does not develop, the

	market price and liquidity of the notes may be adversely affected.
Risk Factors	Investing in the notes involves substantial risks and uncertainties. **See "Risk Factors" in this offering memorandum for a discussion of factors you should carefully consider before deciding to purchase any notes.** **Some of the risk factors include:** • Global pandemics, including the global COVID-19 health pandemic, and events of similar scale may continue to, or may in the future, adversely affect our business, financial condition and results of operations; • The growth of our loan portfolio may expose us to increased loan losses; • Our loan portfolio may not continue to grow at the same or similar rates as it has in the past; • Our allowance for losses may not be adequate to cover the future losses to our loan portfolio or other assets, which could have a material adverse impact on us; • The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio; • Any downgrade in Panama's or our credit rating could increase our cost of funding, affecting us; • As a financial institution, we are subject to reputational risk that could materially affect us; • Any failure to comply with AML, anti terrorist financing, sanctions, "know your customer" and other such norms and related procedures could damage our reputation or expose us to penalties; • Cybersecurity events and operational problems, errors, criminal events or terrorism could negatively affect us and may result in litigation; • Our digitalization strategy makes us vulnerable to high profile payment card industry or digital banking security breaches that could impact consumer payment behavior patterns in the future and reduce our card payment transaction volumes while also making us less competitive with other financial institutions; • Our business relies heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect

on us, including the effectiveness of the risk management and internal control systems;

- We are subject to extensive regulation and supervision and changes in existing regulations or the implementation of future regulations may have a material adverse effect on us;

- The notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future senior obligations. The notes will be subordinated to all other indebtedness of the Bank (with the exception of Parity Securities) and will also be subordinated to certain statutory liabilities;

- If we fail to pay interest, there is no cumulative interest on the notes;

- Holders have limited recourse in the event of non-payment on the notes;

- The notes have no maturity date and are not redeemable at the holder's option at any time; and

- The public auction at the Panama Stock Exchange will allow any investor to submit a bid for the notes and the bidder submitting the highest, and in case of equality the earliest, bid would have the right to purchase the notes. If a bidder different from the initial purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that Banco General could face under the purchase agreement.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth our selected financial information. The consolidated statement of income and consolidated statement of financial position as of and for the years ended December 31, 2020 and 2019 are derived from our financial statements and related notes for such periods. The financial statements are included elsewhere in this offering memorandum. The following information has been prepared in accordance with IFRS.

The selected financial information presented below should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this offering memorandum.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Statement of Income Data:	**(in thousands of U.S. dollars)**		
Total interest and commission income	994,471	1,086,146	1,003,566
Total interest expenses	(331,732)	(386,964)	(352,632)
Net interest and commission income	**662,739**	**699,182**	**650,934**
Provision for loan losses, net, Provision for impairment of investments, net and (Reversal) provision for foreclosed assets, net	(283,992)	(44,923)	(45,804)
Net interest and commission income after provisions	**378,747**	**654,259**	**605,130**
Other income (expenses):			
Fees and other commissions	204,466	229,221	212,897
Insurance premiums, net	35,593	33,930	29,998
Gain (loss) on financial instruments, net	19,252	15,348	(11,538)
Other income, net	30,439	28,608	25,649
Commissions expenses and other expenses	(78,686)	(94,964)	(85,278)
Total other income, net	**211,063**	**212,143**	**171,727**
Total general and administrative expenses	(290,239)	(308,175)	(293,967)
Equity participation in associates	7,329	10,898	9,934
Net income before tax	**306,900**	**569,124**	**492,825**
Income tax, net	14,260	(64,858)	(58,616)
Net income	**321,160**	**504,266**	**434,208**

	As of December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars, unless otherwise indicated)		
Statement of Financial Position Data:			
Assets			
Total cash, cash items and deposits with banks	803,187	733,406	696,818
Investments and other financial assets, net	5,624,785	4,973,441	5,188,001
Loans	11,444,423	12,083,689	11,952,385
Accrued interest receivable	152,890	45,707	43,167
Loan losses allowance	(383,795)	(165,159)	(158,531)
Unearned commissions	(37,045)	(43,302)	(41,104)
Investments in associates	21,686	24,881	26,035
All other assets [(4)]	990,652	1,071,058	997,386

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars, unless otherwise indicated)		
Total assets	**18,616,783**	**18,723,721**	**18,704,157**
Liabilities and equity			
Local deposits	12,895,359	11,924,894	11,668,832
Foreign deposits	554,177	530,374	559,475
Accrued interest payable	102,337	112,774	99,032
Total Deposits	**13,551,873**	**12,568,042**	**12,327,339**
Securities sold under repurchase agreements	-	403,947	-
Borrowings and debt securities issued, net	1,076,469	1,914,581	2,886,528
Perpetual bonds	217,680	217,680	217,680
Accrued interest payable	12,340	15,524	19,147
All other liabilities (5)	1,125,210	1,121,208	1,068,439
Total equity	2,633,211	2,482,739	2,185,024
Total liabilities and equity	**18,616,783**	**18,723,721**	**18,704,157**
Operational data (in units):			
Number of customers (1)	1,200,346	1,052,219	951,034
Number of employees (2)	4,554	4,714	4,685
Number of branches	83	86	86
Number of ATMs	638	645	650
Assets under management (3)	11,300,281	11,823,121	10,885,827

(1) Total number of clients at the end of the period.
(2) Total number of permanent full-time employees at the end of the period.
(3) See Note 28 to our financial statements.
(4) All other assets include: properties, furniture, equipment and improvements, net of accumulated depreciation and amortization, right-of-Use assets, net, customer liabilities under acceptances, investments and other financial assets sold pending settlement, deferred tax assets, goodwill and other intangible assets, net, foreclosed assets, net and other assets.
(5) All other liabilities include: lease liabilities, acceptances outstanding, investments and other financial assets purchased pending settlement, reserves of insurance operations, deferred tax liabilities and other liabilities.

	For the Year Ended December 31,		
	2020	2019	2018
	(in percentages)		
Profitability and efficiency:			
Net interest margin (1)	3.79%	4.06%	3.91%
Return on average assets (2)	1.68%	2.68%	2.41%
Return on average equity (2)	12.30%	21.07%	20.21%
Operating efficiency ratio (3)	32.94%	33.42%	35.31%
Total general and administrative expenses / average total assets (2)	1.51%	1.64%	1.63%
Total other income, net / operating income (4)	35.78%	24.49%	22.11%
Liquidity:			
Primary Liquidity (5) / total deposits and obligations	29.40%	27.29%	28.16%
Regulatory liquidity (6) / qualified deposits	40.45%	38.21%	42.65%
Loans, net / total deposits	82.00%	96.10%	97.15%
Capital:			
Total capital ratio (7)	20.74%	20.38%	19.45%
Total regulatory primary capital ratio (8)	19.12%	18.70%	17.64%
Total primary capital ratio (9)	20.74%	20.38%	19.45%
Equity / assets	14.14%	13.26%	11.68%
Earning retention ratio	25.63%	42.89%	39.71%

	For the Year Ended December 31,		
	2020	2019	2018
		(in percentages)	
Asset quality:			
Past due loans[10]/ loans..............	1.54%	1.27%	1.15%
Non accrual loans[11]/ loans	1.46%	1.07%	0.97%
Loan losses allowance / loans......	3.35%	1.37%	1.33%
Loan losses allowance / past due loans	218.01%	107.65%	115.03%
Loan losses allowance / non accrual loans...........................	230.33%	127.67%	137.14%
Write-offs / loans........................	0.73%	0.52%	0.43%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see "Selected Statistical Information."

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income after provisions and total other income, net.

(5) Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS.

(6) As defined in Accord 1-2015, as amended, by the SBP.

(7) Total capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP. Includes our outstanding perpetual bonds. We intend to repay our outstanding perpetual bonds with the proceeds of this offering, as described in "Use of Proceeds."

(8) Common equity or ordinary primary capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(9) Total Tier 1 capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(10) Past due loans: All loans 90+ days past due on interest and/or principal payments and all loans past due 30 days post maturity.

(11) Non accrual loans: All loans 90+ days past due on interest and/or principal payments and residential mortgages 120+ days past due, in accordance with SBP requirements. Please see "Statistical and Other Information—Classification of the Loan Portfolio Based on the Borrowers' Performance" for a description of the effects of the government's modified loan program on non accrual loans.

RISK FACTORS

An investment in the notes involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the notes. If any of the possible events described below occurs, our business, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the value of the notes may decline, and you could lose all or part of your investment. The risks and uncertainties below are those known to us and that we currently believe may materially affect us and the notes. We may face additional risks and uncertainties not currently known to us or which as of the date of this offering memorandum we might not consider significant, which may also adversely affect us.

Risks Relating to Our Operations

Global pandemics, including the global COVID-19 health pandemic, and events of similar scale may continue to, or may in the future, adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic has disrupted the economy and put unprecedented strain on governments, health care systems, educational institutions, businesses and individuals around the world. The impact and duration of the COVID-19 pandemic are difficult to assess or predict. It is even more difficult to predict the impact on the global economy, which will depend upon the responses by governments, businesses and other enterprises to the pandemic, including with respect to distribution and application of COVID-19 vaccines. The pandemic has already caused, and is likely to result in further, significant disruption of global financial markets and economic uncertainty. Adverse market conditions resulting from the spread of COVID-19 could materially adversely affect our business, results of operations and financial condition. Further, future pandemics or events of similar scale may have a material adverse effect on our business, results of operations and financial condition.

In response to the COVID-19 pandemic and the ensuing negative economic outlook, the Panamanian Government, in an effort to safeguard public health, adopted a series of protective measures and actions, including temporary closure of certain businesses and industries and mandatory confinement of the population. Similar actions have been adopted by governments in the other countries where the Bank operates.

These measures include a mandatory shelter-in-place order that began on March 17, 2020, with certain exceptions for key activities, including banking, telecommunications, energy, agriculture, transportation, essential retail trade including supermarkets and pharmacies, among others. The order required people to stay at home with certain exceptions. As a result of such shelter-in-place order, certain industries are operating with a reduced capacity. In September 2020, mandatory mobility restrictions were lifted, although a nationwide night-time curfew remains in effect. Additionally, in September 2020, the Panamanian Government allowed certain businesses and industries to gradually restore activities, including construction, manufacturing, mining, restaurants, retail stores, shopping centers and national aviation. This gradual reopening of the economy is subject to health and sanitary measures such as social distance and maximum capacity restrictions and the mandatory use of protective masks, among other measures.

The government has also taken steps to mitigate the economic impact of the COVID-19 pandemic. The government incurred additional sovereign debt to finance an expanded fiscal policy through U.S.$4.75 billion in sovereign bond issuances, up to U.S.$1.65 billion in loans from multilateral organizations and up to U.S.$1.3 billion available from Panama's saving funds. The Panamanian Government also created economic recovery plans such as "Banca de Oportunidades" a U.S.$20 million investment program for micro-entrepreneurs implemented through state-owned banks, a U.S.$150 million fund for SMEs, a U.S.$50 million guaranty fund to back loans for micro and small enterprises, the U.S.$150 million "Panama Agro Solidario" program to provide flexible interest loans, and technical assistance for agriculture businesses, the "Recuperando mi Barrio" program offering temporary jobs to repair public buildings and infrastructure, the U.S.$80 million "Fondo Solidario de Vivienda" program to increase benefits for first installment payments for mortgagees from U.S.$10 thousand up to U.S.$70 thousand and the U.S.$1 billion "Liquidez Transitoria del Sistema Bancario Nacional" fund to support Panama's financial system and provide funding to the most affected industries.

On October 12, 2020, the Panamanian Government officially opened its borders with the reopening of Tocumen International Airport and resumed international flights. The reopening of borders came after months of strategic planning, which resulted in new health and safety protocols enacted by the Ministry of Health to safeguard the wellbeing of both Panamanians and international visitors.

In January 2021, in response to a resurgence in the infection rate, the government of Panama reintroduced certain public health measures (including a national shelter in place order) for a two-week period. Subsequent to the renewed measures, and as infection rates decreased, the government of Panama gradually reduced public safety measures and lifted weekend stay-at-home orders on February 26, 2021. Following the January 2021 surge, infection rates in Panama have continued to decrease, with the total number of active cases dropping below 5,000 for the first time since June 4, 2020.

The Panamanian Government has also requested about 1 million doses from the COVID-19 vaccine portfolio under the COVAX facility coordinated by the World Health Organization to support its national vaccination plan. Panama's national vaccination plan has provided for the purchase of over 9 million doses, which it expects to cover over 90% of its population (including over 7 million doses of the Pfizer vaccine of which it has already received over 600,000). Through April 20, 2021, the government of Panama has administered over 500,000 doses of COVID-19 vaccine to first responders, critical workers and persons over 60 years of age and has applied the first vaccine does to approximately 12% of its population.

To preserve the health and stability of the financial system, the Superintendency of Banks of Panama issued Accord No. 02-2020 (March 16, 2020) as subsequently amended, to create a temporary regulation for loans classified as "Special Mention Modified Loans." Banks are required to evaluate the loans granted to individual and business clients, whose payment capacity has been affected by the outbreak of COVID-19 and the Government's protective measures, and, if appropriate, provide temporary financial relief. To provide temporary financial relief, banks may allow for the deferral of scheduled interest and/or principal payments, as well as the amendment of other terms and conditions of the loans, as needed. The regulation defines a Modified Loan as a loan for which the original terms and conditions (at the onset of the COVID-19 pandemic) have been modified at the request of the borrower or at the Bank's initiative, without causing the loan to be considered a restructured loan. As of December 2020, the Bank's Special Mention Modified Loans, under the SBP regulation, amounted to U.S.$5,273.4 million of which U.S.$2,620.6 million complied with the contractual payment of their installment and U.S.$2,652.9 million continued as deferred loans during the month of December 2020. The new terms and conditions of Special Mention Modified Loans have to consider financial feasibility criteria based on the borrower's capacity to pay and the bank's credit policies. Credits that are modified through contractual payment deferrals or other modifications are subject to special monitoring by the Bank, and the temporary regulation includes specific guidelines on the risk categorization and minimum provisioning requirements for the aforementioned loans, based on the loans initial standing (prior to the pandemic) and the borrower's compliance with the modified terms and conditions. Beginning in March 2021, these modified loans will gradually return to the normal credit risk regulation (Accord No. 04-2013), and if current will mainly reflect the risk classification they had prior to the onset of the COVID-19 pandemic.

The SBP approved new amendments to agreement Accord No. 2-2020, in which additional measures are established to adjust and comply with credit risk requirements applicable to all modified loans. In addition, banking entities must maintain provisions equivalent to three percent (3%) of the modified loan portfolio gross balance. On October 22, the SBP enacted a new amendment to the regulations which extends the period to evaluate clients' loans whose payment capacity has been affected and, if appropriate, provide temporary financial relief to June 30, 2021.

In addition, on June 30, 2020, the Panamanian Government enacted Law No. 156, which established a moratorium on scheduled payments of mortgage loans, personal loans, car loans, credit cards, SME loans, commercial loans, loans to the transportation sector, and loans to the agriculture and livestock sector to December 31, 2020. The moratorium is applicable to borrowers whose income and payment capacity has been impaired by suspension or termination of employment contracts, the closing down of businesses and other measures mandated by the Government to protect public health.

During Banco General's 65 years of history, we have been an integral part of Panama's economic development. Today, more than ever, we provide support to our client base and are conscious of the role that the Bank must continue to play to contribute with the fight against COVID-19 and contribute actively to restart the country's economy. We have been closely monitoring the situation and have implemented, and will continue to implement, all the necessary protocols and measures to mitigate the effects of the crisis by focusing on three main themes: our clients, our community, and our people.

For our more than one million clients we have implemented different measures to support those affected by the COVID-19 pandemic to cope and mitigate the impact of this crisis, including: (i) processing mortgage and consumer loans, (ii) providing payment deferrals to companies and individuals whose activities have been impacted by business closings, (iii) extending credit to corporations that remain operational, (iv) suspending home loan and auto loan foreclosures, and (v) waiving fees and late payment charges, among others.

As a result, the Bank has provided financial relief to its consumer, mortgage and corporate clients mostly through the deferral, on a monthly basis, of the contractual payments. As of December 31, 2020, the Bank maintained the following monthly payment deferrals: (i) 36.2% of residential mortgage clients, equivalent to U.S.$1,790.6 million or 39.0% of the total outstanding residential mortgage portfolio; (ii) 11.4% of consumer clients, equivalent to U.S.$263.5 million or 14.9% of the total outstanding consumer portfolio; and (iii) 9.0% of corporate clients, equivalent to U.S.$804.8 million or 16.4% of the total outstanding corporate portfolio. We anticipate that with the progressive reopening by the Government of economic activities a significant majority of our corporate clients will re-start operations, as well as individuals will return to their jobs, thus reducing the need for further financial relief. Borrowers have restructured their original credit obligations given the COVID-19 pandemic. Additionally, there can be no assurance that further moratoriums will not be declared.

The ultimate magnitude of the impact of the COVID-19 pandemic on our business, results of operations and financial condition, which could be material, will depend on future developments, which are uncertain, including, among others, the intensity and duration of the consequences derived from the pandemic and access to and distribution of COVID-19 vaccines in Panama and the different geographies in which our clients, service providers and counterparties operate.

The growth of our loan portfolio may expose us to increased loan losses.

During the five-year period ended December 31, 2020, our total loan portfolio has grown at a compounded average growth rate of 3.3% per year. This expansion has been primarily fostered by stable increases in GDP which have contributed to a fast-growing middle class with higher levels of per capita income. The growth in our loan portfolio has been aligned with our mid-term strategic goals, which aim to diversify our business model by optimizing our risk-return relationship in order to maintain profitable growth. In this regard, our ongoing expansion in the retail banking segment may expose us to higher levels of write-offs and may require us to establish higher levels of allowances for loan losses in the future. While we develop and improve scoring and approval models to strengthen our collection procedures, we cannot assure you that our efforts at mitigating such risks will be successful. For the year ended December 31, 2020, our loan portfolio was U.S.$11.4 billion, which represented a 5.3% annual decrease compared to the U.S.$12.1 billion we recorded as of December 31, 2019. Our loan losses allowance increased 132.4% from U.S.$165.2 million in 2019 to U.S.$383.8 million in 2020 due to the effects of the COVID-19 pandemic, including the Government programs allowing for the deferral of certain loan obligations. As a result, our risk-index ratio (loan losses allowance to loans net) increased from 1.37% in 2019 to 3.35% in 2020. Given the quality of our loan portfolio, as measured by the low levels of non accrual loans and past due loans as a percentage of total loans, we believe that the allowance level adequately covers the credit risk of our portfolio. We cannot assure you that the growth in our loan portfolio will not have an adverse effect on us, including resulting in increased loan losses.

Our loan portfolio may not continue to grow at the same or similar rates as it has in the past.

We hold a diversified loan portfolio, consisting of 40.2% residential mortgages, 15.5% consumer loans, 40.5% local and foreign corporate loans and 3.9% in other loans as of December 31, 2020. We have experienced growth in our loan portfolio in the last five years ending December 31, 2020, with a CAGR of 3.3%, which has been aided by stable but moderate GDP growth and our improved ability to offer a value proposition by tailoring product offerings to target the various client segments. As a result, in the five-year period ending December 31, 2020, our loan growth CAGR was mainly prompted by the following 5-year CAGR expansion in consumer loans of 5.5% and residential mortgage loans of 7.0%.

Accordingly, a sharp slowdown or negative GDP growth, as well as a change in the behavior of banking customers, or increases in inflation or interest rates, could adversely affect the growth rate of the industry and, therefore, the expansion of our loan portfolio. Similarly, this could affect our credit quality indicators and, accordingly, lead us to establish higher allowances for loan losses. In particular, the level of non-performing loans may increase in the future as a result of factors beyond our control, such as the COVID-19 pandemic, economic conditions, unemployment levels and political events affecting Panama in general or specific sectors of the economy. For example, unemployment directly affects the ability of individuals to obtain and repay consumer loans. Consequently, we may experience higher levels of non-performing loans, which could result in increased loan loss provisions due to defaults by, or deterioration in the credit profiles of, individual borrowers. Non-performing loans and resulting loan losses may increase materially in the future and adversely affect our results of operations and financial condition. These events could have a material adverse effect on us.

Future changes in accounting standards could impact us.

The IASB and the SBP periodically introduce modifications to the financial accounting and reporting standards under which we prepare our financial statements. These changes can materially impact the means by which we report financial information, and thereby affect us. Also, we could be required to apply new or revised standards retroactively.

In this regard, we adopted IFRS 16 "Leases" as of January 1, 2019, and, accordingly, our financial statements as of and for the years ended December 31, 2020 and 2019 may not be comparable to our financial statements as of and for the year ended December 31, 2018. For more information see Note 3 to our financial statements as of and for the year ended December 31, 2020 appearing elsewhere in this offering memorandum.

Currently, we cannot assure you that future changes in financial accounting and reporting standards will not substantially affect us, as we do not know the extent of future standards or changes thereto.

We are affected by interest rate volatility.

Our results of our operations depend to a great extent on our net interest and commission income, which represented 66.6% of our total interest and commission income as of December 31, 2020. Changes in nominal interest rates and inflation could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities, as interest-bearing liabilities generally re-price at a different pace than interest-earning assets. Our exposure to instruments whose values vary with the level or volatility of interest rates contributes to our interest rate risk. Failure to adequately manage eventual mismatches may reduce our net interest income during periods of fluctuating interest rates. Inflation and interest rates are sensitive to several factors beyond our control, including deregulation of the Panamanian financial sector, local and international economic developments and political conditions, among other factors. Any volatility in interest rates could have a material adverse effect on us.

Part of the information included in our financial statements considers assumptions, estimates and modelling which, if inaccurate, could have a material impact on us.

The preparation of our financial statements requires management to make judgments and estimates that affect the amounts of assets, liabilities, income and expenses reported in our financial statements. Estimates and assumptions are based on historical experience, expert judgment and other factors, including expectations of future developments under certain alternative scenarios. Although assumptions and estimates are evaluated and revised on a continuous basis, we cannot rule out that projected scenarios could dramatically change in the short term, causing a severe impact on fundamentals and estimates.

We are also subject to model risk since the valuation of financial instruments relies on models and inputs, which—in some cases—are not observable. Accordingly, computed values for securities and financial instruments may be inaccurate or subject to change, since the inputs used for specific models may not be available, particularly for illiquid assets or under scenarios of financial turmoil. In these cases, we will make assumptions and judgments in order to establish the fair value of certain instruments, which involves uncertainty and may translate into inaccurate estimates of actual results.

The main accounting items subject to risk of incorrect valuation include impairment of loans and advances, valuation of financial instruments, impairment of available-for-sale securities, deferred tax assets and provisions for liabilities. If our judgment, assumptions or models used in valuing these items are inaccurate, there could be a material adverse effect on us.

We could sustain losses if our asset quality declines.

Our earnings are significantly affected by our ability to properly originate, underwrite and service loans. We could sustain losses if we incorrectly assess the creditworthiness of our borrowers or fail to detect or respond to deterioration in asset quality in a timely manner. Problems with asset quality could cause our net interest and similar income to decrease and our provisions for loan losses to increase, which could adversely affect us.

We face liquidity risk, and our failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect us.

Like all financial institutions, we face liquidity risk, or the risk of not being able to maintain adequate cash flow to repay our deposits and borrowings and fund our credit portfolio on a timely basis. Failure to adequately manage our liquidity risk could produce a shortage on available funds, which could limit our ability to repay our obligations as they become due. Moreover, the absence of a lender of last resort or central bank could affect our ability to obtain financing. As of December 31, 2020, 91.2% of our sources of funding represent total deposits, which we compete for with other banks in the industry. If our clients cease to provide funding, we would have to seek funding from other sources, which may not be available, or if available, may have a higher cost. If we are not able to obtain funds from the market or from the enforcement of the collateral of our defaulted loans, these conditions could have a material adverse effect on us.

Our allowance for losses may not be adequate to cover the future losses to our loan portfolio or other assets, which could have a material adverse impact on us.

We record allowances for loan losses, impairment of investments, losses on foreclosed assets, and uncollectible finance leases. At December 31, 2020, our allowance for loan losses amounted to 3.35% of total loans outstanding. The amount of allowances recorded is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Panama's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of allowance for impairment losses on loans and other assets require recalibration, which can lead to increased allowances. For example, as of December 31, 2020 we had deferred loans of U.S.$2,858.9 million, and while many borrowers would not have been able to meet the pre-existing loan terms. Beginning in March 2021, these modified loans will gradually return to normal credit risk regulation (Accord No. 04-2013), and as long as they meet the modified terms, will mainly reflect the risk classification they had prior to the onset of the pandemic. If our assessment of and expectations concerning the above-mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or future actual losses exceed our estimates, our allowance for impairment losses may not be adequate to cover actual losses and we may need to make additional allowances for impairment losses, which could have a material adverse impact on us. Due to the adverse impacts of the COVID-19 pandemic, we increased our allowance for loan losses in 2020 by U.S.$218.6 million.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The value of the collateral securing our loan portfolio may fluctuate or decline due to factors beyond our control, including, among others, environmental risks (including natural disasters), macroeconomic factors and political events globally and in Panama, as well as force majeure events. A global economic slowdown as a result of the COVID-19 pandemic may magnify some or all of these factors. In addition, we may be unable to realize the full value of the collateral securing our loan portfolio, including as a result of voluntary or mandatory measures that may prevent us from foreclosing on certain collateral. We may also face difficulties in enforcing our rights as a secured creditor. Timing delays, procedural problems enforcing on collateral and laws, related judicial interpretations that are protective of debtors and local protectionism may make foreclosures on collateral and enforcement of judgments difficult. Any decline in the value of the collateral securing our loans, or inability to enforce on such collateral, may result in a reduction in the recovery from collateral realization and may have an adverse impact on our results of operations and financial condition. Additionally, we may not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If any of the above were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may have a material and adverse effect on us.

Our operating segments are different than our business units, which may make it difficult to assess the financial significance of each of our business units.

Investors should be aware that the operating segments we have identified for purposes of our financial reporting (banking and financial activities, insurance and reinsurance, and pension and retirement fund management) are different from the business units we discuss in connection with our principal business activities (Local Corporate and Commercial Banking, Residential Mortgage Banking, Consumer Banking, Regional Banking and Wealth Management). The results of these business units are reflected in our banking and financial activities segment. This differentiation may make it difficult to assess the financial significance of each of our business units as we do not break-down our revenue or expense line items by business unit, which could have a material adverse impact on us.

Any downgrade in Panama's or our credit rating could increase our cost of funding, affecting us.

Our current credit rating is one of many variables that determine the cost and the terms upon which we are able to obtain funding in the ordinary course of business. Rating agencies regularly evaluate us by taking into account diverse factors, including our financial strength, the business environment and the economic backdrop in which we operate. Thus, methodologies used by rating agencies evaluate Panama's sovereign debt ratings when determining our ratings. In November 2020, S&P downgraded Panama's credit rating to BBB from BBB+, with a stable outlook; in February 2021, Fitch downgraded Panama's credit rating to BBB- from BBB, with a negative outlook; and in March 2021, Moody's downgraded Panama's credit rating to Baa2 from Baa1, with stable outlook. While our credit rating remains unchanged by S&P and Moody's, Fitch downgraded our credit rating to BBB- from BBB+, and any additional actions on Panama's credit rating may in turn result in actions on our credit rating.

Any downgrade in our debt credit ratings could result in higher borrowing costs for us while requiring us to post additional collateral or limiting our access to capital markets. All of these factors could adversely impact our commercial business by affecting our ability to: (i) sell or market our products, (ii) obtain long-term debt and engage in derivatives transactions, (iii) retain customers who need minimum ratings thresholds to operate with us, (iv) maintain derivative contracts that require us to have a minimum credit rating, and (v) enter into new derivative contracts, which could impact our market risk profile, among other effects. Any of these factors could have an adverse effect on us.

Due to the volatility in the financial markets in recent years and concerns about the soundness of developed and emerging economies, we cannot assure you that rating agencies will maintain our and Panama's current sovereign debt ratings and outlooks.

As a financial institution, we are subject to reputational risk that could materially affect us.

Corporate reputation is a crucial competitive advantage for us, as it allows us to attract and retain customers, appeal to investors and avoid employee attrition. Moreover, reputation is a key element in banking since access to funding is driven by the confidence of depositors and the opinion of ratings agencies on the value of our franchise. Therefore, any disreputable event, including employee misconduct, legal proceedings, regulatory sanctions, failure to deliver minimum standards of service quality, failure to comply with regulatory requirements, unethical behavior by our staff or involvement in political issues or public scandals (or rumors related thereto) could damage our reputation and produce significant harm to us. Furthermore, our reputation is highly aligned with the reputation of the banking industry in which we participate and, therefore, actions by other providers of financial services or the banking industry as a whole in Panama and the region could also harm our own reputation.

Additionally, the reputational damage to our business and brand would be severe if we were found to have breached anti-money laundering ("AML"), anti-corruption or sanctions requirements. Our reputation could also suffer if we are unable to protect our customers' data or bank products and services from being accessed or used for illegal or improper purposes.

Further, the ability to manage potential conflicts of interest has become an increasingly important factor for our business given our widespread operations in many economic sectors with diverse third parties. Accordingly, the failure to address—or even the perceived failure to address—conflicts of interest could affect the willingness of customers and investors to work with us or could lead to legal actions against us. Although we continuously improve our corporate governance standards by detecting potential failures and adopting applicable principles and procedures, we cannot assure you that we will not face reputational events in the future that could harm us.

Any failure to comply with AML, anti-terrorist financing, sanctions, "know your customer" and other such norms and related procedures could damage our reputation or expose us to penalties.

Financial crime is continually evolving and has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-terrorist financing, anti-corruption, sanctions and "know your customer" laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

We are in compliance in all material respects with applicable AML, anti-terrorist financing, anti-corruption and sanctions laws and all applicable regulations and have adopted policies and procedures, including internal controls and "know your customer" procedures, aimed at preventing money laundering, terrorist financing and similar financial crimes. These require implementation and embedding within our business of effective controls and monitoring, which in turn requires ongoing changes to systems and operational activities. This requires proactive and adaptable responses from us so that we are able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there may be instances where we could be used by other parties to engage in money laundering and other illegal or improper activities. In addition, we rely heavily on our employees to assist us by identifying and reporting such activities, and our employees have varying degrees of experience in recognizing criminal tactics and understanding the level of sophistication of criminal organizations. If we were to outsource any of our customer due diligence, customer screening or anti-financial crime operations, we remain responsible and accountable for full compliance and any breaches. If we are unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

If we are unable to fully comply with applicable AML, anti-terrorist financing and sanctions norms, or the "know your customer" or other standards, procedures or expectations related thereto, our regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on us, including requiring a complete review of our business systems, day-to-day supervision by external consultants, and ultimately the revocation of licenses, any of which could have a material adverse effect on us. The SBP routinely examines banks to assess compliance with these laws, regulations and procedural standards, and may provide comments or findings of deficiencies. Our AML, anti-terrorist financing, sanctions, "know your customer" and other such policies and procedures are in compliance in all material respects with the applicable provisions of Panamanian law. Any failure to comply with applicable laws, regulations, procedural standards or expectations could cause us considerable reputational damage.

In addition, while we review our relevant counterparties' internal policies and procedures with respect to such matters, to a large degree we rely upon our relevant counterparties to maintain and properly apply their own appropriate compliance measures, procedures, and internal policies. Such measures, procedures and internal policies may not be completely effective in preventing third parties from using our (and our relevant counterparties') services as a conduit for illicit purposes (including illegal cash operations) without our (or our relevant counterparties') knowledge. If we are associated with, or even accused of, breaches in AML, anti-terrorism, or sanctions requirements, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement, including being added to any "blacklists" by international monitoring organizations (such as the FATF that would prohibit certain parties from engaging in transactions with us, which could have a material adverse effect on us. Any resulting governmental fines or reputational damage, whether affecting us directly or indirectly through our counterparties, could impact our relationships with rating agencies, creditors, customers and employees and therefore have a materially adverse effect on us.

We are controlled by a principal shareholder whose interests could differ from the interests of the holders of the notes.

Banco General is a wholly owned subsidiary of GFBG, the largest publicly listed company in Panama with market capitalization of U.S.$5.7 billion as of December 31, 2020. The largest shareholder of GFBG is EGI, Panama's second largest public company with a market capitalization of U.S.$3.6 billion as of December 31, 2020. EGI owns a 59.9% stake in GFBG as of December 31, 2020. In view of their ownership position, EGI is in a position to exert significant influence over the management of GFBG and Banco General and GFBG is in a position to exert significant influence over the management of Banco General, including, but not limited to, determinations concerning dividend and other policies. Consequently, circumstances may arise in which the interests of GFBG diverge from the interests of note holders. In addition, while GFBG has, since its establishment, sought to allow us to retain earnings sufficient to exceed the minimum capital requirements in Panama (and risk-adjusted capital requirements under the Basel Guidelines) there can be no assurance that GFBG will maintain such dividend and capital retention policies in the future or that any interest of the note holders may be considered.

We engage in transactions with certain related parties that could result in conflicts of interest.

Certain parties related to us have been involved, directly or indirectly, in credit transactions with us. In accordance with Panamanian law, related parties for purposes of legal lending limits include directors, principal executive officers and holders that own, directly or indirectly, more than 5% of our shares, as well as any entity that is part of their "economic group" as defined by the SBP. Under Panamanian law, all loans or credit facilities to related parties (executives, directors, employees or any other person that owns more than 5% of the shares of the Bank, either directly or indirectly) must be made on terms of cost and tenor no more favorable than those offered to third parties. The SBP regulates and closely monitors related-party transactions and establishes a limit on aggregate related-party transactions equivalent to 25% of a bank's consolidated regulatory capital. Our related-party total credit facilities (outstanding balances in loans and fixed income investment securities, net of cash collateral, and guarantees to third parties, net of cash collateral), on a consolidated basis, equaled 10.2%, 9.3%, and 13.0% of our regulatory capital, as of December 31, 2020, December 31, 2019, December 31, 2018, respectively.

As of December 31, 2020, total credit facilities to the Bank's related parties on a consolidated basis were U.S.$301.6 million, which comprised 2.6% of our total loan portfolio, of which 71.6% were classified as Standard (A), 20.4% as Special Mention (B), 8.1% as Sub-standard (C), 0% as Doubtful (D), and 0% as Uncollectible (E). As of December 31, 2020, loans and other credits to our key personnel on a consolidated basis amounted to U.S.$10.9 million.

We believe we are in compliance with all related-party transaction requirements imposed by Panamanian law and the SBP. Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest. For further information on our transactions with related parties, see "Related Party Transactions."

We are subject to counterparty risk.

We are exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, investment activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect us.

Our levels of indebtedness could adversely affect us.

As of December 31, 2020, we had U.S.$1.3 billion in total financing (including U.S.$217.7 million in perpetual bonds outstanding as of such date). Our indebtedness could have important negative consequences for us and for you as an investor in the notes. For example, our indebtedness could:

- require us to dedicate a large portion of our cash flows to service indebtedness and fund repayments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate;
- limit our ability to incur additional indebtedness or raise equity capital in the future;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- make it difficult for us to satisfy our obligations with respect to our indebtedness; and
- place us at a competitive disadvantage compared to our competitors that have less indebtedness.

Negative developments in our business, results of operations and financial condition due to difficult global or local economic conditions or other factors could cause the rating agencies to lower the credit ratings, or ratings outlook, of our short- and long-term indebtedness and, consequently, impair our ability to raise new financing, or refinance our current borrowings, or increase our costs of issuing any new debt instruments. Any of these factors could adversely affect us.

Cybersecurity events and operational problems, errors, criminal events or terrorism could negatively affect us and may result in litigation.

We have access to large amounts of confidential financial information and hold substantial financial assets belonging to our customers as well as to us. In addition, we provide our customers with continuous online access to their accounts and the possibility of transferring substantial financial assets by electronic means while purchasing goods or withdrawing funds, in Panama and abroad with credit and debit cards issued by us. Our information technology systems are essential for us to interact with our clients and conduct our internal operations. Accordingly, any vulnerability in our cybersecurity is a material risk treated, of course, with the appropriate containment techniques.

We depend on a variety of internet-based data processing, communication, and information exchange platforms and networks. We cannot assure you that all of our systems and those of third parties with whom we contract, are entirely free from vulnerability. Additionally, we enter into contracts with several third parties to provide our customers with data processing and communication services. Therefore, if information security is breached, or if one of our employees or external service providers breaches compliance procedures, information could be lost or misappropriated, which may affect us, damage others or result in potential litigation.

We are also exposed to cyber-attacks and other cybersecurity incidents in the normal course of business. There has recently been an increased level of attention focused on cyber-attacks against large corporations that include, but are not limited to, obtaining unauthorized access to digital systems for purposes of misappropriating cash, other assets or sensitive information, corrupting data or causing operational disruption. Cybersecurity incidents such as computer break-ins, "phishing," identity theft and other disruptions could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure, which may result, in the worst case, in significant liability to us in excess of the actual contracted cyber risk insurance coverage and may cause existing and potential customers to refrain from doing business with us.

Our business is highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of service providers, and others with whom we interact. We have implemented several measures to anticipate, identify, and offset these threats, including permanent monitoring by a security operations center/Information Security Officer, Security Operations Center and Cyber Incident Response Team, perimeter and endpoint defenses, security backups, and continuous security tests (including ethical hacking, among others). However, the landscape of cyber-attacks is constantly evolving, and increasingly complex techniques and tools are used by those who perpetrate such attacks. As a result, we invest a large number of resources to constantly improve our protection measures and manage cybersecurity events in real time, with the intention of seeking a suitable control environment to protect the company against emerging cybersecurity risks.

Despite these efforts, we can give no assurance that these measures will be effective to prevent or mitigate potential future attacks or threats to our technology infrastructure. Moreover, the COVID-19 pandemic has heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements and the impacts that those have had on our service providers, as well as from an increased volume of transactions being performed by our clients through our digital channels. Any failure by us to detect, prevent, or respond to cybersecurity risk in a timely manner could compromise customer data, result in delays or errors and have a negative impact on our results of operations and financial position.

As with all large financial institutions, we are also exposed to many operational risks, including the risk of fraud or operational error by employees and outsiders, unauthorized transactions by employees and failure to obtain suitable internal authorizations, failure to properly document in-person and online transactions, equipment failures, mistakes made by employees and natural disasters, such as earthquakes, tsunamis, wildfires, floods, among others. Furthermore, we are exposed to criminal events or terrorist attacks resulting in physical damage to our buildings (including our headquarters, offices, branches and ATMs) and/or injury to customers, employees and others. Although we maintain a system of operational controls composed of both trained staff and world-class technological resources, as well as tested comprehensive contingency plans and security procedures, there can be no assurances that operational problems, errors, criminal events or terrorist attacks will not occur and that their occurrence will not have a material adverse impact on us.

Any disruptions in our information technology systems or platforms or our services may have an adverse effect on us by hindering our interaction with our clients and our normal internal operations. Although we, with the help of service providers, intend to continuously implement security technology devices and establish operational procedures to prevent such damage and point towards a resilient operation in all respects, we cannot assure you that these security measures will be successful.

Our digitalization strategy makes us vulnerable to high profile payment card industry or digital banking security breaches that could impact consumer payment behavior patterns in the future and reduce our card payment transaction volumes while also making us less competitive with other financial institutions.

In Panama, the digital upgrade of the financial sector is well underway with the largest banks in the NBS having committed to the transformation through specific measures and strategic actions in furthering their digital upgrades. This digital upgrade also requires increased capital expenditures, and there is a risk that we may be unable to obtain funding for such investments or keep up with the latest technological advances. Nevertheless, we have continued our path to digitalization by focusing on products of widespread use that will generate a positive impact on clients, such as increasing their ability to conduct banking activities through smartphones, tablets and computers, which reduce the costs of conducting physical transactions and facilitate access to financial information.

In light of our digitalization strategy, we are unable to predict whether or when high profile card payment or digital banking security breaches will occur and if they occur, whether consumers will transact less on their payment cards or reduce their digital banking services. If consumers transact less on cards issued to our clients or reduce digital banking services and we are not able to adapt to or offer our clients alternative technologies, it could have a significant adverse impact on our ability to compete with local and international banks that are competitive players with respect to digital banking and with unregulated credit unions that are beginning to offer digital banking services and products.

Our business relies heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect on us, including the effectiveness of the risk management and internal control systems.

Our main business is highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect us, including our decision-making process, our risk management and internal control systems, as well as our ability to respond on a timely basis to changing market conditions. If we cannot maintain an effective data collection, management and processing system, we may be materially and adversely affected. We are also dependent on information systems to operate our website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures (including failure to update systems), viruses, computer "hackers" or other causes.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect us.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology infrastructure on a risk-based, timely and cost-effective basis. We continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. Any expansion of our operations will require us to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and back-office operations. The information available to and received by our management through our existing information systems may not be timely and sufficient to manage risks as well as to plan for and respond to changes in market conditions and other developments in our operations. Our contingency plans, backup information systems and communication redundant systems, testing and certification procedures and information technology auditing systems, among others, cannot completely protect us against certain events such as natural disasters, fraud, computer viruses, hacking, communication failures, equipment breakdown, software errors and other technical problems.

In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. In the future, our businesses may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of our information technology infrastructure. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could materially and adversely affect us. In addition, any material disruption or slowdown of our systems could cause information, including data related to customer requests and other client information, to be lost, compromised, or to be delivered to our clients with delays or errors, which could reduce demand for our services and products, resulting in additional costs for us and potential fines and penalties by regulators, which could materially and adversely affect our results of operations and financial position.

Our trademarks and trade names may be misappropriated or challenged by others.

We own the material trademark and trade name rights used in connection with our brands and segments and the marketing and sale of their respective products and services. We believe our brand names and related intellectual property are important to our continued success. We attempt to protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws. Any infringement of our intellectual property rights would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have an adverse effect on us.

Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our business, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. As such, we cannot assure you that our properties, equipment, inventories and other assets will not suffer damages due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. We renew our insurance policies on an annual basis. The cost of coverage may increase to such an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters may materially adversely affect available insurance coverage and result in increased premiums. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which may have a material adverse effect on us.

Our success depends on key members of our management.

Our success depends largely on the efforts and strategic vision of our executive management team and board of directors. The loss of the services of some or all of our executive management and members of our board of directors could have a material adverse effect on us.

The execution of our business plan also depends on our ongoing ability to attract and retain other qualified employees. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or reach full planned production and service levels in a timely manner and, as a result, we could be adversely affected.

We may be exposed to risks related to litigation and administrative proceedings.

Our business may expose us to litigation relating to regulatory, tax, labor and administrative proceedings, governmental investigations, tort claims, contract disputes and criminal prosecution, among other matters. In the context of these proceedings, we may not only be required to pay fines or monetary damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we expect to contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process.

We may not be able to obtain the funding required to support further growth and implement our strategy.

Our strategy to continue to expand and grow our loan portfolio will require us to continue to have an active funding strategy, including the requirement that we secure sources other than deposits to fund future loan growth, which may subject us to financial and operation covenants that could restrict our financial flexibility. A component of this growth strategy has been to identify and pursue growth-enhancing strategic opportunities. In order for us to grow, remain competitive, participate in new businesses through strategic acquisitions and alliances, or meet regulatory capital adequacy requirements, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in our loan portfolio that result in a reduction of our total equity. Our access to funding will depend on many factors, including factors beyond our control, such as any credit crunch or other conditions in global capital markets and investors' perceptions of the risks of investing in Panama and emerging markets generally. We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all. Our inability to realize our growth strategies, could have a material adverse effect on us.

Our investment activities are subject to factors beyond our control, including adverse conditions in the international credit and capital markets, and losses from our exposures could result in a material adverse effect on us and our ability to meet funding and liquidity needs.

As part of our treasury operations, we invest in various financial instruments and other assets, including debt, fixed income securities, currencies and related derivatives. We have established limits to manage our investment portfolio in accordance with our overall risk management policy. However, we are exposed to numerous factors that are beyond our control, including overall market trading activity, interest rate levels, the credit risk of our counterparties and general market volatility.

Liquidity and costs of obtaining funding internationally are related to international credit and capital market conditions. Global credit and capital markets have experienced higher volatility in recent years. While there have been periods of stability in these markets, the environment has become more unpredictable. The recent volatility in global financial markets has added to the uncertainty about the global economic outlook. These events have damaged, and may continue to damage, market confidence, and access to, and costs of, funding, and may slow the activity of our clients and have other impacts on the entities with which we do business. If market conditions continue to deteriorate due to economic, financial, political or other reasons, our funding costs may be adversely affected, and our liquidity, funding and lending activities may be constrained. If we are unable to source appropriate funding from the capital markets, we may also be forced to reduce our lending or begin to sell liquid securities. Such actions may adversely impact us.

In addition, we could be exposed to a number of risks related to the movement of market prices in the underlying instruments we invest in, including the risk of unfavorable market price movements relative to our long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates relating to these positions, and the risk that the instruments with which we choose to hedge certain positions do not track the fair value of those positions. If we incur any losses from these exposures, it could reduce our investment profits or cause us to suffer losses from investment activities, either of which could have a material adverse effect on us.

We are exposed to the risk of a decrease in the value of our investments due to volatility in market conditions, real estate prices, equity values and interest rates, among other factors, many of which are beyond our control. In addition, as a holder of a large portfolio of debt investments and fixed income securities, we are exposed to the risk that the issuer of our fixed income securities may default.

Furthermore, our investments may be subject to impairment, which could adversely affect us.

Discontinuation of the London InterBank Offered Rate ("LIBOR"), and the regulation and implementation of a replacement benchmark rate could adversely affect our business, financial condition and result of operations.

The London Interbank Offered Rate ("LIBOR") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. On July 27, 2017, the Chief Executive of the United Kingdom's Financial Conduct Authority ("FCA"), which regulates the LIBOR administrator, ICE Benchmark Administration Limited ("IBA"), announced that the FCA will no longer persuade or compel panel banks to submit rates for the calculation of LIBOR after 2021. On March 5, 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month U.S. dollar settings and immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. The announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. These actions and uncertainties may trigger future changes in the rules or methodologies used to calculate benchmarks or lead to the discontinuation or unavailability of benchmarks.

Regulation (EU) No. 2016/1011 (the "EU Benchmarks Regulation") and Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK Benchmarks Regulation") apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU and the UK, respectively. The EU Benchmark Regulation and UK Benchmark Regulation could have a material impact on any assets or liabilities linked to LIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks."

The bank has exposures to LIBOR on its balance sheet and therefore it is subject to the transition risks that could result with the discontinuation of LIBOR. As of December 31, 2020, less than 19% of the loans of the bank are referenced to LIBOR and, of these, 75% mature after December 31, 2021. On the other hand, almost 87% of these loans are corporate or commercial loans, therefore the number of operations/clients with loans referenced to LIBOR is low. In regard to our investments, as of December 31, 2020, less than 22% of them are referenced to LIBOR. On the liability side, as of December 31, 2020, only U.S.$233.0 million of our total financings are referenced to LIBOR and expire after 2021. Regarding derivative transactions, the Bank maintains few accounting hedge derivative transactions referenced to LIBOR. As of December 31, 2020, it maintains interest rate risk hedges referenced to LIBOR for a total of U.S.$387.0 million of notional value of fair value hedges and a total of U.S.$30.0 million of notional value of cash flow hedges. Of these operations, U.S.$410.0 million expire after December 31, 2021.

In order to carry out a smooth and orderly transition for the replacement of the LIBOR rate, the Bank has established a multidisciplinary committee to evaluate the assets and liabilities linked to LIBOR to determine the transition and impact. The committee is made up of senior executives from the Treasury, Business Credit, Risk, Legal, Finance and Operations departments. The committee reports its progress to the Bank's Assets and Liabilities Committee on a quarterly basis or more frequently if necessary. The objective of the committee is to evaluate all the assets and liabilities of the Bank referenced to LIBOR to determine the changes required by the contracts of said financial assets and liabilities, as necessary. Additionally, the committee must determine the operational and systems risks that the transition may have and coordinate the operations that must be carried out in the different areas of the Bank for an orderly transition. The committee will coordinate communication and action plans with the Bank's clients so that the transition is transparent and efficient. The committee has reviewed the current LIBOR replacement clauses of the Bank's loan contracts and has worked on new LIBOR replacement clauses that it will begin to use in order to strengthen the LIBOR replacement language of the contracts. Similarly, the Bank will endeavor to use rates not referenced to LIBOR on its new loans in order to reduce the number of operations that must be amended when LIBOR ceases to exist.

Risk Factors Relating to the Panamanian Banking Industry

Panama has no Central Bank or an official lender of last resort, which affects our creditworthiness.

Panama's economy is dollarized and, accordingly, the government has no ability to print paper currency. In addition, there is no government-provided prime interest rate, lender of last resort or deposit insurance in Panama. Accordingly, while Panamanian banks are regulated by the SBP, banks located in Panama may be less creditworthy than banks in countries with a central bank that could provide liquidity. This means that Panamanian banks, including us, could face a more difficult recovery from the type of liquidity problems that affected banks in the United States and Europe during the financial crisis.

We are subject to extensive regulation and supervision and changes in existing regulations or the implementation of future regulations may have a material adverse effect on us.

We are subject to regulation by different regulatory authorities in Panama, including the SBP. We are also subject to regulation by authorities abroad, including the General Superintendency of Financial Institutions (*Superintendencia General de Entidades Financieras or SUGEF*) of Costa Rica, which has supervisory authority over BGCR.

The SBP has general regulatory and supervisory responsibilities over banks and other financial institutions in Panama, including, but not limited to, the authority to set loan loss provisions, regulatory capital requirements and other minimum capital adequacy requirements, reserve requirements, liquidity requirements, lending limits, related party transactions, prevention of money laundering and terrorist financing, and integral risk management rules and internal controls. In addition, banks are subject to reporting requirements with the SBP and must provide all information that is necessary to allow the supervision of their financial performance and compliance with banking regulations.

Banks that operate in Panama are subject to periodic inspections by the SBP, as well as compliance with varying norms regarding their activities, including minimum capital and reserve requirements, the maintenance of minimum risk-based capital levels and loan-loss reserves, regulation of our business practices (including bank fees), diversification of our investments, regulation of loan granting policies, application of required accounting regulations, maintenance of liquidity ratios and capital adequacy requirements, limitations on loans to a single entity or related parties and other credit restrictions, regulation regarding the prevention of money laundering and terrorist financing as well as accounting and statistical requirements.

Lastly, we cannot assure you that regulators will not impose more restrictive limitations in the future on the activities of banks, including us, than those that are currently in effect or that regulators will not change their interpretation of current regulations. Any such change in terms of capital adequacy, liquidity, credit risk provisioning, consumer protection, among other matters, could have a material adverse effect on us in a fashion that we cannot determine in advance.

Untimely compliance or non-compliance with applicable laws and regulations could result in the imposition of civil, regulatory and criminal penalties and sanctions that could adversely affect the continued operation of our business, including: loss of required government authorizations; loss of licenses to operate one or more of our locations or to perform certain commercial activities; significant fines or monetary penalties; or closing of our locations as a preventative measure. In addition, changes in these laws and regulations may restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly to implement.

We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting our business will be adopted in the future, the timing of any such adoption and what effect such events would have on us. See "Regulation and Supervision."

Panama is currently on the "grey list" of the Financial Action Task Force and on the list of noncooperative jurisdictions for tax purposes of the European Union, and this could result in a material adverse effect on the Panamanian banking system and on us.

In June 2014, the FATF, an intergovernmental body developing and promoting policies to combat money laundering and terrorist financing, placed Panama on its list of jurisdictions with strategic AML and combating terrorism financing deficiencies, also commonly referred to as the grey list. In June 2014, Panama made a high-level political commitment to work with the FATF and the *Grupo de Acción Financiera de Latinoamérica (GAFILAT)* to address its strategic AML/CFT deficiencies. Consequently, Panama passed Law No. 23 on April 27, 2015 to create a regulatory framework for various supervisory agencies, individuals and legal entities to monitor, control, promote and strengthen international cooperation in the prevention of money laundering (AML measures), financing of terrorism (combating the financing of terrorism or "CFT" measures) and proliferation of weapons of mass destruction. The law created mechanisms for national coordination by establishing institutions, methodologies, principles and obligations for collecting, receiving and analyzing financial intelligence information, as well as criteria for the imposition of sanctions. The coordination system comprises a National Commission, the Financial Intelligence Unit and Supervisory Agencies, which are responsible for defining strategies and policies and implementing regulations under Law No. 23 for both financial and non-financial actors.

On February 19, 2016, the FATF removed Panama from the grey list and published a notice welcoming Panama's significant progress in improving its AML and CFT regime. However, while according to the FATF significant progress towards greater compliance with FATF recommendations has been achieved, the FATF identified important deficiencies in Panama's AML/CFT regime that remain to be addressed. Due to these deficiencies, the FATF again placed Panama on their grey list (International Cooperation Review Group, ICRG, monitoring) of jurisdictions with strategic deficiencies to combat money laundering and terrorist financing following their June 2019 plenary meeting. On August 22, 2019, the GAFILAT published the second enhanced follow-up report on Panama. The report concluded that Panama continues to make significant progress in addressing the technical deficiencies identified and upgraded Panama's compliance rating. The problem is that Panama has failed to effectively implement the laws that it has passed during the past few years.

Panama's adherence to the Convention on Mutual Administrative Assistance in Tax Matters of the Organization for Economic Cooperation and Development ("OECD") in 2017 notwithstanding, on February 18, 2020 the European Union finance ministers added Panama to its list of non-cooperative jurisdictions for tax purposes for allegedly having shortcomings over exchange of tax information on request based on the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes ("Global Forum") report published in November 2019. Additionally, in May 2020, the European Commission included Panama, and certain other countries, in the list of third-country jurisdictions that have strategic deficiencies in their AML/CFT regime, while noting that these countries have provided written high-level political commitments to address the identified deficiencies and have developed action plans with the FATF. This list entered into effect in October 2020.

Although the Panamanian government has pledged to continue to work with the FATF to implement legislative and regulatory reforms, we cannot assure you that current or future government administrations will maintain such commitment or that such measures will be implemented, or if so implemented that they will be successful. Such failure or inability to develop, remediate, maintain and promote policies to combat money laundering and terrorist financing activities and deficiencies could result in Panama remaining on the European Union's lists of non-cooperative jurisdictions, the list of third-country jurisdiction which have strategic deficiencies in their AML/CFT regime, or FATF's grey list, or being placed on other similar lists, which would adversely impact the economy of Panama or result in a downgrade of Panama's sovereign debt ratings, among other potential negative effects, all of which could have a material adverse impact on us.

Our operations require the maintenance of banking and other licenses and any non-compliance with applicable license and operating obligations could have a material adverse effect on us.

All banks, brokerage firms, insurance companies, trust companies and financing entities (*empresas financieras*) established in Panama require certain licenses and authorizations in order to operate in Panama. To maintain these licenses and authorizations, we are required to comply with applicable laws and regulations, which impose requirements on us with respect to, among others, loan loss provisions, regulatory capital and other minimum capital adequacy rules, as well as minimum reserves, liquidity ratios, lending limits, related party transactions and integral risk management and controls.

Although we believe we are currently in compliance with their respective existing material license and reporting obligations, we may not be able to maintain the necessary licenses in the future. For example, future changes to existing laws and regulations, or stricter interpretation or enforcement of existing laws and regulations, could impair our ability to comply with such laws and regulations and thus with the terms of our licenses. If we do not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our banking, brokerage, insurance or trust activities or monetarily penalize us.

The loss of a license, a breach of the terms of a license by us or the failure to obtain any further required licenses in the future could have a material adverse effect on us.

Under certain circumstances, the SBP may intervene in certain of our operations in order to prevent, control and reduce the effects of a failure of our operations.

Panamanian banking laws and regulations empower the SBP to seize administrative and operative control of a bank's operations as well as to order the appointment of external advisors, reorganization and forceful liquidation of banks in certain circumstances, including in the case of financial stress, insolvency, weakness on capital and liquidity ratios, unlawful, negligent or fraudulent operations, and when it is deemed necessary to protect the interests of depositors and other creditors.

We believe we are currently in compliance with material banking laws and regulations and believe there is no basis for any such actions against us. However, if the SBP were to order any such actions in the future, it could have a material adverse effect on us.

Increased competition and industry consolidation may adversely affect our operations.

The Panamanian market for financial services is highly competitive. We compete with Panamanian and foreign banks, with the National Bank of Panama (*Banco Nacional de Panamá*) ("BNP") and Caja de Ahorros, which are state-owned, and with other providers of financial services that are not part of the banking industry. In addition, the retail segment (which encompasses individuals and small and medium-sized companies) has become the target market of several banks, since banking penetration is still in progress in Panama, particularly in this segment. Accordingly, competition within this market is increasing as banks are continuously incorporating new and tailored products and services, while striving to improve service quality. As a result, net interest margins (once deducted provisions for loan losses) in these sub-segments could decline over time.

We also face competition from non-banking competitors in some of our credit products, especially credit cards and installment loans. In these markets, competition from non-banking companies like large department stores, private compensation funds and saving and credit cooperatives has become increasingly significant. These competitors also include fintech companies, which are awaiting the definition of their regulatory framework to expand their operations. In addition, we face competition from other types of lenders, such as non-banking leasing and automobile financing companies (especially in credit products), as well as mutual funds, pension funds and insurance companies within the market for savings products and mortgage loans. Nevertheless, banks continue to be the main suppliers of leasing, and mutual fund management, while growing quickly in insurance brokerage services. However, we cannot assure you that this trend will continue in the future.

Lastly, in the past, increasing competition within the Panamanian banking industry has been accompanied by a wave of consolidation and the entry of international players into the system through multiple mergers and acquisitions. We expect these trends will continue and result in the creation of larger and stronger banking conglomerates offering a wider range of products and services while targeting most of the segments in the Panamanian banking market. These trends may adversely impact us as they may translate into higher interest rates paid on deposits and lower interest rates earned on loans, resulting in decreased net interest margins. For more detail regarding past and recent changes in the Panamanian banking industry see "Business—Competition."

The banking market is exposed to macroeconomic shocks that may negatively impact household income, and consequently, could have a material adverse effect on us.

Given the size of the Panamanian economy, small economic developments have more pronounced impacts than they would have in larger, more diversified economies. As such, similar to other banks in the Panamanian financial system, our loan portfolio is vulnerable to macroeconomic shocks, such as the COVID-19 pandemic, that could negatively impact the household income of our customers and result in increased loan losses. In addition, our corporate clients could be negatively affected by global and local macroeconomic trends, which could have a negative impact on us. Consequently, historical loan-loss experience may not be indicative of the performance of our loan portfolio in the future.

The stability of the Panamanian financial system depends on public confidence in Panamanian banking and credit institutions.

Although there has been positive growth in the Panamanian banking sector throughout the last decade, due to factors beyond our control, such as the COVID-19 pandemic, the impact of macroeconomic trends and political events affecting Panama or events affecting specific industries, there is no guarantee that such growth will continue with respect to total loans, assets and deposits, nor that, if such growth continues, it will be of the size and nature of the growth seen in recent periods. In addition, any adverse changes to the banking sector, including changes in reserve requirements over loans, reductions in the margins of interests, increases in the levels of default by banks and the levels of non accruing loans could have an adverse effect on the industry in general and thus over the national economy as well.

Panamanian banking law requires that general license banks maintain a minimum paid-in capital of not less than U.S.$10 million and comply with capital adequacy ratios. Panama has adopted the capital adequacy rules as promulgated by the Basel Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements: total adjusted capital, total primary capital, and primary equity capital must be equal to or greater than 8.0%, 6.0%, and 4.5%, respectively of its total risk-weighted assets. The SBP is authorized to increase the minimum capital requirement percentages in Panama with respect to all banks or in connection with any bank in particular when such bank's risk profile makes it advisable.

Banks that operate in Panama are subject to periodic inspections by the SBP, as well as compliance with varying norms regarding their activities, including minimum capital and reserve requirements, limitations on loans to a single entity or related parties, and other credit restrictions, as well as accounting and statistical requirements.

Banking regulations, accounting standards and corporate disclosure applicable to us differ from those in the United States and other countries.

While many of the policies underlying Panamanian banking regulations are similar to those underlying regulations applicable to banks in other countries, Panamanian banking regulations may differ in material respects from regulations applicable to banks in other countries, including those in the United States. For example, capital adequacy requirements for banks under Panamanian regulations differ from those under U.S. regulations and may differ from those of other countries.

There may be less publicly available information about us than is regularly published by or about U.S. issuers or issuers in other countries. Corporate governance and shareholder accountability protections applicable to Panamanian companies may be less stringent than those applicable to public companies in the United States. We do not intend to register the notes under the U.S. securities laws. Accordingly, we will not be subject to the corporate disclosure, governance and accounting standards applicable to companies whose securities are registered under U.S. securities laws.

We are subject to review by taxing authorities, and an incorrect interpretation by us of tax laws and regulations may have a material adverse effect on us.

The preparation of our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. We are subject to the income tax laws of Panama and Costa Rica. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, leading to disputes which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on us. In some jurisdictions, the interpretations of the taxing authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense. See "Management's Discussion and Analysis of Our Financial Condition and Results of Operations—Impact of Tax on Our Results of Operations."

Changes in tax laws may increase our tax burden and, as a result, could have a material adverse effect on us.

The Panamanian government regularly implements changes to the tax laws and regulations. These changes may include the enactment of new taxes or changes in processes or methods of calculation that may result in higher tax burdens. Although we have not been significantly and adversely affected by changes in tax laws and regulations in recent years, if such changes were to be implemented, they may have a material adverse effect on us.

Risk Factors Relating to Panama

Our performance is heavily dependent on economic and political conditions in Panama. Certain economic and political risks are inherent in any investment in an emerging market country such as Panama.

Our financial condition and results of operations, and our ability to meet our obligations under the notes, are substantially dependent on economic conditions prevailing from time to time in Panama.

The Panamanian economy is small and, although reasonably diversified, depends to a significant extent on the service sector, which represents over 65% of the country's GDP for the period ended December 31, 2020. A significant portion of Panama's economic activity is linked directly or indirectly to the Panama Canal, shipping and port activities, a large free trade zone, an international banking center, construction, and tourism. Panama's real GDP contracted 17.9% in 2020, as compared to growth of 3.0% in 2019, and 3.6% in 2018. Despite the impact of the COVID-19 pandemic, in the near term, Panama's GDP is expected to continue growing in a healthy and sustainable manner. If GDP continues to decelerate or decline, the occurrence of such developments may adversely affect our ability to grow our loan portfolio and our client base, which could adversely affect us. Given the size of the Panamanian economy, small economic developments have more pronounced impacts than they would have in larger, more diversified economies. Accordingly, investing in an entity such as us, from an emerging market country such as Panama, carries economic risks. These risks include many different factors that may affect Panama's economic position. These factors include the following:

- the outbreak of COVID-19 and Panamanian government's response to it;

- general economic and business conditions in Panama and the global economy, including as a response to the COVID-19 outbreak;
- interest rates in the United States and financial markets outside Panama;
- changes in economic or tax policies in Panama;
- the imposition of trade barriers by Panama's trading partners;
- the ability of Panama to effect key economic reforms;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- the decisions of international financial institutions regarding the terms of their financial assistance to Panama;
- changes in government; and other political diplomatic and social developments; and
- the occurrence of natural disasters.

In particular, the outbreak of COVID-19 has significantly impacted the economy of Panama, and may continue to impact macro-economic variables, which may adversely affect our results of operations. Moreover, we are exposed to the performance of borrowers conducting business across many different industries and commercial activities, some of which depend on the performance of the local and global economy, which will likely emerge in distress from these events. The SBP has adopted certain relief measures to ease the credit risk requirements that may apply to all modified loans and the Panamanian government has also adopted moratoriums on certain payments. Nevertheless, we cannot assure you that any such measures will succeed in mitigating the effects of the COVID-19 outbreak's impact on Panama's economy.

Any of these factors may adversely affect the Panamanian economy and may also adversely affect the liquidity of, and trading markets for, the notes. See "Forward-Looking Statements" in this offering memorandum.

The Republic of Panama's U.S. dollar monetary arrangements impose constraints on its fiscal policies and on its ability to finance deficits.

The Constitution of the Republic of Panama sets forth that there is no forced circulation paper currency (*papel moneda de curso forzoso*) in Panama. Notwithstanding the foregoing, the public finances of Panama are heavily influenced by the U.S. dollar-based monetary arrangements in place since 1904. Panama has used the U.S. dollar as its legal tender since shortly after gaining its independence. The national currency, the Balboa, is used primarily as a unit of account linked to the U.S. dollar at a ratio of one dollar per one Balboa. The government does not print paper currency, although a limited amount of coinage is minted, including B/.1.00 coins equivalent to U.S.$1.00. Although the absence of a printed national currency and the general absence of local budgetary financing through the banking system reduce the risk of runaway inflation, they do impose constraints on fiscal and monetary policy, particularly for responding to external shocks that are not present in countries that can finance their deficits by printing local currency through central banks that can act as a lender of last resort or address trade imbalances in a currency devaluation.

Panama's economy remains vulnerable to external shocks, including the global economic crisis, the financial crisis in Europe and those that could be caused by future significant economic difficulties of its major regional trading partners, non-financial events such as pandemics or by more general "contagion" effects, which could have a material adverse effect on Panama's economic growth and its ability to service its public debt.

Emerging market investments generally pose a greater degree of risk than investment in more mature market economies because economies in the developing world are more susceptible to destabilization resulting from local and international forces.

A significant decline in the economic growth of, or relationship with, any of Panama's major trading partners could adversely affect Panama's economic growth. Further, the effects of non-financial events such as pandemics, including the ongoing COVID-19 pandemic, may have a material adverse effect on economic growth. In addition, because international investor's reactions to the events occurring in one emerging market country sometimes appear to demonstrate a contagion effect, in which an entire region or class of investments is disfavored by international investors, Panama could be adversely affected by negative economic or financial developments in other emerging market countries. Panama is also vulnerable to external developments due to its reliance on foreign creditors.

For 2018, real GDP grew by 3.6%, primarily due to port activity, air transport, financial intermediation, Panama Canal services, and construction. For 2019, real GDP grew by 3.0% primarily due to mining sector, due in turn to the increase in the extraction of copper activity, and secondarily due to port activities, air transport and Panama Canal services. For 2020, real GDP contracted by 17.9%, primarily due to the contraction of construction, wholesale and retail commerce, services, travel and leisure, as a result of the restrictions imposed by the government due to COVID-19 pandemic.

There can be no assurances that external shocks in Latin America or the rest of the world will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Panama. In addition, there can be no assurance that these events will not adversely affect Panama's economy.

Concentration of loans in the real estate industry may increase our exposure to credit risk.

Our residential mortgage loan, commercial mortgage loan, and interim financing (construction) loan portfolios together totaled U.S.$7.2 billion as of December 31, 2020, or 63.1% of our total loan portfolio. See Note 7 to our financial statements. If the real estate market in Panama experiences a significant downturn, unemployment increases significantly, or the operation of the corporate and private sectors weaken, this could materially and adversely affect the liquidity, businesses and financial conditions of our customers, which may in turn cause us to experience higher levels of past-due loans, thereby resulting in higher provisions for loan losses and subsequent write-offs. As such, such downturn could materially and adversely affect us.

Natural disasters in Panama could disrupt our business and impact us.

If we are exposed to natural disasters in Panama, such as earthquakes, floods, volcanic eruptions, tornadoes, tropical storms, hurricanes, among others, in particular as a result of intensifying conditions in connection with climate change, our disaster recovery plans may prove to be ineffective, which could have a material adverse impact on us, particularly if such an occurrence were to damage our infrastructure, interrupt traffic or affect computer-based data processing, transmission, storage and retrieval systems or destroy customer, billing or other data. In addition, if a significant number of our employees and senior managers or key personnel were unavailable because of a natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year. Also, if one or several of our customers were exposed to natural disasters, their business or source of income could be affected, and thus their ability to timely comply with their loan terms can be impaired, which could in turn, affect our results of operations.

Developments in other countries in the region could adversely affect the Panamanian economy, the market value of our securities and us.

The market value of securities of Panamanian companies is affected by economic and market conditions in developed and other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Panama, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Panamanian issuers. Our operations include corporate representative offices in Mexico, Colombia, Guatemala, El Salvador and Peru and a universal banking subsidiary in Costa Rica, BGCR. Accordingly, economic, political and social conditions in these countries in particular could significantly affect us.

Further, Panama is located in a geographic region that has a history of political unrest and turmoil, and there is no guarantee that political stability and peace will prevail in this region in the upcoming future. Panama enjoys significant commercial ties with its neighboring countries, including Colombia, and the export and banking industries may be affected by economic and political changes in the region. In particular, political and civil unrest in Colombia and Venezuela could potentially destabilize the Panamanian economy.

Risks Relating to the Notes

The notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future senior obligations. The notes will be subordinated to all other indebtedness of the Bank (with the exception of Parity Securities) and will also be subordinated to certain statutory liabilities.

Under Panamanian law, in order to qualify as Tier 1 capital, the notes are required to be subordinated to all deposits, any creditors generally, any other subordinated indebtedness and to certain other statutory preferences (with the exception of Parity Securities). In the event of an intervention and/or liquidation of the Bank, those statutory preferences, including certain direct, unconditional and unsecured general obligations, will have preference over any other claims, including claims by any investor under the notes. See "Regulation and Supervision."

The notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the notes will be effectively subordinated and rank junior in payment and in liquidation to all of our secured obligations that we or our subsidiaries have currently outstanding or may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness.

In the event of any distribution to our creditors in a voluntary liquidation or dissolution of the Bank, or in a mandatory process of liquidation as established by Panamanian regulation, the holders of obligations of the Bank will be entitled to receive payment in full of such senior obligations (including interest after the commencement of any voluntary or mandatory liquidation and dissolution proceeding at the rate specified in the applicable senior obligations) and of all other subordinated obligations of the Bank (with the exception of Parity Securities), before the holders of notes will be entitled to receive any payment with respect to the notes, if any.

As a result of the subordination provisions described above, in the event of a voluntary or mandatory liquidation and dissolution or reorganization of the Bank, holders of notes may recover ratably less than creditors of the Bank who are holders of other obligations. Moreover, in the event of the occurrence of an Event of Default, the holders of the notes may be unable to accelerate the obligations due under the notes or otherwise commence an insolvency proceeding.

In addition, creditors of the Issuer may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the Issuer at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes

As of December 31, 2020, our outstanding consolidated financial obligations amounted to U.S.$1,076.5 million, of which U.S.$257.7 million was secured indebtedness consisting of (i) a loan obtained under the USAID Housing Program secured by preferential mortgage loans (balance of U.S.$2.7 million as of December 31, 2020) and (ii) transactions structured under our DPR program collateralized with future cash flows of remittances (MT103) (balance of U.S.$255.0 million as of December 31, 2020). The indenture governing the notes does not prohibit us or our subsidiaries from incurring additional secured (or unsecured) indebtedness in the future. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness and may consequently receive payment from these assets before they may be used to pay other creditors, including the holders of the notes.

In addition, the notes are obligations exclusively of the Bank and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the notes, and the notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Therefore, in any bankruptcy, liquidation or similar proceeding, all claims of creditors (including trade creditors) of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, future debt and security agreements entered into by our subsidiaries may contain various restrictions, including restrictions on payments by our subsidiaries to us and the transfer by our subsidiaries of assets pledged as collateral.

If we fail to pay interest, there is no cumulative interest on the notes.

Pursuant to the terms of the notes, we may choose not to pay interest on the notes in the following events:

- the Issuer determines that it is, or that such interest payment would result in it being, in noncompliance with applicable capital regulations or operational limits set by the Superintendency of Banks;
- the Issuer determines that such interest payment would result in the notes no longer being characterized as Target Capital Instruments;
- the Superintendency of Banks determines that such interest payment will not be made;
- certain insolvency or liquidation events occur which limit the Issuer's ability to make payments in full in respect of the notes;
- certain defaults under the Issuer's senior debt; or
- if the Issuer elects to suspend the payment and accrual of interest for extraordinary reasons.

There can be no assurance interest payments on the notes will not be suspended and cancelled in the future. In the event of a cancellation of an interest payment on the notes, as described above, this interest will not accrue or accumulate and will not be deemed due and payable under the terms of the notes, will be deemed extinguished, and such failure to pay an interest amount will not constitute a payment default. There can be no assurance that interest payments with respect to the notes will not be suspended in the future. Holders will bear the risk of any such non-payment of interest.

Holders have limited recourse in the event of non-payment on the notes.

In the event that we fail to comply with our obligation to pay interest under the notes, holders may notify us of the breach and may file the legal actions they deem appropriate to enforce their rights and demand compliance with our obligations under the notes. However, they will not have the right to declare the notes expired or accelerate the notes, nor will they have the right to request or initiate an insolvency, forced liquidation or other similar process in against us.

The outstanding principal on the notes may only be accelerated and declared due and payable when the SBP issues a resolution or similar order ordering our liquidation, whether voluntary or forced, and the resolution or similar order becomes effective and final.

For the avoidance of doubt, there will be no default in the payment of interest where we have duly suspended payment of interest on the notes in accordance with the terms and conditions of the notes.

A failure by us to use the proceeds of the offering as intended may affect our financial condition.

We intend to use the net proceeds from this offering for general corporate purposes, which may include, without limitation, repaying certain indebtedness (including the redemption of outstanding perpetual bonds), working capital, funding the growth of our loan portfolio, and the offering of new products and services.

The notes have no maturity date and are not redeemable at the holder's option at any time.

The notes are perpetual, have no fixed maturity or mandatory redemption date, and are not redeemable at the holder's option at any time. As a result, holders will be entitled to receive a return of the principal of the investment only if we (i) elect to exercise the call option in relation to the notes, which may only happen on or after the tenth anniversary of the issue date of the notes, or (ii) redeem the notes for taxation reasons or following a Regulatory Event or a Rating Agency Event, and provided that we are in compliance with the applicable risk based capital requirements and receive the prior authorization of the SMV. Therefore, holders should be aware that they will be required to bear the financial risks of an investment in the notes indefinitely.

The notes will be redeemable at our option.

While the notes have no fixed maturity date or fixed redemption date, the notes may be redeemed, in whole or in part, at our option on the Initial Reset Date (as defined in "Description of the Notes—Redemption—Optional Redemption") or on any interest payment date thereafter, subject to the prior approval of the Superintendency of Banks or any other applicable Panamanian regulator, if such approval is then required. In addition, we may redeem the notes subject to the prior approval of the Superintendency of Banks or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, in whole but not in part, upon the occurrence of a tax event, subject to certain requirements. See "Description of the Notes—Redemption—Early Redemption Upon Tax Event." In addition, we may redeem the notes subject to the prior approval of the Superintendency of Banks or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, in whole but not in part, upon the occurrence of certain regulatory events or rating agency events and subject to certain requirements. See "Description of the Notes—Redemption—Early Redemption Upon Regulatory Event or Rating Agency Event."

Provided that we redeem the notes, we must substitute the redeemed notes with securities or other instruments qualifying as Additional Tier 1 Capital of equal or greater quality than the redeemed notes, or we must prove to the Superintendency of Banks that our capital position will significantly exceed the minimum capital requirements following the redemption.

As a result, we may effectively redeem the notes without the holders receiving any compensation for the lost opportunity to continue receiving a higher rate. In addition, in the event that the notes, due to prevailing market conditions, are traded above their nominal value, holders may suffer an impairment in the value of their investment if at that time we decide to exercise the redemption option. There is no penalty applicable to the extent we elect to redeem all or a part of the notes.

Loss absorption under certain circumstances.

Pursuant to Panamanian law, following the administrative taking of control of the Issuer by the Superintendency of Banks and subsequent reorganization of the Issuer ordered by such entity, the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks may decree that the principal amount and/or interest owed under the notes be used to absorb the Issuer's losses. The Superintendency of Banks may take this action in the absence of any Acceleration Event or other similar legal proceeding. The notes will provide for the write-off on a permanent basis, in a minimum amount corresponding to the balance allocated to the Tier 1 capital, under applicable laws and regulations of the Superintendency of Banks, upon the occurrence of any of the following events: (i) a decree by the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks pursuant to a reorganization process of the Issuer ordered by such entity; or (ii) determination by the Superintendency of Banks of a write-off of the notes. Therefore, holders should be aware that they will be required to bear the financial risks that their investment in the notes may be written-off on a permanent basis. See "Description of the Notes—Defaults and Remedies—Loss Absorption."

The notes will generally be subject to New York law while those of the public offering of notes will be governed by Panamanian law.

The notes and the obligations thereunder will be governed by the laws of the State of New York, even though those of the public offering of the notes will be governed by and interpreted in accordance with Panamanian law and with the relevant regulations and resolutions of the SBP and SMV. The laws of the State of New York are generally broad and cover, among other aspects, the concept of perpetuity, which is not common in Panama, which may give greater legal certainty to the instrument. Notwithstanding this, since the laws of the State of New York are applicable to the notes, any controversy, dispute or claim regarding the notes must be resolved in accordance with those laws rather than in accordance with the laws of Panama, which could involve certain complexities if legal actions are brought before the Panamanian courts. In addition, the notes are subject to the jurisdiction of the courts of New York, whose costs are generally considerably higher than those resulting from litigation before the Panamanian courts.

The public auction at the Panama Stock Exchange will allow any investor to submit a bid for the notes and the bidder submitting the highest, and in case of equality the earliest, bid would have the right to purchase the notes. If a bidder different from the initial purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that Banco General could face under the purchase agreement.

The offering of the notes on the Panama Stock Exchange on the local trading date will be conducted pursuant to a public auction process whereby parties other than the initial purchasers may also lodge bids for the full principal amount of the offering at prices other than the offer price set forth on the cover of this offering memorandum. Consequently, settlement of the notes pursuant to the terms set forth in this offering memorandum will be conditioned upon, among other factors, the initial purchasers' success in securing the highest (and in case of equality, earliest) bid on the Panama Stock Exchange for the notes as part of such public auction process. If, as a part of such public auction process, a party other than the initial purchasers were either to lodge a bid for the notes at a higher price than the price contained in the initial purchasers' bid and reflected on the cover of this offering memorandum, or if such other party placed an equivalently priced bid for the notes earlier in time than the bid submitted by the initial purchasers, we will immediately withdraw and cancel the offering of notes with the effect that the initial purchasers would be unable to purchase the notes for subsequent resale to you. Consequently, for the foregoing reasons, we are unable to assure you that you will ultimately be able to receive notes on the date of issuance. See "Plan of Distribution—Settlement—Panamanian Settlement Process" for more information.

Holders of the notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Panama. Substantially all of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets are located outside the United States. As a result, it may be difficult for holders of the notes to effect service of process within the United States on such persons or to enforce judgments against them or us, including in any action based on civil liabilities under the U.S. federal securities laws. There is uncertainty as to the enforceability against such persons in Panama, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. In addition, the bankruptcy, reorganization, liquidation, insolvency, laws governing trusts, administrative and other laws of Panama may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, treatment of intercompany debt, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Panama may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question how the laws of Panama should apply.

The notes are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. We will apply to list the notes on the SGX-ST and the PSE. However, no assurance can be given that we will be able to obtain or maintain such listing or that, if listed, a trading market will develop. We do not intend to apply for listing of the notes on any securities exchange other than the SGX-ST and the PSE. Lack of a liquid, active trading market for the notes may adversely affect the price of the notes or may otherwise impede a holder's ability to dispose of the notes. Additionally, if such market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition and political and economic developments in and affecting Panama and the markets for similar securities.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may, in their sole discretion, discontinue any market making in the notes at any time. If the initial purchasers do not facilitate trading in the notes for any reason, we cannot assure you that another firm or person will do so.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Panamanian issuers generally. As a result, we cannot assure you of the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

GFBG has stated that it intends to purchase approximately U.S.$ of the notes, as further described in "Plan of Distribution." This concentration in ownership may have an adverse effect on the price and liquidity of the trading market of the notes, which may adversely and significantly affect your investment in the notes.

There are restrictions on your ability to transfer the notes.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see "Plan of Distribution" and "Transfer Restrictions." Consequently, a holder of notes must be able to bear the economic risk of their investment in the notes for the term of the notes.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes. Negative developments in our business, results of operations and financial condition or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments. Any of these factors could adversely affect us.

Payments on the Notes may be subject to U.S. federal income withholding under FATCA.

The United States has enacted rules, commonly referred to as FATCA, that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including interest and dividends) and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an Intergovernmental Agreement regarding the implementation of FATCA with Panama (the "IGA"). Under the current terms and conditions of the IGA, we do not expect payments made on or with respect to the notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

Different disclosure principles in Panama and the United States may provide you with different or less information about us than you may be accustomed to receiving.

Securities disclosure requirements in Panama differ from those applicable in the United States. Accordingly, the information about us available to you may not be the same as the information available to security holders of a

U.S. company with securities publicly traded in the United States. There may be less publicly available information about us and our subsidiaries than is regularly published about companies in the United States and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, therefore, are not required to comply with the information disclosure requirements that it imposes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately U.S.$ million, after deducting commissions payable to the initial purchasers and other estimated expenses of approximately U.S.$ related to the offering. The purpose of this offering is to strengthen the Bank's Primary Capital (*Capital Primario*, as defined by the Superintendency of Banks of Panama). We intend to use the net proceeds from this offering for general corporate purposes, which may include, without limitation, repaying certain indebtedness (including the redemption of all of our outstanding perpetual bonds registered with the SMV pursuant to Resolution No. 366-08 and with an outstanding balance of U.S.$217,680,000) as the date of this offering memorandum, working capital, funding the growth of our loan portfolio, and the offering of new products and services.

IMPACT OF THE ISSUANCE AND CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2020:

- on a historical basis; and
- on an as adjusted basis to give effect to this offering of notes and the use of proceeds from this offering as described in "Use of Proceeds."

The historical results presented below are not necessarily indicative of the results to be expected for any future period. This table should be read in conjunction with "Selected Financial Information," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations," and our audited financial information and related notes included elsewhere in this offering memorandum.

The as adjusted column reflects the issuance of notes and the application of proceeds.

	As of December 31, 2020	
	Actual	**As adjusted**
	(in thousands of U.S. dollars, except percentages)	
Borrowings and debt securities issued, net[(1)]	1,076,469	
Perpetual Notes offered hereby	-	
Perpetual bonds	217,680	
Total debt	**1,294,149**	
Equity		
Common shares	500,000	
Legal reserves	199,243	
Total capital reserves	160,987	
Retained earnings	1,772,980	
Total equity	**2,633,211**	
Total capitalization[(2)]	**3,927,360**	
Total regulatory primary capital ratio	**19.12%**	
Total primary capital ratio	**20.74%**	
Total capital ratio	**20.74%**	

(1) See Note 16 to our financial statements.
(2) Total capitalization corresponds to total debt plus total equity.

Since December 31, 2020, there has not been any material change in our total capitalization other than the notes offered hereby.

SELECTED FINANCIAL INFORMATION

The following tables set forth our selected financial information. The consolidated statement of income and consolidated statement of financial position as of and for the years ended December 31, 2020 and 2019 are derived from our financial statements and related notes for such periods. The financial statements are included elsewhere in this offering memorandum. The following information has been prepared in accordance with IFRS.

The selected financial information presented below should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this offering memorandum.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Statement of Income Data:	**(in thousands of U.S. dollars)**		
Total interest and commission income	994,471	1,086,146	1,003,566
Total interest expenses	(331,732)	(386,964)	(352,632)
Net interest and commission income	**662,739**	**699,182**	**650,934**
Provision for loan losses, net, Provisions for impairment of investments, net and (Reversal) provision for foreclosed assets, net	(283,992)	(44,923)	(45,804)
Net interest and commission income, after provisions	**378,747**	**654,259**	**605,130**
Other income (expenses):			
Fees and other commissions	204,466	229,221	212,897
Insurance premiums, net	35,593	33,930	29,998
Gain (loss) on financial instruments, net	19,252	15,348	(11,538)
Other income, net	30,439	28,608	25,649
Commissions expenses and other expenses	(78,686)	(94,964)	(85,278)
Total other income, net	**211,063**	**212,143**	**171,727**
General and administrative expenses	(290,239)	(308,175)	(293,967)
Equity participation in associates	7,329	10,898	9,934
Net income before tax	**306,900**	**569,124**	**492,825**
Income tax, net	(14,260)	64,858	58,616
Net income	**321,160**	**504,266**	**434,208**

	As of December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars, unless otherwise indicated)		
Statement of Financial Position Data:			
Assets			
Total cash, cash items and deposits with banks	803,187	733,406	696,818
Investments and other financial assets, net	5,624,785	4,973,441	5,188,001
Loans	11,444,423	12,083,689	11,952,385
Accrued interest receivable	152,890	45,707	43,167
Loan losses allowance	(383,795)	(165,159)	(158,531)

	As of December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars, unless otherwise indicated)		
Unearned commissions	(37,045)	(43,302)	(41,104)
Investments in associates	21,686	24,881	26,035
All other assets (4)	990,652	1,071,058	997,386
Total assets	**18,616,783**	**18,723,721**	**18,704,157**
Liabilities and equity			
Local deposits	12,895,359	11,924,894	11,668,832
Foreign deposits	554,177	530,374	559,475
Accrued interest payable	102,337	112,774	99,032
Total Deposits	**13,551,873**	**12,568,042**	**12,327,339**
Securities sold under repurchase agreements	-	403,947	-
Borrowings and debt securities issued, net	1,076,469	1,914,581	2,886,528
Perpetual bonds	217,680	217,680	217,680
Accrued interest payable	12,340	15,524	19,147
All other liabilities (5)	1,125,210	1,121,208	1,068,439
Total equity	2,633,211	2,428,739	2,185,023
Total liabilities and equity	**18,616,783**	**18,723,721**	**18,704,157**
Operational data (in units):			
Number of customers(1)	1,200,346	1,052,219	951,034
Number of employees(2)	4,554	4,714	4,685
Number of branches	83	86	86
Number of ATMs	638	645	650
Assets under management(3)	11,300,281	11,823,121	10,885,827

(1) Total number of clients at the end of the period.
(2) Total number of permanent full-time employees at the end of the period.
(3) See Note 28 to our financial statements.
(4) All other assets include: properties, furniture, equipment and improvements, net of accumulated depreciation and amortization, right-of-Use assets, net, customer liabilities under acceptances, investments and other financial assets sold pending settlement, deferred tax assets, goodwill and other intangible assets, net, foreclosed assets, net and other assets.
(5) All other liabilities include: lease liabilities, acceptances outstanding, investments and other financial assets purchased pending settlement, reserves of insurance operations, deferred tax liabilities and other liabilities.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
	(in percentages)		
Profitability and efficiency:			
Net interest margin(1)	3.79%	4.06%	3.91%
Return on average assets(2)	1.68%	2.68%	2.41%
Return on average equity(2)	12.30%	21.07%	20.21%
Operating efficiency ratio(3)	32.94%	33.42%	35.31%
Total general and administrative expenses / average total assets(2)	1.51%	1.64%	1.63%
Total other income, net / operating income(4)	35.78%	24.49%	22.11%
Liquidity:			
Primary Liquidity(5) / total deposits and obligations	29.40%	27.29%	28.16%
Regulatory liquidity(6) / qualified deposits	40.45%	38.21%	42.65%
Loans, net / total deposits	82.00%	96.10%	97.15%
Capital:			
Total capital ratio(7)	20.74%	20.38%	19.45%

	For the Year Ended December 31,		
	2020	**2019**	**2018**
		(in percentages)	
Total regulatory primary capital ratio[(8)]	19.12%	18.70%	17.64%
Total primary capital ratio[(9)]	20.74%	20.38%	19.45%
Equity / assets	14.14%	13.26%	11.68%
Earning retention ratio	25.63%	42.89%	39.71%
Asset quality:			
Past due loans[(10)]/ loans	1.54%	1.27%	1.15%
Non accrual loans[(11)]/ loans	1.46%	1.07%	0.97%
Loan losses allowance / loans	3.35%	1.37%	1.33%
Loan losses allowance / past due loans	218.01%	107.65%	115.03%
Loan losses allowance / non accrual loans	230.33%	127.67%	137.14%
Write-offs / loans	0.73%	0.52%	0.43%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see "Selected Statistical Information."

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income after provisions and total other income, net.

(5) Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS.

(6) As defined in Accord 1-2015, as amended, by the SBP.

(7) Total capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP. Includes our outstanding perpetual bonds. We intend to repay our outstanding perpetual bonds with the proceeds of this offering, as described in "Use of Proceeds."

(8) Common equity or ordinary primary capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(9) Total Tier 1 capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(10) Past due loans: All loans 90+ days past due on interest and/or principal payments and all loans past due 30 days post maturity.

(11) Non accrual loans: All loans 90+ days past due on interest and/or principal payments and residential mortgages 120+ days past due, in accordance with SBP requirements. Please see "Statistical and Other Information—Classification of the Loan Portfolio Based on the Borrowers' Performance" for a description of the effects of the government's modified loan program on non accrual loans.

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SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our financial statements included elsewhere in this offering memorandum as well as "Management's Discussion and Analysis of Our Financial Condition and Results of Operations." This information has been prepared based on our financial records, which are maintained under accounting methods allowable by the SBP in accordance with IFRS. The selected information is expressed in terms of U.S. dollars, which serves as legal tender in the Republic of Panama. This information includes our selected financial information as of, and for the three-year period ended December 31, 2020. All amounts are expressed in thousands of U.S. dollars, except for percentages, and statistical information.

Average Balance Sheet and Income from Interest Earning Assets and Expenses from Interest-bearing Liabilities

We calculate average balances of interest earning assets and interest-bearing liabilities (excluding interest receivable and interest payable) on a monthly basis. We include interest income and commissions on loans under interest earned and do not include gains (losses) on debt securities. Under interest expense, we include interest paid and expenses related to debt issuance or retirement. Nominal interest rate is the amount of interest earned or paid during the period divided by the related average balance for the period.

The following table shows our monthly average balances, interest amounts and average rates for our interest-earning assets and interest-bearing liabilities for the years ended December 31, 2020, 2019, and 2018.

	For the Year Ended December 31,								
	2020			2019			2018		
	Average balance	Interest earned	Average yield/ rate %	Average balance	Interest earned	Average yield/ rate %	Average balance	Interest earned	Average yield/ rate %
	(in thousands of U.S. dollars, except percentages)								
Assets:									
Interest earning assets:									
Deposits with banks									
Local	189,340	5,985	3.16%	174,649	5,513	3.16%	206,974	4,861	2.35%
Foreign	328,439	1,114	0.34%	188,512	3,813	2.02%	188,350	3,071	1.63%
Total	**517,780**	**7,099**	**1.37%**	**363,161**	**9,326**	**2.57%**	**395,324**	**7,932**	**2.01%**
Loans									
Residential mortgages and retail loans.....................	6,428,674	471,922	7.34%	6,283,617	475,986	7.58%	5,915,725	427,201	7.22%
Corporate Loans	4,983,547	295,259	5.92%	5,204,274	330,213	6.35%	5,288,097	319,128	6.03%
Other loans	493,168	30,573	6.20%	541,471	34,844	6.44%	554,659	35,030	6.32%
Allowance for possible loan losses....................	(285,711)	-		(203,721)	-		(191,483)	-	
Commissions for loans..	-	29,551		-	46,301		-	45,512	
Net Loans	**11,619,679**	**827,305**	**7.12%**	**11,825,641**	**887,344**	**7.50%**	**11,566,997**	**826,870**	**7.15%**
Investment securities ..	**5,340,769**	**160,067**	**3.00%**	**5,024,688**	**189,475**	**3.77%**	**4,673,696**	**168,764**	**3.61%**
Total interest earning assets	**17,478,227**	**994,471**	**5.69%**	**17,213,490**	**1,086,146**	**6.31%**	**16,636,017**	**1,003,566**	**6.03%**
Non-interest earning assets:									
Cash and deposits with banks	330,106			369,808			315,727		
Fixed assets	1,360,801			1,206,517			1,055,941		
Total non-interest earning assets....................	**1,690,907**			**1,576,325**			**1,371,667**		
Total assets...................	**19,169,134**			**18,789,815**			**18,007,684**		
Liabilities and equity									
Interest-bearing liabilities									
Deposits:									
Saving	4,006,414	27,765	0.69%	3,505,368	24,226	0.69%	3,400,839	22,198	0.65%
Time deposit - clients....	6,057,033	229,912	3.80%	6,071,979	236,655	3.90%	5,634,614	206,111	3.66%
Time deposit - interbank	50,392	465	0.92%	89,396	1,488	1.66%	97,922	1,078	1.10%

	For the Year Ended December 31,								
	2020			2019			2018		
	Average balance	Interest earned	Average yield/ rate %	Average balance	Interest earned	Average yield/ rate %	Average balance	Interest earned	Average yield/ rate %
Total........................	**10,113,839**	**258,142**	**2.55%**	**9,666,743**	**262,369**	**2.71%**	**9,133,375**	**229,387**	**2.51%**
Borrowings and placements	2,101,997	73,590	3.50%	2,836,096	124,595	4.39%	3,045,737	123,245	4.05%
Total interest-bearing liabilities	**12,215,836**	**331,732**	**2.72%**	**12,502,839**	**386,964**	**3.10%**	**12,179,112**	**352,632**	**2.90%**
Non-interest-bearing liabilities :									
Demand deposits..........	2,744,702			2,548,702			2,488,200		
Other liabilities...........	1,596,913			1,345,338			1,192,044		
Common shareholders' equity	2,611,683			2,392,936			2,148,328		
Total non-interest-bearing liabilities and equity.	**6,953,298**			**6,286,975**			**5,828,572**		
Total liabilities and equity	**19,169,134**			**18,789,815**			**18,007,684**		

Changes in Net Interest Income Volume and Rate Analysis

The following table allocates changes in our interest income and interest expense between changes in the average volume of interest earning assets and interest-bearing liabilities and changes in their respective interest rates for (i) the year ended December 31, 2019 compared to the year ended December 31, 2020; and (ii) the year ended December 31, 2018 compared to the year ended December 31, 2019. Volume variances have been calculated as the change in average balances between the two periods multiplied by the average rate of the initial period, and interest rate variances have been calculated as the change in the average rates between the two periods multiplied by the average balance of the ending period.

	December 2019/2020 Increase (Decrease) due to changes in			December 2018/2019 Increase (Decrease) due to changes in		
	Volume	**Yield/Rate**	**Net Change**	**Volume**	**Yield/Rate**	**Net Change**
Assets						
Interest earning assets						
Deposits with banks						
Local	(464)	(9)	472	(759)	1,411	652
Foreign	(2,830)	(5,530)	(2,700)	3	739	742
Total	**(3,971)**	**(6,198)**	**(2,227)**	**(757)**	**2,150**	**1,394**
Loans						
Residential Mortgages and Retail Loans	10,988	(15,052)	(4,064)	26,567	22,218	48,785
Corporate Loans	(14,005)	(20,949)	(34,955)	(5,059)	16,144	11,086
Other Loans	(3,108)	(1,162)	(4,271)	(833)	647	(186)
Commissions for Loans	-	-	(16,750)	-	-	789
Total	**(6,125)**	**(37,164)**	**(60,039)**	**20,676**	**39,009**	**60,474**
Investment securities	**11,919**	**(41,327)**	**(29,408)**	**12,674**	**8,038**	**20,712**
Total interest earning assets	**9,764**	**(84,689)**	**(91,674)**	**32,593**	**49,197**	**82,580**
Liabilities						
Interest-bearing liabilities						
Deposits:						
Saving	3,463	77	3,540	682	1,346	2,028
Time deposit - non-bank	(583)	(6,161)	(6,743)	15,999	14,546	30,544
Time deposit - interbank	(649)	(374)	(1,024)	(94)	504	411
Total	**2,231**	**(6,458)**	**(4,227)**	**16,587**	**16,396**	**32,983**
Borrowings and placements	(32,250)	(18,754)	(51,004)	(8,483)	9,832	1,349
Total interest-bearing liabilities	**(30,019)**	**(25,212)**	**(55,232)**	**8,104**	**26,228**	**34,332**

Interest Earning Assets, Net Interest Margin and Spread

The following table analyzes our level of average interest earning assets, average interest earning liabilities, interest earned, interest paid and net interest, and illustrates net interest margins and spreads for the years ended December 31, 2020, 2019, and 2018.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars, except for percentages)		
Average interest earning assets	17,478,227	17,213,490	16,636,017
Average interest-bearing liabilities	12,215,836	12,502,839	12,179,112
Total interest and commission income...........................	994,471	1,086,146	1,003,566
Total interest expenses..........	331,732	386,964	352,632
Net interest and commission income(1)	662,739	699,182	650,934
Average interest rate earned ...	5.69%	6.31%	6.03%
Average interest rate paid	2.72%	3.10%	2.90%
Net interest margin(2)	3.79%	4.06%	3.91%

(1) Interest and commission income less interest expense, before provision for loan losses.
(2) Net interest and commission earned as a percentage of average interest earning assets for the period.

Investments in Debt Securities

As part of our liquidity and lending operations, we own an investment portfolio with a total book value of U.S.$5,624.8 million, as of December 31, 2020. Of the total portfolio, U.S.$5,587.0 million are local and foreign fixed income securities and U.S.$37.7 million are equity securities. Our fixed income portfolio includes U.S.$4,167.2 million of short- and medium-term foreign debt securities (including liquid commercial paper, MBS, CMOs, ABS, and corporate and sovereign bonds, 88.6% with investment grade ratings), and U.S.$1,419.8 million in local government bills and bonds and local corporate bonds from recognized local issuers, registered with the SBP and listed on the BVP. Our fixed income portfolio complements our loan portfolio and provides us with an additional source of liquidity. Our investment portfolio is classified and measured following IFRS 9 requirements, distributed in three categories: fair value through profit or loss; fair value through other comprehensive income; and amortized cost.

The following table presents the maturity distribution and weighted average yields of our investment securities as of December 31, 2020.

	As of December 31, 2020		Maturing within 1 year		Maturing after 1 year but within 5 years		Maturing after 5 years but within 10 years		Maturing after 10 years		No maturity
	Book Value	**Yield**	**Book Value**	**Yield**	**Book Value**	**Yield**	**Book Value**	**Yield**	**Book Value**	**Yield**	**Book Value**
	(in thousands of U.S. dollars, except for percentages)										
Foreign Short Term Investments	373,615	0.14%	373,615	0.14%	-	0.00%	-	0.00%	-	0.00%	-
Local Short Term Investments	7,447	4.74%	7,447	4.74%	-	0.00%	-	0.00%	-	0.00%	-
Foreign Government Bonds...............	98,951	1.77%	7,607	0.11%	46,040	0.72%	20,693	2.36%	24,612	3.75%	-
Panama Government Bonds...............	207,354	3.95%	662	4.88%	37,616	5.25%	163,954	3.64%	5,122	3.84%	-
MBS, CMO, ABS and Foreign Corporate Bonds..	3,694,600	2.54%	612,380	1.77%	2,024,906	3.14%	672,062	2.06%	385,252	1.49%	-
Local Corporate Bonds...............	1,205,005	4.92%	92,084	5.10%	339,918	5.03%	643,711	4.86%	129,293	4.80%	
Total	**5,586,973**	**2.93%**	**1,093,795**	**1.50%**	**2,448,480**	**3.39%**	**1,500,419**	**3.44%**	**544,279**	**2.40%**	
Shares	37,811			0.00%	-	0.00%	-	0.00%	-	0.00%	37,811
Total investment securities	**5,624,784**	**2.92%**	**1,093,795**	**1.50%**	**2,448,480**	**3.39%**	**1,500,419**	**3.44%**	**544,279**	**2.40%**	**37,811**

Loan Portfolio

Portfolio Description

Banco General was founded—and until 1990 operated—as a mortgage bank. As a result, our loan portfolio historically has been predominantly composed of residential mortgages to individuals and, to a lesser extent, of loans to corporations secured by mortgages on commercial property. Since 1990, in order to benefit from growth opportunities in other lending segments and to develop a more diversified portfolio with respect to borrowers, loan products and maturity, we made a strategic decision to develop our retail consumer lending and corporate lending operations. As a result, the consumer and corporate lending portion of our loan portfolio has increased, and, as of December 31, 2020, it represents 59.8% of total loans. Between December 31, 2015 and December 31, 2020, our consumer, corporate, and residential mortgage loan portfolios grew at CAGRs of 5.5%, 0.1% and 7.0%, respectively.

To diminish the risk of losses, we strongly emphasize the extension of loans secured by collateral, preferably single-family homes, properties and deposits, in addition to the application of strict underwriting guidelines and "know your customer" policies. As of December 31, 2020, 78.1% of total loans were secured by properties or deposits at the Bank; 73.0% of total loans were secured by a first lien mortgage on land and improvements (residential mortgages, commercial mortgages and interim construction loans) and 5.0% were secured by cash collateral at the Bank (pledge loans and overdrafts). The combination of adequate underwriting policies and quality collateral has resulted in historically low levels of write-offs, averaging 0.51% of loans per year during the five-year period ending December 31, 2020.

As of December 31, 2020, 89.3% of our loan portfolio was made up of local clients, which are borrowers (individuals and corporations) located in Panama, and the remaining 10.7% was with regional clients mainly in Costa Rica, Mexico, Colombia, Guatemala, El Salvador and Peru. As of December 31, 2020, 99.9% of our loans are denominated in U.S. dollars, which is Panama's legal tender. We mainly segment our portfolio by loan type, economic activity, and income group. However, our credit policies provide for managing concentration within economic sectors in the case of corporate lending and provide for various underwriting criteria depending on income level in the case of retail lending.

The following table summarizes our loan portfolio by type of loan as of December 31, 2020, 2019 and 2018.

	As of December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars)		
Local Loans			
Lines of credit and commercial loans	1,247,970	1,447,828	1,590,811
Interim financing	482,879	565,399	700,899
Residential mortgage loans	4,390,972	4,321,904	4,091,043
Commercial mortgage loans	1,952,981	2,020,115	1,920,858
Personal, auto and credit cards	1,759,520	1,894,882	1,776,981
Other secured loans and overdrafts	299,947	358,283	356,635
Finance leasing, net	79,984	100,191	108,302
Total Local Loans	**10,214,254**	**10,708,602**	**10,545,529**
Foreign Loans			
Lines of credit and commercial loans	759,318	858,508	798,964
Interim construction loans	-	-	3,100
Residential mortgage loans	204,561	223,143	249,376
Commercial mortgage loans	188,603	208,335	259,581
Personal, auto and credit cards	11,966	15,323	16,779
Other secured loans and overdrafts	65,722	69,778	79,055
Total Foreign Loans	**1,230,170**	**1,375,087**	**1,406,855**
Total Loans	**11,444,423**	**12,083,689**	**11,952,385**

	As of December 31,		
	2020	2019	2018
Loan losses allowance.............	383,795	165,159	158,531
Unearned commissions............	37,045	43,302	41,104
Loans, net (not including accrued interest receivable)....	**11,023,583**	**11,875,228**	**11,752,749**

Description of Loan Categories

Commercial Loans. The credit facilities extended to corporate borrowers are documented either through a public deed registered at the Panama Public Registry (*Registro Público de Panamá*) ("Public Registry") (in the case of mortgage-backed loans) or a private loan contract (for unsecured facilities or secured by collateral other than mortgages). Such facilities include:

(i) term loans for up to five years to finance fixed working capital needs, equipment, or other fixed assets, usually secured by the assets being financed, periodic monthly amortization for maturities over six months or bullet payment (for short-term transactions), and variable rates of interest, set and adjusted by us unilaterally based on our cost of funds; and

(ii) one-year revolving lines of credit or advanced lines to finance accounts receivable, inventories or other short term assets, with disbursements documented through a note payable in 30 to 360 days, with the most common term being 180 days, variable rates of interest set and adjusted by us unilaterally based on our cost of funds or based on an index such as Libor plus a spread.

Interim Construction Lines. Non-revolving lines of credit extended predominantly to experienced developers for the construction of single-family residential housing projects and for the construction of residential and commercial buildings. The lines have maturities between 12 and 60 months depending on the project and are secured by both a first mortgage on the land on which the project is to be developed and on all of the improvements. Disbursements are initiated once the developer has complied with agreed-upon equity, pre-sale and documentation requirements, and are made subject to a disbursement request and an approved inspection by our designated inspector for the project's advancement. Repayment is derived from the sales of the units under construction, often funded by mortgage loans extended by us to the final buyers. The lines of credit usually carry variable rates of interest set and adjusted by us unilaterally based on our cost of funds.

Residential Mortgage Loans. Long-term (up to 30 year), level-payment, monthly amortizing loans, for the purchase of a buyer's primary residence. These loans are documented as five-year loans, renewable exclusively at our option for additional periods of five years, secured by a first lien on the acquired property through a public deed registered at the Public Registry. The loans carry variable interest rates, which we set unilaterally and can adjust at any time based on our cost of funds.

Commercial Mortgage Loans. Medium to long-term (mostly between five and 12 years), level-payment, monthly amortizing loans, to corporations to finance their main offices and facilities, secured by a first mortgage on the referred properties. The loans mostly carry variable interest rates, set and adjusted by us unilaterally based on our cost of funds.

Consumer Loans. Personal, auto and credit card loans to individuals, which are respectively documented through a note payable, public deed, and contract. Personal loans are unsecured monthly amortizing loans, with maturities of up to 120 months (except in the case of loans to retirees, which have maturities of up to 240 months) and variable rates of interest set and adjusted by us unilaterally based on our cost of funds and market conditions. Additionally, depending on the characteristics of the debtor, we can require a co-debtor who must comply with the same underwriting criteria applicable to the debtor. Most personal loans are collected through a direct payroll deduction, which is irrevocable once accepted by the debtor and the employer. Auto loans to individuals are monthly amortizing loans secured by the car being financed, with maturities of up to 84 months, and variable rates of interest set and adjusted by us unilaterally based on the cost of funds and market conditions. Credit card balances arise under facilities extended to individuals through the type of cards (Visa or MasterCard) we are offering. The holder is required to make a minimum monthly payment of 3% of the outstanding balance of each cycle. Rates of interest are variable.

Pledge Loans and Overdrafts. Facilities to individuals or corporations fully guaranteed by a pledge over a deposit at the Bank. Maturities vary, depending on the maturity of the deposit. We usually lend up to 90% of the amount of the deposit and charge an interest rate that is indexed on a spread over the deposit rate. Overdrafts involve one-year credit facilities to individuals or corporations, which are, on occasion, secured by deposits at the Bank. The rate of interest charged is based on a spread over the rate of the deposit backing the facility or the rate for unsecured individual or corporate loans in the case of unsecured overdrafts.

Leasing. Other credit facilities, including financial leasing given to corporate and commercial clients. Financial leases are given for auto or equipment purchases, for up to 100% of the value of the asset. As of December 31, 2020, financial leases accounted for 100% of this type of loans.

Credit Approval Limits and Process

General

We have a specific approval process and set of underwriting criteria for each type of loan. Loans are approved based on their amount, and depending on the loan type or business segment, by individual credit or branch managers (based on their approval limits), by a credit committee for the loan product, by the Executive Credit Committee (which reviews and/or approves all credits in amounts exceeding the approval authority granted to individual officers and the Retail Credit Committee) or by the Credit Committee of the board of directors. The Credit Committee of the board of directors approves all credits that exceed the approval amounts delegated to the Executive Credit Committee, as well as all credits of a client or group with a total exposure in excess of U.S.$50 million. Approval limits are delegated by our board of directors.

Our current credit committees and their respective approval limits are set forth below:

Committee	Approval Authority
Credit Committee of the board of directors	All credits that exceed the amounts delegated below
Executive Credit Committee	• Up to U.S.$3 million for new facilities or U.S.$10 million for renewal of lines of credit • Up to U.S.$1.5 million for residential mortgage loans • Up to U.S.$500,000 for credit cards to individuals or U.S.$1 million for corporate credit cards
Retail Credit Committee	• Up to U.S.$60,000 for automobile loans and personal loans • Up to U.S.$500,000 for residential mortgage loans • Up to U.S.$30,000 for credit cards

Additionally, our board of directors has delegated approval limits to individual executives, business unit heads and relationship officers, who may approve certain of the following types of credit facilities, up to specific dollar amounts, based on their position within the Bank:

1. Approve the payment of checks from other banks or checks from our clients drawing against uncollected funds.
2. Approve residential mortgage, personal or automobile loans, under existing underwriting criteria, as well as short-term overdrafts.
3. Approve pledge loans and other loans secured by deposits we hold.
4. Approve the issuance of credit cards under existing underwriting criteria.

Individual credit policies and underwriting criteria for retail loans (including residential mortgage loans, personal loans, automobile loans, and credit cards), corporate loans (commercial loans, lines of credit, interim construction lines, and commercial mortgage loans) and other loans (pledge loans and overdrafts) are based on the characteristics of the loan type and the profile of the borrower, economic and market conditions and our prior experience with similar loans, borrowers and supporting collateral. Our overall credit policies and underwriting conditions for retail, corporate, and other loans are set by the Risk Committee of our board of directors and administered by the Executive Credit Committee and other delegated committees and approval officers. Additionally, the credit policies and underwriting conditions are supervised by our board of directors, which has exclusive authority to establish credit and risk limits. In our opinion, our high level of asset quality and low historical levels of write-offs and nonaccrual loans are the product of our consistent application of strict underwriting policies.

The credit policies and underwriting criteria for retail loans establish: (i) general quantitative and qualitative guidelines to evaluate a borrower's payment capacity, which is assessed based on job stability, place of employment (government, private sector or self-employed), type of loan payment (voluntary payment, debit account or direct payroll deduction), outstanding debt, and debt servicing levels and credit references; (ii) maximum loan-to-value levels, location, standards and characteristics of collateral for secured loans (residential mortgages and automobile loans); and (iii) terms and conditions of loans, including maximum maturity, rate of interest, insurance requirements and documentation. Additionally, we require that a potential debtor be reviewed to ensure compliance with "know your customer" internal policies. Since December 2019, we started approving credit cards and personal loans (private employer only) for existing clients through a loan origination model which is based on our delinquency history, external credit references, banks relationship and other demographic information.

General credit policies and terms and conditions for corporate loans are also set for each type of facility. The credit evaluation of corporate loans is performed by analyzing: (i) the reputation, financial and managerial capacity of its principal owners; (ii) the company's capacity to service its debts, determined based on the company's financial position and cash flow projections, experience, and industry's fundamentals and perspectives; and (iii) the availability, quality and capacity to realize the collateral securing the facilities (typically mortgages on property, plant or equipment and pledge of inventories or accounts receivable).

We maintain a centralized and uniform approval policy for all of our corporate and commercial business units (which include Local Corporate and Commercial Banking, Investment Banking and Regional Corporate Banking units). These types of facilities, above U.S.$1 million, are all reviewed and approved by our Executive Credit Committee, which meets weekly or as needs dictate. New approvals above U.S.$3 million or renewals above U.S.$10 million are later referred for approval to the Credit Committee of the board of directors, as well as any facilities to clients or groups with total exposure above U.S.$50 million. The Executive Credit Committee may carry out separate meetings for the review and approval of credit proposals of the different business units.

The members of the Executive Credit Committee consist of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Vice President and Assistant Vice Presidents of the business areas. The credit proposals must be submitted and presented by the relationship officers or executives of the business area. To achieve quorum, at least one Executive Vice President and one Risk Management representative must be present. The Risk Management executive does not have approval authority, but has veto power, and verifies that the credit proposal is aligned with our risk appetite and credit policies. After every meeting, the secretary of the Executive Credit Committee prepares the minutes reviewing all approved credits and their applicable terms and conditions.

Set forth below is a summary of the credit approval process for each type of loan.

Retail Loans

Residential Mortgage Loans. Upon completion of a loan application by the debtor (which includes an employment letter or tax return or social security receipt as proof of income of debtor(s), credit references, and property appraisal), an analyst reviews the applicant's information to determine if it complies with the existing underwriting criteria. If so, the analyst submits the loan information through the mortgage origination system (including selling price of home, location and description, loan-to-value ratio, term, rate of interest, debt service ratio, whether direct payroll deduction or voluntary payment), and information on the debtor(s) (including time and place of employment, debts outstanding, credit references) (the "credit memorandum"). Loans in excess of U.S.$150,000 require approval from the Retail Credit Committee which has approval authority up to U.S.$500,000. Loans in excess of U.S.$500,000 may be approved by the Executive Vice President or Vice President, based on their individual approval limits. Loans over the delegated levels are approved by the Executive Credit Committee (up to U.S.$1.5 million) or the Credit Committee of the board of directors (above U.S.$1.5 million). Once approved, the loan package is sent to the operations department for preparation of corresponding documentation, including approval letter, mortgage deed (which is prepared and reviewed by our internal legal department). Once the first-lien mortgage has been registered at the Public Registry, presented to us, and it is confirmed that the debtor is in compliance with all requirements of the loan, the operations department proceeds to disburse the loan according to the credit memorandum and instructions received from beneficiary. In the case of loans with direct payroll deduction, disbursement takes place upon our receipt of the payroll deduction letter duly approved by the debtor and the employer or payer.

The basic underwriting criteria for residential mortgage loans includes:

Location of property. Designated urban areas and vacation projects approved by us. Each residential project is previously analyzed by a committee, which includes representatives from the business area (both Interim and Residential Mortgages departments), Risk Management and Infrastructure Department.

Employment. At least two years of continuous employment by a private employer, five years of continuous employment by a governmental agency or four years of stable income, in the case of self-employed professionals or business owners.

Payment capacity. Monthly payment (principal, interest and insurance premium) must not exceed 30% of proven recurring family income (up to 35% in the case of government employees). Direct payroll deduction is usually required in loans under the Preferential Interest Program ("the Preferred Program") and sought in standard loans.

Insurance. The debtor has to acquire and maintain life insurance for the outstanding amount of the loan from a recognized insurer and fire insurance for 80% of the value of the mortgaged property.

Loan to Value. Up to 98% in the case of loans for properties valued up to U.S.$120,000.00 or up to 95% in the case of loans for properties valued between U.S.$120,000.01 and U.S.$180,000.00, both under the Preferred Program. Up to 95%, in the case of standard residential mortgage loans for properties valued between U.S.$120,000.01 and U.S.$250,000.00; up to 90% in the case of standard residential mortgage loans for properties valued between U.S.$250,000.01 and U.S.$400,000.00; up to 80% in the case of standard residential mortgage loans for properties valued between U.S.$400,000.01 and U.S.$600,000.00; up to 75% in the case of standard residential mortgage loans for properties valued above U.S.$600,000.01. The loan-to-value ratio is adjusted depending on property characteristics, payment capacity and the value per square meter (for condos the amount that can be financed is capped based on square meter).

Collateral. First mortgage and antichresis on property, registered at the Public Registry.

Term. Typically, payments are calculated for 30 years, but documented as a five-year loan renewable for five additional five-year terms at the Bank's option.

Rate of Interest. Variable, and set and adjusted by us based on our cost of funds. In the case of a loan in the Preferred Program, the total rate is based on the market reference rate as calculated by the SBP, although we have the option of setting the rate at any time.

Automobile Loans. The application and required documents (including an employment letter or tax return or social security receipt as proof of income of debtor(s), credit references, and a pro forma list price of the automobile to be financed), are reviewed by an analyst. If the applicant qualifies under the set parameters, the analyst prepares a credit memorandum with the conditions of the loan (including selling price of vehicle and description, amount of loan, term, rate of interest, debt service ratio, whether direct payroll deduction or voluntary payment) and information on the debtor(s) (including time and place of employment, debts outstanding, credit references). Loans in excess of U.S.$25,000 are presented to the Retail Credit Committee, or could be approved by an Assistant Vice President, Vice President or Executive Vice President with the required approval authority. Following approval, the documentation is sent to the operations department for preparation of corresponding documentation, including the approval letter and the loan and mortgage contract (which is reviewed by our internal legal department). Once approved, the documents are sent to our operations department for preparation of corresponding legal documentation, including the approval letter and the loan and mortgage, or the Custodian Trusteeship contract with a third-party. The mortgage lien on the vehicle is registered at the Public Registry, unless the loan is documented through a third-party trust. Upon presentation of the loan contract, and confirmation that the debtor complies with all requirements, the operations department proceeds to disburse the loan according to the credit memorandum. In the case of loans with direct payroll deduction, disbursement takes place upon receipt of the payroll deduction letter duly approved by the debtor and the employer or payer.

The basic underwriting criteria for automobile loans includes:

Automobile. Mostly new cars, from brands and models that we determine to have an acceptable secondary market for resales.

Employment. At least two years of continuous employment by a private employer, five years of continuous employment by a governmental agency or four years of stable income, in the case of self-employed professionals or business owners.

Payment capacity. Monthly payment (principal, interest and insurance premium) must not exceed 35% of proven recurring income, or 20% in the case of direct payroll deduction loans. Direct payroll deduction is sought but not required for automobile loans.

Insurance. The debtor has to acquire an insurance policy with damage and liability coverage for the outstanding principal amount of loan, as well as life insurance.

Loan to Value. Up to 90%, depending on car model and payment capacity.

Collateral. First lien mortgage on automobile, registered in the Public Registry and at Panama's Municipal Car Registry, unless the loan is documented through a third-party trust (Custodian Trusteeship contract with a third-party).

Term. Up to seven years.

Rate of interest. Variable, and set and adjusted by us based on our cost of funds and market conditions.

Personal Loans. Personal loans are processed at all of our branches. Upon completion of a loan application by the debtor (which includes an employment letter or tax return or social security receipt as proof of income of debtor(s) and credit references), if the applicant meets the existing underwriting criteria, the analyst submits the conditions of the loan (including loan amount, term, rate of interest, debt service ratio, whether direct payroll deduction or voluntary payment), and information on the debtor(s) (including time and length of employment, debts outstanding, credit references) to the respective branch manager in order to receive approval based on their delegated approval limits. If the credit proposal exceeds the limit or faculties of the branch manager, the loan would require approval by the Retail Credit Committee, or an Assistant Vice President, Vice President or Executive Vice President with the required approval limit. Once approved, the loan is sent to our operations department for preparation of the corresponding documentation, including approval letter, note payable, direct payroll deduction forms, and guarantee document for the co-signer/co-debtor if applicable. Once the proper documents are duly executed and the debtor is in compliance with all requirements of the loan, the operations department proceeds to disburse the loan according to the credit memorandum. Personal loans typically require direct payroll deduction, and therefore the disbursement takes place only upon receipt of the form authorizing the deduction duly approved by the debtor and the employer or payer. Since December 2019, we started approving personal loans for existing clients who work in the private sector, through a loan origination model which is based on our delinquency history, external credit references, banks relationship and other demographic information.

The basic underwriting criteria for personal loans includes:

Employment. At least two years of continuous employment by a private employer, and up to at least five years of continuous employment by a governmental agency or four years of stable income, in the case of self-employed professionals or business owners, or to be a retiree and recipient of Panama's social security fund.

Payment capacity. Monthly payment of debtor (principal, interest and insurance premium) must not exceed 20% of income for private sector employees, 35% of income for public sector employees, and 46% of pension for retirees from the social security.

Direct payroll deduction. Irrevocable payment deduction is required for most loans. For a deduction to be enforceable, it must be for an amount not to exceed the levels mentioned in the previous paragraph. Direct payroll forms are executed for the debtor.

Insurance. The debtor must qualify to acquire life insurance for the outstanding amount of the loan from a recognized insurer.

Amounts. From U.S.$1,000 to U.S.$65,000, depending on payment capacity, job stability, income source (private sector employee, public sector employee, retirees or self-employed).

Term. Up to 20 years.

Rate of Interest. Variable, and set and adjusted by us based on its cost of funds and market conditions.

Credit Card Issuance. Credit card applications are primarily processed centrally, although branch managers are authorized to approve cards under our existing approval policies. Upon completion of a credit card application by a client (which includes an employment letter, tax return or social security receipt as proof of income of debtor(s), as well as credit references), an officer in the credit card department or at a branch reviews the application to determine if it complies with the existing underwriting criteria. If the applicant qualifies, the credit card application is either considered by the branch manager or executives for approval, within their respective credit approval authorities. If outside of credit approval authority, the application is sent to the Retail Credit Committee or to an Assistant Vice President, Vice President or Executive Vice President with the required approval authority. Upon approval, the application is signed by the approving party and sent to the operations unit within the credit card department for preparation of corresponding documentation and card issuance. Since December 2019, we started approving credit cards to existing customers through a loan origination model which is based on our delinquency history, external credit references, banks relationship and other demographic information.

The basic underwriting criteria for credit cards includes:

Employment. At least two years of continuous employment by a private employer, or by a governmental agency, or four years of stable income, in the case of self-employed professionals or business owners, or two years of stable income in the case of retirees and recipients of Panama's social security fund.

Payment capacity. Minimum monthly salary of U.S.$500.

Amounts. From U.S.$400 to U.S.$25,000, depending on payment capacity and job stability.

Co-signer. We may require a co-signer if we deem the credit standing of the holder to be insufficient.

Term. One year with the ability to suspend and revoke the card immediately for non-payment.

Rate of Interest. Variable, and set and adjusted by us based on its cost of funds and the risk.

Commercial and Corporate Loans

All corporate loans are managed centrally by the commercial or corporate banking units through their relationship officers, who are located throughout Panama in our headquarter office and in branch offices. International banking relationship officers are located at BGCR, our subsidiary in Costa Rica, as well as representative offices located in Mexico, Colombia, Guatemala, El Salvador and Peru. Each of our existing and new clients is assigned a relationship officer, who is responsible for the credit approval process and management of the client relationship. The relationship officers are supported by a risk analysis unit and an operations department within the corporate banking unit, an engineering staff unit in charge of inspecting projects financed through interim construction lines and by their direct support staff.

The approval process begins with due diligence on the client and a credit check for both the corporation and the controlling shareholders (most Panamanian and Latin American corporations are closely held family businesses), to determine personal and general creditworthiness. Upon assessing the adequacy of references, the credit officers visit the client's facility and requests basic information, including a minimum of two years of financial statements from an auditing firm we deem to be adequate, corporate documents and appraisals. The relationship officers then proceed to submit financial statements to the risk analysis unit which prepares a credit report. The relationship officer then assembles a credit package to present for approval to either the Executive Credit Committee or an authorized officer based on individual credit approval authority. The loan package distributed to committee members typically includes a cover page with an executive summary of the credit request, a credit memorandum (with all terms and conditions of the facility, including, among others, name of borrower, economic group and controlling shareholders, amount, facility type, country risk, collateral, guarantors, amortization, insurance required, conditions precedent and financial covenants), a deposit loan summary containing all of the client's (and its related economic groups') deposits held by us, an integral view sheet, which shows the client's profitability, a credit analysis and a spreadsheet of the last three years of financial data and a deposit loan summary. Additionally, the officer has available copies of property appraisals, corporate documentation and personal and credit references, which may be presented to the respective credit committee at its request.

Once approval is granted by a credit committee or a delegated officer, the credit memorandum is processed and sent to the operations unit. Approval of all credit facilities that reach committee level are recorded in the minutes of the corresponding meeting of the Executive Credit Committee or Credit Committee of the board of directors. A large volume of the credit facilities is documented internally, through standard loan documentation models established by us for such purposes. More complex or specialized facilities, such as structured loans or interim construction loans are sent to outside legal counsel for document preparation (loan, mortgage, and guarantees contracts). Upon completion of required documentation, registration of the contract and mortgage(s) in the Public Registry in the case of facilities secured by a mortgage, and confirmation that the client complies with all terms and conditions, the operations department proceeds to disburse or establish the credit facility.

The basic underwriting criteria for commercial and corporate loans includes:

<u>Borrower</u>. Must have good personal and credit references. We typically lend to companies with an established track record.

<u>Payment capacity</u>. The main requirement for approving a loan is that the borrower must have the necessary cash flow to adequately service its debts based on historical performance, financial position, projections, industry fundamentals and facility terms

<u>Collateral</u>. We typically procure collateral, principally a first mortgage on property or equipment, a pledge of inventories or accounts receivable or a pledge on deposits at held by us. The loan to value depends on the loan type, structure of facility and creditworthiness of borrower (see "—Loan Portfolio—Portfolio Description"). We also require insurance, depending on collateral and the standing of the borrower.

<u>Term</u>. Varies by type of facility (see "—Loan Portfolio—Portfolio Description").

<u>Rate of Interest</u>. Depends on facility, term, credit worthiness of borrower and collateral involved (see "—Loan Portfolio—Portfolio Description").

Pledge Loans and Overdrafts

Pledge loans and overdrafts secured by deposits held by us are handled and approved at any of our branches, based on the applicable terms and conditions and the individual approval limits of officers. The officer handling the facility prepares a credit memorandum with all the terms and conditions for signature by the corresponding approval officer.

After approval, the operations unit prepares the documents (mainly the loan or overdraft contract and the pledge contract), requests that the certificate from the client be sent to central custody (for a time deposit or bond) and proceeds to create the loan and disburse it. These facilities are periodically audited by our internal auditing department on a sample basis to confirm compliance with the policies in effect. In the case of unsecured overdrafts, the facility is presented in a credit memorandum with corresponding supporting documents to an officer or to the Executive Credit Committee for approval and, if approved, sent to operations for disbursement. We do not promote unsecured overdrafts and consequently extend such facilities only to certain clients with a solid track record of strong performance.

The basic underwriting criteria for pledge loans and overdrafts includes:

<u>Borrower</u>. Must have strong personal and corporate credit references.

<u>Collateral</u>. We typically lend up to 90% of the face amount of a deposit, which constitutes a pledge over the entire deposit.

<u>Term</u>. Payable upon demand in the case of savings accounts and up to the maturity of deposit for facilities backed by such assets.

<u>Rate of interest</u>. A spread over the rate of interest of the deposit.

Description of Credit Management Policies

We have internally adopted methodology to classify, evaluate, reserve, and write-off loans in our portfolio, which we believe to be considerably more specific, rigid and fulsome than the requirements established by the SBP. Therefore, we rely primarily on our internally adopted policies to monitor and manage the credit quality of our loan portfolio and to establish adequate reserves to protect against possible losses through the creation of adequate allowances.

The SBP's credit risk classification system requires that banks create an allowance, or write-off an amount, based on the level of risk assigned to each credit facility. The amount of the allowance, or write-off amount, is based on the outstanding balance net of the present value of specific tangible collateral. Thus, the allowance, or write-off amount, would represent 20% of the net balance of loans classified as "Special Mention," 50% of loans classified as "Sub-standard," 80% of loans classified as "Doubtful" and 100% of loans classified as "Uncollectible." For a discussion of the SBP's classification system see "—Classification of the Loan Portfolio Based on SBP Guidelines." Based on the SBP allowance requirements (including the generic reserve for Special Mention Modified Loans), our required regulatory allowance as of December 31, 2020 amounted to U.S.$245.9 million, or 2.15% of our outstanding loans, as compared to our loan losses allowance of U.S.$383.8 million as of the same date, representing 3.35% of our outstanding loans as of the same period. This booked reserve is supported by our IFRS 9 expected credit loss reserve models.

In addition to the above specific reserve requirements, since December 31, 2014, the SBP also requires the establishment of a "dynamic reserve" to be calculated for loans with a credit risk classification of "Standard." This "dynamic reserve" is appropriated directly from retained earnings and maintained in the capital accounts. The reserve is established to cover for possible future loan losses, and therefore cannot be distributed to shareholders. Additionally, the "dynamic reserve" cannot be reduced once established and is reviewed quarterly to account for possible increases based on the increase in risk weighted assets classified as "Standard." As of December 31, 2020, we maintained a dynamic reserve of U.S.$152.3 million, which was 1.97% of risk weighted assets with a "Standard" credit risk classification. Since June 2020, given the extraordinary circumstances related to pandemic, the SBP has temporarily suspended the quarterly obligation to calculate and constitute dynamic reserve requirements. Additionally, the SBP has established guidelines to allow banks to make use of their established dynamic reserves in order to constitute loan loss reserves. Banco General has not made use of the dynamic reserve, which remains at the same level as it was on the end of June 2020.

To classify the loan portfolio, monitor our performance and quality and act to collect on non-current loans, we have a retail collections department, overseen by a Vice President, with specialized units to manage the collection of: (i) residential mortgage loans; (ii) non-mortgage consumer loans (automobile loans, personal loans and credit cards); and (iii) leasings. We also have a commercial collections department that manages the collection of: (i) commercial mortgage loans; (ii) other commercial loans; (iii) leasings; and (iv) other loans. The commercial collections department is supported by officers in the Local Corporate and Commercial Banking, Investment Banking and Regional Corporate Banking units, for the collection of all types of corporate loans. The performance of the collection departments and of the overall loan portfolio is supervised by the Executive Credit Risk Committees, chaired by our Risk Manager and comprised of the Executive Vice President and General Manager Officer, the Executive Vice President of Finance and Deputy General Manager, the Executive Vice Presidents of Local or International Business, and the Vice Presidents of the corresponding business units. The responsibilities of the Executive Credit Risk Committees include the supervision of the quality of the loan portfolio through the monitoring of its performance, execution of adequate collection practices and the issuance of recommendations to the Executive Credit Committee for adjustments to credit policies. During the meetings of the collection department, the manager presents reports on the classification of the loan portfolio which serve as the basis for analyzing the status of the portfolio and for reviewing trends in different sectors and loan products. Our management presents the reports of the status of the loan portfolio to the board of directors on a monthly basis, which serves as an integral step in the process of establishing credit policy.

Regarding our cross-border credit exposure, we maintain a country risk model approved by the board of directors, which establishes the maximum country risk exposure that is acceptable to us at any given time. The limits are established as a percentage of our capital funds. We maintain the following concentration limits for this portfolio:

1. A specific, independent country limit for Guatemala (30%), Costa Rica (25%), Mexico (25%), Colombia (25%), Peru (15%), El Salvador (15%), Honduras (2.5%), Nicaragua (2.5%), and other countries (5% - as a whole). Other than Panama, the listed countries are the main countries in our target market for our credit portfolio.
2. A global limit that encompasses all the above countries, which should not exceed 125% of the of our capital funds. This limit applies only to countries in which the Bank has a physical presence, and thus does not apply to Nicaragua, Honduras and the “other countries” category.
3. A sectorial limit, within each country, which establishes that no individual sector shall exceed 35% of the corresponding country limit.
4. A global sectorial limit for the regional portfolio, which establishes that no individual sector of the total regional portfolio shall exceed 20% of our capital funds.

The definition for country risk exposure is based on approved credit facilities (not just the disbursed facilities) net of cash secured positions and includes positions in the investment portfolio (for the above-mentioned countries).

Classification of the Loan Portfolio Based on the Borrowers' Performance

Past Due Loans

We classify our loan portfolio based on: (i) interest and principal payment status (current, overdue 31-90 days, and more than 90 days past due); and (ii) the principal of a loan at final maturity as current or, if not paid after 30 days past final maturity, as past due. Our total past due loans include the entire principal outstanding of all loans with past due interest and principal amortization payments of 91 days or more and/or with final maturity principal overdue 31 days or more. Our modified loan portfolio, providing financial relief to our customers affected by COVID-19, is not considered past due to the extent the borrowers remain current in accordance with the modified terms.

The following tables provide the classification of our loan portfolio based on interest and principal payment status (current, overdue 31-90 days, and 91 days or more past due) and principal at maturity (current and past due) for the three years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31, 2020				
	Current	Overdue 31-90	Past Due Interest 90 days+	Past Due Principal	Total
	(in thousands of U.S. dollars, except for percentages)				
Loans					
Commercial	862,185	3,220	8,826	133	874,364
Interim construction loans	461,820	19,142	-	1,918	482,879
Lines of credit...........	1,100,276	26,882	944	4,823	1,132,924
Residential mortgage loans	4,285,907	186,742	122,723	162	4,595,533
Commercial mortgage loans	2,049,456	67,791	22,248	2,088	2,141,584
Consumer loans	1,720,225	41,796	9,380	85	1,771,485
Pledge loans and overdrafts	362,144	3,088	18	420	365,669
Leasing	76,428	1,281	2,276	-	79,984
Total Loans.................	**10,918,441**	**349,942**	**166,414**	**9,627**	**11,444,423**
Percentage of total........	95.40%	3.06%	1.45%	0.08%	100.00%
Past due 90+ days and Past Due Principal					176,041
Percentage past due 90+ days					1.54%

	For the Year Ended December 31, 2019				
	Current	Overdue 31-90	Past Due Interest 90 days+	Past Due Principal	Total
	(in thousands of U.S. dollars, except for percentages)				
Loans					
Commercial..............	990,875	993	6,568	237	998,672
Interim construction loans	546,915	16,528	-	1,956	565,399
Lines of credit...........	1,299,148	1,978	1,102	5,436	1,307,664
Residential mortgage loans	4,258,006	192,703	94,136	202	4,545,047
Commercial mortgage loans	2,139,411	68,875	20,035	129	2,228,450
Consumer loans	1,841,563	45,601	22,978	64	1,910,205
Pledge loans and overdrafts	421,396	6,204	-	460	428,060
Leasing.....................	98,763	1,304	124	-	100,191
Total Loans.................	**11,596,076**	**334,186**	**144,942**	**8,484**	**12,083,689**
Percentage of total........	95.96%	2.77%	1.20%	0.07%	100.00%
Past due 90+ days and Past Due Principal					153,426
Percentage past due 90+ days					1.27%

	For the Year Ended December 31, 2018				
	Current	Overdue 31-90	Past Due Interest 90 days+	Past Due Principal	Total
	(in thousands of U.S. dollars, except for percentages)				
Loans					
Commercial..............	793,314	760	8,897	34	803,005
Interim construction loans	701,576	-	-	2,424	703,999
Lines of credit...........	1,571,187	1,158	1,406	13,021	1,586,771
Residential mortgage loans	4,066,894	194,558	78,838	128	4,340,418
Commercial mortgage loans	2,144,196	27,624	8,364	254	2,180,438
Consumer loans	1,730,644	40,704	22,354	59	1,793,760
Pledge loans and overdrafts	429,071	5,489	-	1,131	435,691
Leasing.....................	106,207	1,189	906	-	108,302
Total Loans.................	**11,543,088**	**271,482**	**120,765**	**17,050**	**11,952,385**
Percentage of total........	96.58%	2.27%	1.01%	0.14%	100.00%
Past due 90+ days and Past Due Principal					137,815

	For the Year Ended December 31, 2018				
	Current	Overdue 31-90	Past Due Interest 90 days+	Past Due Principal	Total
	(in thousands of U.S. dollars, except for percentages)				
Percentage past due 90+ days					1.15%

Non Accrual Loans

The SBP requires us to place a loan on non accrual status if any of the following conditions are met: (i) the payment performance measured by past due amounts of interest and principal reach the threshold set out below; or (ii) the financial condition of the debtor, individual or corporate, has suffered a material adverse effect (payment capacity deterioration, collateral weakness or other factors known to us, such as fraud, death of debtor, or personal or corporate bankruptcy) which threatens our ability to collect the loan. All past due loans fall within non accrual status, except for residential mortgage loans which stop accruing interest after 120 days, as described in the following table.

Below are the specific parameters, based on days past due, for classifying loans as non accrual:

Type of Loan	Days Past Due
Personal loans	> 90 days
Pledged loans	> 90 days
Auto loans	> 90 days
Residential mortgage loans	> 120 days
Corporate or commercial loans	> 90 days
Interim construction loans	> 90 days
Credit cards	> 90 days
Leasing facilities	> 90 days
Overdrafts (past the maturity date)	> 30 days

Analysis of Amounts Past Due by Type of Loan and Non Accrual Loans

The following tables provides our past due loans by type of loan, as well as non accrual loans, for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars, except for percentages)		
Past due loans			
Commercial	8,959	6,805	8,931
Interim construction loans	1,918	1,956	2,424
Lines of credit	5,766	6,538	14,426
Residential mortgage loans	93,567	68,947	54,954
Preferential mortgage loans	29,317	25,391	24,373
Commercial mortgage loans	24,336	20,164	8,618
Consumer loans	9,464	23,042	22,413
Pledge loans and overdrafts	438	460	1,131
Leasing	2,276	124	906
Total past due loans	**176,041**	**153,426**	**137,815**
Total Loans	**11,444,423**	**12,083,689**	**11,952,385**
Loan losses allowance	383,795	165,159	158,531
Past due loans to total loans	1.54%	1.27%	1.15%
Loan losses allowance as a percentage of past due loans	218.01%	107.65%	115.03%

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Loan losses allowance + Dynamic Reserve / past due loans.....................	304.50%	206.88%	224.69%

Write-Off Policy

Our write-off of non-performing loans is based on (i) an assessment of the probability of collection and (ii) our legal rights as a creditor in the case of either a secured or an unsecured loan. The general guidelines in the case of unsecured loans, by type of loan are summarized below:

Personal loans. The loan will be written off if, after 181 days past due status, it has not been serviced; however, if a specific and likely source of repayment exists, such as a co-debtor, or guarantees of any of such parties to which we have recourse, we may delay the write-off.

Credit cards. Balances are written off after 181 days past due; however, if a specific and likely source of repayment exists, we may delay the write-off.

Unsecured overdrafts. Written off if not serviced after 181 days.

Unsecured commercial loans. Normally written off if past due over 360 days and no collateral or other source of repayment is available. The SBP allows write-offs up to one year after the loan was assigned a risk classification of "Loss"; this is typically between 630 and 720 days past due. Our policy is to write-off as soon as it recognizes the unlikeliness of recovery.

Although we continuously monitor asset quality, we typically take write-offs quarterly for commercial loans and monthly for retail loans, following a comprehensive review of distressed unsecured loans.

The following guidelines apply to write-offs of non-performing secured loans:

Residential mortgage loans. We typically begin a foreclosure process if a loan is more than 181 days past due as to principal and interest payments. A write-off is made when the foreclosed asset is assigned if the assessed market value of the asset at assignment is lower than the outstanding principal and interest of the loan. Additionally, once the legal collection process has initiated, a partial write-off may be performed if the value of the collateral is lower than the outstanding principal amount of the loan. In addition, as per regulations, residential mortgage loans must be fully reserved (through a special reserve in the capital account) once the loan exceeds an established past due threshold, which typically is after three years being assigned a risk classification of "Loss."

Commercial mortgage loans. We typically begin a foreclosure process when a loan is more than 181 days past due as to interest or principal and could make a write-off at the end of the judicial process if the liquidation value of the asset repossessed is below the outstanding amount of loan. Additionally, once the legal collection process has been initiated, a partial write-off may be performed if the value of the collateral is lower than the outstanding principal amount of the loan. In addition, as per regulations, loans secured by commercial property must be fully reserved (through a special reserve in the capital account) once the loan exceeds an established past due threshold, which typically is after two years being assigned a risk classification of "Loss."

Automobile loans. Any time after 90 days past due, we initiate a repossession of the vehicle. Upon repossession, we make a write-off if the liquidation value of the automobile does not exceed the outstanding amount of the loan.

Our amount of write-offs historically has been 0.46% on average for the four years ended December 31, 2019 and 0.73% for the year 2020 (affected by COVID-19 pandemic); resulting in a five year average of 0.51%. We attribute these write-off levels to the following factors: (i) application of rigid and consistent underwriting policies over time, (ii) our preference to extend high quality secured loans, collateralized mostly by residential and commercial properties, the quality and value of which are carefully scrutinized; and (iii) the diligent monitoring of loan performance to enable appropriate action to minimize losses.

In addition to the normal write off policies mentioned above, given the extraordinary situation caused by COVID-19, the Bank approved and implemented a temporary and exceptional write-off policy for consumer credits that have been modified and postponed due to COVID-19. This policy is based on analyzing a combination of factors other than delinquency, such as the employment status and income generation by the customer, the type of credit product and its guarantees, the internal risk classification of the customer, and the number of accumulated installments without payment. This policy has been implemented on a temporary and exceptional basis and may be suspended by the Bank at any point in time.

Analysis of Allowance for Loan Losses

Since January 2018, the Bank's provisions and allowances for loan losses are assessed based on the IFRS 9 expected credit loss guidelines, as well as the SBP's requirements. Previously, IAS 39 standards were applied until December 31, 2017.

The classification and measurement of each loan in BG's portfolio reflects the Bank's business model for managing these types of assets and the contractual cash flow characteristics of each facility. Based on the aforementioned factors, basically all of BG's loan portfolio is measured at amortized cost.

BG calculates the expected credit loss of the loan exposures by taking into account several factors, including the client's risk classification, the determination of any significant increase in credit risk since origination, historical default rates, and outstanding and past-due loan balances. In particular, a significant increase in credit risk occurs no later than 31 days after a loan is past due. Additionally, a loan is considered in default no later than 91 days after it is past due, or 31 days for overdrafts.

BG's model, as applied under IFRS 9 expected credit loss guidelines is the product of four fundamental components:

a. Probability of default (PD) – Probability that a client will default.
b. Loss given default (LGD) – Severity of the loss if the default takes places.
c. Exposure at default (EAD) – outstanding debt at the time of default, including a credit conversion factor for contingent exposures.
d. Forward looking component – which is applied to take into account the impact of expected macroeconomic factors and credit cycles.

The probability of default (PD) values assigned to each of BG's loans is generated through one of several models, developed as per the type of credit and customer profile. As such, separate models are maintained for consumer clients, and commercial/corporate clients.

The Loss given default values were estimated based on the Bank's historical recovery rates by type of loan or type of collateral and considers the recovery costs of the guarantee.

As per IFRS guidelines, the loan portfolio is classified in three stages of impairment based on the measured risk of each loan, through factors that include: risk classification, recovery score, days of delinquency and restructurings. Furthermore, the corresponding stage helps determine the applicable probability of default for each loan in BG's credit portfolio. Stage 1 loans recognize their expected credit losses based on the PD for 12 months; Stage 2 loans recognize their expected credit losses based on the PD over the total life of the loan; and Stage 3 loans recognize the expected credit losses based on a PD of 100%.

The Bank's expected credit loss models are applied monthly and are programmed within the Bank's MIS system. When required provisions for loan losses are accounted for as charges on income and added to allowance for loan losses to bring the allowance to the required level. Any subsequent charge off (write-off) of any loans is charged against this allowance.

Regarding regulatory requirements on loan loss reserves, the SBP requires that banks apply both the IFRS 9 expected credit loss models, as well as a complementary regulatory model. The results of these models must be compared, and if the regulatory model affords a higher allowance requirement, the bank must then establish a regulatory credit risk provision in the capital accounts (appropriated from retained earnings) to complete the higher requirement of the regulatory model. In addition, the SBP's regulatory provision guidelines establish that banks must apply a Risk Classification System that assigns one of five possible risk ratings to each loan: A- Standard, B- Special Mention, C- Sub-standard, D- Doubtful, E- Uncollectible. The classification is reviewed monthly and a more in-depth analysis is performed periodically for significant exposures and watch list clients.

As per the regulatory provision guidelines, collateral mitigation is considered in the calculation of the specific provisions based on the following percentages of the collateral value (for the main types of collateral):

Cash Collateral:	taken at 100%;
Residential properties:	taken at 70%
Land (including land used for agricultural purposes):	taken at 50%
Commercial real estate:	taken at 60%
Investment securities traded in active markets	taken at 70%
Investments securities that lack an active market	taken at 50%
Panamanian sovereign debt	taken at 90%
Mortgages on automobiles for private use	taken at 50%

Country risk provisions are included within the expected credit loss models (IFRS 9), to account for the cross-border risk maintained by us through our international credit exposures. The country risk provision is accounted for through a country risk adjustment factor included within the probability of default component of each loan, depending on the obligors' country risk. The country risk adjustment factor is provided by Moody's. Given the aforementioned, the country risk provision is included as part of the allowance for loan losses.

Our board of directors has adopted a policy of building a strong allowance for loan losses, to provide a cushion to safeguard against potential losses derived from unforeseen economic events or from our increasing exposure to unsecured lending, including consumer and international lending. 2020 represented one of these unforeseen circumstances with the COVID-19 pandemic, and the Bank increased its net Provision for loan losses expensed, net of recoveries to U.S.$280.9 million in 2020 from U.S.$42.0 million in 2019. The Bank also increased the allowance for loan losses account to U.S.$383.8 million at year end 2020. Additionally, our allowance for loan losses far exceeds the requirements of the SBP. In accordance with SBP guidelines, the allowance for loan losses requires the percentages of the net balances of the loans as follows: for Standard, 0%; for Special Mention, 20%; for Sub-standard, 50%; for Doubtful, 80%; and for Uncollectible, 100%. See "—Allowance for Loan Losses Based on SBP Guidelines." Further, we must comply with capital adequacy rules requiring us to maintain total adjusted capital of not less than 8.0%, and our primary equity capital must be equal to or greater than 4.50% of our assets and off-balance sheet operations that represent a contingency to us.

At December 31, 2020, our allowance for loan losses amounted to 3.35% of total loans outstanding (1.37% in 2019).

The following table presents our allowance for loan losses for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars)		
Allowance at the beginning of period	165,159	158,531	144,832
Provision for loan losses expensed, net of recoveries.....................	280,947	41,954	41,983
Write-offs:			
Commercial	521	6,236	249
Interim construction loans........................	-	415	207
Lines of credit..............	1,819	6,774	607

	For the Year Ended December 31,		
	2020	2019	2018
Residential mortgage loans.........................	977	1,862	885
Commercial mortgage loans	1,267	434	397
Personal and auto loans and credit cards	78,192	46,057	48,787
Personal	*48,178*	*28,509*	*31,147*
Auto	*2,279*	*2,331*	*1,869*
Credit cards	*27,735*	*15,217*	*15,771*
Pledge loans and overdrafts..................	394	864	484
Leasing.........................	48	337	133
Loans written off............	**83,218**	**62,981**	**51,750**
Recovery of loan write-off	20,907	27,654	23,053
Allowance at the end of period..........................	**383,795**	**165,159**	**158,531**
Allowance for loans losses as percentage of total loans.............................	3.35%	1.37%	1.33%
(Allowance for loans losses + Dynamic Reserve) / total loans	4.68%	2.63%	2.59%
Net write-off to total loans.	0.54%	0.29%	0.24%
Write-offs to total loans.....	0.73%	0.52%	0.43%

Classification of the Loan Portfolio Based on SBP Guidelines

The SBP requires that banks submit a monthly report containing the classification of the entire loan portfolio among five different categories of risk. The classification rating categories are Standard (A), Special Mention (B), Sub-standard (C), Doubtful (D) and Uncollectible (E). For further information on the SBP's adoption of certain temporary loan classification measures (the "Special Mention" category) as a result of the COVID-19 pandemic, see "Regulations and Supervision—Regulation in Panama—Loan Loss Allowances—Additional, Exceptional and Temporary measures for compliance with specific reserve provisions."

The following table sets out our classification of our loan portfolio based on the SBP categories for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
	(in thousands of U.S. dollars, except for percentages)					
Standard...........................	10,105,136	88.3%	11,184,205	92.6%	11,320,875	94.7%
Special Mention.................	808,084	7.1%	584,040	4.8%	388,726	3.3%
Sub-standard.....................	384,753	3.4%	201,996	1.7%	131,812	1.1%
Doubtful...........................	51,407	0.4%	55,378	0.5%	68,119	0.6%
Uncollectible.....................	95,043	0.8%	58,070	0.5%	42,853	0.4%
Total................................	**11,444,423**	**100.0%**	**12,083,689**	**100.0%**	**11,952,385**	**100.0%**

Allowance for Loan Losses Based on SBP Guidelines

In line with the guidelines issued by the SBP in 2013 through Accord 4-2013, as amended ("Accord 4-2013"), we maintain the five-tier rating system previously described for classifying credit exposures. Based on the assigned rating, the SBP defines a range of required provisions (specific reserves). For consumer credit purposes, the rationale behind an assigned rating is based on the amount of time a facility has been past due. When loans are restructured, we maintain the rating at the time of restructuring for a period of at least six months. For corporate and consumer banking facilities, the risk rating is based on a comprehensive evaluation of the major financial, operational, internal and external risks factors that a client may have, in addition to the loan payments experience.

The required allowance levels are established based on the net balance of each loan, after applying the estimated proceeds from the liquidation of specific collateral to the outstanding principal of each loan. The allowance for loan losses requires the percentages of the net balances of the loans as follows: for Standard, 0%; for Special Mention, 20%; for Sub-standard, 50%; for Doubtful, 80%; and for Uncollectible, 100%.

Risks of the Loan Portfolio

Maturity Profile

As a result of the concentration of residential and commercial mortgage loans (which represent 58.9% of our portfolio as of December 31, 2020), 59.2% of total loans have a maturity of more than one year but less than five years. Our non-mortgage consumer portfolio and non-mortgage corporate loan portfolio provides us with shorter maturity loans that improves our overall asset-liability maturity position. Most of our long-term loans carry variable interest rates set and adjusted by us based on our cost of funds. Therefore, we face very limited interest rate risk with regard to the funding of such portfolios.

The following tables set out our maturity profile as of December 31, 2020.

	As of December 31, 2020									
	Maturing within 1 year	%	Maturing after 1 year but within 5 years	%	Maturing after 5 years but within 15 years	%	Maturing after 15 years	%	Total	%
	(in thousands of U.S. dollars, except for percentages)									
Loans										
Commercial.........	88,849	0.78%	445,918	3.90%	339,597	2.97%	.	0.00%	874,364	7.64%
Interim construction loans..............	247,982	2.17%	220,858	1.93%	14,039	0.12%	-	0.00%	482,879	4.22%
Lines of credit.....	922,124	8.06%	187,316	1.64%	23,484	0.21%	-	0.00%	1,132,924	9.90%
Residential mortgage loans	903,960	7.90%	3,490,765	30.50%	101,224	0.88%	99,585	0.97%	4,595,533	40.16%
Commercial mortgage loans	553,185	4.83%	1,554,605	13.58%	33,794	0.30%	-	0.00%	2,141,584	18.71%
Consumer loans...	734,874	6.42%	679,057	5.93%	355,971	3.11%	1,584	0.01%	1,771,485	15.48%
Pledge loans and overdrafts........	225,172	1.97%	136,966	1.20%	3,453	0.03%	79	0.00%	365,669	3.20%
Leasing..............	12,089	0.11%	67,122	0.59%	773	0.01%			79,984	0.70%
Total loans............	**3,688,234**	**32.23%**	**6,782,607**	**59.27%**	**872,335**	**7.62%**	**101,247**	**0.88%**	**11,444,423**	**100.00%**

* Table is based on the timing of contractual principal payments of each loan as existing in the amortization table; residential mortgage loans principal payments are based on the contractual maturity and assume no extensions.

Interest Rate Sensitivity of Loan Portfolio

The rates of interest of our loan portfolio are mostly variable and are set and adjusted by us unilaterally or based on LIBOR (for our corporate portfolio). Therefore, the sensitivity of the loan portfolio to changes in rates is very limited. Moreover, since Panama faces stable levels of inflation due to the use of the U.S. dollar as legal tender, the volatility in rates paid has historically been small, thus resulting in steady lending rates. We target a net interest margin band and adjust the rates of our loan portfolio based on the behavior of our cost of funding, as well as market forces.

The following tables set out the interest rate sensitivity of our loan portfolio as of December 31, 2020.

	As of December 31, 2020				
	Up to 1 year	1-5 Years	5-15 Years	15 or more Years	Total
	(in thousands of U.S. dollars)				
Loans					
Commercial	869,961	4,400	2	-	874,364
Interim construction loans	482,879	-	-	-	482,879
Lines of credit	1,132,924	-	-	-	1,132,924
Residential mortgage loans	4,539,623	6,601	24,189	25,120	4,595,533
Commercial mortgage loans	2,141,465	118	-	-	2,141,584
Consumer loans	1,737,487	8,669	25,329	-	1,771,485
Pledge loans and overdrafts	246,147	116,058	3,386	79	365,669
Leasing	12,219	66,992	773	-	79,984
Total loans	**11,162,706**	**202,838**	**53,680**	**25,199**	**11,444,423**

The following chart sets forth the amounts of our loans due after one year that have fixed interest rates as of the date indicated:

	As of December 31, 2020
	Amount
Fixed interest rates and due after 1 year:	(in thousands of U.S. dollars)
Loans	
Commercial	2,697
Interim construction loans	-
Residential mortgage loans	55,575
Commercial mortgage loans	118
Installment loans to individuals	33,576
Pledge loans and overdrafts	119,523
Leasing	67,765
Total loans	**279,254**

The following chart sets forth the amounts of our loans due after one year that have floating or adjustable interest rates as of the date indicated:

	As of December 31, 2020
	Amount
Floating or adjustable interest rates and due after 1 year:	(in thousands of U.S. dollars)
Loans	
Commercial	1,706
Interim construction loans	-
Residential mortgage loans	336
Commercial mortgage loans	-
Installment loans to individuals	422
Pledge loans and overdrafts	-
Leasing	-

	As of December 31, 2020
	Amount
Floating or adjustable interest rates and due after 1 year:	(in thousands of U.S. dollars)
Total loans	2,463

Deposits

Average Deposit Balances and Rates of Deposits

The following table sets out the average balances of our deposits with the average rates paid for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31					
	2020		2019		2018	
	Amount	Rate	Amount	Rate	Amount	Rate
	(in thousands of U.S. dollars, except for percentages)					
Demand deposits	2,744,702	-	2,548,702	-	2,488,200	-
Savings accounts	4,006,414	0.69%	3,505,368	0.69%	3,400,839	0.65%
Time deposits - clients	6,057,033	3.80%	6,071,979	3.90%	5,634,614	3.66%
Time deposits - interbank	50,392	0.92%	89,396	1.66%	97,922	1.10%
Total	**12,858,541**	**2.01%**	**12,215,445**	**2.15%**	**11,621,575**	**1.97%**

Maturity Profile

The following table sets forth our maturity by deposit type as of December 31, 2020.

	As of December 31, 2020				
	Between 0 and 3 Months	Between 3 and 6 Months	Between 6 Months and 1 Year	More than 1 Year	Total
	(in thousands of U.S. dollars)				
Deposit type:					
Time deposit – Interbank.	6,200	11	77	-	6,288
Time deposit – Clients	1,217,214	723,804	1,414,575	2,638,770	5,994,362
Total Deposits	**1,223,413**	**723,815**	**1,414,652**	**2,638,770**	**6,000,650**

Deposit Concentration

The following table shows information regarding the maturity of outstanding deposits with balances in excess of U.S.$100,000 held by us as of December 31, 2020.

	As of December 31, 2020	
	Amount	Rate
	(in thousands of U.S. dollars, except for percentages)	
From 0 to 90 days	225,843	1.73%
From 91 to 180 days	123,840	2.22%
From 181 to 1 year	1,071,097	2.70%
More than 360 days	3,646,312	4.01%
Total Deposits > U.S.$100,000	**5,067,091**	**3.58%**
Total Deposits	**5,994,362**	**3.47%**

Return on Average Equity and Return on Average Assets

The following table presents certain of our selected financial information and ratios for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars)		
Net income..........................	321,160	504,266	434,208
Average total assets.............	19,169,134	18,789,815	18,007,684
Average total equity............	2,611,683	2,392,936	2,148,328
Total equity at the end of the period	2,633,211	2,482,739	2,185,023
Net income as a percentage of:			
Average total assets...........	1.68%	2.68%	2.41%
Average total equity...........	12.30%	21.07%	20.21%
Declared cash dividends.......	238,862	287,980	261,800
Dividend payout ratio..........	74.37%	57.11%	60.29%
Average total equity as a percentage of average total assets..........	13.62%	12.74%	11.93%

Capital and Minimum Capital Requirements

The following table analyzes our capital position and the minimum capital requirements as set by the SBP based on the Basel accords as of December 31, 2020, 2019 and 2018.

	As of December 31,		
	2020	**2019**	**2018**
	in thousands of U.S. dollars, except for percentages		
Regulatory Primary Capital (Tier 1)			
Common Shares	500,000	500,000	500,000
Legal reserve	188,396	186,240	182,341
Other items of comprehensive income	159,987	89,125	3,642
Retained earnings	1,772,980	1,703,100	1,498,282
Less: regulatory adjustments....................	53,674	50,074	57,802
Total Regulatory Primary Capital...........	**2,567,690**	**2,428,391**	**2,126,463**
Minimum Regulatory CET 1 (4.5%)	**604,434**	**584,249**	**542,406**
Additional Primary Capital (Tier 1)			
Subordinated debt - perpetual bonds...........	217,680	217,680	217,680
Total Additional Primary Capital	**217,680**	**217,680**	**217,680**
Total Primary Capital	**2,785,370**	**2,646,071**	**2,344,143**
Minimum Regulatory Primary Capital (6.0%)	**805,912**	**778,999**	**723,208**
Credit Weighted Assets	11,273,084	11,931,120	12,053,460
Market Risk Weighted Assets	1,551,596	422,023	-
Operational Risk Weighted Assets	607,186	630,172	-
Risk-weighted assets..............................	**13,431,866**	**12,983,315**	**12,053,460**
Capital ratios			
Total Regulatory Primary Capital Ratio..	**19.12%**	**18.70%**	**17.64%**
Total Primary Capital Ratio...................	**20.74%**	**20.38%**	**19.45%**
Total Capital Ratio................................	**20.74%**	**20.38%**	**19.45%**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements, and with the other financial information included in this offering memorandum. Our financial statements included in this offering memorandum have been prepared in accordance with IFRS. Our future results may vary substantially from those discussed herein because of various factors that affect our business, including, but not limited to, those discussed under "Forward-Looking Statements" and "Risk Factors" and other factors discussed in this offering memorandum.

Overview

Banco General was founded in 1955 and is the oldest and largest private sector, locally owned bank in Panama, conducting operations for more than 65 years. We believe we have the premier universal banking franchise in Panama, with the number one market share in local private deposits (28.2%; U.S.$12.9 billion) and local loans (18.5%; U.S.$10.2 billion), as of December 31, 2020, market share information is in accordance with data published by the SBP, and the balances of local private deposits and local loans are in accordance with our financial statements, both measured on a consolidated basis. As of December 31, 2020, we had U.S.$18.6 billion in assets, servicing a customer base of approximately 1.2 million corporate and individual clients.

We offer a wide range of universal banking services and products including deposit-taking, residential mortgage loans, personal loans, credit cards, automobile loans, commercial mortgages, corporate and commercial lines of credit, interim construction loans and commercial loans. In addition to our direct banking operations, we offer related financial services either directly or through our subsidiaries and affiliates, including wealth management, investment banking, insurance products related to loans, securities brokerage and asset management, pension fund management and leasing. As of December 31, 2020, corporate loans accounted for 40.5% of our loan portfolio, while residential mortgages, consumer loans (comprised of automobile loans, credit cards and personal loans) and other loans (comprised of pledge loans, overdrafts, and leasings) accounted for 40.2%, 15.5% and 3.9%, respectively.

We have developed a vast national distribution network comprised of 75 strategically located branches in Panama and the largest and most utilized ATM network in terms of total transactions and portfolio of debit cards in Panama. We have over 657,000 local brand debit cards, representing 29.1% of all local brand debit cards in Panama, which account for a leading 54.2% of all debit card ATM and POS transactions processed through Telered (the only network of ATMs and POS in Panama). Additionally, we have over 270,000 international brand debit cards in circulation. Our 629 ATMs in Panama process a leading 49.0% of all ATM transactions in Panama. As of December 31, 2020, we had 4,554 permanent full-time employees.

Critical Accounting Policies and Estimates

Summaries of our significant accounting policies are included in Note 3 to our financial statements and included elsewhere in this offering memorandum. We believe that the consistent application of these policies enables us to provide readers of our financial statements with more useful and reliable information about our operating results and financial condition.

For a discussion regarding our policies and practices on loan loss provisions and allowances including our allowance coverage ratios, see Notes 3(h), 31 and 32 to our financial statements. See also "Risk Factors Relating to Our Operations," "Selected Statistical Information—Allowance for Loan Losses Based on SBP Guidelines," and "Selected Statistical Information—Credit Approval Limits and Process."

Key Trends Affecting Our Results of Operations

According to the International Monetary Fund (IMF), the global economy is estimated to have contracted 4.4% due to the impact of the COVID-19 pandemic.

Macroeconomic Trends Affecting Our Business

Currently, our operations are primarily concentrated in Panama, and accordingly our financial condition and results of operations and our ability to meet our obligations, are substantially dependent on the country's economic performance. The Panamanian economy is small and, although reasonably diversified, depends to a significant extent on the service sector. Panama's real GDP contracted by 17.9% in 2020, as compared to growth of 3.0% in 2019 and 3.6% in 2018. Despite the contraction in GDP, due to the COVID-19 pandemic and the strict quarantine measures ordered by the Panamanian Government, the IMF and the World Bank estimate that Panama's GDP is expected to grow by 12.0% and 9.9%, respectively, in 2021. This expectation is primarily due to the Government's vaccination plan allowing for more consumer confidence, copper mine exportations, the expected recovery of the services and construction sectors, particular projects such as the third metro line, the expansion of the Tocumen International Airport and the optimization of the Panama Canal's water resource management.

The growth trend experienced prior to the COVID-19 pandemic contributed to a significant expansion of credit and, consequently, the NBS. This growth has also resulted in a highly developed banking system, as compared to the banking systems in other developed Latin American economies. However, given the size of the Panamanian economy, small economic developments have more pronounced impacts than they would have in larger, more diversified economies. Furthermore, if GDP continues to decelerate or decline, the occurrence of such developments may adversely affect our ability to grow our loan portfolio and our client base, which could adversely affect our growth and funding strategies.

Further, to preserve the health of the financial system, the SBP issued Accord No. 02-2020 (subsequently amended to date by Accords No. 09-2020 and No. 13-2020), which allow banks to offer its clients financial relief measures through the deferral of payments of interest and/or principal based on the documented inability of the client to make the contractual debt payment scheduled due to the impact of the economic and confinement measures implemented by the Panamanian Government in the face of COVID-19. For further information on these regulations, see "Regulation and Supervision—Regulations in Panama—Transitional Regulations relating to the COVID-19 Pandemic."

Panamanian Banking Sector

Outstanding local loans in the NBS have decreased to U.S.$55.1 billion as of December 31, 2020, as compared to U.S.$57.2 billion in 2019 and U.S.$56.6 billion in 2018, according to information published by the SBP. Similarly, local private sector deposits in the Panamanian banking system grew to U.S.$45.7 billion as of December 31, 2020, as compared to U.S.$44.0 billion in 2019 and U.S.$43.0 billion in 2018, also according to the SBP. Although these indicators illustrate a stable trend, there is no guarantee that this trend will continue with respect to total loans, assets and deposits. In addition, any adverse changes to the banking sector, including changes in reserve requirements, decreased interest margins, increases in defaults and non-performing loans could have an adverse effect on the industry in general and thus on the national economy as well.

Increased Competition and Industry Consolidation

The Panamanian financial services market is highly competitive. We compete with Panamanian and foreign banks, state-owned such as BNP and Caja de Ahorros, and with other providers of financial services that are not part of the banking industry. In addition, retail banks have become acquisition targets as banking penetration continues to increase in Panama. As such, competition within the Panamanian banking industry has been accompanied by a consolidation wave through multiple mergers and acquisitions. Most recently, Grupo Aval acquired Multibank in October 2019, which continues to operate under the same brand; Banco Aliado acquired Banco Panama (by way of merger) in August 2019; and Global Bank acquired Banvivienda in 2018. As of December 31, 2020, our principal competitors are Banistmo, Global Bank, BNP, and BAC (Panama). See "Panamanian Banking Services Industry."

Accordingly, competition within the market segments in which we operate is increasing as banks are continuously incorporating new and tailored products and services, while striving to improve service quality. We expect competition will continue as banks continue to offer a wide range of products and services to target the various customer segments in the Panamanian banking market. We also face competition from non-banking competitors, such as fintech companies in the payment and lending space, as well as other non-banking companies like large department stores and saving and credit cooperatives, in some of our credit products, especially credit cards and personal loans. These trends may adversely impact us as they may translate into higher interest rates paid on deposits and lower interest rates earned on loans, resulting in decreased net interest margins.

Interest Rates Fluctuations

Because the Panamanian financial system uses the U.S. dollar as its legal tender, interest rates earned and paid on our assets and liabilities, respectively, are determined by local market conditions and competition as well as the level of interest rates set by the U.S. Federal Reserve. The U.S. Federal Reserve has kept interest rates at historically low levels. While interest rates are at historically low levels, the U.S. Federal Reserve may tighten its monetary policy if inflation pressures mount as a result of economic recovery. Tightening measures, if enacted in the future, may have an adverse impact on our cost of funds and net interest margin.

Inflationary Pressures

Historically, inflation in Panama has been relatively low compared to other countries in the region. Substantially all of our loans are not fully adjusted for the effects of inflation which may impact our cost of funds and therefore our margins. Inflation in Panama was (1.6)%, (0.4)%, and 0.8% in 2020, 2019 and 2018, respectively. Given the dependence on the U.S. dollar and the U.S. economy, appreciation or depreciation of the U.S. dollar against other currencies or the existence of sustained higher levels of inflation in the U.S. economy (and the resultant effect on the value of the U.S. dollar) or increases or decreases in interest rates generally in the United States may affect the Panamanian monetary system and, indirectly, us.

Impact of Tax on Our Results of Operations

We are subject to Panamanian and Costa Rican tax laws and regulations. Corporate income taxes are calculated in Panama at a 25% flat rate on net taxable income based on the territoriality principle whereby only gross taxable income generated from activities within Panama is subject to corporate income tax. Under Panamanian law, annual income tax returns are subject to review and audit generally for up to three years following the applicable fiscal year. As a result, we account for taxes actually paid as estimated until the review period has expired.

Description of Income and Expenses

The following is a brief description of the principal income and expenses that are included in our consolidated statement of income.

Income

Total interest and commission income. Interest and commission income principally reflects the revenue streams derived from our loan portfolio, investment portfolio and interest-earning deposits.

Net interest and commission income. Net interest and commission income principally reflects the difference between total interest and commissions income and total interest expenses.

Fees, commissions and other income, net. Fees, commissions and other income, net of commission expenses reflects direct and indirect revenue from our subsidiaries for fees and commissions charged on services, credit and debit cards, wire transfers, brokerage and wealth management services, investment banking fees, mutual and pension fund management revenue, as well as other fees such as ATM fees and corporate finance fees. Commissions and other expenses principally reflects expenses in connection with debit and credit card and electronic payment fees, cash management and correspondent bank fees.

Insurance premiums, net. Insurance premiums, net of claims, principally reflect insurance and annuity premiums, minus premiums ceded to reinsurance companies, plus any reinsurance assumed, minus claims incurred.

Gain on financial instruments, net. Gain on financial instruments, net reflects losses or gains relating to sales and revaluation of financial instruments and investment movements.

Total other income, net. Other income, net principally reflects income received from dividends from equity securities, severance fund income and foreign exchange fees.

Expenses

Total interest expenses. Total interest expenses principally reflect interest paid on deposits and medium and long term obligations and financings.

Provisions for loan losses, net. Provisions for loan losses, net reflect an expense to fund and strengthen our allowance for loan losses and cover write-offs in the loan portfolio.

Salaries and other employee expenses. Salaries and other employee expenses principally reflect personnel salaries and profit sharing payments to employees.

Premises and equipment expenses. Premises and equipment expenses principally reflects expenses related to equipment maintenance and rental payment on leased properties.

Other expenses. Other expenses reflects, among others, costs corresponding to overhead such as advertising, legal and professional services, electricity and telephone, utility and stationery, security, legal expenses and fees, insurance and donations.

Results of Operations

Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table sets forth the principal components of our net income for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Net interest and commission income	662,739	699,182	(5.2%)
Total Provisions, net[(1)]	(283,992)	(44,923)	532.2%
Other income (expenses):			
Fees and other commissions	204,466	229,221	(10.8%)
Insurance premiums, net	35,593	33,930	4.9%
Gain (loss) on financial instruments, net	19,252	15,348	25.4%
Other income, net	30,439	28,608	6.4%
Commissions expenses and other expenses	(78,686)	(94,964)	(17.1%)
Total other income, net	**211,063**	**212,143**	**(0.5%)**
General and administrative expenses	(290,239)	(308,175)	(5.8%)
Equity participation in associates	7,329	10,898	(32.7%)
Net income before income tax	**306,900**	**569,124**	**(46.1%)**
Income tax, net	(14,260)	64,858	(122.0%)
Net income	**321,160**	**504,266**	**(36.3%)**

(1) Total provisions, net includes: Provision for loan losses, net, provision for impairment of investments, net and (reversal) provision for foreclosed assets, net.

For the year ended December 31, 2020, our net income was U.S.$321.2 million, which represented a decrease of U.S.$183.1 million, or 36.3% over the net income of U.S.$504.3 million in 2019. ROAE was 12.30% in 2020, compared with 21.07% in 2019. ROAA for 2020 was 1.68% as compared to 2.68% in 2019. These results were primarily the product of the results factors below:

<u>*Net Interest and Commission Income*</u>

The following table sets forth the elements of our net interest and commission income and related average rate and margin information for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	994,471	1,086,146	(8.4%)
Total interest expenses	331,732	386,964	(14.3%)
Net interest and commission income	662,739	699,182	(5.2%)
Average interest-earning assets	17,478,227	17,213,490	1.5%
Average interest-bearing liabilities	12,215,836	12,502,839	(2.3%)
Net interest margin(1)	3.79%	4.06%	
Average interest rate earned(2)	5.69%	6.31%	
Average interest rate paid(3)	2.72%	3.10%	

(1) Net interest and commission income (before provisions for loan losses) as a percentage of average interest earning assets for the indicated period.
(2) Total interest and commission income divided by average interest-earning assets.
(3) Total interest expenses divided by average interest-bearing liabilities.

The 5.2% decrease in net interest and commission income for 2020, as compared to 2019, was primarily a result of: a 27 basis point decrease in the Bank's net interest margin from 4.06% in 2019 to 3.79% in 2020, partially offset by a 1.54% increase in average interest-earning assets.

Total Interest and Commission Income

The following table sets forth information as to our total interest and commission income for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	994,471	1,086,146	(8.4%)
Average interest-earning assets:			
Deposits with banks	517,780	363,161	42.6%
Loans, net	11,619,679	11,825,641	(1.7%)
Securities and other financial assets	5,340,769	5,024,688	6.3%
Total	**17,478,227**	**17,213,490**	**1.5%**
Average nominal rates earned:			
Deposits with banks	1.37%	2.57%	
Loans	7.12%	7.50%	
Securities and other financial assets	3.00%	3.77%	
Total	**5.69%**	**6.31%**	

Our total interest and commission income is derived principally from a diversified loan portfolio, which represented 66.5% of our total average earning assets for the year ended December 31, 2020, generating 83.2% of all total interest and commission income for this period. The 8.4% decrease in total interest and commission income for the year ended December 31, 2020 as compared to 2019, resulted primarily from a decrease in the average rate earned on interest-earning assets which decreased 62 basis points to 5.69% in 2020 from 6.31% in 2019.

The decrease in the average rate earned on interest earning assets was primarily driven by (i) lower interest rates on securities and other financial assets, which decreased to 3.00% in 2020 from 3.77% in 2019, as consequence of the decline in interest rates for US dollar-denominated high quality fixed income securities, and (ii) a decrease in the interest rate earned on loans, net, which decreased from 7.50% to 7.12%.

The following table sets forth the effect of changes in our total interest and commission income as a result of changes in (i) the average volume of interest-earning assets and (ii) average nominal interest rates earned during the years ended December 31, 2020 and 2019:

	Increase (Decrease)
	2019/2020
	(in thousands of U.S. dollars)
Due to changes in average volume of interest-earning assets	16,705
Due to changes in average nominal interest rates earned	(108,379)
Net change	(91,674)

The increase of U.S.$264.7 million in average interest earning assets for the year ended December 31, 2020, resulted in an increase of U.S.$16.7 million in interest and commission income for the period, while the decrease in the average rate earned on interest-earning assets, to 5.69% from 6.31%, resulted in a decrease of U.S.$108.4 million in interest and commission income as compared to the same period in 2019.

Total Interest Expenses

The following table sets forth information as to our total interest expenses for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Total interest expenses	331,732	386,964	(14.3%)
Average interest-bearing liabilities			
Savings deposits	4,006,414	3,505,368	14.3%
Time deposits - clients	6,057,033	6,071,979	(0.2%)
Time deposits - interbank	50,392	89,396	(43.6%)
Borrowings and placements	2,101,997	2,836,096	(25.9%)
Total	**12,215,836**	**12,502,839**	**(2.3%)**
Average nominal rates paid			
Savings deposits	0.69%	0.69%	
Time deposits - clients	3.80%	3.90%	
Time deposits - interbank	0.92%	1.66%	
Borrowings and placements	3.50%	4.39%	
Total	**2.72%**	**3.10%**	

Our total interest expenses are primarily attributable to interest paid on client deposits, which accounted for 77.7% of total interest expenses for the year ended December 31, 2020 as compared to 67.4% in the same period in 2019.

The 14.3% decrease in total interest expenses for the year ended December 31, 2020 as compared to 2019, was primarily as a result of a (i) 38 basis points, or 12.26%, decrease in the average rate paid on interest bearing-liabilities, which decreased to 2.72% from 3.10%, and (ii) a 2.3% decrease in average interest-bearing liabilities, which in turn was mainly due to a 25.9% decrease in average medium- and long-term borrowings and placements. This decrease was partially offset by a 14.3% increase in average savings deposits, one of the Bank's principal sources of funding.

The decrease in the average interest rate paid on interest-bearing liabilities was mainly due to (i) the decrease of 89 basis points in the cost of borrowings and placements to 3.50% in 2020 from 4.39% in 2019, and (ii) the decrease in the cost of customers time deposits to 3.80% in 2020 to 3.90% in 2019.

The following table sets forth the effect of changes in our total interest expenses as a result of changes in (i) the average volume of interest-bearing liabilities and (ii) average nominal interest rates paid during the years ended December 31, 2020 and 2019:

	Increase (Decrease)
	2019/2020
	(in thousands of U.S. dollars)
Due to changes in average volume of interest-bearing liabilities	(8,883)

	Increase (Decrease)
	2019/2020
	(in thousands of U.S. dollars)
Due to changes in average nominal interest rates paid	(46,349)
Net change	(55,232)

The decrease of U.S.$287.0 million in average volume of interest-bearing liabilities for the year ended December 31, 2020, resulted in a decrease of U.S.$8.9 million in interest expense for the period, while the decrease in the average nominal interest rate paid on interest-bearing liabilities, from 3.10% to 2.72%, resulted in a decrease of U.S.$46.3 million in interest expense as compared to the same period in 2019.

Allowance for loan losses

The following table sets forth our allowance for loan losses, charge offs and recoveries included in our results of operations for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Loan losses allowance at the beginning of period	165,159	158,531	4.2%
Provision for loan losses expensed, net of recoveries	280,947	41,954	569.7%
Recovery of loan write-offs	20,907	27,654	(24.4%)
Loans written off	(83,218)	(62,981)	32.1%
Allowance for loan losses at the end of period	383,795	165,159	132.4%
Total Loans	11,444,423	12,083,689	
Net loan loss provisions to total loans	2.45%	0.35%	
Write-off to total loans	0.73%	0.52%	
Allowance for loan losses as a percentage of total loans	3.35%	1.37%	

The U.S.$239.0 million or 569.66%, increase in Provision for loan losses expensed, net of recoveries for the year ended December 31, 2020, as compared to the same period in 2019, is primarily attributable to a higher provision charge to expenses as a result of the deterioration of the economy due to the COVID-19 pandemic and the anticipated impact on credit quality of personal and corporate clients. The Bank's allowance for loan losses benefited from a 5.3% decrease in the loan portfolio to U.S.$11,444.4 million in 2020 from U.S.$12,083.7 million in 2019 and was adversely affected by an increase of 76.4% in net write-offs, or U.S.$27.0 million, representing 0.54% of total loans in comparison to 0.29% of total loans in 2019.

Our loan losses allowance totaled U.S.$383.8 million as of December 31, 2020, or 3.35% of the total loan portfolio, compared to U.S.$165.2 million, or 1.37% of the total loan portfolio, as of December 31, 2019.

Fees, Commissions and Other Income, Net

The following table sets forth information as to our fees, commissions and other income, net for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Fees and other commissions			
Credit and Debit card operations	121,712	149,797	(18.7%)
Banking Services	30,220	27,464	10.0%
Demand and savings deposits fees	7,235	11,969	(39.6%)
Trust and corporate finance fees	10,488	6,821	53.8%
Mutual fund and pension fund income	19,548	18,807	3.9%
Wealth management revenue	10,754	8,883	21.1%
Foreign trade transactions fees	1,557	2,469	(36.9%)

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Other fees and commissions	2,953	3,021	(2.3%)
Commission expenses and other expenses	(78,686)	(94,964)	(17.1%)
Fees and commission income, net	**125,780**	**134,257**	**(6.3%)**
Insurance premiums, net	35,593	33,930	4.9%
Gain (loss) on financial instruments, net	19,252	15,348	25.4%
Other income, net	30,439	28,608	6.4%
Total other income, net	**211,063**	**212,143**	**(0.5%)**

Total other income, net

The 0.5% decrease in our total other income, net for the year ended December 31, 2020, primarily reflects the following factors:

Fees and commission income, net

The 6.3% decrease in fees and commission income, net of commission expenses for the year ended December 31, 2020 was mainly driven by (i) a 18.7% decrease in commissions and fees related to credit and debit card operations, as a result of lower transaction volumes reflecting the effects of the COVID-19 pandemic, and (ii) a 39.6% decrease in demand and savings deposits fees as consequence of the mobility restrictions imposed on our clients during the year, temporary branch closures and fee waivers enacted to provided financial relief. This decrease was partially offset by a 10.0% increase in banking services which are comprised of wire transfers and online banking fees, among others.

Insurance premiums, net

Net insurance premiums increased by 4.9% for the year ended December 31, 2020 as compared to the same period in 2019, mainly due to the increase in premiums from life insurance coverage of U.S.$3.7 million or 8.3%. This was partially offset by an increase of U.S.$2.1 million or 27.7% in claims expense, as a result of the impact of COVID-19.

Gain on financial instruments, net

The gain on financial instruments, net of U.S.$19.3 million for the year ended December 31, 2020, as compared to a gain of U.S.$15.3 million in 2019 was principally due to (i) a U.S.$23.0 million increase from our fixed income investments which benefited from lower rates and tighter credit spreads, and (ii) a U.S.$7.0 million loss from our local Panamanian equity, which trade in the local Panamanian exchange.

Other income, net

The 6.4% increase in our other income, net for the year ended December 31, 2020 as compared to 2019, was primarily due to additional income received from our credit card business.

General and Administrative Expense

The following table sets forth information as to our general and administrative expenses for the years ended December 31, 2020 and 2019:

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Salaries and other personnel expenses	166,278	178,977	(7.1%)
Depreciation and amortization	28,517	28,600	(0.3%)
Properties, furniture and equipment expenses	22,727	22,316	1.8%
Other expenses	72,717	78,282	(7.1%)

	As of December 31,		% Change
	2020	2019	2019/2020
	(in thousands of U.S. dollars, except for percentages)		
Total	290,239	308,175	(5.8%)

The 5.8% decrease in total general and administrative expenses primarily reflects the following:

Salaries and other personnel expenses

Salaries and other personnel expenses represented 57.3% of total general and administrative expenses as of December 31, 2020, as compared to 58.1% for the same period in 2019. The 7.1% decrease in salaries and other expenses was attributable to (i) a decrease in the number of employees, due to voluntary retirement and decreased new hirings, as compared to the same period in 2019, and (ii) lower variable compensation.

Properties, furniture and equipment expenses

The 1.8% increase in properties, furniture and equipment expenses for the year ended December 31, 2020, as compared to the same period in 2019, was mainly due to a U.S.$1.0 million increase in maintenance of hardware and software in operation.

Depreciation and amortization expense

The depreciation and amortization expense decreased 0.3% for the year ended December 31, 2020 as compared to 2019.

Other expenses

The 7.1% decrease in other expenses for the year ended December 31, 2020 as compared to 2019, was mainly due to a U.S.$5.5 million decrease in professional services mainly due to lower transaction volumes of credit cards and savings in marketing and logistic services as a consequence of the COVID-19 impact on the overall banking activities.

Taxes

Income tax, net amounted to U.S.$(14.3) million for the year ended December 31, 2020 (which corresponds to estimated taxes of U.S.$40.3 million, and deferred taxes of U.S.$(54.6) million); as compared to U.S.$64.9 million in 2019 (which corresponds to estimated taxes of U.S.$66.4 million and deferred taxes of U.S.$(1.5) million). The decrease of U.S.$79.1 million was primarily due to deferred taxes as a result of the increase in the allowance for loan losses during the year.

Operating Efficiency

Our operating efficiency, measured in terms of general and administrative costs as a percentage of net interest and commission income, other income, net and equity participation in associates, declined in the year ended December 31, 2020 to 32.94% from 33.42% in 2019. Our expenses as a percentage of average interest-earning assets were 1.51% for the year ended December 31, 2020 as compared to 1.64% in 2019.

Results of Operations for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

The following table sets forth the principal components of our net income for the years ended December 31, 2019 and 2018:

	As of December 31,		% Change
	2019	2018	2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Net interest and commission income	699,182	650,934	7.4%
Total Provisions, net(1)	(44,923)	(45,804)	(1.9%)
Other income (expenses):			
Fees and other commissions	229,221	212,897	7.7%
Insurance premiums, net	33,930	29,998	13.1%
Gain (Loss) on financial instruments, net	15,348	(11,538)	233.0%
Other income, net	28,608	25,649	11.5%
Commissions expenses and other expenses	(94,964)	(85,278)	11.4%
Total other income, net	**212,143**	**171,727**	**23.5%**
General and administrative expenses	308,175	293,967	4.8%
Equity participation in associates	10,898	9,934	9.7%
Net income before income tax	**569,124**	**492,825**	**15.5%**
Income tax, net	(64,858)	(58,616)	10.6%
Net income	**504,266**	**434,208**	**16.1%**

(1) Total provisions, net includes: Provision for loan losses, net, provision for impairment of investments, net, and (reversal) provisions for foreclosed assets, net.

For the year ended December 31, 2019, our net income was U.S.$504.3 million, which represented an increase of U.S.$70.1 million, or 16.1% over the net income of U.S.$434.2 million in 2018. ROAE was 21.07% in 2019, compared to 20.21% in 2018. ROAA for 2019 was 2.68% as compared to 2.41% in 2018. These results in net income, ROAE and ROAA were primarily the product of the factors described below:

Net Interest and Commission Income

The following table sets forth the elements of our net interest and commission income and related average rate and margin information for the years ended December 31, 2019 and 2018:

	As of December 31,		% Change
	2019	2018	2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	1,086,146	1,003,566	8.2%
Total interest expenses	386,964	352,632	9.7%
Net interest and commission income	699,182	650,934	7.4%
Average interest-earning assets	17,213,490	16,636,017	3.5%
Average interest-bearing liabilities	12,502,839	12,179,112	2.7%
Net interest margin(1)	4.06%	3.91%	
Average interest rate earned(2)	6.31%	6.03%	
Average interest rate paid(3)	3.10%	2.90%	

(1) Net interest and commission income (before provisions for loan losses) as a percentage of average interest-earning assets for the indicated period.
(2) Total interest and commission income divided by average interest-earning assets.
(3) Total interest expenses divided by average interest-bearing liabilities.

The 7.4% increase in net interest and commission income for the year ended December 31, 2019 as compared to 2018 was primarily a result of: (i) an increase in net interest margin from 3.91% to 4.06%, or 15 basis points, and (ii) a 3.5% increase in average interest-earning assets, which in turn was mainly due to a 4.41% decrease in net securities and other financial assets and a 2.2% increase in the average loan portfolio, net.

Our net interest margin increase in 2019, as compared to 2018, was primarily as a result of an increase in the average interest rate earned on interest-earning assets of 28 basis points, from 6.03% to 6.31%, which was driven by: (i) an increase in the rate earned on our loan portfolio which increased 35 basis points from 7.15% to 7.50%, and (ii) an increase in the interest rate earned in securities and other financial assets, which increased 16 basis points from 3.61% to 3.77%. This increase was offset by a 20 basis point increase in the average interest rate paid on average interest bearing liabilities, from 2.90% to 3.10%, which in turn was driven by: (i) a 35 basis point increase in the average rate paid on medium - and long-term borrowings and placements which increased from 4.05% to 4.39%; and (ii) an increase in the cost of time deposits, which increased 24 basis points from 3.66% to 3.90%.

Total Interest and Commission Income

The following table sets forth information as to our total interest and commission income for the years ended December 31, 2019 and 2018:

	As of December 31,		% Change
	2019	**2018**	**2018/2019**
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	1,086,146	1,003,566	8.2%
Average interest-earning assets:			
Deposits with banks	263,161	395,324	(8.1%)
Loans, net	11,825,641	11,566,997	2.2%
Securities and other financial assets	5,024,688	4,673,696	7.5%
Total	**17,213,490**	**16,636,017**	**3.5%**
Average nominal rates earned:			
Deposits with banks	2.57%	2.01%	
Loans	7.50%	7.15%	
Securities and other financial assets	3.77%	3.61%	
Total	**6.31%**	**6.03%**	

Our total interest and commission income is derived principally from a diversified loan portfolio, which represented 68.7% of our total average earning assets for the year ended December 31, 2019, generating 81.7% of all total interest and commission income for this period. The 8.2% increase in total interest and commission income for the year ended December 31, 2019 as compared to 2018, was primarily as a result of a 3.5% increase in average interest-earning assets as compared to 2018 as well as an increase in the average rate earned on average interest-earning assets. The increase in average interest-earning assets was primarily as a result of (i) a 7.5% increase in securities and other financial assets, and (ii) a 2.2% increase in our loan portfolio; which was partially offset by an 8.1% decrease in deposits with banks. The increase in the average rate earned on average interest-earning assets to 6.31% in 2019 from 6.03% in 2018 is explained by the increase of the average rate earned by (i) loans, which increased to 7.50% in 2019 from 7.15% in 2018, (ii) investments, which increased to 3.77% in 2019 from 3.61% in 2018, and (iii) deposits with banks, which increased to 2.57% in 2019 from 2.01% in 2018.

The following table sets forth the effect of changes in our total interest and commission income as a result of changes in (i) the average volume of interest-bearing liabilities and (ii) average nominal interest rates paid during the years ended December 31, 2019 and 2018:

	Increase (Decrease)
	2018/2019
	(in thousands of U.S. dollars)
Due to changes in average volume of interest-earning assets	34,836
Due to changes in average nominal interest rates earned	47,744
Net change	82,580

Total Interest Expenses

The following table sets forth information as to our total interest expenses for the years ended December 31, 2019 and 2018:

	As of December 31,		% Change
	2019	**2018**	**2018/2019**
	(in thousands of U.S. dollars, except for percentages)		
Total interest expenses	386,964	352,632	9.7%
Average interest-bearing liabilities			
Savings deposits	3,505,368	3,400,839	3.1%

	As of December 31,		% Change
	2019	2018	2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Time deposits - clients	6,071,979	5,634,614	7.8%
Time deposits - interbank	89,396	97,922	(8.7%)
Borrowings and placements	2,836,096	3,045,737	(6.9%)
Total	**12,502,839**	**12,179,112**	**2.7%**
Average nominal rates paid			
Savings deposits	0.69%	0.65%	
Time deposits - clients	3.90%	3.66%	
Time deposits - interbank	1.66%	1.10%	
Borrowings and placements	4.39%	4.05%	
Total	**3.10%**	**2.90%**	

Our total interest expenses are primarily attributable to interest paid on client deposits, which accounted for 67.4% of total interest expenses for the year ended December 31, 2019 as compared to 64.7% in the same period in 2018.

The 9.7% increase in total interest expenses for the year ended December 31, 2019 as compared to 2018, was primarily as a result of a 2.7% increase in average interest-bearing liabilities, which in turn was mainly due to (i) a 7.8% increase in average customers time deposits which represents the bank's main source of funding, and (ii) a 3.1% increase in our average savings deposits from clients. These increases were partially offset by (i) a 6.9% decrease in borrowings and placements, and (ii) 8.7% decrease in interbank time deposits. The average rate paid on interest-bearing liabilities increased to 3.10% in 2019 from 2.90% in 2018 which is mainly explained by (i) an increase in cost of customers time deposits from 3.66% in 2018 to 3.90% in 2019, and (ii) an increase in the cost of borrowing and placements to 4.39% in 2019 from 4.05% in 2018.

The following table sets forth the effect of changes in our total interest expenses as a result of changes in (i) the average volume of interest-bearing liabilities and (ii) average nominal interest rates paid during the years ended December 31, 2019 and 2018:

	Increase (Decrease)
	2018/2019
	(in thousands of U.S. dollars)
Due to changes in average volume of interest-bearing liabilities	9,373
Due to changes in average nominal interest rates paid	24,959
Net change	34,332

The increase of U.S.$323.7 million in average volume of interest-bearing liabilities for the year ended December 31, 2019 resulted in an increase of U.S.$9.37 million in interest expenses for the period, while the increase in the average nominal interest rate paid on interest-bearing liabilities to 3.10% in 2019 from 2.90% in 2018 resulted in an increase of U.S.$24.96 million in interest expenses in 2019 as compared to 2018.

Allowance for Loan Losses

The following table sets forth our allowance for loan losses, charge offs and recoveries included in our results of operations for 2018 and 2019:

	As of December 31,		% Change
	2019	2018	2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Allowance for loan losses at the beginning of period	158,531	144,832	9.5%
Provision for loan losses expensed, net of recoveries	41,954	41,983	(0.1%)
Recovery of loan write-offs	27,654	23,053	20.0%
Loans written off	(62,981)	(51,750)	21.7%
Balance at end of period	165,159	158,531	4.2%

	As of December 31, 2019	2018	% Change 2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Total Loans	12,083,689	11,952,385	
Net loan loss provisions to total loans	0.35%	0.35%	
Write-off to total loans	0.52%	0.43%	
Allowance to total loans	1.37%	1.33%	

The 0.1% decrease in provisions for loan losses expensed, net of recoveries for the year ended December 31, 2019 as compared to 2018, was primarily attributable to (i) stable write-offs in the consumer loans portfolio, and (ii) a better credit quality. Our allowance for loan losses totaled U.S.$165.16 million as of December 31, 2019, representing coverage of 127.67% over nonaccrual loans and a 107.65% coverage of past due loans.

Fees, Commissions and Other Income, Net

The following table sets forth information as to our fees, commissions and other income, net for the years ended December 31, 2019 and 2018:

	As of December 31, 2019	2018	% Change 2018/2019
	(in thousands of U.S. dollars, except for percentages)		
Fees and other commissions			
Credit and Debit card operations	149,787	135,207	10.8%
Banking Services	27,464	24,948	10.1%
Demand and savings deposits fees	11,969	12,708	(5.8%)
Trust and corporate finance fees	6,821	7,328	(6.9%)
Mutual fund and pension fund income	18,807	17,087	10.1%
Wealth management revenue	8,883	8,666	2.5%
Foreign trade transactions fees	2,469	3,961	(37.7%)
Other fees and commissions	3,021	2,991	1.0%
Commission expenses and other expenses	(94,964)	(85,278)	11.4%
Fees and commission income, net	**134,257**	**127,619**	**5.2%**
Insurance premiums, net	33,930	29,998	13.1%
Gain (loss) on financial instruments, net	15,348	(11,538)	233.0%
Other income, net	28,608	25,649	11.5%
Total other income, net	**212,143**	**171,727**	**23.5%**

Total other income, net

The 23.5% increase in our total other income, net for the year ended December 31, 2019, primarily reflects the following factors:

Fees and commission income, net

The 5.2% increase in fees and commission income, net of commission expenses for the year ended December 31, 2019 as compared 2018, was mainly driven by (i) a 10.8% increase in commissions and fees related to credit and debit card operations and ATM fees, (ii) a 10.1% increase in banking services, which are comprised principally of wire transfers and online banking fees, among others, and (iii) a 10.1% increase in mutual fund and pension fund income. This increase was partially offset by a (i) 5.8% decrease in demand and savings deposits fees, and (ii) a 6.9% decrease in trust and corporate finance fees.

Insurance premiums, net

The 13.1% increase in our insurance premiums, net for the year ended December 31, 2019 as compared to 2018.

Gain (loss) on financial instruments, net

Gain (loss) on financial instruments, net increased by U.S.$26.9 million for the year ended December 31, 2019 as compared to 2018, principally attributable to a decrease in interest rates.

Other income, net

The 11.5% increase in our other income, net for the year ended December 31, 2019 as compared to 2018, was primarily due to better returns on our severance fund.

General and Administrative Expense

The following table sets forth information as to our general and administrative expenses for the two years ended December 31, 2019 and 2018:

	As of December 31,		% Change
	2019	**2018**	**2018/2019**
	(in thousands of U.S. dollars, except for percentages)		
Salaries and other personnel expenses	178,977	173,009	3.4%
Depreciation and amortization..	28,600	24,984	14.5%
Properties, furniture and equipment expenses	22,316	25,306	(11.8%)
Other expenses	78,282	70,668	10.8%
Total..	**308,175**	**293,967**	**4.8%**

The 4.8% increase in total general and administrative expenses primarily reflects the following:

Salaries and other personnel expenses

Salaries and other personnel expenses represented 58.1% of total general and administrative expenses for the year ended December 31, 2019 as compared to 58.9% in 2018. The 3.4% increase in salaries and other employee expenses was primarily attributable to salary increases throughout the year.

Properties, furniture and equipment expenses

The 11.8% decrease in properties, furniture and equipment expenses for the year ended December 31, 2019 as compared to 2018, was primarily due to decreases due to the adoption of IFRS 16, where lease expenses are not reflected for contracts to which this standard does not apply, partially offset by increases in maintenance expense for technological equipment.

Depreciation and amortization expense

The 14.5% increase in our depreciation and amortization expense for the year ended December 31, 2019 as compared to 2018, was mainly attributable to the recognition of depreciation expense of contractual assets for U.S.$3.75 million, as a result of the adoption of IFRS 16.

Other expenses

The 10.8% increase in other expenses for the year ended December 31, 2019 as compared to 2018, was mainly due to the increase of (i) U.S.$5.65 million in professional services and (ii) U.S.$1.44 million in donations.

Taxes

We incurred corporate income taxes amounting to U.S.$64.86 million for the year ended December 31, 2019 as compared to U.S.$58.62 million in 2018. This 10.6%, or U.S.$6.24 million increase, primarily reflects higher taxable income in the Republic of Panamá, which increased to U.S.$482.02 million in 2019 from U.S.$439.27 million in 2018, largely from improvement in our profitability and improved efficiencies.

Operating Efficiency

Our operating efficiency, measured in terms of general and administrative costs as a percentage of net interest and commission income, other income, net and equity participation in associates, declined in the year ended December 31, 2019 to 33.42% from 35.31% in 2018. Our expenses as a percentage of average interest-earning assets were 1.64% for the year ended December 31, 2019 as compared to 1.63% in 2018.

Liquidity, Funding and Capital Expenditures

Liquidity and Funding

Our Assets and Liabilities Committee ("ALCO") is responsible for developing and proposing policies relating to the management of our assets and liabilities to enable us to maintain interest rate, market, maturity and liquidity, and foreign exchange exposures within our established limits while we maximize the return on total equity.

Our asset and liability management policy seeks to ensure that sufficient liquidity is available in order to honor withdrawals of deposits, to make repayments at maturity of other liabilities, to extend loans or other forms of credit to our customers and to meet our working capital needs.

Our treasury department is responsible for managing our funding and liquidity positions, as well as the execution of our investment strategies. Our current policy calls for high absolute levels of liquidity as part of our conservative financial strategy and due to the absence of a lender of last resource in Panama. In order to address the medium to long term nature of part of our loan portfolio and other liquidity concerns, we actively raise medium term time deposits, issue medium term bonds in private placements and continuously explore different long-term funding alternatives, such as the international capital markets and structuring of medium-term bank financing facilities.

In addition to our own internal liquidity requirements, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a LCR that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

We maintain strong relationships with our correspondent banks and multilateral organizations through which we have access to unsecured short and medium term trade and working capital facilities. Over the past two decades we have accessed diverse sources of medium and long term financing, through multilateral organizations, private placements and local and foreign capital market transactions.

The following table details our principal funding sources as of as of December 31, 2020, 2019 and 2018:

	As of December 31,					
	2020		2019		2018	
	(in thousands of U.S. dollars, except for percentages)					
Deposits:						
Demand deposits - local......................	2,895,449	19.5%	2,482,029	16.4%	2,752,026	17.8%
Demand deposits - foreign...................	83,392	0.6%	126,235	0.8%	83,906	0.5%
Savings accounts	4,470,045	30.1%	3,598,245	23.8%	3,515,163	22.8%
Time deposits - local...	5,730,559	38.6%	5,968,026	39.5%	5,633,692	36.5%
Time deposits - foreign	270,092	1.8%	280,733	1.9%	243,519	1.6%
Accrued interest payable..................	102,337	0.7%	112,774	0.7%	99,032	0.6%
Total Deposits	**13,551,873**	**91.2%**	**12,568,042**	**83.1%**	**12,327,339**	**79.8%**
Borrowings and placements:						
Securities sold under repurchase agreement...............	-	-	403,947	2.7%	-	-
Perpetual bonds	217,680	1.5%	217,680	1.4%	217,680	1.4%
Total borrowings and debt securities issued net...............	1,076,469	7.2%	1,914,581	12.7%	2,886,528	18.7%
Accrued interest payable	12,340	0.1%	15,524	0.1%	19,147	0.1%
Total financing..........	**1,306,489**	**8.8%**	**2,551,732**	**16.9%**	**3,123,355**	**20.2%**
Total deposits and Total financing	**14,858,362**	**100.0%**	**15,119,774**	**100.0%**	**15,450,694**	**100.0%**

Our current funding strategy is to continue to utilize all sources of funding based on cost, stability of funding, and consistency with our general asset and liability management strategy, relying mostly on core client deposits from individuals and corporations. We continuously focus on broadening our core customer deposit base and the balances they hold with us to maintain our very stable funding base, a pillar of our financial strength.

Our main source of funding lies in our ample retail and corporate client deposit base net of accrued interest, which has been developed and serviced through our extensive strategically located branch network throughout Panama and represented 91.2% of our total funding as of December 31, 2020. We continue to strengthen our diversified and stable client deposit base and external financings, building on the confidence that local and international markets have in our institution, resulting from our strong franchise and solid financial position. Our total deposits net of accrued interest grew 8.0% from U.S.$12,455.3 million as of December 31, 2019 to U.S.$13,449.5 million as of December 31, 2020. As of December 31, 2020, demand deposits net of accrued interest amounted to U.S.$2,978.8 million, customers time deposits amounted to U.S.$5,994.4 million, and savings accounts reached U.S.$4,470.04 million. As of December 31, 2020, 44.6% of total deposits are customers time deposits with an average remaining life of 14.0 months, with 72.7% having original maturities of over one year.

We believe the public recognizes the Bank's quality during global economic stress. In the past, we have experienced a flight to quality resulting in the growth of our deposit base relative to other Panamanian banks. Accordingly, at December 31, 2020, our local deposit market share was 28.2%, an increase from 27.8% at December 31, 2019, based on unconsolidated data from SBP.

The increase in our liquidity allowed us to reduce our financial debt outstanding by U.S.$1,245.2 million during 2020, which helped us reduce our overall funding costs.

Consistent with our conservative financial policies, we have historically maintained high levels of liquidity in investment grade liquid investments, which are complemented by (i) an adequate maturity structure of assets and liabilities, (ii) a diversified and stable base of deposits, (iii) total borrowings and debt securities issued, net (representing 8.1% of total liabilities as of December 31, 2020), and (iv) low levels of short term institutional liabilities, all of which provide us with a very stable liability structure in our balance sheet.

Our primary liquidity ratio, measured as primary liquid assets (comprised of cash, bank deposits and investment grade fixed income liquid investments) to total deposits and borrowings, was 29.4% as of December 31, 2020, corresponding to U.S.$4.3 billion in primary liquidity. Our total primary liquidity has an average credit rating of AA-, of which 50.0% has a AAA credit rating. Bank deposits are held with financial institutions with international investment grade credit ratings. Moreover, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a LCR that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

Our MBS portfolio, which represents 19.9% of our primary liquid assets, is comprised of 99.9% by MBS that are 100% guaranteed with respect to their principal and interest payments by the Government National Mortgage Association ("GNMA"), (a United States federal government agency and provides explicit guarantees), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Association ("FHLMC"), each of which have AAA credit ratings by Moody's and Fitch on its corporate debt. The MBSs guaranteed by these agencies have as guarantee and primary source of payment a pool of conforming residential mortgage loans that must comply with these agencies' strict credit policies. Likewise, 64.2% of our CMO's are backed by 100% by MBS issued by GNMA, FNMA or FHLMC.

Asset and Liability Management

Our board of directors believes it has established a conservative asset and liability management policy, which emphasizes the maintenance of a high level of absolute liquidity in light of the limited availability of medium to long term funding in the local market and the absence of a lender of last resource in Panama. The main objective of the integrated management of our assets and liabilities is to control our exposure to interest rate, market, liquidity and foreign exchange risks. Accordingly, we seek to maintain a structure of assets and liabilities that allows us (i) to optimize net interest income in the short, medium and long term, while minimizing income volatility within the constraints of general market conditions and (ii) to preserve the value of our net assets through the counterbalance of interest rates on assets and liabilities. Our ALCO monitors and decides on the management of liquidity and interest rate positions, as well as the overall market and credit risk faced by the balance sheet. The ALCO also implements and follows the policies, guidelines, and limits set by our Risk Committee and the board of directors, as well as the local regulations, principally on credit quality, duration, concentration, and market value volatility.

Total Assets

As of December 31, 2020, the Bank's gross loan portfolio decreased 5.3% to U.S.$11,444.4 million from U.S.$12,083.7 million in December 2019. During this period, the Bank's residential mortgage portfolio grew 1.1% to U.S.$4,595.5 million from U.S.$4,545.0 million; the consumer loan portfolio decreased 7.3% to U.S.$1,771.5 million from U.S.$1,910.2 million; the corporate loan portfolio, comprised of both local and regional corporate clients, decreased 9.2% to U.S.$4,631.8 million from U.S.$5,100.2 million, and other loans (comprised of pledge loans, overdrafts and financial leases) decreased to U.S.$445.7 million from U.S.$528.3 million. During the year, the Bank's local corporate loan portfolio decreased 8.7% to U.S.$3,683.8 million from U.S.$4,033.3 million, and the Bank's regional corporate loan portfolio decreased 11.1% to U.S.$947.9 million from U.S.$1,066.8 million.

As of December 31, 2020, the Bank's total investment portfolio, made up of: (i) the Bank's primary liquid assets, and its (ii) local and regional corporate fixed-income portfolio, increased 13.0%, to U.S.$5,646.5 million in December 2020 from U.S.$4,998.3 million in December 2019.

Total Liabilities

The Bank's total customer deposits grew by U.S.$1,086.7 million, or 8.8%, to U.S.$13,443.2 million as of December 2020 from U.S.$12,356.5 million in December 2019. Customers time deposits, our main source of funding, decreased by U.S.$155.7 million, to U.S.$5,994.4 million from U.S.$6,150.0 million, representing 44.6% of total deposits as of December 31, 2020, with an average remaining life of 14.0 months, and 72.7% having original maturities of more than one year. Savings accounts grew by U.S.$871.8 million or 24.2% to U.S.$4,470.0 million from U.S.$3,598.2 million, representing 33.3% of total customer deposits as of December 31, 2020. Demand deposits increased by U.S.$370.6 million to U.S.$2,978.8 million from U.S.$2,608.3 million, representing 22.2% of client deposits as of December 31, 2020.

The following table details our assets and liabilities as of December 31, 2020:

	As of December 31, 2020			
	Less than 1 year	1 - 5 years	More than 5 years	Total
	(in thousands of U.S. dollars, except for percentages)			
Assets				
Cash and deposits with banks.............	157,150	-	-	157,150
Deposits with banks, excluding accrued interest receivable.............	643,435	-	-	643,435
Investments and other financial assets and Investments in associates..........	1,093,795	2,448,480	2,104,195	5,646,470
Loans, excluding loan losses allowance and unearned commissions..................................	3,549,127	6,530,081	944,374	11,023,583
Accrued interest receivable (1)............	46,064	109,428	-	155,493
All other assets (2)..............................	412,364	9,418	568,870	990,653
Total assets......................................	**5,901,936**	**9,097,408**	**3,617,439**	**18,616,783**
Liabilities				
Deposits received - clients, excluding accrued interest payable.................	10,780,301	2,661,602	1,345	13,443,249
Deposits received – interbank, excluding accrued interest payable..	6,288	-	-	6,288
Borrowings and debt securities issued, net and Perpetual bonds..	104,053	380,324	809,772	1,294,149
Leasing liabilities	3,093	9,535	7,068	19,696
Accrued interest payable (3)................	114,677	-	-	114,677
All other liabilities (4).........................	857,257	24,229	224,027	1,105,513
Total liabilities.................................	**11,865,670**	**3,075,690**	**1,042,212**	**15,983,572**
Total equity..	-	-	2,633,211	2,633,211
Positive (negative) gap...........................	(5,963,734)	6,021,718	(57,984)	-
Cumulative gap	(5,963,734)	57,984	-	-

(1) Include accrued interest receivable from total deposits with banks, investments and other financial assets and loans.
(2) All other assets include: properties, furniture, equipment and improvements, net of accumulated depreciation and amortization, right-of-use assets, net, customer liabilities under acceptances, investments and other financial assets sold pending settlement, deferred tax assets, goodwill and other intangible assets, net, foreclosed assets, net and other assets.
(3) Include accrued interest payable from total deposits and total financing.
(4) All other liabilities include: acceptances outstanding, investments and other financial assets purchased pending settlement, reserves of insurance operations, deferred tax liabilities and other liabilities.

The Bank does not engage in the use of speculative derivatives of any kind in the ordinary course of its business.

Borrowings and debt securities issued, net

As of December 31, 2020, we had total borrowings and debt securities issued, net of U.S.$1,076.5 million, 75.8% of which was unsecured. The other 24.2% consisted of the remaining balance of (i) a loan obtained under the USAID Housing Program secured by preferential mortgage loans (with a balance of U.S.$2.7 million as of December 31, 2020), and (ii) transactions structured under a DPR program collateralized with future cash flows of remittances (MT103) (with a balance of U.S.$255 million as of December 31, 2020).

The following table sets forth a breakdown of our borrowings and debt securities issued, net as of December 31, 2020:

	As of December 31, 2020
	(in thousands of U.S. dollars)
Borrowings and debt securities issued, net:	
Borrowings and debt due to banks[(1)]	278,832
Issued securities[(2)]	797,637
Total borrowings and debt securities issued, net	1,076,469

(1) Includes U.S.$30 million under our DPR program and the U.S.$2.7 million USAID loan.
(2) Includes U.S.$225 million under our DPR program.

For more information on our financial obligations, see Note 16 to our financial statements.

Dividend Policy and History

It is our policy to pay cash dividends each year in an amount not less than 40% of our net income. Our board of directors determines the amount of dividends to be paid considering, among others, our economic and financial condition and the existence of net income or accumulated income from previous years.

The following table summarizes our dividend payout ratios:

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Dividend payout ratio	74.37%	57.11%	60.29%
Dividends declared	238,862	287,980	261,800

Interest Rate Sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets or liabilities mature or re-price in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A positive interest rate gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest revenue while a decrease in interest rates would have a negative effect on net interest revenue. A negative interest rate gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. These relationships are as of one particular date only, and significant savings can occur daily as a result of both market forces and management's decisions.

Our interest rate sensitivity strategy takes into account not only the rates of return and the underlying degree of risk, but also liquidity requirements, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds. We monitor and manage our maturity mismatches and positions within certain preestablished limits with changes to such positions made as market outlooks change.

The following table details our interest-earning assets and interest-bearing liabilities based on their respective re-pricing dates as of December 31, 2020 and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the re-pricing period presented due to differing re-pricing dates within the period:

	As of December 31, 2020			
	Less than 1 year	1 - 5 years	More than 5 years	Total
	(in thousands of U.S. dollars, except for percentages)			
Interest-Earning Assets:				
Interest-bearing deposits with banks	199,372	-	-	199,372
Securities and other financial assets	1,979,162	1,765,288	1,310,692	5,055,141
Loan portfolio	11,162,706	202,838	78,879	11,444,423
Total interest-earning assets	**13,341,239**	**1,968,126**	**1,389,571**	**16,698,936**
Interest-Bearing Liabilities:				
Deposits received	9,010,904	2,661,602	1,345	11,673,851
Securities sold under repurchase agreements	-	-	-	-
Borrowing and placements	319,315	167,742	807,092	1,294,149
Total interest-bearing liabilities	**9,330,218**	**2,829,345**	**808,437**	**12,968,000**
Asset / liability gap	4,011,021	(861,219)	581,134	3,730,936
Cumulative gap	4,011,021	3,149,802	3,730,936	
Ratio of cumulative gap to cumulative total interest-earning assets	**24.02%**	**18.86%**	**22.34%**	

As of December 31, 2020, we had a gap at one year of U.S.$4,011.0 million. Due to the interest rate nature and pricing characteristics of our assets and liabilities, we believe that we are subject to very low levels of interest rate risk. Our loan portfolio (which represents 68.5% of our interest-earning assets) is composed mostly of variable or adjustable rate loans, which can be adjusted at any time, at our option, based upon our cost of funds and market conditions. As a result, a decline in interest rates should not necessarily result in a faster decline in net interest income than the offsetting decline in interest expense. Given the above interest rate position, our net interest income should tend to gradually increase under rising rate environments and to gradually decrease in declining rate environments.

Asset Quality

Our loan portfolio is well-diversified across client segments, products, and borrowers. A key pillar of our business model is the monitoring of our loan portfolio and clients in our various operating business units and prudent reserve and provision criteria. In that manner, non accrual loans and past due loans based on Accord SBP 4-2013, represented 1.46% and 1.54%, respectively, of total loans outstanding as of December 31, 2020. The ratio of loan loss reserves to non accrual loans was 230.33%, and loan loss reserves to past due loans was 218.01%, each as of December 31, 2020 and on a consolidated basis.

Non accrual

SBP regulations require the classification of loans in a non accrual status if any of the following conditions exist: (i) principal and interest payments exceed past due limits established by the SBP (91 days or more of principal and/or interest payments past due for all types of loans, except for mortgage loans and overdrafts which have a limit of 121 and 30 days, respectively); or (ii) the debtor's financial condition has been adversely affected (including by deterioration of the payment capacity, collateral weakness, and other factors known to us, such as fraud, death of the debtor, insolvency or bankruptcy) in a manner that places the collection of the loan at risk.

As previously mentioned, to preserve the health of the financial system, the SBP issued Accord No. 02-2020 (subsequently amended to date by Accords No. 09-2020 and No. 13-2020), which allow banks to offer its clients financial relief measures through the deferral of payments of interest and/or principal based on the documented inability of the client to make the contractual debt payment scheduled due to the impact of the economic and confinement measures implemented by the Government of Panama in the face of COVID-19. To the extent borrowers remain current with the modified loans, those loans would be considered current and not past due.

The following table presents non accrual loans, according to loan type, as of December 31, 2020, 2019 and 2018:

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Non accrual loans			
Commercial....................	8,959	6,805	8,931
Interim construction loans	1,918	1,956	2,424
Lines of credit.................	5,800	6,538	15,157
Residential mortgage loans	84,801	52,977	41,370
Preferential mortgage loans	25,791	16,923	15,335
Commercial mortgage loans	24,238	20,425	8,580
Personal and auto loans and credit cards	12,659	23,385	22,499
Pledge loans and overdrafts	183	234	399
Leasing...........................	2,276	124	906
Total non accrual loans	**166,625**	**129,365**	**115,601**
Total Loans	11,444,423	12,083,689	11,952,385
Allowance for loan losses	383,795	165,159	158,531
Non accrual loans as a percentage of total loans	1.46%	1.07%	0.97%
Allowance for loan losses as a percentage of non accrual loans	230.33%	127.67	137.14%
Allowance for loan losses + Dynamic Reserve as a percentage of non accrual loans	321.71%	245.36%	267.86%

Non accrual loans were U.S.$166.6 million as of December 31, 2020, compared to U.S.$129.4 million as of December 31, 2019. The U.S.$37.3 million, or 28.8% increase is primarily attributed to the closure of businesses and the implementation of extended confinements as means of containing and preventing the spread of COVID-19, resulting in substantial temporary employee suspensions and/or reductions in their income as well as interruption of operations for a significant proportion of businesses. The Bank experienced: (i) a U.S.$40.7 million increase in the residential and preferential mortgage non accrual balance from U.S.$69.9 million, or 0.58% of the total loan portfolio in 2019, to U.S.$110.6 million or 0.97% of the total loan portfolio in 2020, and (ii) a U.S.$7.3 million increase in the corporate non accrual balance from U.S.$36.1 million or 0.30% of the total loan portfolio in 2019, to U.S.$43.4 million, or 0.36% of the total loan portfolio in 2020. The increase in the non accrual balance described above was partially offset by a U.S.$10.7 million decrease in the consumer loans non accrual balance, from U.S.$23.4 million, or 0.19% of the total loan portfolio in 2019, to U.S.$12.7 million or 0.11% of the total loan portfolio in 2020, as a consequence of the charge off of U.S.$78.9 million of consumer loans or 0.69% of total loans and the deferral of monthly payments on part of the portfolio, which resulted in fewer loans reaching non accrual status.

Non accrual loans, in accordance with SBP regulations, represented 1.46% of total loans as of December 31, 2020, compared to 1.07% as of December 31, 2019. The Bank's allowance coverage for loan losses was 230.33% for non accrual loans, as compared to 127.67% in 2019.

As a result of the situation caused by COVID-19, the Bank approved and applied a complementary and extraordinary and voluntary policy of non accrual of interest for its consumer loans that have been modified based on Accord No. 4-2013, as subsequently amended to date. This policy is based on the analysis of a combination of client factors in addition to delinquency, such as employment status, income generation, the type of credit product and its guarantees, the client's internal risk category and the number of deferred payments. This policy may be suspended or adjusted by the Bank's management at any time. Loans in non accrual status according to the complementary policy applied by the Bank amount to U.S.$279.6 million.

Past due loans

The Bank classifies the loans in its portfolio, as past due: (i) during the life of the loan, if schedule interest and/or principal payments are more than 90 days past due; and (ii) at the final maturity of the loan, if all amounts due are not paid after 30 days of the final maturity date.

The following table presents past due loans, according to loan type, as of December 31, 2020, 2019 and 2018:

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Past due loans			
Commercial....................	8,959	6,805	8,931
Interim construction loans	1,918	1,956	2,424
Lines of credit.................	5,766	6,538	14,426
Residential mortgage loans	93,567	68,947	54,594
Preferential mortgage loans	29,317	25,391	24,373
Commercial mortgage loans	24,336	20,164	8,618
Personal and auto loans and credit cards	9,464	23,042	22,413
Pledge loans and overdrafts	438	460	1,131
Leasing...........................	2,276	124	906
Total past due loans	**176,041**	**153,426**	**137,815**
Total Loans	11,444,423	12,083,689	11,952,385
Allowance for loan losses	383,795	165,159	158,531
Past due loans as a percentage of total loans	1.54%	1.27%	1.15%
Allowance for loan losses as a percentage of past due loans	218.01%	107.65%	115.03%
Allowance for loan losses + Dynamic Reserve as a percentage of past due loans	304.50%	206.88%	224.69%

Past due loans were U.S.$176.0 million as of December 31, 2020, compared to U.S.$153.4 million as of December 31, 2019. The U.S.$22.6 million, or 14.7% increase in past due balances was principally related to: (i) the loss of income of debtors due to the impact of COVID-19, and (ii) a reduction in our collection activities. The Bank presented an increase in the balance of past due loans as a result of: (i) a U.S.$28.5 million increase in the residential and preferential mortgage past due balance from U.S.$94.3 million or 0.78% of the total loan portfolio in 2019 to U.S.$122.9 million or 1.07% of the total loan portfolio in 2020, and (ii) a U.S.$7.6 million increase in the corporate past due balance from U.S.$36.0 million or 0.30% of the total loan portfolio in 2019 to U.S.$43.7 million or 0.36% of the total loan portfolio in 2020. The increase in the past due balance described above was partially offset by a U.S.$13.6 million decrease in the consumer loans past due balance from U.S.$23.0 million or 0.19% of the total loan portfolio in 2019 to a U.S.$9.5 million or 0.08% of the total loans portfolio in 2020, as a consequence of the charge off of U.S.$78.9 million of consumer loans or 0.69% of total loans and the deferral of monthly payments on part of the portfolio, which resulted in fewer loans reaching past due status.

Past due loans represented 1.54% of total loans as of December 31, 2020, compared to 1.27% as of December 31, 2019. As of December 31, 2020, the Bank's allowance coverage for loan losses was 218.01% for past due loans, as compared to 107.65% in 2019. Past due balances are positively impacted by the relief measures implemented by the Bank, including the deferral of monthly schedule payments, as permitted by the laws and SBP regulations previously explained. As of December 31, 2020, the Bank's Special Mention Modified Loans, under the SBP regulation, amounted to U.S.$5,273.4 million of which U.S.$2,620.6 million complied with the contractual payment of their installments, and U.S.$2,652.9 million continued as deferred loans during the month of December 2020.

Allowance for loan losses

The allowance for loan losses at amortized cost consists of expected credit losses (ECL) based on the loans' credit risk rating and the mechanisms used to determine the loans' probability of default depending on the impairment stage assigned to each. The ECL model is determined by grouping loans with similar credit risk characteristics, and segmented methodologies for "Consumer Loans" and "Corporate Loans." The methodologies consist of probability of default, loss given default, and exposure to default estimates.

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

Stage 1: The Bank recognizes a credit loss allowance at an amount equivalent to 12-month expected credit losses. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period from the reporting date, assuming that credit risk has not increased significantly since initial recognition.

Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since their initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses is higher in this stage because of the increase in credit risk and the impact of a longer time horizon in comparison with the 12 months in stage 1.

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

As a result of the impact on the economy, employment and the business sector, the Bank faces possible future losses on its loan portfolio, for which it has recorded complementary reserves.

Since we are facing an unprecedented situation, the estimation of its effects on the portfolio using statistical models is subject to greater uncertainty and volatility. Therefore, the Bank has decided to create additional provisions to those determined by our ECL models, using complementary models for portfolios with high similar volumes and relatively small balances; and conducting an individual analysis of debtors with significant credit exposure (corporate portfolio mainly). The models consider, among other factors, the current employment situation of the debtor and his/her family environment, the economic activity or industry of the debtor or his/her employer, the situation of credit deferrals of his/her credit obligations, the inflows of debtors, and the guarantees covering the obligation. Moreover, in the individual analysis we consider the financial strength of the debtor and shareholders.

The following table presents the breakdown of the allowance for loan losses as of December 31, 2020, 2019 and 2018:

	2020			2019			2018		
	Loans	**Allowance**	**%**	**Loans**	**Allowance**	**%**	**Loans**	**Allowance**	**%**
Stage 1	10,133,492	225,723	2.2%	11,180,460	83,608	0.7%	11,310,611	86,609	0.8%
Stage 2	846,056	71,959	8.5%	622,147	30,711	4.9%	430,522	24,545	5.7%
Stage 3	464,875	86,113	18.5%	281,082	50,840	18.1%	211,252	47,377	22.4%
Total.........	**11,444,423**	**383,795**	**3.4%**	**12,083,689**	**165,159**	**1.4%**	**11,952,385**	**158,531**	**1.3%**

The loan losses allowance was increased to U.S.$383.8 million in December 2020, or 3.35% of the total loan portfolio, from U.S.$165.2 million, or 1.37% of the total loan portfolio, as of December 2019 to account for the deterioration of the overall economy and the negative impact it will have on businesses and individual clients' payment capacity arising from the temporary closure of economic activities, the increase in work suspensions, income reductions and job losses.

The allowance for Stage 1 increased 170.0% from U.S.$83.6 million, or 0.7%, as of December 2019 to U.S.$225.7 million, or 2.2%, as of December 2020 to account for the deterioration of the economy and the anticipated impact on credit quality, as captured by the complementary models and its allowance estimates. The amount of loans in Stage 2 increased 36.0%, from U.S.$622.1 million in 2019 to U.S.$846.1, million in 2020, and the level of allowance increased from U.S.$30.7 million (4.9% of loans) in 2019 to U.S.$72.0 million (8.5% of loans) in 2020. The amount of Stage 3 loans increased 65.4% from U.S.$281.1 million in 2019 to U.S.$464.9 million in 2020. The increments described above for Stages 2 and 3 are mainly attributable to movements from Stage 1 exposures in corporate loans due a weakening in their credit quality.

In 2020, the gross amount of loan write-offs amounted to U.S.$83.2 million, or 0.73% of total loans, compared with 0.52% in 2019. This level is well below the industry average and reflects our conservative credit policies.

Below is a table showing our reserves movements at December 31, 2020 2019 and 2018, including a breakdown of loan write-offs and recoveries by segment:

	For the Year Ended December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars)		
Allowance at the beginning of period	165,159	158,531	144,832
Provision for loan losses expensed, net of recoveries	280,947	41,954	41,983
Write-offs:			
Commercial	521	6,236	249
Interim construction loans	-	415	207
Lines of credit	1,819	6,774	607
Residential mortgage loans	977	1,862	885
Commercial mortgage loans	1,267	434	397
Personal and auto loans and credit cards	78,192	46,057	48,787
Personal	*48,178*	*28,509*	*31,147*
Auto	*2,279*	*2,331*	*1,869*
Credit cards	*27,735*	*15,217*	*15,771*
Pledge loans and overdrafts	394	864	484
Leasing	48	337	133
Loans written off	**83,218**	**62,981**	**51,750**
Recovery of loan write-off	20,907	27,654	23,053
Allowance at the end of period	**383,795**	**165,159**	**158,531**
Allowance for loans losses as percentage of total loans	3.35%	1.37%	1.33%
(Allowance for loans losses + Dynamic Reserve) / total loans	4.68%	2.63%	2.59%
Net write-off to total loans	0.54%	0.29%	0.24%
Write-offs to total loans	0.73%	0.52%	0.43%

Exchange Rate Sensitivity

Substantially all of our assets and liabilities are denominated in U.S. dollars and bear interest at fixed or floating rates. The vast majority of our interest-earning assets have interest rates that are adjustable at our discretion. In addition, we do not have any material foreign currency assets or liabilities and it is our policy to refrain from having any significant net foreign currency position for our own account. As a result, we believe that our operations have no material sensitivity to adverse changes in exchange rates. For more information about our exposure to foreign exchange rate fluctuations, see Note 30 to our financial statements.

Capital Resources

The cornerstone of our overall financial strategy is our solid and strong capital position, which exceeds local regulatory requirements and international requirements contained in the Basel Accords and has supported our investment grade ratings from Standard & Poor's (BBB) and Fitch (BBB-), since 1997, when we successfully issued U.S.$115 million senior unsecured Eurobonds, distributed in both the U.S. and Europe.

Our equity consists of paid in capital, capital reserves, reserves for revaluation of financial instruments and retained earnings. Our high levels of capitalization reflect the board of directors' commitment to maintain a strong capital base to support depositors and enable us to support growth opportunities and weather unexpected adverse events that may affect our operations. As a result, for the past five years ended December 31, 2020, we have retained an average of 39.86% of our earnings.

As of December 31, 2020, our total regulatory capital amounted to U.S.$2,785.4 million, or 259.2% of the total minimum capital required (Tier 1 and Tier 2 capital). The total capital ratio was 20.74%, comprised entirely of Tier 1 capital of U.S.$2,785.4 million over total risk weighted assets of U.S.$13,431.9 million. Total risk-weighted assets include U.S.$11,273.1 million of risk-weighted assets in our loan portfolio and investments, U.S.$1,551.6 million of risk-weighted assets due to market risk requirements, and U.S.$607.2 million of risk-weighted assets from operational risk. Market risk-weighted assets and operational risk-weighted assets are included in accordance with regulatory requirement set forth in Accords No. 11-2018 and No. 6-2019. Our total equity to total assets ratio increased from 13.26% as of December 31, 2019, to 14.14% as of December 31, 2020.

In addition to the above-mentioned regulatory capital adequacy requirements, Accord No. 4-2013 issued by the SBP requires all banks to maintain a countercyclical dynamic reserve of not less than 1.25% and no more than 2.50% of the risk-weighted loans classified as standard loans. The dynamic reserve is presented as part of the legal reserves in the equity section of the Bank's financial statements. The dynamic reserve balance is considered part of the regulatory capital if a bank's regulatory capital exceeds the minimum capital adequacy ratio of 8.0%. As of December 31, 2020, the Bank's dynamic reserve balance was U.S.$152.3 million. On July 21, 2020, the SBP communicated the temporary suspension of the constitution of the dynamic reserve in an effort to provide financial relief to banking entities. This suspension applies as of the second quarter of 2020 and will be maintained until the SBP revokes the corresponding resolution (SBP-GJD-0007-2020).

Accordingly, Accord No. 4-2013, as subsequently amended to date, requires all banks to maintain provisions equivalent to three percent (3%) of the modified loan portfolio's gross balance.

The Bank's securities brokerage, insurance and pension fund management subsidiaries are also subject to minimum capital requirements stipulated under Panamanian law. As of December 31, 2020, all subsidiaries were in compliance with all of their respective minimum capital requirements.

The following table sets forth information regarding our capital levels as of December 31, 2020, 2019 and 2018:

	As of December 31,		
	2020	**2019**	**2018**
	in thousands of U.S. dollars, except for percentages		
Regulatory Primary Capital (Tier 1)			
Common Shares	500,000	500,000	500,000
Legal reserve	188,396	186,240	182,341
Other items of comprehensive income	159,987	89,725	3,642
Retained earnings	1,772,980	1,703,100	1,498,282
Less: regulatory adjustments	53,674	50,074	57,802
Total Regulatory Primary Capital	**2,567,690**	**2,428,391**	**2,126,463**
Additional Primary Capital (Tier 1)			
Subordinated debt - perpetual bonds	217,680	217,680	217,680
Total Additional Primary Capital	**217,680**	**217,680**	**217,680**
Total Primary Capital	**2,785,370**	**2,646,071**	**2,344,143**
Credit Weighted Assets	11,273,084	11,931,120	12,053,460
Market Risk Weighted Assets	1,551,596	422,023	-
Operational Risk Weighted Assets	607,186	630,172	-
Risk-weighted assets	**13,431,866**	**12,983,315**	**12,053,460**
Capital ratios			
Total Regulatory Primary Capital Ratio	**19.12%**	**18.70%**	**17.64%**
Total Primary Capital Ratio	**20.74%**	**20.38%**	**19.45%**
Total Capital Ratio	**20.74%**	**20.38%**	**19.45%**

Over the last three years, we have made material expenditures to improve the type and quality of our technological infrastructure and software platforms, renovate existing branches, and develop new branches. The following table sets forth our capital expenditures by major category as of December 31, 2020, 2019 and 2018:

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Net balance			
IT systems, equipment and related software	58,763	55,150	48,288
Land and buildings	132,618	136,160	137,379
Refurbishment and improvements	10,773	12,810	10,540
Office furniture and equipment	34,680	37,312	38,198
Total	**236,834**	**241,433**	**234,405**

Capital expenditures decreased 1.9% for the year ended December 31, 2020, as compared to 2019.

Off-Balance Sheet Arrangements

In the normal course of business, we hold commitments and contingencies which are not reflected in the consolidated statement of financial position that involve certain levels of credit and liquidity risks. Guarantees issued on behalf of customers, letters of credit and commitment letters include certain exposure to credit loss in the event of non-compliance by the customer, net of collateral guarantees securing these transactions. Our policies and procedures to approve these commitments are similar to those for extending loan facilities recorded within our assets.

Off-balance sheet commitments are summarized as follows:

	For the Year Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Contingent Accounts			
Letters of Credit	69,902	83,865	193,486
Banking guarantees and commitment letters	512,969	659,516	772,693
Total	**582,871**	**743,381**	**966,179**
Reserve Required	2,158	2,266	-

Tabular Disclosure of Contractual Obligations

The following table sets forth a summary of our consolidated contractual obligations and commercial commitments, including all interest (including future interest) owed, as of December 31, 2020. The table below has not been adjusted to take into account the issuance of the notes offered hereby.

	Payments due in period			
	Less than 1 year	1 – 5 years	More than 5 years	Total
Obligation	(in thousands of U.S. dollars)			
Borrowings and debt securities issued, net[(1)]	57,414	584,698	639,231	1,281,343
Total	**57,414**	**584,698**	**639,231**	**1,281,343**

(1) Excludes both the balance and projected interest in connection with our perpetual bonds, which had a balance of U.S.$217,680,000, as of December 31, 2020.

PANAMANIAN BANKING SERVICES INDUSTRY

Panamanian Banking System

Overview of the International and National Banking Systems

Decree Law No. 9 of February 26, 1998, as amended by Decree Law No. 2 of February 22, 2008 and compiled in a single text by Executive Decree No. 52 of April 30, 2008 (the "Banking Law"), and its subsequent reforms, has led to the development of a significant banking sector in Panama, namely the International Banking Centre ("IBC"), which is divided into two industry segments known as the National Banking System ("NBS") and the International Banking System ("IBS"). The IBC's development is also attributable to the use of the U.S. dollar as the legal tender in Panama, the absence of exchange controls, and the trade flows attracted to Panama by the Panama Canal and the Colon Free Zone. As of December 31, 2020, the IBC was comprised of 68 banks in total, 41 in the NBS, and 27 in the IBS.

Banks are categorized according to their type of license. Banks within the NBS are general license banks, which may be either Panamanian-owned (public or private sector) or foreign-owned, and can undertake both local and international operations, while banks in the IBS are either (i) international license banks, which cannot undertake local operations and are only authorized to manage and direct transactions that are negotiated, carried out or produce their results outside of Panama from their Panamanian offices, or (ii) banks with representative office licenses, which may not book transactions or carry out any banking business in Panama.

The open nature of the IBC has promoted significant activity by Panamanian licensed banks, which held 15 of 68 total licenses outstanding as of December 31, 2020, and by foreign banks, which held the remaining 53 licenses, including financial institutions from Colombia, Peru, China, the United States, South Korea, Canada, Brazil, Costa Rica, Nicaragua, Honduras, Guatemala, Venezuela and Ecuador. Since 2011, the IBC has experienced significant growth as the region has developed, with assets growing at a CAGR of 2.0% from December 31, 2015 to December 31, 2020.

The following table presents certain statistics on the IBC as of the periods indicated.

	Panama's International Banking Center			
	As of December 31,			% Change over three years
	2020	2019	2018	
	(in millions of U.S. dollars, except number of banks)			
Total Assets	**154,638**	**151,836**	**147,795**	**2.5%**
Total Net Loans	**90,340**	**98,082**	**98,765**	**(1.7)%**
Local	53,091	55,783	55,457	0.8%
Foreign	37,248	42,298	43,309	(4.8)%
Total Deposits	**114,393**	**107,926**	**102,125**	**4.2%**
Local	62,998	57,741	54,873	5.5%
Foreign	51,395	50,185	47,252	2.7%
Equity	**16,792**	**17,379**	**16,208**	**2.0%**
Total Number of Banks	**68**	**70**	**84**	

Source: SBP.

The following table sets forth certain statistics regarding the composition of the IBC as of December 31, 2020, categorized by (i) NBS, which are general license (public and private sector) banks, and (ii) IBS, which is comprised of international license banks and banks with representative office licenses.

	As of December 31, 2020						
	NBS				IBS		IBC
	General License Banks				International Banking	Representative Office Licenses	Total
	Public	Private		Total			
	Local	Local	Foreign		Foreign	Foreign	
	(in millions of U.S. dollars, except number of banks)						
Loans							
Local Loans..................	8,253	23,453	23,435	55,141	229	-	55,369
Foreign Loans................	-	2,758	23,191	25,949	12,543	-	38,492
Total Loans.....................	**8,253**	**26,211**	**46,626**	**81,090**	**12,772**	**-**	**93,862**
Total Assets.....................	**21,610**	**40,494**	**69,123**	**131,228**	**23,411**	**-**	**154,638**
Deposits							
Local							
Government..............	12,267	23	299	12,589	-	-	12,589
Clients (non-banks).....	3,694	24,870	17,182	45,746	561	-	46,307
Banks......................	1,786	379	1,690	3,855	247	-	4,102
Total Local Deposits......	**17,748**	**25,272**	**19,170**	**62,190**	**808**	**-**	**62,998**
Foreign Deposits	18	2,617	31,407	34,043	17,352	-	51,395
Total Deposits..................	**17,766**	**27,889**	**50,577**	**96,233**	**18,160**	**-**	**114,393**
Equity............................	**1,338**	**5,104**	**7,069**	**13,511**	**3,281**	**-**	**16,792**
Total Equity and Liabilities	**21,610**	**40,494**	**69,123**	**131,228**	**23,411**	**-**	**154,638**
Number of Banks.............	**2**	**13**	**26**	**41**	**17**	**10**	**68**

Source: SBP. Based on consolidated financial statements

The National Banking System

Banks within the NBS consist of all general license banks and are divided between public and private sector banks. Public sector banks are banks whose majority shareholder is the government of Panama. Privately owned banks are banks whose majority shareholder is a private person, corporation or other business organization. The NBS is comprised of two public sector banks, 13 local private sector banks and 26 foreign private sector banks, and the IBS is comprised of 17 foreign banks with international licenses and 10 foreign banks with representative office licenses.

General license banks are authorized to take deposits and to raise funds by any lawful means and to loan, invest or use such funds in any other manner consistent with common banking practices. Thus, general license banks are authorized to take deposits and make loans denominated in any currency; to issue guarantees; to provide securities brokerage and asset management services; to act as trustees; and to issue credit cards, although additional licenses are required to provide brokerage and trustee services.

General license banks are not permitted to own shares in commercial, industrial, agricultural and other non-banking businesses which in the aggregate exceed 25% of the bank's paid-in capital plus reserves. There are no limits, however, to the percentage of share capital of any such non-banking company that a bank may hold. In addition, banks are not allowed to own or lease real estate properties, except in connection with their own banking activities or under certain specific circumstances identified in the Banking Law.

Subject to prior approval of the SBP, a bank or a bank holding company may purchase or sell shares of any company engaged in securing bank deposits, promoting a securities market in Panama or improving the financing of economic development system.

The following table presents certain statistics on the NBS as of the periods indicated.

	As of December 31,			
	(in millions of U.S. dollars, except for percentages)			
	2020	**2019**	**2018**	**% Change over three years**
Total Assets.............................	**131,228**	**126,447**	**122,810**	**3.8%**
Total Loans.............................	**81,090**	**86,192**	**85,302**	**0.3%**
Local.....................................	55,141	57,201	56,586	1.6%
Foreign.................................	25,949	28,990	28,715	(2.3)%
Total Deposits..........................	**96,233**	**89,691**	**85,895**	**4.7%**
Local.....................................	62,190	57,032	54,195	5.4%
Government......................	12,589	10,201	7,821	15.7%
Clients (non-banks)...........	45,746	44,015	42,977	3.3%
Banks...............................	3,855	2,817	3,397	4.5%
Foreign.................................	34,043	32,659	31,700	3.4%
Equity.....................................	**13,511**	**14,152**	**13,095**	**1.8%**

Source: SBP. Based on consolidated financial statements

The historic presence of many of the leading global banks in Panama (which currently include Citibank and Scotiabank, and have previously included Bank of America, Wells Fargo, Lloyds Bank, HSBC, and Santander) has been an important factor in the development and growth of the NBS, as it has benefited from the human and financial capital, technological, operational and business expertise these institutions have provided to the Panamanian banking industry.

The NBS experienced a significant period of growth—from December 31, 2015 to December 31, 2020, growing at a CAGR of 3.1% in terms of assets, reaching U.S.$131.2 billion in assets as of December 31, 2020 (IBC: U.S.$154.6 billion).

Local Banking Activities within the National Banking System

There are 39 general license (13 Panamanian-owned and 26 foreign-owned) and two public sector banks, National Bank of Panama (*Banco Nacional de Panamá* or "BNP") and Caja de Ahorros, actively competing in the local market. The Bank has total assets of U.S.$18.6 billion which represents a market share of 14.2% on a consolidated basis. As of December 31, 2020, the ten largest banks, based on local loans, account for 83.2% of local loans and 81.9% of local private sector deposits. The relative market share of each of these ten banks as of December 31, 2020 is set forth below:

	As of December 31, 2020					
	Total Local Loans	**Market Share**	**Total Local Private Deposits**	**Market Share**	**Total Equity**	**Market Share**
	(in millions of U.S. dollars, except percentages)					
Banco General...........................	**10,214**	**18.5%**	**12,884**	**28.2%**	**2,633**	**19.5%**
Banistmo..................................	7,493	13.6%	6,485	14.2%	1,089	8.1%
Global Bank...............................	5,854	10.6%	4,472	9.8%	960	7.1%
BNP...	4,979	9.0%	1,419	3.1%	962	7.1%
BAC...	3,664	6.6%	2,441	5.3%	2,509	18.6%
Caja de Ahorros	3,274	5.9%	2,275	5.0%	375	2.8%
Multibank.................................	3,010	5.5%	1,944	4.2%	429	3.2%
Scotiabank	2,980	5.4%	1,888	4.1%	251	1.9%
Banesco....................................	2,205	4.0%	1,485	3.2%	407	3.0%
Banco Aliado.............................	2,204	4.0%	2,162	4.7%	403	3.0%
Total National Banking System.....	**55,141**	**100.0%**	**45,746**	**100.0%**	**2,305**	**100.0%**

Source: SBP. Figures relating to NBS's financial results are based on consolidated financial statements.

Banco General's Market Position in the National Banking System (NBS)

Local Loans

The following table sets forth a comparison of the local loan market share for each of the periods indicated, illustrating our position in this segment as one of the ten largest banks in the NBS, based on local loans. We are the leader in local loans in Panama, with 18.5% or U.S.$10.2 billion in local loans outstanding as of December 31, 2020, from a total local loan portfolio of U.S.$55.1 billion in the NBS.

	Local Loan Market Share		
	As of December 31,		
	2020	**2019**	**2018**
Banco General............................	**18.5%**	**18.7%**	**18.6%**
Banistmo......................................	13.6%	13.1%	12.9%
Global Bank..................................	10.6%	10.8%	10.9%
BNP	9.0%	7.8%	7.5%
BAC..	6.6%	6.4%	6.6%
Caja de Ahorros............................	5.9%	5.4%	5.0%
Multibank.....................................	5.5%	5.5%	5.3%
Scotiabank....................................	5.4%	5.3%	5.6%
Banesco..	4.0%	4.0%	3.9%
Banco Aliado................................	4.0%	5.4%	2.9%
Subtotal.......................................	**83.2%**	**82.5%**	**79.4%**
Other...	16.8%	17.5%	20.6%
Total National Banking System....	**100%**	**100%**	**100%**

Source: SBP. Figures relating to NBS's financial results are based on consolidated financial statements.

Local Loan Growth

The following table sets forth a comparison of the annual growth in local loans and the CAGR for the periods indicated.

	Growth in Local Loans		
	As of December 31,		**CAGR**
	2019/2020	**2018/2019**	**2018-2020**
Banco General	**(5)%**	**2%**	**(2)%**
BNP	12%	5%	8%
Caja de Ahorros...	6%	9%	7%
Banistmo..	0%	2%	1%
BAC...	(1)%	(2)%	(1)%
Scotiabank..	(2)%	(4)%	(3)%
Banesco..	(3)%	2%	(1)%
Multibank...	(4)%	4%	0%
Global Bank	(5)%	0%	(2)%
Banco Aliado..	(29)%	89%	16%
Subtotal..	**(3)%**	**5%**	**1%**
Other..	(8)%	(14)%	(11)%
Total National Banking System..................	**(4)%**	**1%**	**(1)%**

Source: SBP.

Local Private Sector Deposits

The following table sets forth a comparison of the local private sector market share for each of the periods indicated, illustrating our position in this segment as one of the ten largest banks in the NBS, based on local loans.

Banco General is the leader in local private sector deposits in Panama, with U.S.$12.9 billion in local private sector deposits as of December 31, 2020, from a total local private sector deposits of U.S.$45.7 billion in the NBS. Private sector deposits are those from non-governmental entity clients.

	Local Private Sector Deposit Market Share		
	As of December 31,		
	2020	2019	2018
Banco General	**28.2%**	**26.9%**	**26.8%**
Banistmo	14.2%	14.4%	13.9%
Global Bank	9.8%	9.8%	10.2%
BAC	5.3%	5.0%	5.1%
Caja de Ahorros	5.0%	4.7%	4.6%
Banco Aliado	4.7%	6.8%	2.9%
Multibank	4.2%	4.4%	4.4%
Scotiabank	4.1%	3.3%	3.5%
Banesco	3.2%	3.7%	3.8%
BNP	3.1%	2.6%	2.6%
Subtotal	**81.9%**	**81.4%**	**77.6%**
Other	18.1%	18.6%	22.4%
Total National Banking System	**100.0%**	**100.0%**	**100.0%**

Source: SBP.

Local Private Sector Deposits Growth

The following table sets forth a comparison of the annual growth of local private sector deposits, and the CAGR for the periods indicated, illustrating our position as one of the ten largest banks in the NBS.

	Growth in Local Private Sector Deposits		
	As of December 31,		CAGR
	2019/2020	2018/2019	2018-2020
Banco General	**9%**	**2%**	**6%**
Scotiabank	31%	(3)%	13%
BNP	23%	3%	13%
BAC	12%	(1)%	5%
Caja de Ahorros	9%	6%	8%
Global Bank	4%	(1)%	1%
Banistmo	2%	6%	4%
Multibank	1%	2%	2%
Banesco	(8)%	0%	(4)%
Banco Aliado	(27)%	140%	32%
Subtotal	**5%**	**7%**	**6%**
Other	1%	(15)%	(7)%
Total National Banking System	**4%**	**2%**	**3%**

Source: SBP.

Shareholders' Equity as a Percentage of Total Assets

The following table sets forth a comparison of the ratio of shareholders' equity to total assets for the periods indicated, illustrating our position as one of the ten largest banks in the NBS, based on local loans.

	Shareholders Equity / Total Assets		
	As of December 31,		
	2020	2019	2018
Banco General	**14.14%**	**13.26%**	**11.68%**
Global Bank	11.45%	10.93%	10.68%
Banistmo	10.60%	11.18%	11.21%
Banco Aliado	9.94%	10.46%	10.34%

	Shareholders Equity / Total Assets		
	As of December 31,		
	2020	2019	2018
BAC	9.42%	12.19%	11.83%
Banesco	9.37%	9.83%	9.21%
Multibank	8.79%	12.19%	10.68%
Caja de Ahorros	7.92%	7.67%	9.45%
Scotiabank	6.36%	5.41%	3.94%
BNP	5.70%	8.33%	8.86%
Total National Banking System	**10.30%**	**11.19%**	**10.66%**

Source: SBP.

Total Capital Ratio

The following table sets forth a comparison of the total capital ratio for the periods indicated, illustrating our position as one of the largest banks in the NBS, based on local loans.

	Total Capital Ratio		
	As of December 31,		
	2020	2019	2018
Banco General	**20.74%**	**20.38%**	**19.45%**
BNP	17.53%	16.05%	16.63%
Global Bank	15.62%	13.72%	12.71%
Multibank	14.73%	18.73%	18.90%
Caja de Ahorros	13.75%	13.06%	15.40%
Banesco	13.11%	11.68%	13.04%
BAC	12.79%	12.94%	13.52%
Banistmo	12.66%	12.76%	14.06%
Banco Aliado	11.75%	12.11%	17.13%
Scotiabank	n/a	n/a	n/a
Total National Banking System	**15.71%**	**15.24%**	**15.73%**

Source: SBP.

Cash, Interbank Deposits & Foreign Securities as a Percentage of Total Assets

The following table sets forth a comparison of the ratio of cash, interbank deposits & foreign securities to total assets for the periods indicated, illustrating our position as one of the ten largest banks in the NBS, based on local loans.

	Cash, Interbank Deposits & Foreign Securities / Total Assets		
	As of December 31,		
	2020	2019	2018
Banco General	**26.85%**	**22.91%**	**24.77%**
BNP	59.46%	39.58%	33.52%
BAC	31.49%	25.00%	25.06%
Banesco	21.96%	21.27%	24.65%
Banco Aliado	19.30%	14.86%	15.40%
Caja de Ahorros	17.98%	24.10%	14.43%
Scotiabank	17.92%	13.63%	14.91%
Banistmo	14.57%	12.45%	12.65%
Global Bank	13.52%	11.81%	11.45%
Multibank	4.16%	5.63%	6.94%
Total National Banking System	**27.62%**	**21.12%**	**21.04%**

Source: SBP.

NBS Return on Average Assets

The following table sets forth a comparison of the NBS ratio of net income to average assets (calculated based on quarterly average balances) for the periods indicated, illustrating our position as one of the ten largest banks in the NBS, based on local loans.

-

	NBS Return on Average Assets		
	As of December 31,		
	2020	2019	2018
Banco General	**1.68%**	**2.68%**	**2.41%**
BAC	1.25%	1.77%	1.83%
BNP	0.93%	1.75%	2.01%
Banco Aliado	0.66%	0.84%	1.80%
Caja de Ahorros	0.24%	0.19%	1.25%
Banesco	0.18%	0.72%	0.82%
Global Bank	0.14%	0.63%	0.86%
Scotiabank	(0.03)%	0.01%	0.04%
Banistmo	(0.45)%	0.69%	1.00%
Multibank	(0.47)%	1.00%	1.20%
Total National Banking System	**0.69%**	**1.26%**	**1.28%**

Source: SBP. Figures relating to the Bank's financial results are based on consolidated financial statements. Percentages have been calculated using balance from quarterly financial statements.

NBS Return on Average Equity

The following table sets forth a comparison of the NBS ratio of net income to average equity (calculated based on quarterly average balances) for the periods indicated, illustrating our position as one of the ten largest banks in the NBS, based on local loans.

	NBS Return on Average Equity		
	As of December 31,		
	2020	2019	2018
Banco General	**12.30%**	**21.07%**	**20.21%**
BNP	13.11%	19.23%	21.92%
BAC	11.65%	14.23%	15.30%
Banco Aliado	6.58%	7.89%	17.23%
Caja de Ahorros	2.91%	2.10%	13.31%
Banesco	1.88%	7.53%	8.89%
Global Bank	1.30%	5.83%	7.76%
Scotiabank	(0.47)%	0.23%	0.92%
Banistmo	(4.08)%	6.13%	8.87%
Multibank	(4.42)%	8.75%	11.30%
Total National Banking System	**6.43%**	**11.29%**	**11.77%**

Source: SBP. Figures relating to the Bank's financial results are based on consolidated financial statements. Percentages have been calculated using balance from quarterly financial statements.

NBS Operating Efficiency Ratio

The following table sets forth a comparison of the NBS ratio of total general and administrative expenses (which includes taxes) to net interest income plus other income, net for the periods indicated, illustrating our position as one of the ten largest banks in the NBS, based on local loans.

	NBS Operating Efficiency Ratio		
	As of December 31,		
	2020	2019	2018
Banco General	**31.32%**	**40.45%**	**42.35%**
Banistmo	43.85%	49.21%	51.00%

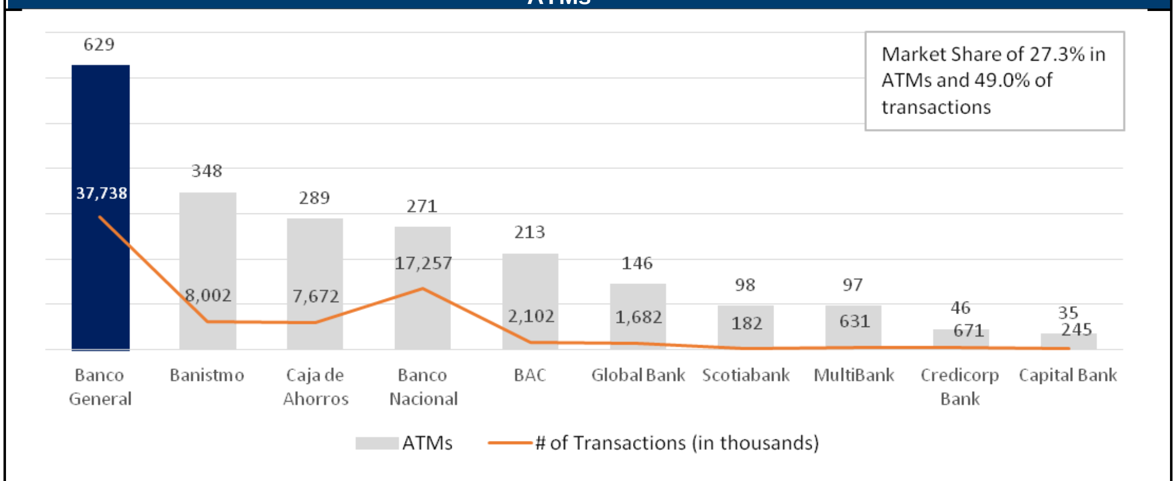
	NBS Operating Efficiency Ratio		
	As of December 31,		
	2020	**2019**	**2018**
BNP	45.86%	45.07%	42.32%
Global Bank	50.84%	61.16%	63.04%
Banco Aliado..................................	52.67%	59.59%	47.68%
Multibank......................................	56.60%	57.94%	62.96%
BAC...	62.37%	62.94%	62.09%
Banesco..	67.19%	64.41%	62.90%
Caja de Ahorros..............................	76.24%	68.19%	61.23%
Scotiabank......................................	82.35%	65.46%	69.27%
Total National Banking System.....	**54.59%**	**56.60%**	**56.69%**

Source: SBP. Figures relating to the Bank's financial results are based on consolidated financial statements.

ATMs

The following table sets forth our number of ATMs and ATM transactions processed through Telered, relative to those of the next nine largest banks in the NBS based on number of ATMs. As of December 31, 2020, we had 629 ATMs, processing 49.0% of total network transactions in Panama.

ATMs

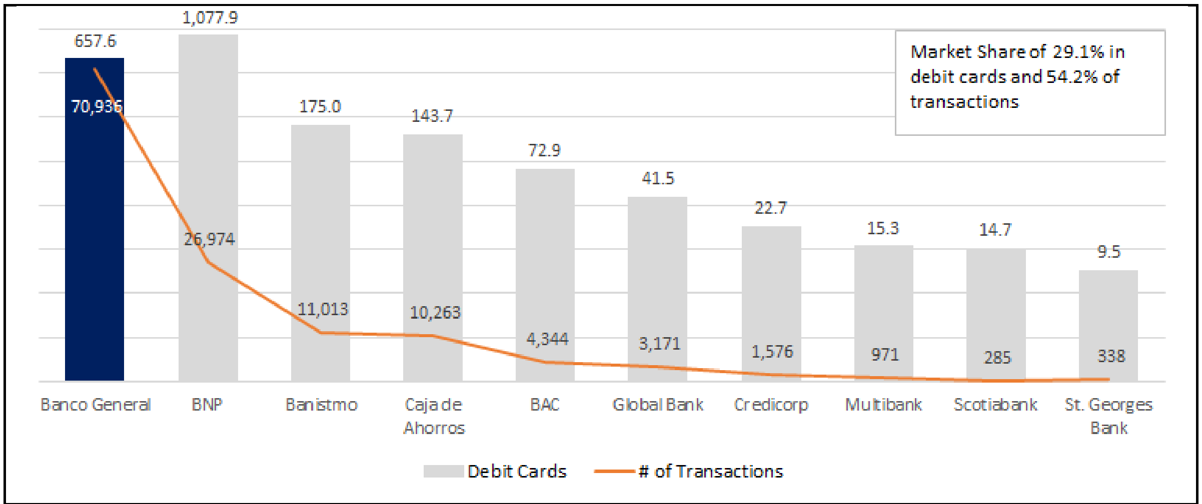


Source: SBP for ATMs as of December 31, 2020 and Telered for transactions for year ended December 31, 2020.

Debit Cards

The following table sets forth our number of local brand debit cards (Clave) and local brand debit card (Clave) transactions relative to those of the next nine largest banks in the NBS, based on amount of local brand debit cards in circulation. As of December 31, 2020, we had over 657,000 local brand debit cards (Clave) in circulation, accounting for 54.2% of total debit card transactions processed in Panama.

Debit Cards



Source: Telered, as of December 31, 2020. Figures in thousands.
BNP includes 603,000 debit cards (Clave Social) in relation to government subsidy programs.

BUSINESS

Overview

Banco General was founded in 1955 and is the oldest and largest private sector, locally owned bank in Panama, conducting operations for more than 65 years. We believe we have the premier universal banking franchise in Panama, with the number one market share in local private deposits (28.2%; U.S.$12.9 billion) and local loans (18.5%; U.S.$10.2 billion), as of December 31, 2020, market share information is in accordance with data published by the SBP, and the balances of local private deposits and local loans are in accordance with our financial statements, both measured on a consolidated basis. As of December 31, 2020, we had U.S.$18.6 billion in assets, servicing a customer base of approximately 1.2 million corporate and individual clients.

We offer a wide range of universal banking services and products including deposit-taking, residential mortgage loans, personal loans, credit cards, automobile loans, commercial mortgages, corporate and commercial lines of credit, interim construction loans and commercial loans. In addition to our direct banking operations, we offer related financial services either directly or through our subsidiaries and affiliates, including wealth management, investment banking, insurance products related to loans, securities brokerage and asset management, pension fund management and leasing. As of December 31, 2020, corporate loans accounted for 40.5% of our loan portfolio, while residential mortgages, consumer loans (comprised of automobile loans, credit cards and personal loans) and other loans (comprised of pledge loans, overdrafts, and leasings) accounted for 40.2%, 15.5% and 3.9%, respectively.

We have developed a vast national distribution network comprised of 75 strategically located branches in Panama and the largest and most utilized ATM network in terms of total transactions and portfolio of debit cards in Panama. We have over 657,000 local brand debit cards, representing 29.1% of all local brand debit cards in Panama, which account for a leading 54.2% of all debit card ATM and POS transactions processed through Telered (the only network of ATMs and POS in Panama). Additionally, we have over 270,000 international brand debit cards in circulation. Our 629 ATMs in Panama process a leading 49.0% of all ATM transactions in Panama. As of December 31, 2020, we had 4,554 permanent full-time employees.

We also maintain leading online and mobile banking platforms, since 2000 and 2013, respectively, and a dedicated sales force and customer service center. Among our digital products and services, we offer online computer-based banking (*Banca en Línea*), an Android and iPhone mobile-based app for personal banking (*Banca Móvil*) and "Yappy," a digital wallet through which customers can request and send money on their mobile phones or make purchases were supported by websites or shops online. Over 762,000 of our clients, or 64%, actively used either *Banca en Línea* or *Banca Móvil* during 2020, and over 571,000, or 48%, of our clients were affiliated with Yappy as of December 31, 2020. Our customers' usage of our digital products has grown in recent years, with digital transactions in 2020 accounting for 52% of our total monetary transactions, compared to 23% in-person transactions at our branches or through our ATMs. We believe this growth in use of our digital products is due in part to the effects of the COVID-19 pandemic, but we expect that this trend will continue as we continue to invest in and cross-sell our digital products to customers and grow our customer base with new digital clients.

We have regional banking operations that, as of December 31, 2020, represented 6.6% of our total assets and comprise a regional corporate banking network with offices and representatives in Mexico, Colombia, Guatemala, El Salvador and Peru, and a universal banking subsidiary in Costa Rica, BGCR, which has 8 branches. As of December 31, 2020, BGCR had total assets of U.S.$498.3 million.

We maintain capital and liquidity ratios that consistently exceed the levels required by the SBP. As of December 31, 2020, our total capital ratio was 20.74%, calculated in accordance with SBP methodology. This ratio is 2.5x the 8.0% regulatory minimum, consists entirely of Tier 1 capital and compares favorably to the NBS, which stood at 15.71% as of the same date. Our strong capital position is crucial as Panama does not have a lender of last resort. Our primary liquidity ratio, measured as primary liquid assets (comprised of cash, bank deposits and investment grade fixed income liquid investments) to total deposits and borrowings, was 29.4% as of December 31, 2020, corresponding to U.S.$4.3 billion in primary liquidity. Our total primary liquidity has an average credit rating of AA-, of which 50.0% has a AAA credit rating. Bank deposits are held with financial institutions with international investment grade credit ratings. Moreover, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a LCR that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of

December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

We have maintained consistent profitability measures over recent years. For the years ended December 31, 2020, 2019 and 2018, our net income was U.S.$321.2 million, U.S.$504.3 million and U.S.$434.2 million, respectively, representing a ROAA of 1.68%, 2.68% and 2.41% respectively, and a ROAE of 12.30%, 21.07% and 20.21% respectively. In addition, we have historically maintained industry leading operating efficiency, which allows us to realize higher levels of profitability and provides the Bank with more flexibility through economic downturns.

For the years ended December 31, 2020, 2019 and 2018, our operating efficiency ratio was 32.94%, 33.42% and 35.31%, respectively.

	For the Year Ended December 31,		
	2020	2019	2018
Profitability and efficiency:			
Net interest margin[(1)]	3.79%	4.06%	3.91%
Return on average assets[(2)]	1.68%	2.68%	2.41%
Return on average equity[(2)]	12.30%	21.07%	20.21%
Operating efficiency ratio[(3)]	32.94%	33.42%	35.31%
Total general and administrative expenses / average total assets[(2)]	1.51%	1.64%	1.63%
Total other income, net / operating income[(4)]	35.78%	24.49%	22.11%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see “Selected Statistical Information.”

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income, after provisions and total other income, net.

History

Banco General, the first and oldest Panamanian-owned private sector bank, was founded in 1955 by a group of prominent Panamanian entrepreneurs. The Bank was originally established to complement the operations of Compañía General de Seguros, S.A., which later became part of ASSA Seguros, one of Panama’s largest insurers.

Pursuant to the requirements under Cabinet Decree No. 238 dated July 2, 1970, we began to operate as a mortgage bank. However, in the 1980s, following significant reforms to the Panamanian banking regulatory framework, banks were no longer required to operate as either commercial banks or mortgage banks, thus enabling banks to expand the services and products they offered. As a result, we were able to expand our business operations and, in 1985, we acquired Bank of America’s branch network in Panama, enabling us to enter consumer and corporate banking. In 1988, we entered the credit card business through the acquisition of Diners Club International’s operations in Panama, which we expanded further when we began to issue Visa cards in 1990 and MasterCard cards in 1999. We came to be recognized as a “universal” bank for our full range of consumer, mortgage and corporate services in 1990.

Since that time, we have entered into certain key strategic alliances, including a number of significant acquisitions to consolidate our local brand and to complement our existing universal banking services. Most notably, in January 2007, EGI, our parent company, and Grupo Financiero Continental, S.A., 100% owner of BC, then the second largest Panamanian-owned private sector bank in Panama by assets, agreed to integrate their respective banking operations under a new company named Grupo Financiero BG, S.A., resulting in the creation of the largest Panamanian bank.

Our merger with BC, which held corporate banking operations through representative offices in Central America, enabled us to increase our international presence in the region, later strengthened by the establishment of a universal bank in Costa Rica in 2007. BGCR began operations primarily as a corporate and retail private bank and has developed its retail business by acquiring Citibank's residential mortgage portfolio in Costa Rica in 2009 and expanding its branch network strategically throughout San José, the capital city of Costa Rica and the provinces of Heredia and Alajuela

Competitive Strengths

We have consistently sought to achieve strong financial results, driven by our growing loan portfolio, low-cost deposit base, sound asset quality, consistent non-interest revenues, and solid operating efficiency. We believe that our board of directors and management team have implemented conservative policies that mitigate risks while allowing us to continue our growth strategy. We believe that our primary business strengths, which have helped us achieve positive results in a competitive environment, include the following:

Leading Financial Institution in Panama with Strong Brand Recognition

We are the largest privately owned, private sector local bank in Panama in terms of total assets, total local loans and total local private sector deposits with U.S.$18.6 billion in total assets, representing a 14.2% market share, U.S.$10.2 billion in total local loans, representing a 18.5% market share, and U.S.$12.9 billion in total local private sector deposits, representing a 28.2% market share, market share information is in accordance with information published by the SBP as of December 31, 2020 and information of total assets, total local loans and total local private sector deposits are in accordance with our financial statements as of December 31, 2020. This sizeable national footprint has allowed us to create a unique and strong brand awareness that delivers on customer appeal and loyalty, allowing us to service a wide spectrum of clients, maximize revenue and gain market share.

We are also the oldest Panamanian-owned private sector bank, having served Panama's financial industry for over 65 years. Our history, longstanding consistent growth, successful performance and solid image are some of the key elements that differentiate us from our competitors and that, we believe, contribute to our customers' loyalty. We are recognized by our customers and the market for the quality of our products and services, long-term consistency, reliability and commitment to social responsibility. Our strong commitment to social responsibility is engrained in the way we conduct our business with fairness and transparency, which we believe further strengthens and solidifies our corporate image.

We believe the public recognizes the Bank's quality during global economic stress. In the past, we have experienced a flight to quality resulting in the growth of our deposit base during times of stress relative to other Panamanian banks. Accordingly, at December 31, 2020, our local deposit market share was 28.2%, an increase from 26.9% at December 31, 2019, based on consolidated data from SBP.

Moreover, our commitment to the development of the Panamanian economy has led to our increased participation in projects of national interest. For example, we led the effort to create the Preferential Mortgage Interests Rates Law in 1985, which allowed the growing middle class to access home ownership. The law has been subsequently renewed since its enactment and has provided numerous families with home ownership opportunities that were previously inaccessible. As a result of our involvement in this program, we have U.S.$1.4 billion outstanding in preferential residential mortgages, which translates to a leading 22.2% market share in these mortgages as of December 31, 2020.

We have received a number of awards which reflect the strength of our brand, including: Best Bank in Panama by LatinFinance (2010, 2011, 2012, 2013, 2014, 2018, 2019), Best Bank in Panama by Global Finance (2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019), Bank of the Year by The Banker (2010, 2011, 2012, 2013, 2014, 2015, 2018, 2019), Best Bank in Panama by Euromoney (2010, 2011, 2012, 2014, 2015, 2016, 2018, 2019).

Panama's Strong Economy with Solid Fundamentals to Drive Post-COVID Recovery

The Panamanian economy has been one of the best performing in Latin America during the last decade as a result of a diversified economy, primarily driven by its well-developed services sector. The services sector includes the Panama Canal, shipping and port activities, transportation and logistics services, communications services, a large free trade zone, a thriving international banking center and tourism services. The Panamanian economy has also benefitted over recent years by the introduction of mining activities through the extraction and exporting of copper.

Panama's strategic location for international trade and important role as a regional hub is underpinned by its use of the U.S. dollar as legal tender and a politically stable democracy fostering economic stability and strong foreign direct investment. Panama is an open economy and has signed free trade agreements with several countries such as, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Canada, Chile, Peru, Mexico, the United States, Singapore, and Taiwan.

Prior to the COVID-19 pandemic, Panama sustained one of the highest GDP growth rates in Latin America, amounting to 3.6% in 2018 and 3.0% in 2019. From 2009 to 2019, according to data from the World Bank, Panama's rapid growth enabled its per capita nominal GDP to more than double from U.S.$7,576 to U.S.$15,731, marking Panama as one of the fastest growing countries in Latin America in terms of real GDP growth.

Panama continues to be one of only six countries in Latin America, along with Chile, Colombia, Mexico, Peru and Uruguay, to have sovereign debt investment grade ratings from Standard & Poor's, Fitch and Moody's.

Robust Capitalization and Stable and Diversified Retail Deposit Base and Minimum Wholesale Funding

Consistent with our capitalization strategy and supported by our strong capital base, we enjoy protection against potential losses in the loan and investment portfolios. As of December 31, 2020, our total equity amounted to U.S.$2.6 billion, and our total capital ratio was 20.74%, comprised entirely of Tier 1 capital. Our equity to total assets ratio was 14.14%, with a dividend payout ratio averaging 60.14% of our net income in the last five years, 2.5x the regulatory minimum.

Our main source of funding is our retail and corporate deposit base, which has been developed and serviced through our extensive strategically located branch network throughout Panama. We are the market leader in local private sector deposits, with a leading 28.2% market share as of December 31, 2020, according to the SBP. We have experienced strong steady growth, growing our deposits at a 5.4% CAGR in the five-year period ended December 31, 2020. Our local client private sector deposit base consists of U.S.$2.9 billion in demand deposits, U.S.$4.3 billion in savings accounts and U.S.$5.7 billion in time deposits, representing 22.46%, 33.12% and 44.41% of our local private sector client deposits as of December 31, 2020, respectively.

As of December 31, 2020, our total portfolio of time deposits, our main deposit source, has a remaining average life of 14.0 months, with 72.7% of the total amount having original maturities longer than one year. Our strong, highly diversified and low-cost funding structure reduces our dependency on institutional funding, providing stability to our balance sheet. As of December 31, 2020, total deposits excluding accrued interest accounted for 91.2% of our total funding needs and represented 117.5% of our total loan portfolio. As of December 31, 2020, our average cost of deposits was 2.55% and our nominal interest rate cost on total deposits was 2.47%.

We believe the public recognizes the Bank's quality during global economic stress. In the past, we have experienced a flight to quality resulting in the growth of our deposit base during times of stress relative to other Panamanian banks. Accordingly, at December 31, 2020, our local deposit market share was 28.2%, an increase from 26.9% at December 31, 2019, based on consolidated data from SBP.

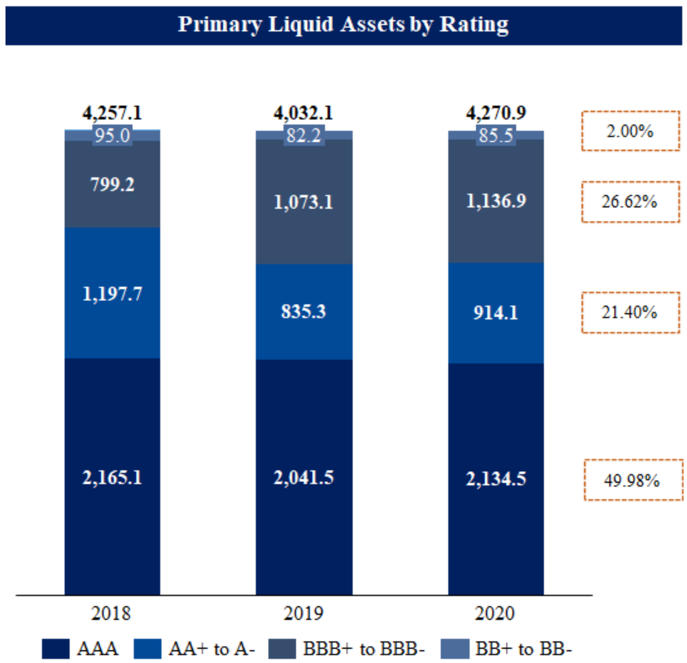
The increase in our liquidity, allowed us to reduce our financial debt outstanding by U.S.$1,245.2 million during 2020, which helped us reduce our overall funding cost.

Our strong capital position has also enabled us to take advantage of other funding sources, such as the 2020 U.S.$50 million green finance loan granted by the IFC; the 2019 U.S.$150 million preferential mortgage loan granted by the IFC; the U.S.$550 million 4.125% Notes due 2027 issued in 2017; and the 2017 U.S.$125 million and the 2016 U.S.$250 million loans and notes issued under our DPR program.

High Levels of Liquidity Consisting of Investment Grade, Liquid Investments

Our primary liquidity, which totaled U.S.$4.3 billion as of December 31, 2020, is comprised of U.S.$0.7 billion in cash and deposits and U.S.$3.5 billion in high quality fixed income securities with investment grade ratings and amounted to 29.4% of total deposits and medium and long-term borrowings. All of our high quality fixed income securities have investment grade ratings, with an average rating of AA- and 50.0% having a rating of AAA, as of December 31, 2020. Of our cash and deposits, 88.6% are held with financial institution counterparties that have investment grade ratings, with an average rating of A, as of December 31, 2020.

Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS.



Our primary liquidity is further enhanced by our minimal exposure to foreign currency fluctuations, given that 99.8% of it is in U.S. dollars.

In addition to our own internal liquidity requirements, the Bank must comply with liquidity rules established by SBP, that require: (i) banks to have a LCR that is currently set to no less than 65%, that will increase to no less than 80% in December 2021 and to no less than 100% in December 2022; as of December 31, 2020 the Bank's LCR is 158.18% compared to 137.46% as of December 31, 2019 and 178.56% as of December 31, 2018, and (ii) banks to have liquid assets of no less than 30% of qualified deposits, with maturities of less than 186 days, excluding subsidiaries and pledge deposits (for the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, and those loan installments and maturities may only account up to 30% of the total liquid assets used in this calculation). As of December 31, 2020, the Bank maintained a regulatory liquidity of 40.45% compared to 38.21% as of December 31, 2019 and 42.65% as of December 31, 2018.

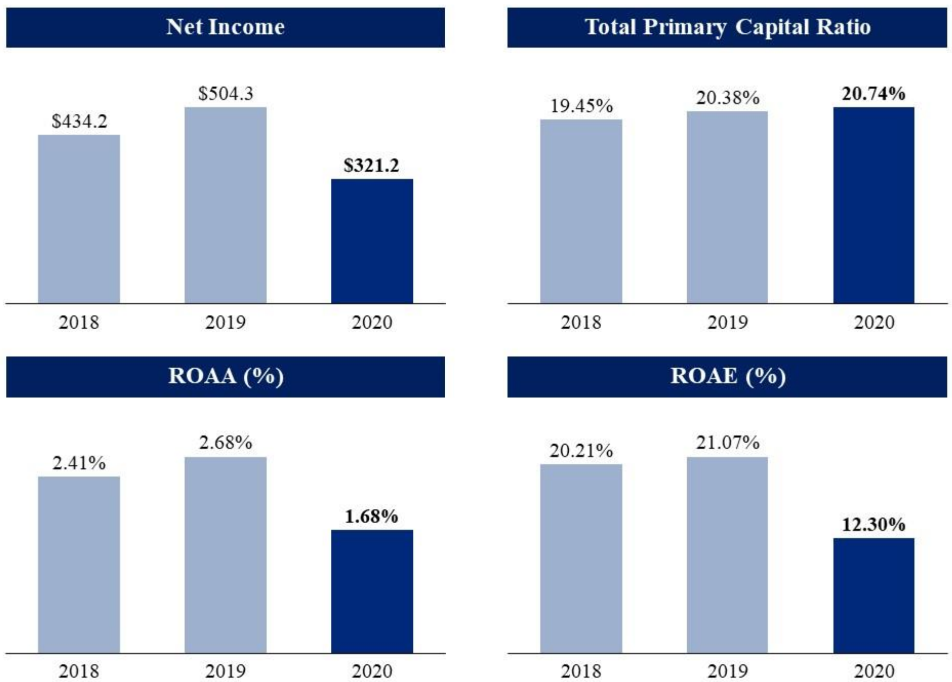
Positioned for Long-Term Profitability

We have grown consistently in the past five years, with the exception of 2020, given the macroeconomic conditions that were a direct result of COVID-19. Net income for the period of 2015 to 2019 grew at a CAGR of 11.3% and decreased 36.3% from U.S.$504.3 million in 2019 to U.S.$321.2 million in 2020. Our average ROAA and ROAE for the years 2016 through 2020 were 2.33% and 19.17%, respectively. Our pre-COVID growth was driven primarily by strong margins, growth in non-interest income and improved operating efficiency, while the decrease in

2020 was driven primarily by increased provisioning for loan losses to build our loan loss allowances given the uncertainty caused by COVID-19 pandemic. During 2020 our operating efficiency ratio was 32.94%, and our net interest margin was 3.79%.

Our net interest margin decreased from 4.06% in 2019 to 3.79% in 2020, mainly as a result of lower rates on our average interest-earning assets, from 6.37% in 2019 to 5.80% in 2020. This compares to net interest margin for the NBS of 3.43% in 2019 and 3.03% in 2020.

The following charts illustrate the evolution of our capital and profitability metrics for the three years ended December 31, 2020, 2019 and 2018.



Our fiscal year ends December 31

As a result of our strong business footprint and highly efficient operations compared to our peers, we are the most profitable bank, based on ROAA and ROAE, among the largest five banks, based on total assets, in the NBS. Our average three-year ROAA and ROAE were 2.26% and 17.86% respectively. As of December 31, 2020, our ROAA was 1.68% and our ROAE was 12.30%.

Diversified Loan Portfolio with Strong Asset Quality and Ample Reserve Coverage

Our loan portfolio is well-diversified across client segments, products and borrowers. A key pillar of our business model is our conservative underwriting policies, including ongoing monitoring of our loan portfolio, evaluating clients across our various operating business units and applying prudent reserve and provision criteria. As of December 31, 2020, total loans amounted to U.S.$11.4 billion, which was comprised of 40.5% corporate loans (32.2% local corporate loans and 8.3% foreign corporate loans), 55.6% retail loans (40.2% residential mortgages and 15.5% consumer loans) and 3.9% in other loans (comprised of pledge loans, overdrafts, and leasings).

Non accrual and past due loans based on Accord SBP 4-2013, represented 1.46% and 1.54%, respectively, of total loans outstanding as of December 31, 2020. The ratio of loan losses allowance to non accrual loans was 230.33%, and loan loss reserves to past due loans was 218.01%, each as of December 31, 2020. Our ratio of loan loss reserves to non accrual loans and loan loss reserves to past due loans have not changed materially as a result of the COVID-19 pandemic, in part benefiting from the relief measures enacted through contractual payment deferrals as further described in "—Recent Developments—COVID-19 Pandemic" and "Regulations and Supervision—Regulation in Panama—Loan Loss Allowances—Additional, Exceptional and Temporary measures for compliance with specific reserve provisions." Further, as of December 31, 2020, 78.1% of our loans were secured by collateral, including cash, residential or commercial properties, equipment or other types of collateral, which we believe reduces our exposure to losses and increases our ability to collect on our financial assets facing potential credit risk.

We had U.S.$83.2 million in write-offs, representing 0.73% of total loans outstanding for the year ended December 31, 2020.

Highly Experienced Management Team

We have a highly experienced senior management team, with an average of 26 years of experience in the banking industry, many of whom have worked together at the Bank for over 20 years. This continuity has helped develop a strong management team with a shared culture and establish longstanding relationships and loyalty with customers. Moreover, our management team's substantial industry knowledge and experience makes us a leader in the Panamanian financial sector, including with respect to corporate governance and regulatory developments. Our management team has been pivotal in establishing our robust framework of policies and procedures to manage compliance with applicable local and international laws, safeguard our and our customers' financial information, and identify and develop strategies to address regulatory changes. See "Business—Compliance Policies."

Our management team has a proven track record of successfully steering us through different economic cycles and of acquiring and integrating related businesses and assets into the Bank. The team has: (i) developed and implemented a clear and defined strategy to transform us into a leading universal bank; (ii) handled the acquisition and successful integration of three major banks in Panama; (iii) achieved consistent and solid long-term profitability, with net income growing at a 4.9% CAGR and average ROAA and ROAE of 2.41% and 19.78%, respectively, from 2011 through 2020; (iv) maintained a strong financial profile characterized by high liquidity levels, strong asset quality and ample loan loss provision coverage and strong capital ratios, which have allowed us to obtain and maintain investment grade ratings for over two decades; (v) transformed the Bank into a multi-channel entity through our digital platforms created by our agile multidisciplinary teams, which now handle a substantial part of our transactions, and (vi) successfully and permanently accessed the local and international debt markets, bilateral and syndicated loan markets with transactions of U.S.$2.7 billion from 2016 through 2020. For a more detailed description of our management team, see "Management."

Our Strategies

Our business strategy is to grow and strengthen our universal banking franchise, emphasizing our commitment to customer centric products and solutions, high quality service, digital excellence, financial strength and operating efficiency. We plan to pursue our business strategy by focusing on the following main drivers and initiatives:

Maintain our position as the premier universal banking franchise in Panama

We strive to maintain our position as the premier retail and corporate bank in Panama, offering differentiated universal banking solutions to our customer base. We hold a leading 18.5% market share in total local private sector loans and 28.2% in total local private sector deposits. We continue to strengthen our customer focus and quality service to maintain our strong market position by emphasizing our strategic multi-channel banking business model aimed at more effectively reaching our target customer segments. We have established our segmentation model in our daily operations offering, offering tailor made products, services and channels to retail, wealth management, commercial and corporate clients. To further penetrate our client base, our retail and corporate staff also act as client relationship managers, providing the products and services requested by our clients. Our staff is supported by our broad distribution network, which includes our branches and wide ATM network, our online and mobile banking platforms and our call center customer service platform, in addition to our branch-based sales force.

We have market leading online and mobile banking platforms and a growing plan to continue developing new digital functionalities to better serve our customers as a means to maintaining our leading position and strengthen our customer loyalty.

Increase our digital presence through rapid innovation to grow with our clients' needs and increase our competitive advantage

One of our many competitive advantages since 2000s has been our online banking platform for retail and corporate customers. With the initial success of this platform and in light of the rise of fintech competitors, we are committed to maintaining our competitive advantage through continued innovation of our digital capabilities.

In keeping with our commitment to improving customer experience, as well as growing our client base, we have introduced a number of products through our digital banking platforms, to expand our reach beyond our physical branch network. We offer online computer-based banking (*Banca en Línea*), an Android and iPhone mobile-based app for personal banking (*Banca Móvil*) and "Yappy," a digital wallet through which customers can request and send money on their mobile phones or make purchases were supported by websites or shops online. The adoption of our digital banking platform has been an attractive feature to our clients, with over 762,000, or 64%, actively using either *Banca en Línea* or *Banca Móvil* in 2020, and over 571,000, or 48%, of our clients were affiliated with Yappy each as of December 31, 2020.

Our digital presence, in particular, has increased in connection with the COVID-19 pandemic. For the year ended December 31, 2020, 52% of our transactions were conducted through our digital platforms as opposed to through our physical branches and ATMs, compared to 35% in 2019 and 31% in 2018.

We believe that digital channels and product offerings will only continue to grow in importance to our existing clients and help us attract new clients. As a result, we intend to continue to improve a nd expand these channels, products and services through our highly efficient, agile teams.

With the support of global leading consultants, we have grown from one agile team of 20 people in 2017 to more than an estimated 43 teams and 447 employees in 2020 creating: (i) over 832,000 or 70% of our clients affiliated with *Banco Movil* generating more than 90 million transactions during 2020, including Yappy, our peer-to-peer payment system with over 571,000 or 48% of affiliated clients and generating more than 14 million transaction in 2020; (ii) a digital process for opening simplified bank accounts, allowing us to onboard more than 178,000 new clients, 100% digitally, since 2019; (iii) sales of more than 280,000 products (savings accounts, credit and debit cards, life insurance policies, among others) digitally; (iv) over 956,000 or 81% of our clients affiliated with *Banca en Línea*, an online banking platform generating more than 37.9 million transactions during 2020; (v) world class Core and CRM software for our branches and relationship managers; and (vi) 10+ analytic models, developed by BG Lab, our data analytics team, utilizing big data and cloud technology to support multiple business initiatives.

Maintain a solid financial profile, with strong capitalization, high asset quality and reserves, conservative liquidity levels and highly profitable and efficient operations

We believe our solid financial profile, which has allowed us to obtain and maintain investment grade ratings since 1997, has positioned us as the leading financial institution in Panama and is critical to our prestigious image and strong customer loyalty. We believe that our financial profile is supported by five pillars: (1) strong capitalization, (2) high quality liquidity, (3) a diversified loan portfolio, (4) a diversified deposit base, and (5) highly profitable operations. Through our solid financial profile, we have developed a market-leading, highly diversified deposit base with lower costs than our competitors. We also maintain broad access to local and international debt markets and institutional funding at competitive prices, which provides access to resources to fund our loan and investment portfolios and grow profitability. Our capital position, the cornerstone of our financial strategy, was comprised of U.S.$2.6 billion of total equity as of December 31, 2020 and represented 14.14% of total assets. Our total capital ratio, as calculated in accordance with the requirements of the SBP, was 20.74% and consisted entirely of Tier 1 capital as of December 31, 2020. We intend to maintain our conservative financial policies to support our ratings, financial strength and discipline, which we believe have been key to our strong image and position in the market.

Uphold our Corporate Social Responsibility mission to be an agent for positive change and a role model in the financial industry

During our 65 year history, we have been an integral part of Panama's economic development and pioneers of Social Responsibility as the Panamanian company of many firsts: (i) first to sign United Nations Global Compact in 2001; (ii) first to engage external auditors to certify our Corporate Social Responsibility Report; (iii) first Panamanian bank to implement an Environmental & Social Risk Management System in 2009; (iv) first bank to become a member of United Nations Environment Program Finance Initiative in 2011; (v) founders of the "Principles for Responsible Banking" in 2019; (vi) recipient of "Gender Seal" in recognition to our efforts on achieving gender equality in 2019.

Our non-profit foundation "*Fundación Sus Buenos Vecinos*" continues to play a vital role in our commitment to the community. In 2019, *Fundación Sus Buenos Vecinos* donated U.S.$5.2 million in supporting education programs and more than 165 non-profit organizations. Because of the COVID-19 pandemic, the foundation shifted its priorities and increased our donations to U.S.$10.0 million focused on healthcare, food distribution and to maintain other non-profit organizations afloat.

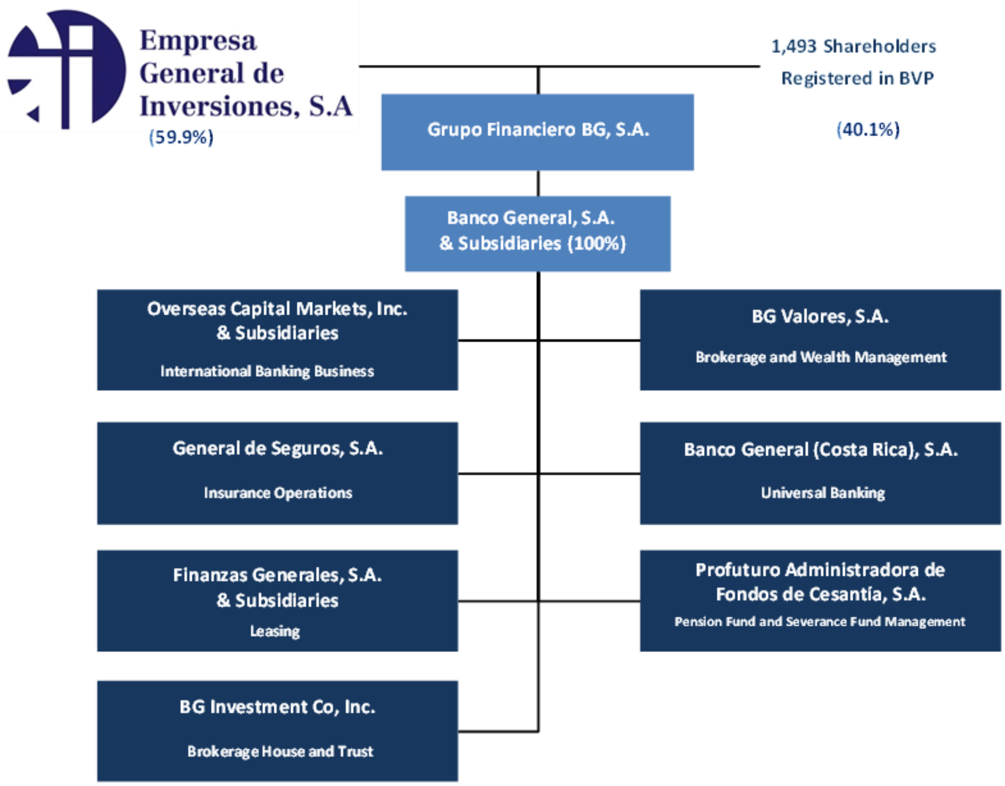
Further, as part of our corporate social responsibility, we are committed to measuring and reducing our environmental footprint. Since 2009, the Bank has applied an Environmental and Social Risk Management System (ESMS) within its credit approval process and risk governance structure, to make informed decisions and mitigate the environmental and social impacts of our financial decisions. In 2011, we became the first Panamanian bank to become a member of UNEP FI, which acts to identify and promote the adoption of better environmental and sustainability practices at financial institutions globally. In 2012, we began measuring the Bank's carbon footprint through the application of the GHG Protocol, with a scope that includes our branches and offices, as well as those of BG Valores S.A. and General de Seguros S.A. Through this protocol, we have collected and measured sources of emissions to calculate our impact. As an organization, we have adopted a responsible consumption program focused on reduction of energy usage at our branches and office buildings and by our employees and the reuse and recycling of materials used in our operations. We comprise a part of the Panama Green Building Council and have opened four LEED certified branches. In 2019, the Bank became a founding signatory of the Principles for Responsible Banking (PRB), a global framework launched by UNEP FI, by which banks commit to aligning their efforts and business strategies to consistently contribute to the Sustainable Development Goals, the Paris Climate Agreement, and the relevant national and regional frameworks. In 2020, the International Finance Corporation granted us a U.S.$50 million facility to make green loans for sustainable construction, which will be extended in 2021.

Beyond our organization, we sponsor the "I Recycle Fairs" held on a monthly basis in Panama City for the collection of recyclable waste and education about recycling. We are also a member of *Proyecto TermoSolar*, a project designed to support the development of the solar heating systems market in Panama. Through all these initiatives and programs, we plan to continue to drive change both within and outside our bank. We believe that our corporate social repsonsibility ultimately positions us a leader in sustainability initiatives within the financial industry and in the community, further strengthening our brand recognition

Corporate Structure and Information

Banco General is a wholly owned subsidiary of GFBG, which in turn is 59.9% owned by EGI. GFBG and EGI are both publicly listed holding companies. GFBG is the largest publicly traded company on the BVP in terms of market capitalization (U.S.$5.7 billion as of December 31, 2020), with more than 1,400 shareholders. Banco General is licensed by the SBP to operate as a general license bank in Panama. The Bank is a corporation with limited liability under the laws of the Republic of Panama.

The following chart illustrates our principal subsidiaries and the material aspects of our organizational structure as of December 31, 2020:



We were first registered as a corporation (*sociedad anónima*) with the Public Registry of Panama (*Registro Público de Panamá*) on January 11, 1955 and started operations April 1, 1955. Our registration number is 280-134-61098.

Our principal executive offices are located at Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Republic of Panama.

Our Principal Business Activities

Our business is divided into three operating segments: (i) banking and financial activities; (ii) insurance and reinsurance; and (iii) pension and retirement fund management.

These operating segments, which reflect sources of revenue (banking and financial activities, insurance and reinsurance, and pension and retirement fund management), are different from the business units we discuss below in connection with our principal business activities under the banking and financial activities segment (Local Corporate and Commercial Banking, Residential Mortgage and Consumer Banking, Regional Banking and Wealth Management). Our business units are organized to better serve the needs of the different types of clients served by each unit.

Our principal business activities consist of retail and corporate lending and deposit taking, the results of which are reflected in the banking and financial activities segment of our financial statements. These principal business activities are grouped into the following operating units: Local Corporate and Commercial Banking, Residential Mortgage and Consumer Banking, Regional Banking and Wealth Management. Through our insurance and reinsurance segment, we provide a range of fee-based products and services that include fire and life insurance products related to our lending products. Through our pension and retirement fund management segment we provide fee-based products and services that include severance fund management, pension and retirement fund management

For the years ended December 31, 2020 and 2019, our banking and financial activities represented 88.5% and 93.2% of our total net income, respectively, our insurance and reinsurance segment represented 9.0% and 5.4%

of our total net income, respectively, and our pension and retirement segment represented 2.5% and 1.4% of our total net income, respectively.

The following table provides information with respect to our subsidiaries and affiliates for the year ended December 31, 2020.

		As of December 31, 2020 (in U.S.$ millions, except percentages)			
Subsidiary	**Activity**	**% Owned**	**Assets**	**Equity**	**Net Income**
Overseas Capital Markets, Inc. and Subsidiaries	International Banking Business and Re-Insurance	100%	2,575.0	922.3	83.3
General de Seguros, S.A.	Insurance Operations	100%	258.1	205.9	25.0
BG Valores, S.A.	Brokerage and Wealth Management	100%	117.7	90.8	11.1
ProFuturo Administradora de Fondos de Pensiones y Cesantía, S.A.	Pension Fund and Severance Fund Management	100%	44.1	42.6	8.1
Finanzas Generales, S.A. and Subsidiaries	Financial Leasing and Trust	100%	239.2	106.1	6.7
BG Investment Co., Inc.	Brokerage and Asset Management	100%	36.2	35.4	3.6
Banco General (Costa Rica), S.A.	Universal Banking	100%	498.3	54.2	(3.1)

The following table presents our key financial and operating information on a consolidated basis as of and for the years ended December 31, 2020, 2019 and 2018.

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Statement of Income Data:	(in thousands of U.S. dollars)		
Total interest and commission income	994,471	1,086,146	1,003,566
Total interest expenses	(331,732)	(386,964)	(352,632)
Net interest and commission income	**662,739**	**699,182**	**650,934**
Provision for loan losses, net, Provision for impairment of investments, net and (Reversal) provision for foreclosed assets, net	(283,992)	(44,923)	(45,804)
Net interest and commission income after provisions	**378,747**	**654,259**	**605,130**
Other income (expenses):			
Fees and other commissions	204,466	229,221	212,897
Insurance premiums, net	35,593	33,930	29,998
Gain (loss) on financial instruments, net	19,252	15,348	(11,538)
Other income, net	30,439	28,608	25,649
Commissions expenses and other expenses	(78,686)	(94,964)	(85,278)
Total other income, net	**211,063**	**212,143**	**171,727**
Total general and administrative expenses	(290,239)	(308,175)	(293,967)
Equity participation in associates	7,329	10,898	9,934
Net income before tax	**306,900**	**569,124**	**492,825**
Income tax, net	(14,260)	64,858	58,616
Net income	**321,160**	**504,266**	**434,208**

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars, unless otherwise indicated)		
Statement of Financial Position Data:			
Assets			
Total cash, cash items and deposits with banks	803,187	733,406	696,818
Investments and other financial assets, net	5,624,785	4,973,441	5,188,001
Loans	11,444,423	12,083,689	11,952,385
Accrued interest receivable	152,890	45,707	43,167
Loan losses allowance	(383,795)	(165,159)	(158,531)
Unearned commissions	(37,045)	(43,302)	(41,104)
Investments in associates	21,686	24,881	26,035
All other assets (4)	990,652	1,071,058	997,386
Total assets	**18,616,783**	**18,723,721**	**18,704,157**
Liabilities and equity			
Local deposits	12,895,359	11,924,894	11,668,832
Foreign deposits	554,177	530,374	559,475
Accrued interest payable	102,337	112,774	99,032
Total Deposits	**13,551,873**	**12,568,042**	**12,327,339**
Securities sold under repurchase agreements	-	403,947	-
Borrowings and debt securities issued, net	1,076,469	1,914,581	2,886,528
Perpetual bonds	217,680	217,680	217,680
Accrued interest payable	12,340	15,524	19,147
All other liabilities (5)	1,125,210	1,121,208	1,068,439
Total equity	2,633,211	2,482,739	2,185,023
Total liabilities and equity	**18,616,783**	**18,723,721**	**18,704,157**
Operational data (in units):			
Number of customers (1)	1,200,346	1,052,219	951,034
Number of employees (2)	4,554	4,714	4,685
Number of branches	83	86	86
Number of ATMs	638	645	650
Assets under management (3)	11,300,281	11,823,121	10,885,827

(1) Total number of clients at the end of the period.
(2) Total number of permanent full-time employees at the end of the period.
(3) See Note 28 to our financial statements.
(4) All other assets include: properties, furniture, equipment and improvements, net of accumulated depreciation and amortization, right-of-Use assets, net, customer liabilities under acceptances, investments and other financial assets sold pending settlement, deferred tax assets, goodwill and other intangible assets, net, foreclosed assets, net and other assets.
(5) All other liabilities include: lease liabilities, acceptances outstanding, investments and other financial assets purchased pending settlement, reserves of insurance operations, deferred tax liabilities and other liabilities.

	For the Year Ended December 31,		
	2020	2019	2018
	(in percentages)		
Profitability and efficiency:			
Net interest margin (1)	3.79%	4.06%	3.91%
Return on average assets (2)	1.68%	2.68%	2.41%
Return on average equity (2)	12.30%	21.07%	20.21%
Operating efficiency ratio (3)	32.94%	33.42%	35.31%

	For the Year Ended December 31,		
	2020	2019	2018
		(in percentages)	
Total general and administrative expenses / average total assets(2)	1.51%	1.64%	1.63%
Total other income, net / operating income(4)	35.78%	24.49%	22.11%
Liquidity:			
Primary Liquidity(5) / total deposits and obligations	29.40%	27.29%	28.16%
Regulatory liquidity(6) / qualified deposits	40.45%	38.21%	42.65%
Loans, net / total deposits	82.00%	96.10%	97.15%
Capital:			
Total capital ratio (7)	20.74%	20.38%	19.45%
Total regulatory primary capital ratio(8)	19.12%	18.70%	17.64%
Total primary capital ratio(9)	20.74%	20.38%	19.45%
Equity / assets	14.14%	13.26%	11.68%
Earning retention ratio	25.63%	42.89%	39.71%
Asset quality:			
Past due loans (10)/ loans	1.54%	1.27%	1.15%
Non accrual loans(11)/ loans	1.46%	1.07%	0.97%
Loan losses allowance / loans	3.35%	1.37%	1.33%
Loan losses allowance / past due loans	218.01%	107.65%	115.03%
Loan losses allowance / non accrual loans	230.33%	127.67%	137.14%
Write-offs / loans	0.73%	0.52%	0.43%
Provision for loan losses, net / loans	2.45%	0.35%	0.35%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. For a further description of our average interest earning assets, see "Selected Statistical Information."

(2) Percentages have been calculated using monthly averages.

(3) Operating efficiency ratio is defined as total general and administrative expenses as a percentage of the sum of net interest and commission income, total other income, net, and equity participation in associates.

(4) Operating income is defined as the sum of net interest and commission income after provisions and total other income, net.

(5) Primary liquidity includes the following: (a) cash and deposits with banks and (b) investment grade fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS .

(6) As defined in Accord 1-2015, as amended, by the SBP.

(7) Total capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP. Includes our outstanding perpetual bonds. We intend to repay our outstanding perpetual bonds with the proceeds of this offering, as described in "Use of Proceeds."

(8) Common equity or ordinary primary capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(9) Total Tier 1 capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.

(10) Past due loans: All loans 90+ days past due on interest and/or principal payments and all loans past due 30 days post maturity.

(11) Non accrual loans: All loans 90+ days past due on interest and/or principal payments and residential mortgages 120+ days past due, in accordance with SBP requirements. Please see "Statistical and Other Information—Classification of the Loan Portfolio Based on the Borrowers' Performance" for a description of the effects of the government's modified loan program on non accrual loans.

For the five-year period ended December 31, 2020, our CAGR in loans, deposits and net income were 3.3%, 5.4%, and (0.5)%, respectively. In addition, as of December 31, 2020, our loans, deposits and net income grew (decreased) by (5.3%), 8.0%, and (36.3%), respectively, compared to the corresponding period in 2019, and our ROAA and ROAE was 1.68% and 12.30%, respectively. Our past due loan ratio was 1.54% on a consolidated basis as of December 31, 2020.

Local Corporate and Commercial Banking

We primarily serve local businesses through our Local Corporate and Commercial Banking units, through which we offer commercial mortgages, revolving lines of credit, interim construction loans, commercial loans and corporate credit cards, as well as trade financing, letters of credit, collection services, international and local payments, leasing, payroll services and deposits. As of December 31, 2020, we had U.S.$3.7 billion of local corporate and commercial loans outstanding, representing 32.2% of our total loan portfolio.

The following table shows certain relevant financial information about our corporate unit's products and services for the periods indicated below:

Type of Loans (in millions U.S.$, except percentages)	**As of December 31,** 2020	2019	2018	**% Change 2020 vs. 2019**	**% Change 2019 vs. 2018**	**Market Share ***	
Corporate – Local...........	**3,684**	**4,033**	**4,213**	**-8.7%**	**-4.3%**	**15.1%**	**#1**
Mortgages, Lines of Credit and Commercial Loans	3,201	3,468	3,512	-7.7%	-1.2%		
Interim Construction Lines........	483	565	701	-14.6%	-19.3%		

*Market Share as of December 31, 2020 based on unconsolidated information from the SBP.

We organize our commercial lending activities into Corporate Banking and Commercial Banking units. The corporate banking unit focuses on larger corporations, multinationals and specialized industries (such as real estate developers) with annual sales of greater than U.S.$10 million, while the Commercial Banking unit caters to middle-market and small businesses and entities with annual sales of less than U.S.$10 million. Historically, our middle-market business customers in the Commercial Banking unit have been well-known local companies requiring financing in the U.S.$100,000 to U.S.$500,000 range. These customers represent a broad cross-section of Panama's most creditworthy companies.

To ensure a consistent application of credit policies and responsiveness to our business customers, a relationship manager is assigned to each corporate and commercial customer. These managers operate out of our headquarters or from one of the selected branches in Panama and their responsibilities include coordinating our customer's activities with us, the review and approval of loan applications and the ongoing monitoring of the client. Corporate relationship managers visit existing and potential customers frequently to help assess their credit and other financial needs. As part of the credit review process, large corporations provide us with financial statements covering at least a three-year period and demonstrate a successful operating history. We require middle-market businesses to provide financial statements for the last three years and credit references. These businesses must also demonstrate a profitable operating history. In addition, as part of our credit analysis process, we review credit information collected by the credit bureau service, the *Asociacion Panameña de Crédito* ("APC"). Customarily, we also require a security interest in property or, in the case of closely held businesses, personal guarantees by the owners.

Further, as part of our universal banking strategy, we use advanced computer network and customized software capable of providing complete customer information in order to further assist relationship managers and specialists in developing customized solutions for their client needs and further facilitate cross-selling of our full range of products and services, all in order to better serve and maintain long-term relationships with corporate and commercial clients.

Our management believes that the Panamanian corporate sector provides us with significant growth opportunities since local corporations will continue to rely on bank financing. Our strong capital structure and low funding costs strengthen our competitive standing and enhance our attractiveness as a local corporation's primary bank and as a foreign multinational's principal Panamanian bank.

Commercial Mortgage Loans

We provide commercial mortgages to our corporate and commercial customers primarily for the purchase or expansion of their principal business facilities. Such loans, in addition to being a general obligation of the borrower, are secured by a first mortgage on the land and improvements. Corporate customers include businesses in the service, retail and industrial sectors and generally do not include real estate developers. Reflecting our history, we have participated actively in the commercial mortgage sector and we are the leading provider of such mortgages in Panama. Generally, our commercial mortgages have maturities of up to ten years pursuant to which corporations may finance on average 60–70% of the lower of the appraisal value, purchase price or expansion cost of the mortgaged land and improvements. As of December 31, 2020, we had commercial mortgage loans totaling U.S.$2.1 billion, representing

18.7% of our total loan portfolio. As a result of our strategy to take advantage of growth opportunities in the corporate and commercial lending sector, during the five-year period from 2015 to 2020, our commercial mortgage loan portfolio increased at a CAGR of 5.4%.

Corporate and Commercial Lines of Credit

Our lines are generally used to finance inventory, accounts receivable or other short-term assets. When the advances finance tangible items, we typically obtain a security interest in the financed asset. Advances under lines of credit generally bear interest at a variable rate that can be adjusted by us unilaterally. Our lines of credit are generally available on a revolving basis, up to an approved credit limit. Lines typically are extended for one-year periods, at which point they are renewable only after a comprehensive review similar to the initial credit review. Disbursements under such lines of credit typically have maturities from 30 to 365 days, depending on the type of asset being financed. As of December 31, 2020, the outstanding balance of corporate and commercial lines of credit was U.S.$924.7 million (which excludes undrawn lines of credit), representing 8.1% of our total loan portfolio.

Commercial Loans

Our commercial loans are primarily made for working capital purposes and to finance capital investments. Commercial loans have variable rates of interest and generally have maturities of between three and five years. As of December 31, 2020, we had commercial loans totaling U.S.$323.3 million, representing 2.8% of our total loan portfolio.

Interim Financing Loans

We provide interim financing loans to a select group of well-established developers of residential housing in Panama for the construction of private housing developments, as well as commercial developments. We offer variable rate loans to finance up to 80% of the total costs of construction, secured by a first mortgage on the land underlying the development and the improvements (houses or apartments). The construction progress is regularly inspected by our own appraisers and engineers or occasionally by third parties engaged by us. In addition, we require developers to have pre-sold a number of units, which in the aggregate, would be sufficient to cover a previously agreed percentage of the amount of the interim financing, and such percentage varies depending on the nature of the project, the equity commitment of the developer and the developer's prior business experience with us. Such pre-sales are required to be to qualified purchasers approved for financing by us or other reputable banks acceptable to us. Developers may begin to draw down amounts only after having invested the required equity in the project, made the required expenditures and satisfied the previously agreed pre-sale amounts. Drawdowns are allowed on a monthly basis and are subject to monthly progress reports. As an added credit enhancement, we typically withhold disbursement of 10% of each drawdown until completion of construction.

As of December 31, 2020, we had U.S.$482.9 million in outstanding interim financing local loans, representing 4.2% of our total loan portfolio.

We believe that our market-leading position in the residential mortgage sector and our ability to provide both interim construction financing and residential mortgage loans on a consistent basis enhance our attractiveness as a source of financing to developers.

Investment Banking

Our investment banking unit provides advisory services to prominent companies in Panama and Central America seeking to access the local public bond or syndicated debt markets. This unit has developed a strong distribution network of institutional investors in the region. We offer a full range of services to our clients, including short-term financing for working capital, structured financing, and fiduciary and paying agent services in connection with the transactions we structure. Our clients usually include well-known Panamanian corporations with yearly revenues of at least U.S.$50 million. As of December 31, 2020, the unit manages a loan portfolio of U.S.$313.2 million, as well as a bond portfolio of U.S.$841.7 million. For the year ended on December 31, 2020, we had fee income of U.S.$14.2 million in connection with our investment banking unit, primarily through arrangement and underwriting activities, and trust and financial advisory services which accounted for 11.3% of our total fees and commission income, net.

Residential Mortgage and Consumer Banking

We serve retail clients through our Residential Mortgage and Consumer Banking units.

Residential Mortgage Banking

We are the largest provider of residential mortgages in Panama, with a market share of 26.4% as of December 31, 2020, according to SBP unconsolidated data. As of December 31, 2020, we had U.S.$4.6 billion in residential mortgage loans, representing 40.2% of our total loan portfolio, of which U.S.$4.4 billion are in Panama and U.S.$203.9 million in Costa Rica. We are strongly committed to retaining our market share by providing mortgage loans to qualified individuals in various market segments.

The following is a table illustrating the historical evolution of our mortgage loan portfolio for the periods indicated below:

	As of December 31,		
Type of Loan	**2020**	**2019**	**2018**
	(in millions of U.S. dollars, except percentages)		
Residential Mortgages			
Preferential Mortgages	1,426	1,374	1,296
Residential Mortgages	3,170	3,171	3,044
Total Residential Mortgage Loans	**4,596**	**4,545**	**4,340**

<u>*Residential Mortgages*</u>

Residential mortgages are granted for up to thirty years, with an initial term of five years renewable up to five times for a total of up to thirty years, with fees being charged to the borrower at the time of each five-year renewal. Our residential mortgages are issued at adjustable rates and are subject to change at our sole discretion. Interest rates are adjusted to reflect changes in our cost of funds. Our main focus is to finance primary residences, financing up to 95% of the purchase price. We apply stricter underwriting guidelines to residential mortgages for second homes, including a lower loan-to-value ratio, financing up to 70% of the purchase price and only for selective projects and client segments. We aim to take advantage of synergy opportunities for our insurance business by offering life and fire insurance policies to our mortgage clients.

<u>*Preferential Mortgages*</u>

As part of our residential mortgage lending activities, we provide residential mortgages for homes with a market value of up to U.S.$180,000 under a government-sponsored Preferred Program targeted exclusively to single family first home purchases. Under this program, we finance up to 98% of the purchase price of a residence. The Preferred Program was initially established for a five-year term through legislation approved on May 20, 1985 and its duration has since been extended due to its success. Banks providing mortgage under the Preferred Program receive a tax credit from the government (i) equal to the difference between the interest rate charged to the client and the current market interest rate (the "Market Reference Rate") and (ii) for a period of 15 years from the issuance of the loan. The tax credit allows banks to grant mortgages at affordable rates. The Market Reference Rate is computed quarterly by the SBP as the weighted average rate of the standard residential mortgage portfolios of the five largest participants in the market.

As of December 31, 2020, of our 66,789 residential mortgages, 26,233 mortgages with an outstanding balance of U.S.$1.4 billion, representing 31.0% of our residential mortgage portfolio, originated under the Preferred Program.

To protect against loss, residential mortgage borrowers are generally required to irrevocably authorize us to deduct from their checking or savings account amounts due under the mortgage or authorize their employer for direct payroll deduction. Panamanian law limits the maximum percentage that is deducted from a borrower's salary to 30% of such salary in the case of private sector employees and 35% in the case of public sector employees. All of our mortgages are perfected in accordance with Panamanian law at a Public Registry, ensuring priority and enforceability. Borrowers are required to obtain life insurance coverage at least equal to the outstanding principal amount of the loan and a fire insurance policy for 80% of the mortgage property, naming the bank as the beneficiary of such policies.

As of December 31, 2020, we had U.S.$122.9 million in past due residential mortgages, representing 2.7% of total residential mortgages and 69.8% of our total past due loans. For the year ended December 31, 2020, we had U.S.$1.0 million in residential mortgage write-offs, representing 0.02% of average residential mortgages outstanding during the year and 1.2% of our total write-offs in 2020.

In addition, we generate fees from the (i) granting of mortgages, and (ii) refinancing of each residential mortgage loan, which we generally adjust for interest variability every five years, at our discretion, until maturity at the thirtieth year. We also derive fee income from the monthly service fee on our loans under the Preferred Program. For the year ended December 31, 2020, we generated fee income of U.S.$7.6 million in connection with our residential mortgage activities.

Consumer Banking

We offer retail customers a range of credit products including personal loans, credit cards and automobile loans. As of December 31, 2020, we had U.S.$1.8 billion in consumer loans, representing 15.5% of our total loan portfolio. We aim to benefit from strategic client segmentation to target customers in all economic sectors.

We adhere to our underwriting standards by adopting strict collateral, co-signer, salary and employment criteria. As an additional component of the credit analysis, we review credit information collected by the APC.

The following table illustrates the breakdown of our consumer loan portfolio for the periods indicated below:

	As of December 31,				
Type of Loan	**2020**	**2019**	**2018**	**Market Share***	
	(in millions of U.S. dollars, except percentages)				
Consumer Loans					
Personal Loan	979	1,061	995	**14.0%**	#2
Automobile Loan	249	278	302	**13.6%**	#4
Credit Card	544	571	498	**21.1%**	#2
Total Consumer Loans	**1,771**	**1,910**	**1,794**	**15.4%**	#1

*Market Share as of December 31, 2020 based on unconsolidated information from the SBP.

<u>*Personal Loans*</u>

We provide unsecured personal loans primarily to individuals having monthly income or retirement benefits of at least U.S.$500, job stability and satisfactory credit references. These loans range from U.S.$1,000 to U.S.$65,000, with maturities of up to 120 months. Such personal loans are used for a variety of purposes, including the purchase of durable and consumer goods, home improvement as well as debt consolidation. We believe that personal loans provide attractive yields at acceptable risk levels, with 96.9% of personal loans collected through direct payroll deductions. As of December 31, 2020, we had U.S.$978.7 million in outstanding personal loans, representing 55.2% of our consumer loan portfolio and a 14.0% market share in personal loans according to SBP unconsolidated data. Moreover, for the year ended December 31, 2020, we generated U.S.$13.0 million in fee income in connection with personal lending activities.

Automobile Loans

We provide adjustable rate loans (at our option) for new and existing retail clients wishing to purchase new vehicles, who have monthly income or retirement benefits of at least U.S.$750, job stability and satisfactory credit references. These loans are secured by a first lien (or Custodian Trusteeship contract with a third-party) on the automobile being financed, with a maximum maturity of 84 months. Through our offering of automobile loans, we aim to build synergies for our insurance business by also offering life and auto insurance coverage to those clients who take auto loans. As of December 31, 2020, we had automobile loans totaling U.S.$249.2 million, representing 14.1% of our consumer loan portfolio, with a 13.6% market share in auto loans according to SBP unconsolidated data. In addition, for the year ended December 31, 2020, we generated fee income of U.S.$1.4 million in connection with our automobile lending activities.

Credit Card Loans

We are the second-largest credit card issuer in Panama, with a market share of 21.1% based on outstanding balance as of December 31, 2020. according to SBP unconsolidated data, and more than 184,300 credit cards outstanding, as of December 31, 2020. Total outstanding balances on our credit cards amounted to U.S.$543.6 million, representing 30.7% of our consumer loan portfolio as of December 31, 2020. We have consistently followed strict criteria when issuing credit cards and expect to continue to do so as we seek to expand our credit card business, principally through cross-selling initiatives with other consumer products, increasing lending limits to specific segments, and promotional campaigns targeting our corporate and commercial clients, particularly our small and medium enterprise clients in the Commercial Banking unit. We have historically maintained low levels of past due loans, which is attributable to our strict criteria for issuing cards and increasing credit limits. Because of our conservative lending practices, proactive collections procedures and related investments in technology, we expect to maintain our levels of past due balances relative to total outstanding balances, notwithstanding anticipated growth in this area of our business. As of December 31, 2020, our past due credit card balances amounted to U.S.$3.3 million, representing 0.6% of our total credit card balances and 1.9% of our total past due loans. For the year ended December 31, 2020, we had U.S.$27.7 million in write-offs of credit card balances, representing 5.0% of average credit card balances outstanding and 33.3% of our total loan write-offs.

In addition, we generate fee income from (i) charging annual membership and other fees to cardholders, and (ii) processing transactions for merchants. For the year ended December 31, 2020, we had fee income of U.S.$73.1 million in connection with our credit card activities, representing 58.1% of our total fees and commission income, net.

Other Loans

Pledge and Overdraft Facilities

We offer overdraft facilities and pledge loans to qualified corporate and commercial clients, retail clients, and wealth management clients that are guaranteed by deposit accounts, or investment accounts and other assets. As of December 31, 2020, we had U.S.$365.7 million in overdraft facilities and pledge loans, representing 3.2% of our total loan portfolio.

Leasings

We offer leasing through our subsidiary Finanzas Generales to qualified corporate and commercial clients. As of December 31, 2020, we had U.S.$80.0 million in leasings, representing 0.7% of our total loan portfolio.

Regional Banking

We offer corporate and commercial banking services outside of Panama through our five representative offices in Mexico, Colombia, Guatemala, El Salvador and Peru. Additionally, in Costa Rica, we offer corporate, retail and wealth management services to our customer through our universal banking subsidiary, BGCR, which has 8 branches in Costa Rica. As of December 31, 2020, our total regional banking loan portfolio reached U.S.$1.2 billion, representing 10.7% of our total loan portfolio and 6.6% of total assets, of which 99.9% is denominated in U.S. dollars.

The following table shows certain relevant financial information about our regional corporate banking products and services for the periods indicated below:

Type of Loans (millions U.S.$, except percentages)	As of December 31, 2020	2019	2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
Corporate – Foreign	**948**	**1,067**	**1,062**	**-11.1%**	**0.5%**
Mortgages, Lines of Credit and Commercial Loans................	948	1,067	1,059	-11.1%	0.8%
Interim Construction Lines........	-	-	3	0.0%	-100.0%

Wealth Management

We offer our high net worth clients a full range of banking products and services, as well as a broad portfolio of products that include local and international equity and fixed-income securities, local and international mutual funds, government securities and private equity-type vehicles and deposit products of all types through our Wealth Management unit. Our Wealth Management unit serves clients with assets in excess of U.S.$250,000 in deposits and investment securities. As of December 31, 2020, we had U.S.$14.0 billion total assets under management (including investment securities and bank deposits) and more than 3,000 client relationships.

All of our Wealth Management business is conducted through our subsidiary BG Valores. BG Valores, a leading brokerage house in Panama, established in 1987, provides local and international investment products and services to clients through an experienced team of financial consultants. BG Valores operates in Panama through a brokerage license issued by the Panamanian Superintendency of Capital Markets, while also serving clients in Central America and Colombia. With 39 financial brokers licensed by the Panamanian Superintendency of Capital Markets, BG Valores handled U.S.$3.0 billion, or 18.7% of the total BVP volume traded during the year ended December 31, 2020.

Activities through Subsidiaries

We have several subsidiaries through which we conduct a number of our business operations.

Overseas Capital Markets, Inc. and Subsidiaries

We own 100% of Overseas Capital Markets, a Cayman Islands holding company for BGO and Commercial RE.

Banco General (Overseas), Inc.

BGO, a wholly owned subsidiary of Overseas Capital Markets, is a Cayman Islands banking institution established in 1985, holding a category B license issued by the Cayman Islands banking authorities to provide banking services to non-Cayman nationals. BGO offers loan facilities to our wealth management clients, provides regional corporate and commercial banking services, and also manages a segment of our liquidity portfolio in the international debt markets. BGO's results of operations are primarily reflected within the Regional Corporate Banking area. As of December 31, 2020, BGO had U.S.$876.6 million in shareholders' equity, U.S.$2.6 billion in assets, and U.S.$411.3 million in gross loans, as compared to U.S.$788.9 million in shareholders' equity, U.S.$2.6 billion in assets, and U.S.$464.4 million in gross loans as of December 31, 2019. For the year ended 2020, BGO reported U.S.$79.4 million in net income, compared to U.S.$73.9 million during 2019.

Commercial RE Overseas, Ltd.

Commercial RE, a wholly owned subsidiary of Overseas Capital Markets, is a British Virgin Islands reinsurance company incorporated on December 21, 1995. Commercial RE is our captive reinsurance company. Since 2014, Commercial RE takes risks only in connection with GS's automobile, fire and allied, multi-policy residential, multi-policy commercial, electronic equipment, transportation, C.A.R. (Contractors All Risk), machine breakdown, heavy equipment, life, personal accident and bond insurance products.

Though Commercial RE is British Virgin Islands company, it complies with the technical reserve requirements set forth by the Superintendency of Insurance and Reinsurance of Panama (*Superintendencia de Seguros y Reaseguros de la República de Panamá*), where it has its operations. Commercial RE's results of operations are primarily reflected within the Insurance and Reinsurance segment of our financial statements. For the year ended December 31, 2020, Commercial RE reported U.S.$4.0 million in net income, compared to U.S.$4.1 million during 2019.

General de Seguros, S.A.

GS, our insurance subsidiary, principally offers fire and life insurance policies to our clients in connection with our corporate, commercial, mortgage and consumer loan products. We have operated our insurance business through GS since 1997, after acquiring 99.7% of the stock of Compañía Istmeña de Seguros ("Istmeña") from EGI. In 2000, we acquired Asecomer through the Bancomer acquisition, and later renamed it Empresa General de Seguros ("EGS"). In 2011, Istmeña and EGS merged, consolidating all of our insurance businesses under EGS. Subsequent to the merger with Istmeña, we changed the name of the company from EGS to General de Seguros. GS is authorized by the Superintendency of Insurance and Reinsurance of Panama (*Superintendencia de Seguros y Reaseguros de la República de Panamá*) to operate as an insurance company. GS's results of operations are reflected within the Insurance and Reinsurance segment of our financial statements. For the year ended December 31, 2020, GS reported U.S.$25.0 million net income, compared to U.S.$23.4 million during 2019.

BG Valores, S.A.

BG Valores, a leading brokerage house at the BVP, services our high net worth clients through our Wealth Management unit. As of December 31, 2020, BG Valores had U.S.$14.0 billion total assets under management (including investment securities and bank deposits) and more than 3,000 client relationships. BG Valores's results of operations are reflected within the Wealth Management unit, which in turn are reflected in the banking and financial activities segment of our financial statements. For the year ended December 31, 2020, BG Valores reported U.S.$11.1 million in net income, compared to U.S.$9.9 million during 2019.

ProFuturo Administradora de Fondos de Pensiones y Cesantía, S.A.

ProFuturo is a leading market participant in the administration of voluntary pension and severance funds in Panama and was founded by Banco General in 1995, along with BC and ASSA Seguros. In December 2013, we completed the acquisition of the minority position in ProFuturo, bringing our ownership participation in ProFuturo from 79% to 100%. ProFuturo offers different funds with different risk profiles, thereby providing options to clients with varying investment goals. ProFuturo's results of operations are reflected within the Pension and Retirement Fund Management segment of our financial statements. As of December 31, 2020, ProFuturo managed U.S.$395.4 million in voluntary pensions, which is 61.5% of the total market, as well as U.S.$378.2 million in severance funds, which represents 56.0% of the market. For the year ended December 31, 2020, ProFuturo reported U.S.$8.1 million in net income, compared to U.S.$6.9 million during 2019.

Finanzas Generales, S.A. and Subsidiaries

<u>Finanzas Generales</u>

Finanzas Generales primarily provides financial leasing to corporate and commercial clients. Finanzas Generales retains ownership of the leased assets and receives a monthly rental payment in consideration for the lessee's use of the assets throughout the term of the lease contract, at the end of which the asset is transferred to the lessee. Finanzas Generales's results of operations are primarily reflected within the Local Corporate and Commercial Banking and Consumer Banking units, which in turn are reflected in the banking and financial activities segment of our financial statements. As of December 31, 2020, Finanzas Generales had gross loans of U.S.$113.0 million and reported U.S.$4.9 million in net income, compared to gross loans of U.S.$135.5 million and a net income of U.S.$5.9 million for the same period in 2019.

BG Trust, Inc.

BG Trust, Inc. (“BG Trust”), a wholly owned subsidiary of Finanzas Generales, holds a fiduciary license granted by the SBP. Originally incorporated in 2004 in Panama, BG Trust has been a wholly owned subsidiary of Finanzas Generales since December 2015, when BG Investment sold BG Trust and Vale General, S.A. to Finanzas Generales. As of December 31, 2020, BG Trust held 110 trusts under management and reported U.S.$1.5 million in net income, compared to U.S.$1.4 million during 2019.

Vale General, S.A.

Vale General, a wholly owned subsidiary of Finanzas Generales, is dedicated to the administration and marketing of pre-tax food and health-related contributions in Panama. Originally incorporated in 2010 in Panama, Vale General began operations in September 2015, after becoming certified for operation by the Panamanian Ministry of Labor and Labor Development. For the year ended December 31, 2020, Vale General reported U.S.$0.9 million in net income, compared to U.S.$0.6 million during 2019.

BG Investment Co., Inc.

BG Investment provides securities brokerage and asset management services to its corporate customers and our treasury department. BG Investment’s operations include the buying and selling of local securities, repurchase and resale agreements, and acting as the placement agent for issues underwritten or structured by our investment banking division. BG Investment is a licensed asset manager and an authorized securities broker, with brokers licensed by the Panamanian Superintendency of Capital Markets and is a founding member of the BVP. BG Investment handled U.S.$2.8 billion, or 17.5% of the total BVP volume traded during the year ended December 31, 2020.

Moreover, BG Investment manages and offers two fixed-income mutual funds named Fondo General de Inversiones, S.A. (“FGI”) and Fondo General de Retorno Total, S.A. (“FGRT”), with total assets under management of U.S.$570.7 million and U.S.$21.6 million, respectively, as of December 31, 2020. FGI primarily invests in local corporate and government securities as well as international dollar-denominated fixed-income securities, while FGRT primarily invests in international fixed-income funds. BG Investment’s results of operations are reflected within the Wealth Management unit, which in turn are reflected in the banking and financial activities segment of our financial statements.

For the year ended December 31, 2020, BG Investment reported U.S.$3.6 million in net income, compared to U.S.$3.4 million during 2019.

Banco General (Costa Rica), S.A.

BGCR focuses primarily on corporate lending, including to large corporations and medium-size enterprises, as well as consumer and wealth management, including deposit taking and retail lending. As of December 31, 2020, BGCR had 8 strategically located branches throughout San José, Alajuela, and Heredia, serving more than 10,000 clients. BGCR’s results of operations are reflected within the Consumer Banking and Regional Corporate Banking units, which in turn are reflected in the banking and financial activities segment of our financial statements.

As of December 31, 2020, BGCR had U.S.$54.2 million in shareholders’ equity, U.S.$498.3 million in assets, and U.S.$354.5 million in gross loans, compared to U.S.$57.3 million in shareholders’ equity, U.S.$528.8 million in assets, and U.S.$391.1 million in gross loans as of December 31, 2019. For the year 2020, BGCR reported a net loss of U.S.$3.1 million, compared to a net income of U.S.$7.1 million during 2019. BGCR has a long USD FX position to hedge its U.S. dollar capital since its assets and liabilities are primarily denominated in U.S. dollars. BGCR enters into an FX forward transaction with us to mitigate the effect of fluctuations in the U.S.$/CRC exchange rate on its Costa Rican colón financial statements.

Our Distribution Network

Branch Network

We have developed a vast national network comprised of 75 strategically located branches in Panama. Since 1996, our headquarters are strategically located in the central banking district of Panama City, providing us with better access to our customers and a presence in this important banking sector. Our branch network offers a full range of banking products and services for customers and is key to acquiring new business. Our banking product offerings include personal loans, credit cards, residential mortgage loans, auto loans and various depository products including, savings and checking accounts and time deposits.

As of December 31, 2020, we had the second largest branch network in Panama with 75 branches, 51 of which are located in Panama City and surrounding areas. The remaining 23 branches are located throughout Panama's countryside, predominantly to the west of the Province of Panama, and in the city of Colón. Our branch network processed 6% of our total transactions in 2020.

	As of December 31, 2020
Panamá	51
Panamá West	9
Chiriqui	5
Colón	3
Cocle	2
Veraguas	2
Herrera	2
Los Santos	1
Total Number of Branches	**75**

In addition to our branch network in Panama, we also have five regional offices located in Mexico, Colombia, Guatemala, El Salvador and Peru, and 8 branches in Costa Rica through our subsidiary BGCR.

Call Center – Services and Sales

We offer quality service and support through our extensive customer service center. Our customer service center is accessible seven days a week by telephone, chat, social networks (Instagram, Facebook and Twitter) and email. The successful implementation of our automated call center in 2015 allowed us to improve agent efficiency by providing client recognition technology, automate our sales campaigns, and provide self-service functionality to our customers. In 2020, we received 4.0 million client inquiries, a 70% increase compared to the more than 2.3 million client inquiries received in 2019.

Internet and Mobile Banking

As technology and distribution channels have evolved over time, so have client preferences evolved to our electronic platforms. As part of our initiative to broaden our reach to retail and corporate clients, and facilitate financial services, in 2000 we developed a modern and efficient online banking platform, "Banca en Línea," and launched a complete mobile online banking application "Banca Móvil" in 2013.

Furthermore, to ensure increased security for our customers, in 2016, we implemented a dynamic password "Entrust Security" feature for online and mobile banking applications. This feature has given customers additional confidence to use these channels to conduct various banking transactions, add credit to prepaid cell phones, Panapass (the Panamanian version of E-ZPass/SunPass Systems) and Metrobus card (a card used to pay bus and metro fares).

On 2017, the Bank initiated a digital transformation journey. We created our digital laboratory, called BGx. This transformation had two main objectives:

1. Create digital products and services that bring an innovative and frictionless experience to our clients in order to increase digital adoption (more digital transactions and less physical and cash transactions), achieve higher retention rates and create more loyalty to the bank.

2. Accelerate our delivery of value to clients by implementing a philosophy of agility, multi-functional teams, latest generation technology, and client-centered design.

Starting in 2019, our digital strategy enabled any Panamanian to become a client of Banco General by opening an account 100% digitally by simply scanning their national ID card and taking a selfie, a process that takes less than 10 minutes. Since its launch, more than 178,000 new clients have opened accounts 100% digitally, representing 72% of total new clients for the bank.

During 2019, continuing with our digital strategy, we also launched Yappy (P2P and P2M payments) within our mobile banking application in order to facilitate transactions between individuals by just using their cell phone number or alias. At the end of 2019 we incorporated a team into our digital laboratory BGx, which aims to enhance the commercial online banking platform, and to be the leader of personalized digital products and services for our corporate banking unit. During 2020, the rollout of the newest version of the commercial online banking platform culminated. The platform offers multiple functionalities such as user administration, management of wholesale payments, auto affiliation to integration services, and Yappy collection. Additionally, commercial users can now access the mobile app to execute their consultations and authorize transactions in an agile manner.

We consistently try to improve our processes and allow for the acquisition of products through our digital channels, since 2019, we have enabled features for our clients to acquire new deposit accounts, credit or debit cards, and life insurance through such digital channels.

To further strengthen our digital capabilities, we determined that it was imperative for our future growth to embark on a Business Analytics journey, and in 2019 we created BG Lab, comprised of: (i) creating a highly capable team of data engineers, data scientists, and other team members; (ii) applying new ways of working on big data projects (agility); (iii) maximizing the use of our data warehouse with more than eleven years of transactional and customer data; and (iv) implementing new technological tools for analyzing vast amounts of data. As a result, we created our first predictive model, Loan and Credit Card Origination.

During 2020, a greater part of the bank's technology and business teams adopted the philosophy of agility, transforming into multifunctional teams, integrated by people from the departments of business, operations, technology, among others. Up to date, we have more than 40 agile teams ("Mesas") focused in generating value for the bank and our clients.

Each of the 40 agile teams is focused on producing value for the Bank's business units by: (i) placing the customer's needs and satisfaction at the core; (ii) utilizing clearly defined Objectives and Key Results ("OKRs") to measure value creation; (ii) ensuring that each initiative or functionality is aligned with the OKRs and divided into attainable stories (Tasks); (iii) applying scrum, kanban and other methods of collaboration; (iv) constantly measuring the value generated with each initiative or functionality deployed.

The preference of our clients in adopting our digital channels continues to be remarkable, we had more than 762,000 clients actively using our digital channels in 2020, representing 64% of all the bank's clients, excluding subsidiaries. This shift has enhanced our offered services while providing us with additional benefits via operational efficiencies. In addition, over the last two years our digital channel affiliations experienced a yearly growth surpassing 100%, primarily driven by mobile banking.

The following tables shows the number of clients affiliated with *Banca en Línea, Banca Móvil* and Yappy:

Affiliated Clients to Digital Channels:	**For the Year Ended December 31,**			**2020**
	2020	**2019**	**2018**	**Growth**
Banca en Línea..........................	956,501	714,546	510,801	33.9%
Banca Móvil.............................	832,216	586,536	368,084	41.9%
Yappy.......................................	571,253	214,370	-	166.5%

The following tables shows our transaction volume and transaction composition under our different distribution channels:

Transaction Volume by Distribution Channel	For the Year Ended December 31,			2-year CAGR
	2020	2019	2018	
	(in thousands of transactions)			
Branches and Debit Cards (ATM)	55,390	86,525	83,892	-18.7%
Debit Cards (POS).....................	62,014	64,708	50,863	10.4%
Digital (Banca en Línea & Banca Móvil)	128,686	82,196	59,330	47.3%
Total...	**246,091**	**233,429**	**194,085**	**12.6%**

*Table excludes credit card transactions and excludes BGCR.

Transaction Composition by Distribution Channel	For the Year Ended December 31,		
	2020	2019	2018
	(in percentages)		
Branches and Debit Cards (ATM)	22.5%	37.1%	43.2%
Debit Cards (POS).....................	25.2%	27.7%	26.2%
Digital (Banca en Línea & Banca Móvil)	52.3%	35.2%	30.6%
Total...	**100%**	**100%**	**100%**

*Table excludes credit card transactions and excludes BGCR.

Online Banking – "Banca en Línea"

Our online banking service, *Banca en Línea*, makes online banking services available to our retail and corporate customers on our website, www.bgeneral.com. In 2020, our online banking service processed more than 37.9 million transactions, which represented 15.4% of our total transactions processed.

The adoption of our online banking platform has been an attractive feature to our clients, with over 956,000 or 81% of our clients affiliated with *Banca en Línea* as of December 31, 2020.

Mobile Banking – "Banca Móvil"

We offer mobile banking through m.bgeneral.com or via a downloadable app. Through mobile banking, our customers have access to (i) up-to-date information on their accounts, credit facilities and credit cards, (ii) the ability to transfer funds between accounts and to third parties, (iii) the ability to pay loans, accounts, clubs, utilities, taxes, and donations, and (iv) view the terms and conditions of our credit products and deposits.

The adoption of our mobile banking platform has been an attractive feature to our clients, with over 832,000 or 70% of our clients affiliated with *Banca Móvil*, and over 571,000 or 48% of our clients affiliated with Yappy, each as of December 31, 2020. During 2020, more than 90.8 million transactions were made through *Banca Móvil*, which represented 36.9% of our total transactions processed, including more than 14 million transactions through Yappy, representing a growth of 102.2% compared to 2019 *Banca Móvil* transactions. As a result of the pandemic, we accelerated the development of new products and features, in order to enable corporate clients and entrepreneurs to use Yappy as an option to receive payments for their products and services. As of December 31, 2020, more than 3,300 business clients were using Yappy. Today, our commercial and entrepreneur clients can request payment from their clients in three different ways: through our Yappy directory for remote sales, QR code for physical charges, and a payments button for online sales.

BG Lab

Throughout 2019, the Bank formed BG Lab with the intention of transforming the banking business through advanced analytics. BG Lab aims to solve and support business needs through the development of advance analytics capabilities.

By December 2020, our BG Lab team consists of 2 teams that have developed the following 6 use cases: (i) loan origination model focused on predicting credit risk, reducing writeoffs and optimizing interest rate margins, (ii) propensity to buy model focused on increasing the effectiveness of personal loan and credit card sale campaigns, (iii) income estimation model to optimize our client segmentation, (iv) propensity of digital transactions, to increase the effectiveness of our digital marketing campaigns, (v) collection model that predicts default risk on our current portfolio, to reduce rollover of delinquent loans and credit cards, and (vi) bad debt recovery model to focus collection efforts on previously written off operations.

Electronic Banking – ATMs and Debit Cards

We are a founding member of Telered, the only network of ATMs and points of sale in Panama, which has a total network of more than 2,200 ATMs located throughout the country, as of December 31, 2020. We maintain 629 ATMs, or 27.3% of the ATM network in Panama, that are generally placed in high traffic areas, such as office buildings, supermarkets, commercial centers and malls. As a result of the breadth of our network and the strategic location of our ATMs throughout Panama City and the country's interior, we processed a leading 49.0% of all ATM transactions in Panama in the year ended December 31, 2020, and 51.1% in 2019.

	As of December 31, 2020
Province	
Panamá	417
Panamá West	78
Chiriqui	37
Colón	34
Cocle	32
Veraguas	13
Herrera	10
Los Santos	6
Bocas del Toro	2
Total	**629**

We have over 657,000 local brand debit cards (Clave), representing 29.1% of all local brand debit cards in Panama, which account for a leading 54.2% of all debit card ATM and POS transactions processed through Telered (the only network of ATMs and POS in Panama). Additionally, we have over 270,000 international brand debit cards in circulation, for a grand total of over 927,000 debit cards in circulation.

Competition

We operate in a competitive market. Since the 1990s, when regulations relating to the Panamanian financial system were updated, there has been an ongoing process of consolidation that has included foreign bank participants entering the market (see "Panamanian Banking Services Industry"). We expect that consolidation to lead to the creation of larger local financial institutions, including additional foreign banks, presenting the risk that we could lose a portion of our market share in the industry, affecting our results of operations.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, good customer service and strengthening our customer base through synergistic cross-selling. Our business will be adversely affected if we are unable to retain current customers and attract new ones. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures.

Currently, there are 68 banking institutions licensed to operate in Panama, of which 41 are general license banks. Within the private sector, we compete with 12 local banks, such as Global Bank, in addition to 26 general license foreign banks, such as Banistmo and BAC, that are competitive in some of the sectors in which we operate.

Currently, we are positioned as the largest bank in the Panamanian banking industry in terms of local loans, and we have been consistently increasing our market share in this segment. As of December 31, 2020, our local loans were equivalent to U.S.$10.2 billion, which represented a market share among banks of 18.5%, compared to a 18.7% market share as of December 31, 2019.

The following table shows our market share, on an unconsolidated basis, for the local sector, by major product category, and those of our main competitors as of December 31, 2020.

Consumer Loans	Ranking	Market Share
Banco General	1	15.4%
BAC	2	14.6%
Banistmo	3	10.6%

Credit Cards Loans	Ranking	Market Share
BAC	1	22.9%
Banco General	2	21.1%
Banistmo	3	13.9%

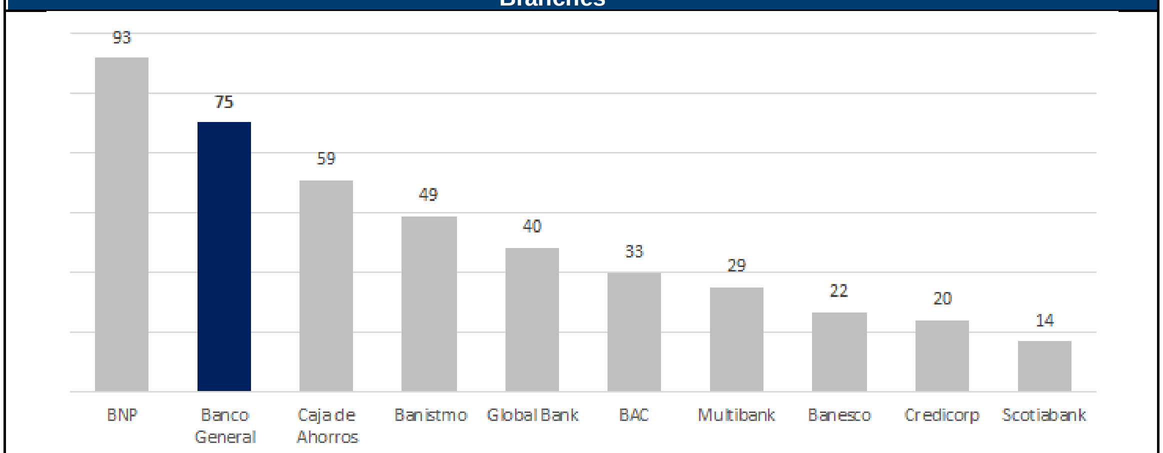
Commercial Loans	Ranking	Market Share
Banco General	1	15.1%
Banistmo	2	14.2%
Global Bank	3	11.4%

Mortgage Loans	Ranking	Market Share
Banco General	1	26.4%
Banistmo	2	13.6%
Caja de Ahorros	3	11.6%

Source: SBP.

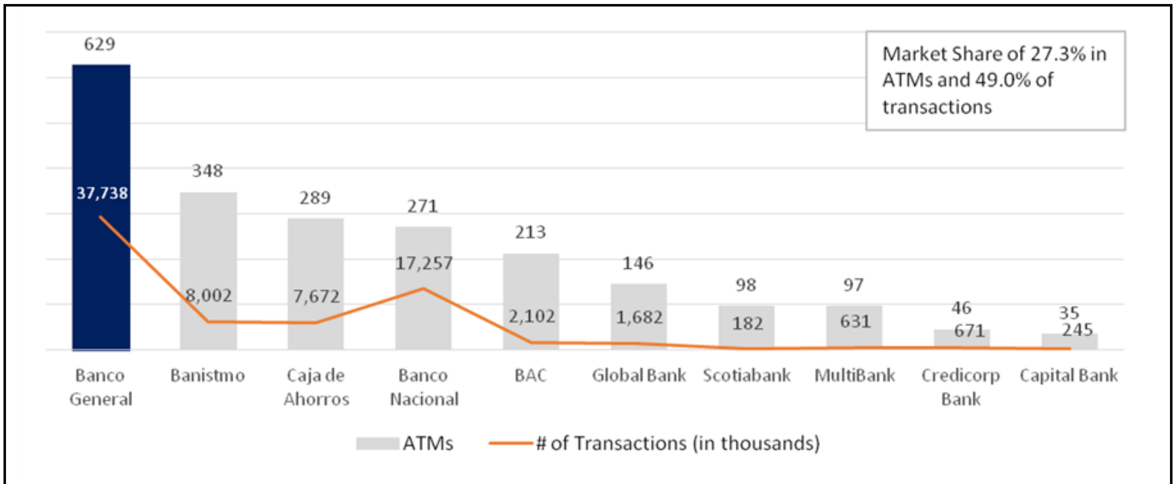
The following charts contain a benchmarking comparison of our branches, ATMs, and debit card volumes versus our peer competitors within Panama's National Banking System for the three months ended December 31, 2020.

Branches

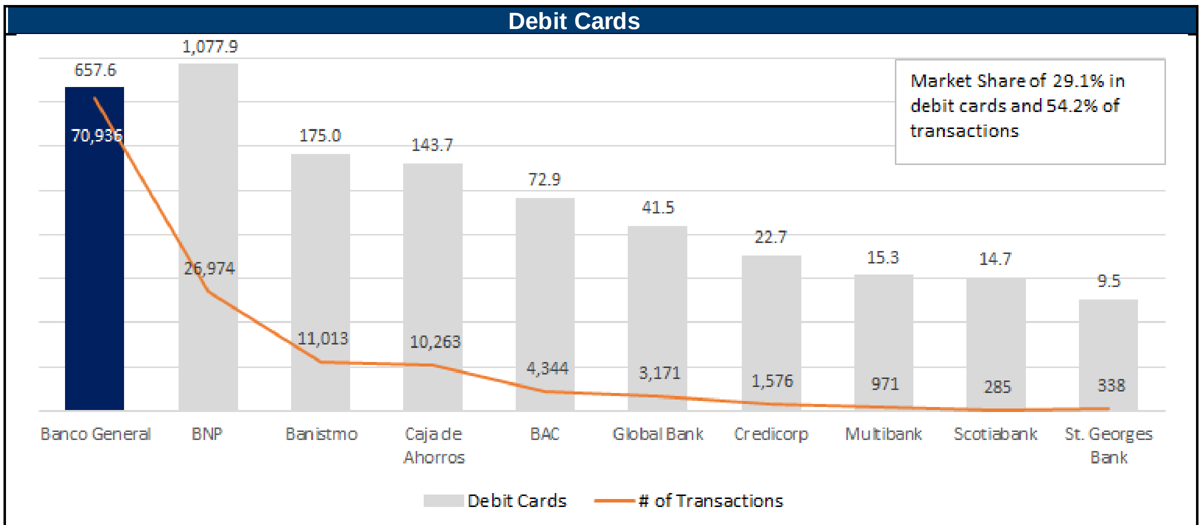


Source: SBP, as of December 31, 2020. Does not include international license banks or representative offices.

ATMs



Source: SBP for ATMs as of December 31, 2020 and Telered for transactions for the year ended December 31, 2020.



Source: Telered, as of December 31, 2020. Figures in thousands.
BNP includes 603,000 debit cards (Clave Social) in relation to government subsidy programs.

Commercial banks also face increasing competition from other financial institutions that can provide larger companies with access to local and international capital markets as an alternative to bank loans.

Corporate Social Responsibility and Sustainability

Our corporate social responsibility ("CSR") mission is to be an agent for positive change and a role model in the financial industry. We were the first Panamanian company to sign the United Nations Global Compact in 2001, as well as the Panamanian Business Ethical Pact in 2003, and the first to engage external auditors to certify our Corporate Social Responsibility Report, for which we use the ISO 26000 Standard as a guide and the Global Reporting Initiative Guidelines to measure our performance. In 2009, we were the first Panamanian-owned bank to implement an Environmental & Social Risk Management System ("ESMS"), and in October 2011, we were also the first Panamanian bank to become a signatory member of the United Nations Environment Program Finance Initiative. In 2019, we signed the Principles for Responsible Banking as a founding member and we actively participate in the Sustainability Committee in the Panamanian Banking Association.

Our CSR commitment emphasizes six key factors: governance, our people, our customers, our suppliers, our environment and our community. In 2019, we established a three-year CSR Strategic Plan, which prioritizes six areas:

1. Strengthen our corporate culture.
2. Work towards gender equality and the well-being of our employees.
3. Support financial education.
4. Increase our investment in quality education.
5. Environmental sustainability.
6. Communicate our actions to inspire others.

As a result of this plan, in 2019, we were awarded the Gender Equality Seal – Gold Level, by Panama's Ministry of Labor and the United Nations Development Program for working to eliminate gender inequalities in the organization. We have installed solar panels in our Operations Center and in two office branches, thus using clean energy to operate. We installed a water recycling system in our Operations Center, which consists of collecting rainwater and the water generated by the building's air conditioning system to reduce the water usage from the public system. We launched the first financial education podcast, to help young people get interested in financial matters, among other initiatives.

Our scholarship program (*Becas Sus Buenos Vecinos a la Excelencia*) continues growing. This program gives academic scholarships to kids from public schools to study middle school and high school in prestigious private schools, to date 156 students have graduated and 99% are pursuing higher education degrees in universities in Panama and other countries. In 2020, we expanded the program, and are now offering college scholarship for our graduates.

Furthermore, our non-profit foundation "*Fundación Sus Buenos Vecinos*" (Your Good Neighbors), continues to play a vital role in our CSR agenda. In 2019, the foundation established a new Strategic Plan with a strong emphasis on education; however, the pandemic changed our community's priorities and in 2020, *Fundación Sus Buenos Vecinos* donated U.S.$10.0 million, mostly to (i) distribute food to people in vulnerable conditions affected by the pandemic, (ii) purchase COVID-19 tests and medical supplies, and (iii) purchase computers to allow children to continue studying from home. These donations further helped to maintain other non-profit organizations afloat.

Operations

Corporate Treasury

Our asset and liability management policy is oriented towards maintaining solid liquidity levels to (i) honor potential deposit withdrawals; (ii) repay obligations and placements at maturity; (iii) support loan portfolio growth; (iv) invest in new debt securities; and (v) satisfy our need for working capital. Our treasury department is responsible for managing all liquid assets, raising funds via the inter-bank market and local and international capital markets, and managing our overall liquidity within the liquidity and investment policies dictated by the ALCO and the board of directors.

Our primary liquidity ratio, measured as primary liquid assets (comprised of cash, bank deposits and investment grade fixed income liquid investments) to total deposits and borrowings was 29.4% as of December 31, 2020, corresponding to U.S.$4.3 billion in primary liquidity. Our total primary liquidity has an overall average credit rating of AA-, and 50.0% with a credit rating of AAA including investments, bank deposits and cash. Our primary liquidity, as of December 31, 2020, includes (i) cash, bank deposits and repurchase agreements that amount to U.S.$797.1 million; (ii) commercial paper, with ratings of A-2, P-2, F-2 that amount to U.S.$367.8 million; (iii) liquid bonds with a minimum credit risk rating of BBB- that amount to U.S.$2.9 billion; and (iv) local government bonds that amount to U.S.$207.4 million. Our total investment portfolio amounted to U.S.$5.6 billion, which included U.S.$1.2 billion in local corporate bonds, as of December 31, 2020.

Funding

We benefit from a diversified and stable deposit base that provides us with low-cost funding. We have developed a vast national network of strategically located branches and continually invest in technology, allowing us to maintain a leading market share position in local private sector deposits. As of December 31, 2020, our total local private sector deposits reached U.S.$12.9 billion. According to the most recent available data from the SBP, as of December 31, 2020, we had the leading market share in Panama of local private sector deposits of 28.2%. Depositor concentration is low, with the top 50 depositors representing 9.0% of total deposits. Total deposits including local and foreign deposits both net of accrued interest payable amounted to U.S.$13.4 billion as of December 31, 2020.

We provide three basic types of deposit accounts: (i) demand deposits, which do not bear interest, (ii) savings accounts, which earn interest at rates historically below the average rate paid on time deposits, and (iii) time deposits, with maturities ranging from 30 days to 10 years.

As of December 31, 2020, our demand deposits amounted to U.S.$3.0 billion (in 83,079 accounts), customers time deposits amounted to U.S.$6.0 billion (in 35,178 accounts), and savings accounts totaled U.S.$4.5 billion (in 1,543,014 accounts). Based on the most recently available information from SBP, this resulted in market shares for demand deposits, savings accounts, and time deposits of 31.4%, 34.3% and 23.6%, respectively, as of December 31, 2020. Our strong capital and financial position has enabled us to raise funds from a broad base of depositors at consistently lower rates than our competitors.

To properly underpin our deposit operations and thus ensure the quality of our deposits, we have a longstanding "know your customer" policy and conduct a thorough review of a customer's background and the nature of a corporate customer's business prior to opening an account.

In addition to our stable deposit base, we maintain strong relationships with our correspondent banks and multilateral organizations through which we have accessed diverse sources of medium- and long-term financing, through multilateral organizations, private placement and local and foreign capital market transactions including, most recently:

- In 2012, we established a DPR program, issuing notes through a special purpose corporation ("SPC") via private placement and in 2016, the SPC issued new securities worth U.S.$250 million under the same program, and in May 2017 the SPC issued securities for an aggregate principal amount of U.S.$125 million, divided in two tranches of a U.S.$50 million five-year term loan and the issuance of U.S.$75 million ten year notes.

- In 2017, we successfully completed a ten-year 144A/Reg. S bond offering of U.S.$550 million.

- In 2019, Banco General closed a five-year loan with the IFC in the amount of U.S.$150 million to increase access to mortgage finance for lower and middle-income families in the Republic of Panama. Such efforts led to closing a second medium-term loan with the IFC in the amount of U.S.$50 million in April 2020 to finance green buildings and solar energy projects in Panama.

The following table illustrates the historical evolution of deposits and bonds and financings for each of the years in the three-year period ended December 31, 2020:

Type of Funding	For the Year Ended December 31, 2020	2019	2018	% Portfolio of 2020	Market Share*
	(in millions of U.S. dollars, except percentages)				
Demand deposits	2,979	2,608	2,836	20.2%	**31.4%**
Savings	4,470	3,598	3,515	30.3%	**34.3%**
Time Deposits – Clients	5,994	6,150	5,747	40.7%	**23.6%**
Total of client deposits	**$ 13,443**	**$ 12,357**	**$ 12,098**	**91.2%**	**28.2%**
Time Deposits – Banks	6	99	130	0.0%	
Total of Deposits	**$ 13,450**	**$ 12,455**	**$ 12,228**	**91.2%**	

Type of Funding	For the Year Ended December 31, 2020	2019	2018	% Portfolio of 2020	Market Share*
Bonds and Medium Term Financings	1,294	2,536	3,104	8.8%	
Total of Deposits and Financing	**$ 14,744**	**$ 14,991**	**$ 15,333**	**100.0%**	

*Market Share as of December 31, 2020 based on unconsolidated information from the SBP.

Information Technology Unit

Security and technology are critical priorities for our business. We believe that strategic and prudent management of technology are the key components for the digital transformation of our business. We continuously invest in new technology, process involvement, and the renewal of applications and infrastructure in order to serve our customers efficiently, improve our profitability, and grow our business. Our Information Technology ("IT") governance model is based on the Control Objectives for Information and Related Technologies (COBIT) framework, which incorporates best practices for IT controls, quality assurance, risk evaluation and modern project management techniques. Additionally, our IT service management practice is based on the IT Infrastructure Library (ITIL) framework for service design, transition and operation. All software development teams adhere to agile principles and this practice is currently being scaled to IT Operations.

Furthermore, the IT unit is responsible for managing our technology infrastructure, and applications, while safeguarding the integrity and security of our systems and data. IT develops and maintains in-house technological solutions, manages third-party software support and focuses on enhancing data processing, improving data protection and security, developing contingency plans and implementing technology initiatives. In 2020, we invested U.S.$19.3 million in initiatives focused on IT, the transformation and modernization of our operations, as well as the development of new systems.

Our technology unit is supported by over 450 IT personnel mostly certified in key disciplines, oriented to provide integral business solutions, IT services (including IT operations and telecommunications) and information security management.

Employees

As of December 31, 2020, on a consolidated basis, Banco General and its subsidiaries employ more than 4,400 people. None of these employees are unionized, are party to any collective bargaining agreement or involved in a strike or work stoppage.

We strongly believe in the importance of continuing education and training, which led to the creation of a corporate university in 2009 for the continuous development of both professional and personal skills. Training focuses on the improvement of business, managerial, and customer service capabilities through customized seminars and workshops. In the last three years, U.S.$3.5 million has been invested in the development and training of our employees.

Facilities

As of December 31, 2020, we maintained 87 premises in Panama, 77 of which are bank branches (of which we owned 49 and leased 28), and 10 of which were dedicated to our administrative and operating functions (of which we owned 7 and leased 3). As of December 31, 2020, we maintained 8 premises in Costa Rica, all of which are bank branches (of which we owned 1 and leased 7). We lease office space and storage facilities in connection with our regional banking operations in Mexico, Colombia, Guatemala, El Salvador and Peru.

On May 2017 we inaugurated our Operational Center, our largest facility, a nine-floor office building, consisting of 32,000 square meters, and located in the Metro Park Community. with a population of approximately 2000 people. The Center has approximately 1,500 parking spaces distributed in an independent building for collaborators and a surface parking for visitors. The building was designed with high efficiency standards to reduce our operating costs and optimize our processes.

Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of our business. These proceedings are not likely to have a material adverse effect on our results of operations or financial condition.

Compliance Policies

We believe that our corporate reputation is a crucial competitive advantage for us, as it allows us to attract and retain customers, and avoid employee attrition. AML, anti-corruption and sanctions laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel. Accordingly, we maintain robust framework policies and procedures to manage compliance with applicable local and international laws, safeguard our and our customers' financial information and identify and develop strategies to address regulatory changes. We believe that we are in compliance with applicable AML and anti-terrorist financing laws and regulations and have adopted policies and procedures, including internal controls and "know your customer" procedures, aimed at preventing money laundering and terrorist financing.

Anti-Money Laundering

We have developed an AML program complying with the applicable laws and regulations, the FATF recommendations and resolutions issued by the United Nations.

This program is focused mainly on the following:

- Allowing the detection of unusual transactions and prevention or timely detection of suspicious transactions or any such attempted transactions, in order to inform the Financial Intelligence Unit within relevant legal deadlines.
- Developing training programs in order to educate employees about the standards in effect for the prevention of money laundering and terrorist financing.
- The commitment of all directors, executives, employees and any authorized representatives to the implementation of a code of conduct approved by the board of directors.
- Requiring relevant information from individuals and/or companies and verifying any information obtained by visits to the homes or offices of such individuals and/or companies, by conducting personal interviews.
- Identifying and registering clients that, in the course of the business relationship, show a transactional pattern that does not match such client's business profile.
- Reporting to the Financial Intelligence Unit any transactions that has occurred or that has been attempted, and which in our judgment are suspicious, regardless of the amounts involved, within a period not exceeding thirty calendar days after any such transaction has been identified.

Corporate Compliance Program

The Corporate Compliance Program consists of policies and procedures to properly manage compliance with applicable local and international laws. In order to ensure proper compliance with any new and changing laws and regulations, our efforts focus on the identification of any new or changed requirements and the establishment of internal deadlines for the implementation of any compliance measure in a timely manner.

In addition, the Corporate Compliance Program has a risk-based approach, which focuses on reducing the level of exposure to fines or other penalties that could negatively impact our reputation.

The Corporate Compliance Program includes AML policies and procedures and other compliance initiatives, such as:

- Protection of Personal Information
- Safety and Security at Work
- Regulatory Compliance
- Foreign Corrupt Practices Act (FCPA)
- Foreign Account Tax Compliance Act (FATCA)

The Corporate Compliance Program provides specialized courses and virtual training for employees and is permanently monitored by regulators and internal and external auditors.

Cybersecurity

We have access to large amounts of confidential financial information and hold substantial financial assets belonging to our customers as well as to us. In addition, we provide our customers with continuous online access to their accounts and the possibility of transferring substantial financial assets by electronic means while purchasing goods or withdrawing funds, in Panama and abroad with credit and debit cards issued by us. Our Information Technology systems are essential for us to interact with our clients and conduct our internal operations, and we depend on a variety of internet-based data processing, communication, and information exchange platforms and networks. Accordingly, maintaining policies against cybersecurity breaches is of critical importance to us and is one of our management team's highest priority. To safeguard the security of these services, platforms, and client and internal information, we have a comprehensive Information Security / Cybersecurity program designed to keep all of our policies, processes, controls, and personnel up to date on the latest trends and protection requirements by leveraging both internal and expert external resources. This program is focused on two key areas, among others, which cover the following:

- Policies, standards and procedure: reviewed and updated every two years or whenever significant changes in our platforms, technologies and services occur, whichever happens first; and
- Risk analysis and management: all of our controls are designed based on the analysis of threats, vulnerabilities, impact and likelihood scenarios in relation to defined risk appetite to achieve the appropriate prioritization of control implementations. This program and its effectiveness are validated by internal and external auditors to ensure its applicability and sufficiency with respect to achieving the desired control and risk management goals for each of our business areas. The program also covers the design of security measures and controls in respect of all of our initiatives, as well as the implementation of new technologies and services.

We continually upgrade and make significant investments and improvements in our Information Technology infrastructure to enhance the effectiveness of our security framework, while maintaining a system of operational controls composed of both trained staff and world-class technological resources to allow for a comprehensive awareness program directed at both staff and our clients. Additionally, we have in place comprehensive business continuity and disaster recovery contingency plans and security procedures.

Risk Management

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

In line with the regulatory provisions and corporate governance best practices, our board of directors establishes and approves the objectives, policies, procedures, structures and limits of risk which shall govern its comprehensive risk management process, as well as the necessary conditions and structures fostering a culture of risk management that flows to all the levels of the organization, starting with the surveillance of the board of directors, the Risk Committee of the board of directors, the ALCO, and the several executive risk management committees.

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

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

The main risks identified by us are credit, counterparty, market, liquidity, operational, environmental & social, and reputational risks, which are managed by the following committees:

- Consumer and Mortgage Credit Risk Executive Committee (meets at least every quarter)
- Local Business Credit Risk Executive Committee (meets at least every quarter)
- International Business Credit Risk Executive Committee (meets at least every quarter)
- Operational Risk Committee (meets at least every quarter)
- Environmental, Social and Reputational Executive Risk Committee (meets at least every quarter)
- Assets and Liability Committee (ALCO) (meets at least every month)
- Risk Committee of the board of directors (meets at least every quarter)
- Money Laundering Prevention Committee of the board of directors (meets at least every two months)
- BGCR Credit Executive Risk Committee (meets four times each year)
- Risk Committee of the board of directors of BGCR (meets four times each year)

There is also an Audit Committee of the board of directors that oversees the establishment and implementation of appropriate internal controls, including the preparation of our financial information and financial statements.

The risk management function is entrusted with developing a centralized, integrated risk management framework to proactively and preemptively manage all of our relevant risk areas. Our Risk Management department reports directly to the Risk Committee of the board of directors, which serves as an independent channel for communications. The Risk Management department is structured to include Specialized Risk Units for specific risks, to account for the nature and complexity of our operations and structure.

We have adopted a risk management framework and established objective metrics and thresholds to periodically monitor our evolving risk profile. The framework was approved by the board of directors and is managed and monitored by the Risk Management department. The adoption of a risk appetite framework reflects our commitment to aligning our forward-looking business strategy with our corporate risk vision.

Credit Risk

Credit risk measures the potential loss caused by the partial or total failure of a counterparty or issuer to perform on an obligation to us. Credit exposures arise primarily in our lending activities, but also through investment in debt instruments issued by our corporate clients, and in our investment portfolio. Our credit policies and procedures are based upon conservative criteria and are applied in a consistent and uniform manner across our subsidiaries, as allowed by local regulations, as these policies are administered in accordance with guidelines and laws applicable in each of the jurisdictions in which we operate.

We structure the levels of credit risk we undertake by placing concentration limits on the amount of risk accepted in relation to one borrower or group of borrowers, industry segment, product type and country. Such risks are monitored continuously through established risk limits and indicators, which are presented to the various executive committees and Risk Committee of the board of directors. All credit risk limits are approved by our board of directors.

We analyze the credit risk of a client or counterparty prior to entering into any credit agreement or investing decision. The analysis is conducted on a consolidated basis, where applicable, taking into account all elements contributing to credit risk, including the applicant's risk profile, country risk and industry risk. The risks associated with the purchase of securities are also subject to our credit risk management policies.

We have methodologies that enable us to assess credit risk related to individual exposures and at the portfolio level. This credit risk analysis, monitoring and assessment are supported by the following policies: (1) our loan classification system; (2) loan provisioning; and (3) our credit approval processes.

Loan classification system

We analyze the creditworthiness of each specific borrower and their credit facilities in accordance with the methodology defined by the SBP. In line with these guidelines, we maintain a five-tier rating system for classifying credit exposures. The classification rating categories are Standard (A), Special Mention (B), Sub-standard (C), Doubtful (D) and Uncollectible (E). Based on the assigned rating, the SBP defines a range of required regulatory provisions (including requiring specific reserves). We review risk classifications monthly and perform a more in-depth analysis of material loans at least annually.

For consumer credit purposes, the rationale behind an assigned rating is the amount of time a facility has been past due. When loans are restructured, we maintain the last given rating (at the time of restructuring) for a period of at least six months. For corporate and commercial banking facilities, the risk rating is based on a comprehensive evaluation of the major financial, operational, internal and external risks factors that a client may have, in addition to the client's loan payment history.

We report all credit exposures on a monthly basis to the SBP, reflecting the individual credit risk ratings and the applicable reserves.

In addition to the above regulatory classification system, the Bank has also developed and applied internal risk rating models as part of the IFRS 9 expected credit loss models. These internal ratings models follow the standard classification system of the credit rating agencies (AAA+ to A-, BBB+ to B-, CCC+ to C, etc.), and are applied within the aforementioned expected credit loss models, allowing for a greater differentiation of risk levels and internal analysis.

Loan provisioning

Since January 2018, the Bank's provisions and allowances for loan losses are assessed based on the IFRS 9 expected credit loss guidelines.

BG calculates the expected credit loss of the loan exposures by taking into account several factors, including the client's risk classification, the determination of any significant increase in credit risk since origination, historical default rates, and outstanding and past-due loan balances. In particular, a significant increase in credit risk occurs no later than 31 days after a loan is past due. Additionally, a loan is considered in default no later than 91 days after it is past due, or 31 days for overdrafts.

BG's model, as applied under IFRS 9 expected credit loss guidelines is the product of four fundamental components:

a. Probability of default (PD) – Probability that a client will default.
b. Loss given default (LGD) – Severity of the loss if the default takes places.

c. Exposure at default (EAD) – outstanding debt at the time of default, including a credit conversion factor for contingent exposures.
d. Forward looking component – which is applied to take into account the impact of expected macroeconomic factors and credit cycles.

The probability of default (PD) values assigned to each of BG's loans is generated through one of several the models, developed as per the type of credit and customer profile. As such, separate models are maintained for consumer clients, and commercial/corporate clients.

The Loss given default values were estimated based on the Bank's historical recovery rates by type of loan or type of collateral and considers the recovery costs of the guarantee.

As per IFRS guidelines, the loan portfolio is classified in three stages of impairment based on the measured risk of each loan, through factors that include: risk classification, recovery score, days of delinquency and restructurings. Furthermore, the corresponding stage helps determine the applicable probability of default for each loan in BG's credit portfolio. Stage 1 loans recognize their expected credit losses based on the PD for 12 months; Stage 2 loans recognize their expected credit losses based on the PD over the total life of the loan; and Stage 3 loans recognize the expected credit losses based on a PD of 100%. The Bank's expected credit loss models are applied monthly and are programmed within the Bank's MIS system. When required, provisions for loan losses are accounted for as charges on income and added to allowance for loan losses to bring the allowance to the required level. Any subsequent charge off (write-off) of any loans is charged against this allowance.

Provisions for loan losses are accounted as a charge to income and added to the allowance for loan losses to bring the allowance to an appropriate level. Any subsequent write-offs are applied against this allowance.

As of June 2020, the Bank recalibrated and expanded the expected credit loss models, for the purpose of incorporating more recent information on portfolio behavior (2016-2018). In addition, given the extraordinary impact of COVID-19, the Bank implemented complementary models for estimating the expected credit losses of modified loans and loans in forbearance in 2020.

In addition to the recalibration and its impact on expected credit losses, the Bank also established additional "overlay" provisions using the complementary models mentioned above, which were applied to both the consumer and corporate loan portfolios to account for the increased credit risk produced by the economic impact of COVID-19 on affected debtors. These overlay model considered, among other things, the employment status and income capacity of the debtor, the economic activity or industry of the debtor or his employer, the number of accumulated postponed payments and loan collateral. Regarding corporate loans, the Bank also incorporated the individual analysis of debtors with significant credit exposure, as regards to the financial strength of the debtor and its shareholders.

Therefore, the Bank's provisioning models in 2020 included the effect of the recalibration of the expected credit loss models, and additional "overlay" provisions established through expert models to incorporate the considerations resulting from COVID-19.

Credit approval processes

We maintain a centralized and uniform approval policy for our corporate and commercial business activities (which occur within the Local Corporate and Commercial Banking, Investment Banking and Regional Corporate Banking units), and a separate policy for consumer banking business activities (which occur within the Residential Mortgage and Consumer Banking and Wealth Management unit). Specific credit manuals are established for each segment, with details on policies, parameters, limits, processes and criteria to be taken into account in the approval process. Corporate and commercial credit approvals are based on cash flow generation and require a detailed analysis of qualitative and quantitative factors that impact a potential client's creditworthiness. Approval authority for material exposures is centralized at committee levels, and individual delegation for approvals of smaller exposures is delegated to individual executives within the business segments. Consumer credit approvals are based more significantly on standardized criteria and parameters identified per product segment (mortgages, credit card, automobile and personal loan), and the approval authority and analysis are mainly centralized in a credit department within the consumer banking segments, comprised of various senior management individuals with ranging approval authority. See "Selected Statistical Information—Credit Approval Limits and Process."

For the Local Corporate and Commercial Banking, Regional Banking, Investment Banking and Wealth Management unit, the approval process at committee level includes the independent review and opinion of the Risk Management department, which can apply veto power for approvals, if necessary.

Conservative Credit Structure

Our diverse and experienced management team has established policies and procedures that significantly mitigate credit risk and allow us to continue growing organically while maintaining a conservative risk profile. We follow strict guidelines for related party loans and exposure to individual sector groups.

Corporate loans are granted based on an in-depth analysis of the customer's financial statements and market position. Commercial real estate loan-to-value is limited to 80% on average. For our international corporate lending business, we have established country limits based on the operating environment in each country.

In terms of interim construction loans, we are very selective when choosing projects to finance, working exclusively with experienced builders and developers with proven track records in the market and product segments in which we choose to participate. We manage exposure and concentrations actively, promoting diversification of segments, products and geographies to ensure that this portfolio of residential units becomes a feeder of attractive opportunities for our residential mortgage portfolio.

To ensure a consistent application of credit policies and responsiveness to our non-retail clients, a relationship manager is assigned to each corporate and commercial client. These managers operate out of our headquarters or from one of the selected branches in Panama and their responsibilities include coordinating the clients' activities with us, the review and approval of loan applications and the ongoing monitoring of the client. Corporate relationship managers visit existing and potential clients frequently to help assess their credit and other financial needs.

Consumer loans are approved primarily at the branch level and based on proprietary origination and scoring models. Over 95% of the personal loan portfolio and 40% of the residential mortgage portfolio is structured with direct payroll deduction, resulting in limited delinquency and past due amounts. Additionally, for residential mortgage lending, we have strict payment coverage policies, employment quality and stability metrics, and loan-to-value policies depending on the client, the segment and the type of property being financed.

Our risk-management policies and conservative profile are reflected in our strong asset-quality indicators, with past due loans over total loans averaging 1.02% since 2013

Liquidity Risk

Liquidity risk management aims to ensure adequate levels of liquid assets in order for us to honor our obligations with clients and fund our business plans.

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

The treasury department is responsible for managing our primary liquidity portfolio consisting of local and foreign deposits, as well as high-grade fixed-income securities. Several liquidity metrics are reviewed and analyzed on a daily and monthly basis such as the ratio of liquid assets to deposits, repos, financings and obligations, the LCR, the liquidity gap, the stress liquidity gaps, the volatility of deposits amongst others. The liquidity gap uses the projected cash flows of assets and liabilities, based on the maturity of such cash flows as per approved assumptions and guidelines.

It is the responsibility of the ALCO, which is supported by the executive management team and the treasury department and is overseen by the board of directors, to ensure that adequate liquidity is maintained at all times. The Risk Management department monitors, measures and reports independently on compliance with our approved policies, risk limits and procedures regarding liquidity risk.

Market Risk

Market risk management aims to reduce the loss of value in our investment portfolio as a result of fluctuations in interest rates and credit risk. We have little or no exposure to commodity risk, equity and foreign exchange rate risk.

We do not have a trading portfolio and the mandate of the treasury is to manage our liquidity by investing within the limits established by the board of directors, focusing on fixed income securities with high credit ratings.

In order to control our market risk exposure, the board of directors has established investment policies that include portfolios limits according to: total amount, credit rating, permitted asset type, overall duration, issuer or issue, and individual security duration and rating, among others.

The main risks of the investment portfolio are duration and credit. We run quarterly simulations on the investment portfolio by applying interest rate shocks of 100 and 200 basis point increments or reductions in order to calculate the impact on our value and potentially on our capital. We also run several stress economic scenarios to calculate the impact on our investment portfolio.

For the rest of the balance sheet, our treasury, risk department, and the ALCO review repricing gap reports on a monthly basis and run quarterly simulations of interest rate shocks of 100 and 200 basis point increments and decreases to evaluate their impact on our balance sheet and NIM. Moreover, we also perform an evaluation of how interest rate risk on all our interest bearing assets and liabilities could impact the capital of the Bank. The Risk Management department monitors, measures and reports independently on the compliance with our approved policies, risk limits and procedures regarding market and related risks.

Operational Risk

Following the implementation of the Basel III framework, we defined operational risk as the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Banco General adopts the best practices within the measures issued by Basel and banking regulation. To ensure management, reporting and escalation of operational risk responsibilities are appropriately allocated, we operate a "three lines of defense" model as described below:

1. The first line of defense is business line management, which is primarily responsible for identifying, managing and mitigating risks associated with the products and processes of its respective business segments. Business line management engages in regular testing of the adequacy and effectiveness of controls and compliance with our policies, including our Operational Risk Policy Handbook.

2. The second line of defense is our operational risk area, within our risk department. This section is responsible for the design, ownership and implementation of the Operational Risk Model ("ORM"). The ORM incorporates key processes including risk and control self-assessments, scenario analysis, new product approval processes, and the review and monitoring of key risk indicators. The operational risk section oversees the management of different business segments and provides expert support and advice regarding operational risk.

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

Environmental & Social Risk

Environmental and social risks arise as a result of non-compliance with environmental and social regulations and norms, or from unexpected changes in environment and social conditions. These risks are inherent, to some level, in all credit and investment decisions made by financial institutions. If a bank does not properly analyze and manage these inherent risks, they also can be adversely affected by various type of risks, including financial, legal and reputational risks.

Accordingly, we have developed and implemented an ESMS since 2010, to systematically integrate the analysis of environmental and social issues within our operations and credit approval decisions. The system also provides a clear mandate for the supervision and reporting of risks, staff responsibilities and staff training. Our ESMS includes a set of procedures, questionnaires and tools that ensure the efficient and effective implementation of the system, which is integrated with our credit approval and risk processes, covering the corporate and commercial credit portfolio, as well as residential mortgage projects.

Initially, we review our clients' and prospective clients' compliance with our list of excluded activities ("exclusion list"), which refers to sixteen activities for which we will not provide financing based on the activities' negative social and/or environmental impact. These activities include gambling-related enterprises, including casinos, activities involving non-compliance with fundamental principles and rights of employees in the workplace, and activities involving ozone-depleting substances subject to international phase out. Secondly, we identify the risks and related legal requirements specific to the project and/or sector, within the legal framework of the applicable jurisdiction. Thirdly, we require our clients and prospective clients to present us with all applicable environmental impact assessments, permits, monitoring reports or resolutions. Our Environmental and Social Risk department analyze these documents for compliance and risk assessment purposes. Additionally, for moderate risk and high-risk projects or sectors, a site visit and internal environmental report must be completed to help analyze environmental risks and potential mitigating factors. This analysis becomes a part of the overall risk assessment in decision-making and post-disbursal monitoring of the loan and/or client.

Finally, the ESMS and its risk indicators are reported internally within our Risk Committee framework, and externally through our CSR programs, policies and strategies.

Over the years, the Bank has undertaken a leadership role in promoting the adoption of ESMS principles within the Panamanian Banking System and was the first Panamanian bank to become a member of United Nations Environment Programme Finance Initiative (UNEP FI) in 2011. Additionally, in 2018, through our leadership within the Sustainability Committee of the Panamanian Banking Association, we promoted and launched a voluntary Sustainable Banking Protocol for the Panamanian Banking Association, which has been signed by sixteen banks within the system, as well as the Banking Regulator (SBP), and other institutions as observers. Finally, Banco General became a founding signatory of the Principles for Responsible Banking (PRB) launched in 2019 by UNEP FI and the global banking industry.

REGULATION AND SUPERVISION

Regulation in Panama

Banking Law and Supervision

In Panama, banks are regulated by the Banking Law, as well as by regulations issued by the SBP, the government agency responsible for the implementation and enforcement of the Banking Law in Panama and the supervision and regulation of all banks domiciled in Panama. The SBP has broad regulatory powers, including powers to (i) grant and revoke banking licenses; (ii) set capital and liquidity ratio requirements, lending limits, mandatory reserves and mandatory accounting standards; (iii) authorize the opening and closing of branches and material changes in the ownership of banks; (iv) authorize the merger, sale or consolidation of banks or the sale of all or substantially all of their assets; (v) decide on the liquidation, intervention, merger or reorganization of any bank; (vi) decide on the removal of executive officers of any bank; (vii) impose sanctions on banks; (viii) issue secondary rules and regulations in accordance with the Banking Law; and (ix) interpret the banking laws.

Banco Nacional de Panamá ("BNP") has no role in the regulation and supervision of banks in Panama. It acts as a depositary of the government's funds and as a clearing agency.

Supervised entities include the entire banking group and not just the bank.

The Banking Law regulates banks and the entire "banking group" to which each bank belongs. Banking groups are defined as the bank holding company and all direct and indirect subsidiaries of the bank holding company, including the bank in question. Banking groups must comply with audit standards and various limitations set forth in the Banking Law, in addition to all compliance requirements applicable to the bank in question. The Banking Law provides that banks, and banking groups, in Panama are subject to inspection by the SBP, which must take place at least once every two years. The SBP is empowered to request from any bank, or any company that is part of the economic group of a bank, the documents and reports pertaining to its operations and activities. Banks are required to file with the SBP various weekly, monthly, quarterly and annual reports, including financial statements. Banks subject to supervision may be fined by the SBP for violations of Panamanian banking laws and regulations.

The banking groups that fall under the supervision of the SBP must maintain a functional corporate governance structure that ensures the banking group's strategic orientation and the board of directors' effective control of and responsibility to the group and its shareholders. For that purpose, the board of directors of bank holding companies must ensure that best and appropriate corporate governance practices are in place.

The banking groups must apply appropriate internal control systems that fit the nature, complexity and inherent risk of its business. These must be periodically reviewed and adapted to environmental changes and requirements.

Compliance reports on the consolidated exposure limits of the banking group must be made as established by the SBP. The information must be reported by the bank subject to the SBPs' supervision and control. The bank shall be responsible for communication between the regulator and the banking group and for the timely submittal of the required information. Banking groups must conduct comprehensive management of their risks, including the identification, measurement, monitoring, control and reporting of all material risks they face, including the management of risks arising from intragroup transactions.

Banking groups must manage credit, counterparty, market, liquidity, operational, country, strategic, contagion and reputation risks, as well as any other risks identified by the SBP, that affect the banking group at the consolidated level.

Letters of understanding between the SBP and supervisory entities in other jurisdictions.

The SBP has entered into agreements or letters of understanding with more than 27 foreign supervisory authorities for the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement, and confidentiality. These foreign supervisory authorities include the U.S. Federal Reserve Board, the

Office of the Comptroller of Currency of the U.S. Treasury Department, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision and the Office for Savings Supervision. In addition, the Statement of Cooperation between the United States and Panama promotes cooperation between U.S. and Panamanian banking regulators and demonstrates the commitment of the U.S. regulators and the SBP to the principles of comprehensive and consolidated supervision.

Licensing

No person may engage in the banking business in or from Panama without having been properly licensed and authorized by the SBP. Under the Banking Law, the SBP may issue three types of licenses:

- General Banking Licenses, which allow an entity to engage in banking activities within Panama, as well as to carry out from Panama banking transactions that are executed, performed or take effect outside Panama and perform any other activity authorized by the SBP.
- International Banking Licenses, which allow a bank to engage from an office established within Panama in transactions that are perfected, consummated or have their desired effect outside of the territory of Panama, and perform any other activity authorized by the SBP.
- Representation Banking Licenses, which allow licensed foreign banks to establish representation offices in Panama, but no banking business can be carried out by this office.

Banking licenses are issued at the discretion of the SBP. The approval process entails a review of the application and accompanying documentation, conducting interviews with the representatives of the applicant bank and conducting research about the applicant bank.

Capital

The Panamanian banking industry is in the process of implementing the requirements of Basel II and Basel III. Basel III requires stricter capital requirements based on the most sophisticated measures of risk, with the aim of lessening the impact of eventual crises or important and unexpected losses. In order to implement Basel III capital standards, since 2015 the Superintendency of Banks has issued regulations on capital adequacy. These regulations set forth the composition of a banking institution's capital base, as well as new capital adequacy ratios, all consistent with Basel III standards. In addition, the Superintendency of Banks has issued regulations on credit risk, market risk, and operational risk. Further regulations to implement other aspects of Basel III are expected to be promulgated in the future Capital Adequacy Requirements.

General license banks must at all times maintain (i) a paid-in capital of no less than U.S.$10 million and (ii) an adjusted capital of not less than 8%. The SBP is authorized to increase the minimum capital requirement percentages in Panama with respect to all banks or in connection with any bank in particular when such bank's risk profile makes it advisable.

Adjusted capital consists of the sum of (i) primary capital (Tier 1 Capital), (ii) secondary capital (Tier 2 Capital) and (iii) the credit balance of the dynamic reserves. Primary capital is further divided into ordinary capital (Common Equity Tier 1) and additional capital (Additional Tier 1).

<u>*Primary Capital*</u>

Ordinary Primary Capital includes paid-in capital in shares, surplus capital, declared reserves, retained earnings, minority interests in equity accounts of consolidated subsidiaries, other items of net total earnings and any other reserves authorized by the SBP.

Additional Primary Capital includes (i) instruments issued by a bank that comply with the criteria to be classified as Additional Primary Capital and that are not classified as Ordinary Primary capital, (ii) issuance premiums from financial instruments considered Additional Primary Capital, (iii) financial instruments that are issued by consolidated affiliates of the bank, and held by a third party and (iv) any other financial instrument resulting from capital adjustments of Additional Primary Capital. Additional Primary Capital, such as the notes, must:

- be subordinated to all deposits, creditors generally and all other subordinated debt of the bank (with the exception of Parity Securities);
- not be otherwise insured or covered under any issuer guarantees;
- not have an established maturity date for the repayment of principal or any clause for increasing returns or other similar incentives that provide for amortization;
- be redeemable at the option of the bank after a minimum of five years, provided that the SBP has authorized such remuneration in advance and the bank substitutes the redeemed capital with an instrument of quell or greater quality which ensures that its capital position increasingly supersedes the minimum requirements following the redemption option;
- allow for the payment of interest or dividends at the discretion of the bank and such unpaid dividends or interest will not accumulate in any form (including by means of any payment in the form of common or preferred shares);
- not permit the automatic conversion at the option of the holder to any kind of equity other than common shares;
- not include payments to holders that vary as a result of the bank's financial condition or results of operations;
- involve payments that are fixed in nature or based on an independently determined market index; and
- not include any provisions which, by virtue of being potentially unfavorable, will result in the early redemption of the instrument.

Secondary Capital

Secondary capital includes (i) financial instruments issued by a bank that meet the criteria for classification as secondary capital which are not allocated to Primary Capital, (ii) issuance premiums that result from financial instruments that are classified as secondary capital, (iii) financial instruments issued by consolidated affiliates of the bank to third parties that meet the criteria for classification as Secondary Capital which are not allocated to Primary Capital, (iv) reserves for future losses (excluding provisions assigned to the deterioration of assets valued on an individual or collective basis) and (v) regulatory adjustments applied to the calculation of Secondary Capital.

Dynamic Reserves

The Dynamic Reserve equals (i) the sum of the result of multiplying the outstanding amount of the Risk-Weighted Assets classified as Normal by the alpha factor of 1.50% plus the result of multiplying the positive variation between quarters of the Risk-Weighted Assets classified as Normal by the beta factor of 5%, if the variation result is negative then the number added is zero; minus (ii) the quarterly variation of the outstanding amount of the Specific Reserve. The Dynamic Reserve must be between 1.25% and 2.50% of the Risk-Weighted Assets corresponding to the credit facilities classified as "Normal Risk"; and cannot decrease in respect to the amount calculated for the previous quarter, except in two circumstances: (A) a regular exception, for cases when such decrease results from a conversion from Dynamic Reserve into Specific Reserves that complies with criteria established by the Superintendency of Banks and (B) an extraordinary and temporary exception, established through Accord 2-2020 by the Superintendency of Banks as a result of the outbreak of the COVID-19 pandemic, which allows Panamanian banks to convert up to 80% of the Dynamic Reserve into Specific Reserves, although the conversion of more than 80% of the Dynamic Reserve into Specific Reserves requires the approval of the Superintendency of Banks. The increases or decreases of the Specific Reserve and the Dynamic Reserve are allocated to, or from, retained earnings, and do not affect recorded net profit. Such reserves cannot be distributed to shareholders.

The following items are the regulatory adjustments applicable to Ordinary Primary Capital: (i) current and cumulative losses; (ii) capital gains on significant investments on financial non-consolidated entities; (iii) other intangible assets; (iv) deferred taxes contingent on profitability of the bank; (v) provisions created to cover hedges not accounted at their fair value; (vi) gains or losses from variations in credit risk; (vii) investments in treasury shares; (viii) significant consolidated participation on non-financial entities; and (ix) significant participation in paid-capital on non-consolidated financial, banking and insurance entities.

The following items will be adjusted from the corresponding type of capital: (a) crossed ownership participation with other entities for purposes of artificially increasing the bank's capital and (b) investment instruments that are not common shares and require a significant participation.

As of the date of this offering memorandum, General License Banks are required to maintain a Regulatory Capital to Risk-Weighted Assets Ratio of 8.0%, and an Ordinary Primary Capital to Risk-Weighted Assets ratio of 4.50%. In addition, General License Banks are required to maintain a ratio of Primary Capital to Risk Weighted Assets of 6.00%. The SBP is authorized to increase the minimum capital requirement percentages in Panama with respect to all banks or in connection with any bank in particular when such bank's risk profile makes it advisable.

We maintain capital ratios that consistently exceed the levels required by the SBP. As of December 31, 2020, our total capital ratio was 20.74%, calculated in accordance with SBP methodology. This ratio is 2.5x the 8.0% regulatory minimum, and consists entirely of Tier 1 capital and compares favorably to the National Banking System ("NBS"), which stood at 15.71% as of the same date.

The Risk-Weighted Assets of a bank, as of any relevant determination date, are the sum of such bank's Credit Risk-Weighted Assets, Operational Risk-Weighted Assets and Market Risk-Weighted Assets. Credit Risk-Weighted Assets of a bank are as of any relevant determination date, the sum of (a) the on-balance sheet assets of the bank, weighted by the percentage of risk of each asset category as set forth by the Superintendency of Banks pursuant to Accord 3-2016, (b) the on-balance sheet assets in respect of which irrevocable obligations may arise for the bank, weighted pursuant to the methodology set forth by the Superintendency of Banks pursuant to Accord 3, and (c) derivative financial instruments held by the bank, weighted for counterparty risk, which takes into consideration admissible values of collateral, admissible guarantees, permitted credit default swaps, among others; minus reserves for such assets and off-balance sheet operations under which irrevocable obligations of the bank may arise. Banks classify Credit Risk-Weighted Assets into ten different weight categories, which range from 0% to 250%. Risk-weight categories include, but are not limited to, (i) the risk-weighted assets allocated to loans granted exclusively to Panama or instruments issued by Panama of 0%; (ii) the risk-weight allocated to residential and commercial mortgage loans, ranging between 35% and 100% and depending upon the loan-to-value and the age of the appraisal of the applicable property; (iii) the risk weight allocated to certain delinquent loans, which are classified as having the same weight as overdue loans (i.e., 125%); and (iv) the risk-weight assigned to derivatives that lack a contested valuation of 200%. The methodology of calculation of Credit Risk Weighted Assets also considers future potential exposure for derivative transactions and the irrevocable contingent obligations of a bank.

Market Risk-Weighted Assets of a bank are the result of calculating the risk-weighted assets for market risk based on Accord No. 3-2018 (as amended by Accord No. 6-2019 and Accord No. 1-2020) considering, among other facts, the following: changes in risk-free interest rates; changes in yield differentials of an issuer; changes in the exchange rate of a currency; changes in the credit rating; changes in the prices of stock; changes in the prices of raw materials and other commodities; changes in the price of gold; default events and liquidity crises.

Operational Risk-Weighted Assets of a bank are determined by multiplying the Business Index amount by 0.75, whereas the bank's Business Index is an amount equal to the sum of (a) the "interest component," understood as the lower of the absolute value of income on interest minus payments of interest and 2.25% of outstanding loans, plus earned dividends, (b) the "services component" understood as the higher of operational income and operational expenses, plus the higher of income from commissions and commission expenses, and (c) the "financial component" understood as the net profit from the bank's investment portfolio, plus the net income on the banking book portfolio.

On April 20, 2020, the Superintendency of Banks issued a temporary measure that allows banks to lower the risk-weight of certain Credit Risk Weighted Assets that would ordinarily be granted a risk weight of 125% and 150%, to a risk-weight of 100%, thereby increasing the value of such assets and reducing the related capital adequacy requirements.

Loan Loss Allowances

Regulations require that banks have loan loss allowances. The calculation of specific reserves requires the classification of the loan portfolio and the application of specific formulas as defined herein. There are five categories of loan classifications: Standard, Special Mention, Sub-standard, Doubtful, and Uncollectible.

Loan Classification

The following qualitative requirements, in addition to the quantitative requirements listed in the table below, are the requirements for loan classifications:

1. Standard: Loans that do not have a delay in the payment of quotas or, if any, the delay is less than 30 days. A loan is considered standard when the operational cash flow of the borrower exceeds or is sufficient to the debt service requirements until the cancellation of such loan.

2. Special Mention: Loans where the borrower has presented a weakness resulting in excessive indebtedness of the borrower or weak cash flow has delays in the presentation of reporting requirements; and as such, the borrower and its guaranties require special attention in order to recover the loan proceeds.

3. Sub-standard: Loans that have their cash flow or other source of payment classified as inadequate and there is a risk in the recovery of the outstanding amount of the loan.

4. Doubtful: Loans determined as unlikely to be recovered because of a deteriorated financial situation of the borrower, and usually the bank has initiated legal action against such borrower in order to recover the outstanding amount of the loan.

5. Uncollectible: Loans that the bank has estimated it has no chance of recovering. Loss loans must be written off promptly, but in any case within the year of being classified as Loss, regardless of if at some point the bank may eventually recover part of the outstanding amount of the loan. This category also includes loans where the source of repayment of such loan is the flows from another company that is not able to meet its obligations.

The banking regulations set out clear requirements intended to achieve consistent credit classifications, including assessing the loans based on which banking portfolio they fall into (i.e., consumer, corporate, etc.) and how to calculate specific and general impairment allowance provisions. Regardless of the type of loan, the number of days elapsed since full or partial payment was due will be sufficient reason for classification in any of the categories previously provided, with the clarification that corporate loans must be classified in the appropriate category when one or more of the circumstances provided pertains, regardless of the days elapsed since the last payment.

All operations by a client will be classified in the category for the operation that is farthest in arrears. In the case of operations of the same economic group, when one or more companies of the same economic group is classified in a higher risk category and those operations represent twenty-five (25%) of the economic group's total, the group's entire exposure will be classified in the higher risk category. However, in particular cases, and with justification, the bank may request a waiver of this requirement from the Superintendency of Banks. The SBP may grant the waiver on its merits, as long as the delay is not due to a weakness in the client's ability to pay.

The files for clients with operations classified as sub-standard, doubtful and uncollectible will clearly contain the recovery strategy and the results of the actions taken. Pursuant to the provisions of Accord No. 4-2013, as amended, the risk committee will ensure that the whole portfolio is classified appropriately and in a timely manner.

Loan classification also takes into account the days the loan remains past due and classifies loans into one of the abovementioned categories in accordance with the table below.

				Personal Loans		
	Corporate		Consumer		Residential Mortgages	
Portfolio Classification		*Loans guaranteed with real estate where the loan amount is under 50% of the value of the guarantee*		*Loans guaranteed with real estate where the loan amount is under 50% of the value of the guarantee*		*Loans guaranteed with real estate where the loan amount is under 70% of the value of the guarantee*
Standard	From 0 to 30 days	From 0 to 30 days	From 0 to 60 days	From 0 to 60 days	From 0 to 60 days	From 0 to 60 days
Special Mention	From 31 to 90 days	From 31 to 180 days	From 61 to 90 days	From 61 to 180 days	From 61 to 90 days	From 61 to 180 days
Sub-standard.....	From 91 to 180 days	From 181 days to 270 days	From 91 to 120 days	From 181 to 270 days	From 91 to 180 days	From 181 to 270 days
Doubtful	From 181 to 270 days	From 271 to 360 days	From 121 to 180 days	From 271 to 360 days	From 181 to 360 days	From 271 to 360 days
Uncollectible	More than 270 days	More than 360 days	More than 180 days	More than 360 days	More than 360 days	More than 360 days

The implementation and effectiveness of the regulations on loan classification and loan loss reserves are verified by the SBP through off-site and on-site examinations, based on the credit risk information available in the credit risk registry and by assessments conducted on-site on the credit management process and through tests regarding the quality of the credit evaluation.

Regulations require banks to suspend accruing interest on non-performing loans as follows: (i) when the bank determines there is an impairment of the debtor's payment capacity; (ii) when a debtor has not made payments on interest or principal in more than 90 days for loans that finance commercial activities and/or production, including corporate loans and other loans; (iii) when a debtor has not made payments on interest and principal in more than 90 days for consumer loans and personal loans secured by mortgages; (iv) when a debtor has not made payments on interest and principal in more than 120 days for loans secured with residential mortgages; (v) when a loan has been granted making an exception to credit policies and procedures and such exceptions have not been amended or satisfied and there have been no payments 60 days after disbursement; (vi) when the debtor has not paid an overdraft after 30 days of its expiration date if the bank determines that there is a probability of not recovering the overdraft amount; (vii) when the bank determines that there is a probability of not recovering the totality of overdrafts that do not have an expiration date and the debtor has not paid such overdrafts within 30 days of their first drawdown; and (viii) when the bank determines that there is a probability of not recovering the totality of occasional overdrafts when the debtor has not paid such occasional overdrafts within 30 days of their first drawdown.

In addition to the general criteria for loan classification, there are more specific rules that apply to commercial, consumer, residential and other loans.

Specific Reserves

Specific reserves are reserves required in connection with the credit classification of a loan. They are created for individual credit facilities as well as for a consolidated group of credit facilities. Specific reserve requirements take into account the classification of the loan as well as the guarantees provided by the borrowers to secure such loans. Guarantees are calculated at present value in accordance with the requirements established by banking regulation.

Banks may create their own financial models to determine the amount of the specific reserves, subject to the approval of the SBP. In any event, the internal financial models must comply with the following minimum specific reserve requirements:

Standard Loan	0%

Special Mention Loan	2%
Sub-standard Loan	15%
Doubtful Loan	50%
Uncollectible	100%

Additional, Exceptional and Temporary measures for compliance with specific reserve provisions

As a result of the COVID-19 pandemic, the SBP created a new category of loans known as modified loans ("Special Mention Modified Loans"). Pursuant to regulations, clients were able to request that a bank modify the terms and conditions of their loans if they have been directly affected by the COVID-19 pandemic. Loans that are amended are classified as Special Mention Modified Loans and not as restructured loans. Under existing regulation, when a banking institution modifies the original lending terms and conditions of a loan, such loan is considered a "restructured loan" and must be classified within the same risk category in which it was classified before being restructured or in a higher-risk category. Once a loan has been restructured, it must remain in its new risk category for a period of not less than six months, before it can be reclassified to a lower-risk category based on the payment capacity of the borrower and the borrower's compliance with its obligations.

Pursuant to these temporary regulations, a Special Mention Modified Loan is a loan for which the original terms and conditions have been modified at the request of the borrower or at the bank's initiative, if the borrower has been directly affected by the COVID-19 pandemic without being considered a restructured loan. The new terms and conditions of Special Mention Modified Loans have to consider financial feasibility criteria based on the borrower's capacity to pay and the bank's credit policies. Special Mention Modified Loans are subject to special monitoring by the bank, and if the borrower does not comply with the new terms and conditions, the Special Mention Modified Loan will be considered a restructured loan.

As an exceptional and temporary measure, banks may use up to 80% of the dynamic reserve for the constitution of Specific Reserves solely to compensate for any decrease in retained earnings resulting from the creation of IFRS provisions or specific reserves for the Special Mention Modified Loan portfolio. Banks may use more than 80% of the dynamic reserve so long as they receive special approval from the SBP. Banks are only permitted to carry out dividend payments once they have restored the portion of dynamic reserves required on the basis of the size of their loan portfolio (except for preferred share dividends).

Loan modification is not permitted by the SBP to become a generalized practice to regularize the behavior of the loan's portfolio. Additionally, the banking entities must ensure the application of the following rules to Special Mention Modified Loans:

- Loans classified as standard and without special mentions, as well as restructured loans that are in good standing, may be modified pursuant to the guidelines set forth in Accord No. 2-2020.

- Loans that are modified during the period in which the exceptional and temporary measures are in force and effect will be clearly identified by the banking entities, to the effect that these can be extensively monitored by the SBP.

- During the period in which the exceptional and temporary measures are in force and effect, the banking entities shall procure at the moment in which they agree the terms and conditions of the modified loans (principally as to terms and interest), taking into consideration the current situation that the country is undergoing.

- The modification of the credits will be exempted from the applications of charges and commissions from the banking entity, with the exception of legal, notarial and registration fees paid to third parties.

- The modification of the loans will be exempted from the requirement of appraisal updates.

- The banking entity shall establish specific policies and proceedings for the follow-up of the requests of the modification of the conditions of these loans pursuant to the aforementioned described criteria.

- The date of amendment is the date on which the debtor has accepted the amendment by any means of modality (including, without limitation, electronic means, tacit acceptance, presumed acceptance by silence, etc.) and, as of said date, the bank may consider the loan as a modified loan for purposed of Accord No. 2-2020 and of Accord No. 4-2013.

- Special Mention Modified Loans cannot be subject to overdue interest or any other similar charge or penalty.

- Through the applicable June 30, 2021 period, the credit references of any borrower with a Special Mention Modified Loan cannot be affected with any credit bureau.

The banking entity will have until June 30, 2021 to evaluate the loans of those debtors whose cash flow or payment capacity has been affected by the COVID-19 pandemic or that have a 90-day delinquency. Such loans may be subject to a review of its terms and conditions, due to which the banks may agree and/or grant a grace period maintaining the loan classification.

The regulations also created a special category of Special Mention Modified Loans which is only applicable to loans which (i) were modified as a result of the economic crisis caused by the COVID-19 pandemic or (ii) had borrowers who sought protection under the transitional moratorium laws described below. Nevertheless, any loans that were previously restructured and already subject to an existing risk classification (Sub-standard Loan, Doubtful Loan) cannot be reclassified under the special mention category. For further details, see "—Other Regulations in Panama—Transitional Regulations relating to the COVID-19 Pandemic."

Liquidity

General license banks are currently required to maintain no less than 30% of their total gross deposits in qualified liquid assets (which include short-term loans to other investment grade banks and other liquid assets) of the type prescribed by the SBP. Additionally, general license banks are required to maintain assets in Panama of no less than 60% of their local deposits or any other percentage fixed by the SBP. Under the Banking Law, deposits from central banks and other similar depositories of the international reserves of sovereign states are immune from attachment or seizure proceedings. Pursuant to the Banking Law, deposits from the subsidiaries or affiliates located overseas are excluded from gross global deposits for purposes of calculating the liquidity ratio.

Liquid Assets

Qualifying liquid assets for purposes of the regulatory liquidity ratio include: (i) gold; (ii) credit balances in the banking clearing agency; (iii) certain domestic bank deposits and domestic obligations with a maturity not exceeding 186 days; (iv) certain foreign bank deposits with a maturity not exceeding 186 days; (v) treasury notes and other securities issued by Panama with a maturity not exceeding one year; (vi) certain obligations guaranteed by foreign governments with investment grade; (vii) certain investment grade, marketable obligations issued by foreign governments or by international financial institutions of which Panama is a member; (viii) certain obligations guaranteed by banks; and (ix) certain marketable securities issued by foreign private and governmental agencies (with long term investment grade of AAA/Aaa or higher); (x) advanced payments of obligations payable in 186 days; and (xi) deposits within the banking group, subject to restrictions set in Regulation 4-2008.

Qualifying liquid assets must be free of liens, encumbrances and transfer restrictions. The SBP may impose concentration limits and cash requirements, as well as weights per type of liquid assets.

Short Term Liquidity Coverage Ratio

The SBP requires General License Banks to provide reports with the calculation of the short term liquidity coverage ratio as determined by the Basel Committee on Banking Supervision in accordance with Basel III standards.

Banking regulation determines that short term liquidity coverage ratio is defined as the stock of high-quality liquid assets over total net cash outflows over the next 30 calendar days. The definition is based on the Basel III Liquidity Coverage Ratio and liquidity risk monitoring tools published by the Basel Committee on Banking Supervision and adjusted by the Superintendency of Banks.

Banks are required to have a contingent funding plan which should include: (i) a diversified pool of contingent funding options; (ii) provide details as to potential amounts and values that could be obtained from each of the funding options; (iii) procedures that detail the priority of the funding sources; and (iv) a flexible framework which will allow the bank to react effectively to different situations.

Banks must comply with the short term liquidity coverage ratio at all times. Specifically, the SBP has established two bands of ratios that can be applicable to banks in Panama. The Superintendency of Banks will determine, according to internal criteria, the band applicable to each bank. Band 1 banks will be required to gradually reach by December 2022 a ratio of 50% and band 2 banks will be required to gradually reach by December 2022 a ratio of 100%. Such requirements, went into full force and effect as of July 1, 2018; however, there will be a transition period for compliance with the short term liquidity coverage ratio (including the prospective reports corresponding to the calculation of such liquidity coverage ratio) set forth therein, as follows: (a) band 1 banks to which the liquidity coverage ratio is applicable at 50.0% must comply with a short term liquidity coverage ratio of (i) 25.0% as of December 2019, (i) 37.5% as of December 2020, (iii) 44.0% as of December 2021, and (iv) 50.0% as of December 2022, whereas (b) band 2 banks to which the short term liquidity coverage ratio is applicable at 100.0% must comply with a short term liquidity coverage ratio of (i) 50.0% as of December 2019, (ii) 65.0% as of December 2020, (iii) 80.0% as of December 2021, and (iv) 100.0% as of December 2022.

Lending Limits

Single Borrower Concentration

According to the Banking Law, Panamanian banks are restricted from certain lending activities with related parties. Panamanian banks may not grant loans, credit facilities, guarantees or any other obligations (other than credit facilities fully secured by deposits in the bank) in an aggregate amount exceeding 25.0% of the Regulatory Capital of the bank or the entities that are part of the bank's banking group to related parties, which include: (i) stockholders owning directly or indirectly 5% or more of the bank's capital stock, (ii) managers, directors, officers or employees of the bank, as well as their spouses and certain relatives, (iii) companies controlled by such managers, directors, officers or employees, in the manner determined by regulation, (iv) entities whose directors or officers are also directors of the bank, or (v) any person or entity that forms an economic group with any of the aforementioned persons.

Furthermore, pursuant to the Banking Law, loans or credits duly secured by a lien on deposits in the same bank up to the value of the collateral are exempted from the provisions of the Banking Law regarding concentration in one person.

Limitations on Related Party Transactions

Banks and their holding companies are prohibited from:

(i) granting unsecured loans or unsecured credits to any of their employees in an amount greater than the salaries, wages and other annual emoluments for that employee.

(ii) granting loans or credits under more favorable conditions of cost and maturity than are usual in the market for that particular type of operation to their managers, officers and employees, or any person or legal entity that owns 5.0% of the stock of the bank or its holding company or anyone who forms an economic group with these persons.

(iii) directly or indirectly granting unsecured credits that exceed 5.0% of their capital funds or loans secured with real estate collateral other than deposits that exceed 10.0% of their capital funds, in favor of:

a. one or more directors or any person or legal entity that, directly or indirectly, jointly or severally, owns 5.0% or more of the stock of the bank or its holding company;
b. any legal entity in which one or more directors are directors or officers of the bank or guarantors of the loan or credit;
c. any legal entity or association of persons in which the bank, its holding company or one or more of the bank's directors or officers owns, individually or jointly, either a significant interest, a preponderant influence or more than twenty percent of the entity; and
d. their managers, officers, employees, and their spouses, except residential mortgages for their principal living quarters or secured personal loans granted under personnel benefit plans.

The aggregate of unsecured loans and loans secured with real estate collateral other than deposits granted by the bank and other firms that make up a banking group to related parties mentioned above, may not in any case exceed the percentage of capital funds established periodically by the SBP, which will, in no case, exceed 25.0% of the capital funds of the bank.

Likewise, pursuant to the Banking Law, loans or credits duly secured by a lien on deposits up to the value of the collateral are exempt from the provisions of the Banking Law regarding related party transactions.

Certain Restrictions

Limitation on subsidiaries outside the banking and financial sectors

The Banking Law restricts banks and bank holding companies from acquiring or maintaining any shares or participations in any entities not related with the banking or financial business in excess of 25% of their regulatory capital. Subject to prior approval of the SBP, a bank or a bank holding company may purchase or sell shares of any company engaged in securing bank deposits, promoting a securities market in Panama or improving the financing of economic development system.

Restriction on owning property

The Banking Law prohibits banks from owning, leasing or purchasing land and real estate for their own benefit except: (a) when it is necessary to conduct the operations of the bank and its employees; (b) when it acquires land to construct housing complexes with the purpose of selling them and the sales of the project do not exceed 25% of the aggregate regulatory capital; and (c) under exceptional circumstances, subject to prior approval from the SBP.

Notwithstanding the above, banks that have land or real estate as collateral for loans granted to customers, in the event of a default of such loans, may acquire the property with the objective of selling such property.

Insolvency Proceedings – Intervention, Reorganization, Voluntary and Involuntary Liquidation

The SBP can assume the administrative and operational control of a bank, including possession of its assets and seizure of its management, in order to protect the interests of the bank's depositors and creditors, in any of the following circumstances: (i) at the request of the bank; (ii) if the bank may not continue operations without endangering the interests of the depositors; (iii) as a consequence of the evaluation of an advisor's report; (iv) noncompliance with the measures ordered by the SBP; (v) if the bank carries out its operations in an illegal, negligent or fraudulent manner; (vi) if the bank has suspended payment of its obligations; and (vii) if the SBP confirms that capital adequacy, solvency or liquidity of the bank has deteriorated in such a way as to require the SBP's intervention. At the moment of seizing administrative and operational control of the bank, the SBP will designate an interim administrator to exclusively exercise the legal representation of the bank on behalf of the SBP. The term of the interim administration will not be longer than thirty days, except in extraordinary circumstances where such term is extended, in which case the extension period shall not be longer than thirty days. The interim administrator may be an employee of the seized bank.

Upon expiration of the period of administrative control, the Superintendent will decide whether to proceed with the reorganization of the bank, the compulsory liquidation of the bank or the return of administrative and operating control to the directors or legal representatives of the bank, as the case may be.

If the SBP decides on a reorganization, the reorganizer or reorganization board shall have ample powers, including those to (i) amortize all losses against primary and secondary capital, as well as to determine the value of the stock at that point in time; (ii) appoint new executive officers; (iii) authorize the issuance of new stock as well as its sale to third parties at a price determined by the reorganizer; (iv) negotiate and execute the merger or consolidation of the bank with one or more banks, obtaining of loans for the bank, the sale or partial liquidation of the bank's assets or the acceptance of liens over said assets; and (v) recommend to the SBP the compulsory liquidation of the bank.

If the SBP determines that the compulsory liquidation of the bank is necessary, it will order the administrative liquidation of the bank and will designate a liquidator. In the event of liquidation, the bank's obligations will be paid in the following order of precedence: (i) all of our secured indebtedness with respect to the value of our assets securing that indebtedness; (ii) debts of the liquidation estate (*deudas de la masa*) in the event of our forceful liquidation; (iii) new deposits created during a reorganization period ordered by the Banking Regulatory Authority; (iv) deposits with a balance of U.S.$10,000.00 or less; (v) claims from employees for unpaid wages and other employee's severance and compensation payments; (vi) claims from the Panamanian Social Security Administration (*Caja de Seguro Social*) for unpaid employer-employee social security contributions; (vii) claims from the Panamanian government or any municipality for unpaid taxes; and (viii) other claims that are granted preference as a matter of law. Payments of all obligations will be made pro rata to the participants of such category.

The liquidator or liquidation board will have ample powers, including those to: (i) suspend or limit the payment of obligations in accordance with the availability of funds; (ii) employ the necessary personnel and dismiss those employees whose fraudulent or negligent behavior has created or abetted the conditions leading to the liquidation, (iii) manage the bank's correspondence and issue any document on behalf of the bank; (iv) manage, control and guard the assets of the bank; (v) assign or sell assets at fair market value, net of reserves and any other adjustment required by the SBP; (vi) transfer to a trust a portion or all of the assets and liabilities of the bank with the prior consent of the Superintendency of Banks; (vii) take any action and enter into any contract that will permit the transfer of the assets or liabilities to a trust; (viii) establish the terms and conditions of the trust for purposes of the liquidation of the transferred assets and liabilities; and (ix) any other power granted by the SBP.

Consumer Protection

Bank consumer protection is mainly regulated by the Banking Law and its regulations. With respect to holders of credit cards issued by banks, the provisions set forth in Law No. 45 of 2007, as amended, and Law No. 81 of 2009, are also applicable, in addition to consumer protection provisions established in the Banking Law and its regulations. The Superintendency of Banks is responsible for overseeing compliance with bank consumer protection regulations and is empowered to develop the necessary standards and determine their scope and interpretation. In addition, the Banking Law establishes that banks must have a department that tracks consumer complaints and their resolution. Bank consumer protection regulations principally relate to limits on penalties which the bank may impose, transparency of information on accounts, fees, commissions, and other charges to bank consumers, and notification of price increases. Consumer protection laws in Panama regulate the credit reporting data and establish guidelines as to the use of credit information published by the local Panamanian credit bureau.

Banking Risks and Other Applicable Regulation

Corporate Governance

The board of directors of a bank must be comprised of at least seven members, with knowledge and experience in the banking business, including at least two independent directors. The majority of the members of the board of directors may not be part of the banks' management nor have material conflicts of interest. Neither the Chief Executive Officer, nor the Chief Operating Officer or Chief Financial Officer may preside over the board of directors. Members of the board of directors who participate in board-established committees must have specialized knowledge and experience in the areas assigned to the committees in which they participate. The board of directors must meet at least every three months and the presence of the majority of the non-management directors constitutes a quorum. The board of directors must keep detailed minutes of all meetings.

Minimum corporate governance requirements for banking institutions include: (a) documentation of the corporate values, strategic objectives and codes of conduct; (b) documentation that evidences compliance with the corporate values and code of conduct of the bank; (c) a defined corporate strategy that can be used to measure the contribution to the bank of each level of the corporate governance structure; (d) the designation of responsibilities and authorized decision-making authorities within the bank, and their individual powers and approval levels; (e) the creation of a system that regulates interaction and cooperation of the board of directors, senior management and external and internal auditors; (f) creation of control systems for independent risk management; (g) prior approval, monitoring and verification of risks for credit facilities with existing conflicts of interest; (h) creation of policies for recruitment, induction, continuous and up-to-date staff training and financial and administrative incentives; (i) existence of internal and public information that guarantee the transparency of the corporate governance system; (j) creation of a direct supervision system for each level of the organizational structure; (k) external audits independent of management or the board of directors; and (l) internal audits not related to the management of the bank.

Banks are required to maintain an internal control system to assess risks related to the nature and complexity of their activities. Internal control systems must at least have (a) a control environment; (b) an evaluation of the risks; (c) control activities, including policies, manuals and procedures; (d) adequate information and communication; (e) computer systems that guarantee the development, availability and contingency plans of the system; (f) monitoring of the system and its developments; and (g) independent supervision, self-assessment and evaluation of the effectiveness of the system.

Banks are required to have an internal audit department that is responsible for the assessment and constant monitoring of the internal control system of the bank. The internal audit department must be independent and have the powers necessary to assess compliance with the policies and adequate management of the risks to which the bank is exposed. The internal audit department must provide at least semi-annual reports to the board of directors and management of the bank that include results of audits performed by the department, recommendation for improvement and risk mitigations and the input from the corresponding audited areas of the bank in connection with any discrepancies and proposed corrective actions that are to be undertaken.

The audit committee must be comprised of members of the board of directors who are not part of the bank's management. The committee must meet at least once every two months and at least the general manager and internal auditor must participate in every meeting.

Banks are further required to develop and maintain policies for human resources, client relationships, and related party transactions as well as a policy for selection, retribution, assessment and training of the members of the board of directors, management and other employees.

Integral Risk Management

Panamanian banking regulations contain guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to their nature and risk level. It covers the different risks that could affect the banking operation such as: (i) credit risk; (ii) counterparty risk; (iii) liquidity risk; (iv) market risk; (v) operational risk; (vi) reputational risk; (vii) country risk; (viii) contagion risk; (ix) strategic risk; (x) information technology risk; and (xi) concentration risk. Banks are required to have policies for the management and mitigation of all risks to which they are exposed. The board of directors, management and the risk committee of the board of directors are responsible for compliance with the integral risk management policies created to mitigate the exposure of the bank to such risks.

Credit Risk

Credit risk is the probability of a bank incurring losses as a result of the inability of its debtors to comply with the terms of a credit agreement.

In order to mitigate and reduce a bank's exposure to credit risk, banks must implement an integral credit risk management system. All banks must maintain a risk management unit in charge of supervision, monitoring, modifying, improving and the bank's credit risk mitigation policies. The board of directors must establish a credit committee comprised of directors, management and the head of the credit risk management unit. The credit committee should have power to approve all credit transactions and propose to the board of directors' recommendations to improve credit policies, approval processes and procedures.

The integral credit risk management system must comply with the minimum requirements, which include: (i) definition of strategic market; (ii) policies for different types of credits; (iii) organizational structures; (iv) maximum and minimum exposure limits; (v) debtor classification system; (vi) monitoring and tracking system; (vii) loan portfolio classification; (viii) types of reserves; (ix) methodology for determining reserves; (x) procedures for credit administration; (xi) credit origination procedures; (xii) guarantee policies; (xiii) tracking and control procedures; (xiv) loan recuperation procedures; (xv) policies for exemptions; and (xvi) documentation.

Market Risk

Regulations for the supervision of market risk require banks to establish internal policies and procedures to monitor these risks. Market risk is the probability of loss derived from exposure to various classes of commodities, securities, foreign exchanges, derivative operations or commercial assets that banks may hold in their portfolio, which may or may not be accounted for in their balance sheets. Current Panamanian regulations do not impose on banks the obligation to comply with minimum capital requirements to counterbalance the potential losses arising from market risks.

Operational Risk

Operational risk is the possibility of suffering financial losses from deficiencies in internal procedures, information technology, infrastructure or personnel, or the occurrence of adverse external events. Banks are required to mitigate operational risks involved in their operations and services in order to minimize possible financial losses due to inadequate or nonexistent policies or procedures. Current Panamanian regulations do not impose on banks the obligation to comply with minimum capital requirements to counterbalance the potential losses arising from operational risks.

Insurance Deposits – No Insurance on Deposits

The Panamanian government does not insure any deposits; however, new deposits taken during a period of a bank's reorganization and deposits of U.S.$10,000 or less have priority of payment under the Banking Law in the case of a liquidation of a bank.

Other Regulatory Requirements

In addition to the foregoing requirements, there are certain other requirements applicable to general license banks, including that (1) a bank must notify the SBP before opening or closing a branch or office in Panama and obtain approval from the SBP before opening or closing a branch or subsidiary outside Panama, (2) a bank must obtain approval from the SBP before it liquidates its operations, merges or consolidates with another bank or sells all or substantially all of its assets, (3) a bank must notify the SBP, within the first three months of each fiscal term, of the name of the certified public accounting firm that it wishes to engage to carry out external auditing for the new fiscal term, (4) a bank must obtain prior approval from the SBP of the credit rating entity it wishes to hire to perform the credit rating assessment, (5) a bank must publish in a local newspaper the credit rating issued by the rating agency and any credit rating update, and (6) a bank must provide written affirmation of its financial statements signed by the Chairman of the Board, the Chief Executive Officer and Chief Financial Officer of the bank. The subsidiaries of Panamanian banks established in foreign jurisdictions must observe the legal and regulatory provisions applicable in Panama regarding the sufficiency of capital, as prescribed under the Banking Law.

Anti-Money Laundering and Combating the Financing of Terrorism and Weapons of Mass Destruction

Panamanian anti-money laundering requirements are primarily regulated by (i) Executive Decree No. 947 of December 5, 2014, which reorganized a Financial Analysis Unit ("UAF") for the Prevention of Money Laundering, and (ii) Law No. 23 of April 27, 2015, as amended, ("Law No. 23"), regulated by Executive Decree No. 363 of August 13, 2015, pursuant to which banks and trust corporations, among other financial institutions, are required to perform their operations with due diligence and due care conducive to preventing such operations from being performed with funds, or over funds, generated from activities related to money laundering.

Financial and non-financial supervised entities are subject to supervision, reporting and compliance requirements. The following entities are deemed to be "financial supervised entities": (i) banks; (ii) bank groups; (iii) trust companies; (iv) leasing companies; (v) factoring companies; (vi) credit, debit or pre-paid card processing entities; (vii) companies engaged in remittances or wire transfers; and (viii) companies that provide any other service related to trust companies. These entities must comply with measures to prevent their operations and/or transactions from being used for money laundering operations, terrorism financing or any other illicit activity. Banks, trust corporations and bank groups are further regulated by the SBP.

AML-CFT Law requires supervised entities to perform due diligence reviews on their clients and their transactions. It also provides minimum due diligence requirements that supervised entities must perform on their customers in order to comply with the regulation. Supervised entities have the obligation to ensure that the information provided by their customers is continuously updated, especially for clients classified as higher risk clients. Banks, trusts and banking groups are further required to create a system of classification and assignment of risk profiles to each of their clients. The minimum requirements that must be included in all risk profile classifications include: nationality, country of birth or constitution, domicile, profession or trade, geographic zone of customer's activities, corporate structure, type, amount and frequency of transactions, source of funds, politically exposed persons, products, services and channels that will be used by the customer. Furthermore, banks' customers (other than entities listed on a stock exchange) are required to disclose the identity of the ultimate beneficial owners, which means the natural person that is the owner of or controls that customer. In case the customer is a corporation (*sociedad anónima*), the bank has to identify the shareholders that own 10% or more of the issued capital of such corporation. In case the customer is an entity other than a corporation (*sociedad anónima*), the customer has to provide a document certifying the identity of the ultimate beneficial owners. From and after December 31, 2020, foreign clients of banks must also provide the bank with the foreign tax identification number of the country where the client is a taxpayer and a sworn statement which states that flows of the deposits and disbursements held or issued by the bank will comply with all fiscal obligations in the country or countries where said foreign client has fiscal residence.

Furthermore, Law No. 23 provides that the supervised entities are required to provide transaction reports to the UAF, and/or require from their customers, attorneys-in-fact or representatives, the necessary declarations for purposes of this law, particularly for the following cases:

- Deposits or withdrawals of money in cash or quasi-cash made in accounts from person or entities for an amount of U.S.$10,000 or more, or through successive transactions that, although individually are for amounts inferior to U.S.$10,000, at the end of the day or of the week total U.S.$10,000 or more.

- Exchanges of cash in low denominations for cash in high denominations or vice versa, for an amount of U.S.$10,000 or more, or through successive transactions that, although individually are for amounts inferior to U.S.$10,000, at the end of the day or of the week total U.S.$10,000 or more.

- Cashing of cashier's checks, traveler checks or money orders, issued to the bearer, with blank endorsements and issued on the same date or nearby dates for the same issuers or issuers of the same market.

- Purchase and sale of currency different from the legal tender in the Republic of Panama, equivalent to U.S.$10,000 or more, or through successive transactions that, although individually are for amounts inferior to U.S.$10,000, at the end of the day or of the week total U.S.$10,000 or more.

- Payments or collections in cash or quasi-cash for an amount of U.S.$10,000 or more, or the sum of such amounts in one week that total U.S.$10,000 or more, by a single customer or by a third party acting on behalf of a single customer.

Supervised entities are subject to sanctions for noncompliance with the anti-money laundering and anti-terrorist financing requirements by the supervisory authorities in accordance with each supervisory authority's sanctioning powers.

Non-compliance with Law No. 23, or those dictated by the pertinent authorities for supervision of each activity for which there is no specific sanction established, will be subject to fines ranging from U.S.$5,000 to U.S.$1,000,000.

Banks are required to implement measures to prevent their banking operations and/or transactions from being used for money laundering operations. These measures include: (i) compliance with "Know Your Customer" policies by creating a profile for each customer, paying special attention to accounts over U.S.$10,000; (ii) supervision of employee activities; (iii) tracking the movement of every customer's account to be aware of their regular activities and be able to identify unusual transactions; (iv) keeping a registry of every suspicious transaction and notifying the UAF; (v) conducting internal audits every six months on accounts with funds exceeding U.S.$10,000, with the purpose of determining if transactions made in these accounts are consistent with the account holder's usual behavior; and (vi) monitoring accounts of clients labeled as politically exposed persons; (vii) enhanced due diligence and continuous monitoring of costumers accounts of high risk costumer and of those labeled as politically exposed persons or "PEP"; and (vii) general and specific training for employees at least once a year.

Banks regulated and supervised by the SBP that render correspondent services to foreign banking entities, must know the nature of their clients' activities and evaluate the risks of money laundering, terrorism financing or any other illicit activities.

Banking regulation provides a red flag catalog of transactions and behaviors to which Banks are required to pay special attention. These include employee conduct, as well as wire transfers, cash deposits and withdrawals, payments and ATM withdrawals, among others.

Banks that are established in Panama, which are regulated and supervised by the SBP and render correspondent services to foreign banking entities, must know the nature of their customers' activities and evaluate the risks of money laundering, terrorism financing or any other illicit activities.

Banks must also maintain minimum review standards of national and international electronic transfers, in order to mitigate their misuse.

The FATF placed Panama on its "Grey List" in 2014 a result of an analysis by the IMF which highlighted certain deficiencies in Panama's money laundering laws. The main deficiencies highlighted by the IMF and the FATF were gaps in the supervision of financial activities and other designated non-financial businesses and professions, as well as a lack of identification and verification of beneficial owners of corporations and trusts. As a result, in 2015, Panama issued Law 23 of April 27th, 2015 (the "AML Law"), which adopts measures to prevent money laundering, terrorism financing and financing of proliferation of weapons of mass destructions and establishes a regulatory framework for financial activities and non-financial entities that because of the nature of their activities are exposed to risks related to money laundering and financing of terrorism. In 2016, Panama was taken off the "Grey List" after FATF determined that Panama had made significant progress in improving its "anti-money laundering/combating the financing terrorism" regime.

In June 2019, the FATF placed Panama back on its "Grey List." The FATF identified as the most significant strategic deficiencies the following: (i) the entry of funds related to crimes committed abroad; (ii) the fact that Panama does not criminalize tax crimes as money laundering.; (iii) the need to strengthen the control with regard to the accuracy and updating of the information on the beneficial owner and the continuous monitoring of the activity of legal persons; and (iv) the need to strengthen the Designated Non-Financial Businesses and Professions' level of understanding of money laundering and financial terrorism risks. To comply with the FATF's recommendations and strengthen its legal framework, Panama has enacted several laws that tackle the above-listed deficiencies: (i) criminalizing tax fraud and defines it as a precedent for money laundering. The newly enacted law classifies as a criminal offense actions taken by any person that directly or indirectly engages in receiving, possessing, transferring, depositing, negotiating, or exchanging cash, securities bonds or any financial assets that such person knows the source of those assets is the product of crimes against the treasury (Tesoro Nacional). Under this law, tax fraud is considered a criminal act when the amount defrauded in a fiscal year equals or exceeds U.S.$300,000; (ii) creating a single registry of final beneficiaries of legal entities and an official registry of resident agents; and (iii) upgrading the Intendency of Supervision and Regulation of Non-Financial Subjects to Superintendency of Non-Financial Obligated Subjects. Overall, the FATF has recognized that Panama has recently adopted several laws and regulations with the aim of improving the prevention of money laundering and financial terrorism, as well as the transparency of Panamanian corporations, foundations, and other legal arrangements, but expects more effectiveness in the enforcement of these laws and sees the lack of overall enforcement as a deficiency.

Other Regulations in Panama

Securities Regulations

Securities market activities in Panama are subject to the supervision, control and oversight of the SMV. These activities are primarily regulated by Law Decree 1 of 1999, as amended, organized as a Sole Text, by the National Assambly which comprises Decree Law 1 of 1999 and its reformatory laws and Title II of Law 67 of 2011, as amended, of the securities market in the Republic of Panama and the Superintendency of Capital Markets, which established important changes to the system in order to strengthen the regulatory framework of the Panamanian securities market and increase investors' confidence.

The principal aspects of the securities business regulated and supervised by the SMV are (i) licensing requirements of securities brokers, investment advisors, fund administrators and self-regulated organizations, (ii) registration requirements of risk rating agencies, securities price suppliers, securities, public offerings, funds and administrative service suppliers of the securities market, (iii) authorization for requesting voting powers regarding registered securities, (iv) notification requirements of public offerings for the acquisition of registered shares, (v) options, futures contracts and derivatives, (vi) custody, clearing and settlement of securities, (vii) penalization procedures and penalties, (viii) voluntary wind up, reorganization and bankruptcy of securities brokers, self-regulated organizations, funds and fund administrators, (ix) reporting of issuers of registered securities, securities brokers, investment advisors, funds, fund administrators, self-regulated organizations and other registered entities, (x) on-site inspection of securities brokers, investment advisors, self-regulated organizations, funds, fund administrators, administrative service suppliers of the securities market, securities price suppliers and rating agencies, (xi) capital requirements, liquidity requirements, risk assessment, confidentiality, conflict of interest, suitability, compliance and money laundering of securities brokers and (xii) communication of events of importance by issuers of registered securities.

Trust Regulation and Supervision

Law 1-1984, as amended by Law 21-2017, regulates trusts in Panama. Law 21-2017 establishes regulations and supervision on trustees as well as trust activities in Panama. Trustees require a trust license issued by the SBP. Trustees have minimum capital requirements of at least U.S.$150,000 and a guarantee in favor of the SBP of at least U.S.$250,000. Trustees are also subject to the supervision of the SBP and must provide periodic reports in connection with their trust activities.

Insurance Regulation and Supervision

The insurance activities of our subsidiaries are regulated by the Law 12-2012 as amended and by regulations issued by the Superintendency of Insurance and Reinsurance of Panama (*Superintendencia de Seguros y Reaseguros de la República de Panamá*) (the "SRP"). Insurance and reinsurance companies are required to obtain licenses and reinsurance licenses, which allow an applicant to operate in the insurance business and the reinsurance business, respectively. Each of the following lines of insurance requires an authorization from the SRP: (i) life insurance; (ii) general lines of business which includes, *inter alia*, fire, maritime, land and aerial transport, maritime and aviation, automobile, civil liability, theft, diverse risks, or any other lines of insurance not specified in the life insurance or bonds categories; and (iii) bonds, which includes, *inter alia*, performance bonds and other bonds related to construction work or supply of materials or equipment. Insurance and reinsurance companies are required to maintain minimum capital requirements as well as technical reserves; they are also subject to limitations on investments of their assets.

Transitional Regulations relating to the COVID-19 Pandemic

In order to attempt to mitigate the economic effects of the COVID-19 pandemic, on June 30, 2020, the President sanctioned the Moratorium Law, which mandates, among other things, a moratorium on the debts owed by certain clients to local banks, cooperatives and financing companies (*financieras*). The Moratorium Law provides that:

- The moratorium applies retroactively from March 1, 2020 until June 30, 2021.

- The moratorium applies to loans, including, among others, mortgage, commercial, personal and car loans, credit cards and others.

- Clients that may benefit from the moratorium are only those "persons affected by the economic crisis caused by the COVID-19 pandemic, that is, persons whose labor contract has been suspended or terminated, independent workers and merchants whose activity has been affected by the health measures established by the Executive Branch." Clients must duly document that they have been affected, either by way of a sworn statement or by providing evidence of the termination, suspension or decrease in working hours, in their labor contract.

During the term of the moratorium, banks are not able to collect, increase the interest rates, fees or any other interest for lack of payment, late payment or for any other reason, on the loans to the beneficiaries of the Moratorium Law. Once the moratorium term expires, the banks and the beneficiaries may negotiate a refinancing or prorate of its debt, without charging any fee for late payment or any other administrative expense.

In connection with local regulation, we have offered our customers, meeting the requisite criteria, payment deferrals. As of December 31, 2020, the Bank maintains the following monthly payment deferrals: (i) 36.2% of residential mortgage clients, equivalent to U.S.$1,790.6 million or 39.0% of the total outstanding residential mortgage portfolio; (ii) 11.4% of consumer clients, equivalent to U.S.$263.5 million or 14.9% of the total outstanding consumer portfolio; and (iii) 9.0% of corporate clients, equivalent to U.S.$804.8 million or 16.4% of the total outstanding corporate portfolio.

Regulation in Costa Rica

This section is limited to analysis of the main implications and operational control derived from the regulations in force, based on the recent history of Costa Rica. In this context, law 1130, the "Constitutive Law of the Central Bank of Costa Rica" ("CBCR"), approved in 1950, established the Central Bank of Costa Rica as an independent autonomous institution. The CBCR is responsible for organizing and directing the national monetary system and changes with foreign currencies, promoting ease of credits and overseeing the operations of all banks and banking agencies established in Costa Rica.

Subsequently, in 1953, law 1552, the "Organic Law of the Central Bank of Costa Rica" ("OLCBCR"), was approved, assigning to the CBCR the responsibility to promote and supervise the development of the Costa Rican economy, in an effort to prevent or moderate the inflationary or deflationary trends arising in the monetary and credit market. In addition, CBCR had to maintain the external stability of the national currency and ensure their convertibility, at the same time taking care of the proper use of the monetary reserves of the nation for the achievement of these essential conditions for overall economic stability.

Also in 1953, law 1644, the "Organic Law of the National Banking System" ("OLNBS"), was approved, which, along with its reforms and amendments, controls various activities to be carried by banks, as well as the regulation of the implementation of monetary policies, credit and savings. One of OLNBS's main objectives is to procure liquidity, solvency and good performance of the national banking system, and, to safeguard and manage bank deposits.

The OLCBCR was completely reformed and amended through law 7558, in force since 1995, in which the oversight of financial institutions was declared of public interest. Moreover, the reform to the OLCBCR created the General Superintendent of Financial Institutions ("SUGEF"), which: (i) is endowed with the most important surveillance powers and self-administration, concentrating a very important part of its responsibilities through its own board of directors (later modified to become "CONASSIF," described below); (ii) introduced a scheme of regulation based on audits, promoting an innovative approach of prudential supervision; and (iii) extends the scope of control, including under its surveillance all entities carrying out activities of financial intermediation within Costa Rica, or who have been authorized by the CBCR to participate in the foreign exchange market. In reliance on article 62 of the last reform to the OLCBCR, financial institutions supervised by SUGEF, such as Banco General (Costa Rica), S.A., were obliged to maintain at the CBCR, in the form of deposits in current accounts, a reserve proportional to the total amount of their deposits and savings, in accordance with the minimum legal reserve requirements. In addition to this reserve, each financial institution may include an amount it deems appropriate. The total amount is regarded as reserve and the excess above the minimum requirements, which is qualified as exceeding the minimum legal reserve requirements.

One of the main modifications to the financial and banking system of Costa Rican took place in 1998, when law 7732, the "Regulating Law of Securities Market" ("RLSM"), changed the financial system market and also modified law 7558 (the last reform to the OLCBCR). Through this law, the responsibilities of the board of directors of SUGEF passed to the National Council for Supervision of the Financial System ("CONASSIF"). The changes introduced by the RLSM were amended on 2008, with the approval of the law 8653, "Regulating Law of Insurance Market," based on which CONASSIF became responsible for the monitoring and supervision of all financial intermediaries, market securities and pension funds, which direct surveillance authorities are: General Superintendent of Financial institutions (SUGEF), General Superintendent of Securities (SUGEVAL), and General Superintendent of Pensions (SUPEN).

As detailed thus far, the Costa Rican banking and financial system is regulated, mainly by the OLNBS and OLCBCR, and their related laws, reforms, regulations and amendments, as well as additional regulations issued by CBCR, CONASSIF and SUGEF.

In terms of organizational hierarchy, the CBCR oversees CONASSIF, which in term oversees SUGEF. The CBCR is an autonomous institution that serves as the chief authority for monetary policy in Costa Rica. The main objectives of CBCR are to maintain internal and external economic stability and promote the soundness, efficiency and competitiveness of the Costa Rican financial system. The main responsibilities of CBCR are the following: (i) issuing Costa Rican currency; (ii) acting as lender to the banking system; (iii) implementing monetary policy using discount facilities and open-market operations; (iv) setting reserve requirements for all financial institutions; (v) holding international reserves; and (vi) overseeing foreign exchange controls and issuing foreign exchange regulations.

CONASSIF, besides overseeing SUGEF, SUGEVAL, SUGESE and SUPEN, is responsible for authorizing financial entities to participate in the financial markets and suspending or revoking such authorizations as well as authorizing government intervention designed to assist financially strained entities. In addition, CONASSIF has the authority to issue financial regulations and appoint the Superintendent and Deputy Superintendent of the SUGEF, SUGEVAL, SUGESE and SUPEN. SUGEF, on its end, is the principal authority on day to day activities of the banks, since it regulates and supervises banks and other financial intermediaries, foreign exchange operators (regulated by the CBCR) and other entities engaged in AML efforts in Costa Rica. SUGEF also performs full audits of all financial entities in Costa Rica and receives periodical reports on a permanent basis.

In Costa Rica, all financial intermediaries must be authorized by and registered with the SUGEF and comply with its regulations. SUGEF's areas of oversight include capital adequacy (including recovery and/or correction measures), maintenance of reserves, loan classification and provisioning rules, related party lending, accounting systems, external auditors, financial statement disclosure, risk management, corporate governance and AML efforts. One of SUGEF's main regulations at the registration and operational level is the Regulation on Authorization of Entities Supervised by SUGEF, as well as Authorizations and Operation of Groups and Financial Conglomerates (regulation SUGEF-8-08). According to article 19 of this regulation, the following acts require authorization: constitution of a new financial intermediary; the change in business purpose of a financial intermediary; the merger of a financial intermediary with another legal entity; variation of social capital of a financial intermediary; voluntary termination of financial intermediation; change of name of a financial intermediary; the approval of new loans to a person linked to a private bank in accordance with article 117 of the OLNBS; as well as the payment agreements, extensions, amendments, renewals and any act that modifies a financial intermediary's operating conditions.

Other key operational requirements include:

(a) ***Capital adequacy:*** Under Regulation SUGEF 24-00, Costa Rican banks are required to maintain a capital adequacy ratio of at least 10%, measured as a percentage of adjusted capital to risk weighted assets; this regulation also requires that the bank's average rating score be held at a maximum of 1.75, as measured by the CAMELS system; regulation SUGEF 24-00 indicates that capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk represent 80% of the total risk score, and management adequacy represents 20% of the index. Exchange rate risk is also regulated, and is limited to 10% of the bank's net position in foreign currency;

(b) *Reserve requirements:* Under article 62 of the OLCBCR, financial institutions must hold certain levels of reserves against deposits, which are held in the CBCR. Currently, the legal reserve requirement is 15% of the relevant financial institution's total deposits (on a standalone basis). Public banks must also create a legal reserve and allocate 50% of their net income (on a standalone basis) to their legal reserve on a yearly basis;

(c) *Loan loss reserves:* Under regulation SUGEF 1-05 on Loan Loss Provisions, in order to assign credit ratings to borrowers, a financial institution must consider repayment capacity, historical payment performance and past-due periods for Group 1 borrowers (borrower's outstanding debt with the financial institution over ¢65,000,000.00 Costa Rican colones). In the case of Group 2 borrowers (borrower's outstanding debt with the financial institution under ¢65,000,000.00 Costa Rican colones), repayment capacity assessment is not required, and borrower risk assessment is based only on delinquency. Regulation SUGEF 1-05 sets forth eight risk categories, which are A1, A2, B1, B2, C1, C2, D and E, with reserve requirements of 0.5%, 2%, 5%, 10%, 25%, 50%, 75% and 100%, respectively. The regulation established four levels of repayment capacity: Level 1 (adequate degree of repayment capacity); Level 2 (low risk of default); Level 3 (high risk of default); and Level 4 (obligations currently in default). Regulation SUGEF 1-05 defines the criteria to be considered in the assessment of repayment capacity. There are three levels of historical payment records: Level 1 (payment status is adequate); Level 2 (payment status is acceptable); and Level 3 (payment status is deficient). The level of historical payment performance is calculated and determined by the SUGEF using the credit report provided by the Credit Information Center, which is designed and operated by the SUGEF. To assign credit ratings to the borrowers, a financial institution must consider the criteria established by SUGEF. If none of these conditions are met or a voluntary or involuntary petition requesting a declaration that a debtor bankrupt or insolvent has been filed or the debtor has been declared bankrupt or insolvent, the financial institution must assign Risk Category E to the borrower. In addition, Regulation SUGEF 1-05 sets forth eligible securities or guarantees and their conditions and treatment for credit risk mitigation. Finally, regulation SUGEF 1-05 defines the term "special credit operations," such as restructured credits, comprising the credits that must be placed in lower risk categories according to specific provisions set out in the regulation.

MANAGEMENT

General

Our business and affairs are managed by our board of directors in accordance with our articles of incorporation and Panamanian corporate law. Our articles of incorporation provide for a board of directors of at least 7 members. Our current board of directors is comprised of 15 directors, of which 2 are independent. The directors shall be elected annually at the Shareholders' Meeting in accordance with our articles of incorporation and may be re-elected indefinitely. Members of the Board of Directors shall retire no later than December 31 of the year in which they turn 72 years of age, with the exception of those Directors who were elected prior to the consummation of the agreement governing mandatory retirement, approved in 2011.

The board of directors typically meets in regularly scheduled monthly meetings and when called by the President or any director. Resolutions must be adopted by a majority of the directors present at the meeting.

Board of Directors

Our board of directors consists of 15 members. The business address of our board of directors is Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Republic of Panama. The following table sets forth certain information about our current directors.

Name	Position	Year of Birth	Year Appointed
Raúl Alemán Zubieta....................	Chairman of the board of directors and President	1953	1987
Juan Raúl Humbert Arias...............	Director, Vice President	1963	1990
Juan Ramón Brenes Stanziola........	Director, Secretary	1967	2016
Emanuel González Revilla Lince....	Director	1966	2000
Osvaldo Félix Mouynés Guaragna..	Director	1951	2007
Francisco José Salemo Abad..........	Director	1951	2007
Ricardo Manuel Arango Jiménez....	Director	1960	2012
Alvaro Alfredo Arias Arias............	Director	1955	2014
Luis Carlos Motta Vallarino...........	Director	1965	2015
Alberto Cecilio Motta Page	Director	1970	2016
Francisco Sierra Fábrega	Director	1964	2018
Ana Lucrecia Tovar de Zarak.........	Director	1972	2018
Carlos Alberto Motta Fidanque......	Director	1972	2020
Jaime Rolando Rivera Schwarz......	Independent Director	1953	2012
Tatiana Fábrega de Varela.............	Independent Director	1964	2013

Raul Alemán Zubieta is our Chairman of the board of directors and President. He is Director and President of EGI, EGC, IGP Trading, Empresa General de Petroleo, Petróleos Delta, S.A., Lubricantes Delta, Servicentro Uruguay, Propiedades Petrodelta, GFBG, BGCR, General de Seguros, Overseas Capital Markets, Finanzas Generales, BG Trust, BG Investment and Commercial RE. He is also a Director of BG Valores, Profuturo, and Vale General. He served as Chairman of the Panamanian Banking Association. He holds a bachelor's degree in Business Administration from the University of Notre Dame and an M.B.A. from Tulane University.

Juan Raul Humbert A. is our Executive Vice President and General Manager. He is Director and President of Vale General; and Director and Treasurer of Finanzas Generales, BG Valores, and Profuturo. He is also in the Board of Directors of GFBG, BG Investment, General de Seguros, BG Trust, BGCR, Commercial RE, Overseas Capital Markets, BGO, Fondo General de Inversiones, Fondo General de Retorno Total, EGI, EGC, Empresa General de Petroleo, Pesquera Tabogilla, Inversiones Pleamar, and MHC Holdings. He served as Director of the BVP. He holds a bachelor's degree in Business Administration from the University of Notre Dame and an M.B.A. from the University of Texas at Austin.

Juan Ramón Brenes S. is our Secretary. He is the President of Caldera Energy Corp. and Electrogeneradora del Istmo, S.A. He is also the Secretary of GFBG and BGO and Director of MHC Holdings, Inmobiliaria San Fernando, Panama Power Holdings, and Melones International Oil Terminal. He holds a bachelor's degree in mechanical engineering from the University of Massachusetts, Lowell and has a master's degree in business economics from the INCAE Business School.

Emanuel Gonzalez Revilla L. is in the board of directors of Commercial RE, BG Trust, BGO, GFBG, Petroleos Delta, Plastiglas Holdings, General de Capital, and EGC. He was also the Chief Executive Officer of Multi Holding Corporation from 1999 to 2004. He holds a bachelor's degree in Finance from the Wharton School of Business, University of Pennsylvania and an M.B.A. from the University of Miami.

Osvaldo Mouynes is currently a member of the Board of Directors of Inversiones Bahia, GFBG, ASSA Seguros, Banco de Finanzas, BGCR, GBMC, and Televisora Nacional. From 1974 to 1990, he was Vice President and Senior Credit Officer at Citibank, N.A., for Puerto Rico, Miami, Central America, and the Caribbean. Mr. Mouynes holds degrees in Business Administration and Economics from the University of Tennessee.

Francisco Salerno is the President of Glasgow Financial Holdings, Bahia Motors, Sanae RE, Sistemas Integrados de Generacion, and Eurostone. He also serves in the board of directors of BGCR, GFBG, BGO. He was a director of Banco Continental de Panamá. He served as Vice Chairman of Panama's Chamber of Commerce, Industry and Agriculture. He holds a bachelor's degree in Science from Florida State University and an M.B.A. from the Wharton School of Business, University of Pennsylvania.

Ricardo M. Arango is a partner and a member of the executive committee at Arias, Fábrega & Fábrega. He worked as a lawyer at White & Case in New York from 1985 to 1987. He is currently a director at GFBG, BGO, BG Investment, BLADEX, MHC Holdings and the Panama Canal Authority. He is also a member of Business Council for Latinamerica. He holds a bachelor's degree in Law and Political Science from the University of Panama, an LL.M. from Yale Law School and Harvard Law School.

Alvaro Arias is a founding partner and member of the executive committee at Arias, Alemán & Mora. He is a member of the board of directors of GFBG, BGO, and BG Trust. He holds a bachelor's degree in Business Administration and a J.D. from Georgetown University.

Luis Carlos Motta is the President of J. Cain & Co., Inc. He is a member of the board of directors of GFBG, BGO, ASSA Seguros, and Logistics Services Uruguay, Logistics Panama, and Logistics Services Colombia. He holds a bachelor's degree in Marketing from Boston College and an M.B.A. from Babson College.

Alberto Motta Page is a member of the board of directors of GFBG, BGO, Motta International, Bahia Motors, Ideal Living Corp., Guanacaste Development, Grupo ASSA, Televisora Nacional, Belle Blue, Taboguillar Holding, and Costa del Este Infraestructura. He holds a bachelor's degree in Banking and Finance from the University of Northwood in Florida.

Francisco Sierra F. is our Executive Vice President of Finance and Deputy General Manager. He is Director and President of BG Valores, and Profuturo; and Director and Treasurer of BG Investment, and GS. He is also a Director for GFBG, Finanzas Generales, General de Seguros, Vale General, BGCR, BGO, Fondo General de Inversiones, Fondo General de Retorno Total, Promarina and the Panama Canal Authority. He held the position of Minister Counselor of the President of the Republic of Panama and member of the foreign affairs committee with extraordinary and plenipotentiary, ambassador rank from 2014 through 2019. He holds a bachelor's degree in Business Administration with an emphasis in Finance and International Management from Georgetown University and an M.B.A. from the University of Texas at Austin.

Ana Lucrecia Tovar de Zarak is the founding partner of Virtu Atelier Legal. She is member of the board of directors of Fundación Amador and has served as President of the Superintendency of Capital Markets of Panama and FMM Trust. She also served as Partner in Dentons Muñoz, Legal and as Compliance Manager at Citibank Panama, and in Arbitration and Mediation for the World Bank's International Centre for the Settlement of Investment Disputes. She holds a bachelor's degree in Law and Political Science from the Universidad Santa Maria la Antigua, an M.B.A. focused in International Law, Banking Law, and Securities from American University.

Carlos Alberto Motta is a member of the board of directors for Copa Holdings, ASSA Seguros, Motta International, Inversiones Bahia, Motco, Bahia Motors, Fundacion Alberto Motta, Fundación IFF Panamá, and Junior

Achievement Worldwide. He holds a bachelor's degree in Business Administration from Boston College and an M.B.A from Thunderbird School of Management.

Jaime Rivera is an independent director for GFBG, BGO, BGCR, and Unicom Puesto de Bolsa. He has also served as a director for Florida International Bankers Association, Latin America Agribusiness Development, BLADEX, NYSE, and Grupo Calesa. He holds a bachelor's degree in Electrical Engineering from Northwestern University and holds an M.B.A from Cornell University.

Tatiana Varela is the Executive Vice President and General Manager of Hacienda El Limón, S.A. and she is an independent director of GFBG, and BGO. She was formerly the National Director of Business Innovation at the National Secretariat of Science, Technology and Innovation of Panama (SENACYT). She holds a bachelor's degree in Industrial Engineering from Universidad Tecnológica de Panamá and an M.B.A. from Universidad Santa María La Antigua.

Executive Officers

Our executive team consists of nine executive officers who we believe are highly qualified professionals with years of experience in the Panamanian and regional financial services industry. The executive management team has an average of 26 years of experience working at the Bank. The business address of our executive officers is Urbanización Marbella, Calle Aquilino de la Guardia, Torre Banco General, Panama City, Republic of Panama. The following table sets forth certain information about our current executive officers.

Name	Position	Year of Birth	Start Date at the Bank
Juan Raúl Humbert Arias..	Executive Vice President and General Manager	1963	1989
Francisco Sierra Fábrega...	Executive Vice President and Deputy Manager	1964	1990
Luis Garcia de Paredes......	Executive Vice President of Operations and Technology	1957	1985
Felipe Edgardo Motta Vallarino..........................	Executive Vice President of Consumer Banking	1963	1985
Gilda Cedeño de Tedman..	Executive Vice President of Corporate Banking	1951	1999
Makelín Arias Boyd	Executive Vice President of Human Capital and Corporate Service	1965	2001
Federico Albert Garaizabal........................	Executive Vice President of International Banking	1966	2007
Raúl Guizado....................	Vice President of Compliance and Corporate Security	1964	2000
Eduardo E. de Oliveira......	Vice President of Corporate Risk	1967	1996

For the biography of Juan Raúl Humbert A., our Executive Vice President and General Manager, see "—Board of Directors" above.

For the biography of Francisco Sierra F., our Executive Vice President and Deputy General Manager, see "—Board of Directors" above.

Luis García de Paredes is our Executive Vice President of Operations and Technology. He is a former President of the board of directors of Telered and is currently a member of the board of directors of Telered, Compañía Internacional de Seguros, S.A., Campaign for the Archdiocesan Promotion of the Catholic Church, and a Member of the Economic Council of the Archdiocese and Rotary Club - Panama South. He holds a bachelor's degree in Business Administration with a specialization in Finance from the University of Notre Dame and holds an M.B.A. from the Kellogg School of Management at Northwestern University. He is a Certified Public Accountant (Panama), Certified Systems Auditor (CISA), Certified Computer Security Administrator (CISM), and Professional Project Manager (PMP).

Felipe Edgardo Motta is our Executive Vice President of Consumer Banking. He is a Director of Profuturo, Vale General, First Data Central America & Caribbean, and Member of the Latinamerica and Caribbean Senior Client counsel of Visa International. He is a former director for INDICASAT, the Panamanian Chamber of Commerce, and former President of Telered and Teleton 20-30. He holds a bachelor's degree in Business Administration from Drake University and graduated from the Senior Management Program from INCAE.

Gilda Cedeño de Tedman is our Executive Vice President of Corporate Banking. She is the former Deputy Manager of Lloyds Bank Panama and also served as Vice President of Corporate Banking at Bancomer. She was also former President of the Rotarian Ladies of the Rotary Club Panama – Northeast and founding member of Pro Niñez Panamanian Association. She holds a bachelor's degree in Business Administration and Marketing from Barry University and an M.B.A. from the University of Neuchtal.

Makelín Arias is our Executive Vice President of Human Capital and Corporate Services. She was previously the Vice President of Human Resources for Banco Continental for seven years and before that she was the Human Resources Director for Copa Airlines for ten years. She graduated from Boston College with a bachelor's degree in Economics and Finance.

Federico Albert is our Executive Vice President of International Banking. He was previously the Executive Vice President and General Manager of Coporación Banex, S.A. in Costa Rica, Vice President of Finance of Pribanco (Primer Banco de Ahorros), Vice President of Investment Banking at Banistmo, Treasurer of Costa Rica's Banking Association (2002–2005) and Director of the BVP (2001–2004 and 2008–2017), Latinex Holdings, Inc. (2011–2017), and Compañía de Distribución Eléctrica Noreste (2001–2003). He holds a bachelor's degree in Business Science from Colegio Universitario de Estudios Financieros (CUNEF), Madrid, Spain, majoring in Auditing and Finance.

Raúl Guizado is our Vice President of Compliance and Corporate Security. He is currently the Director and Secretary of the board of directors of the Banking Association of Panama. Previously, he served as General Manager of Banco Alemán Platina, S.A., Vice President of Planning and Development of the International Bank of Panama, S.A. (BIPAN) and Vice President of Compliance and Support at Banco Continental de Panamá, S.A. He holds a bachelor's degree in Management from Fairfield University in Connecticut and holds a law degree from Tulane University School of Law.

Eduardo E. de Oliveira T. is our Vice President of Corporate Risk, having previously served as Vice President of Residential Banking. He graduated with a bachelor's degree in Law and Political Science from the Universidad Santa María La Antigua, Panamá.

Appointment Rights

To date, no Director, official, executive or employee of the Bank has been appointed to his or her position based on agreements with majority shareholders, clients or suppliers of the Bank. Further, there is no formal contract for the provision of services between the Bank and its Directors. These relationships are governed by the provisions of the Shareholders' Meeting.

Compensation

The only compensation that the Board of Directors of Grupo Financiero BG, S.A., Banco General S.A., and its subsidiaries receives is an allowance for participating in meetings of the Board of Directors and of the committees of the Board of Directors.

Board of Directors GFBG and BG meeting	U.S.$1,000 per meeting
Committees of Board of Directors and Subsidiaries	U.S.$500 per meeting
Board of directors of subsidiaries	U.S.$300 per meeting

The allowances above mentioned do not apply to Directors that form part of the Bank's administration. The allowances paid to Directors of the Bank during 2020 were U.S.$492,038.

Corporate Governance

The Bank complies with the obligations set forth by the SMV relating to good corporate governance, as regulated under Accord 18-2000 of October 11, 2000, as amended by Accord 10-2001 of August 17, 2001, Accord 12-2003 of November 11, 2003, Accord 8-2004 of December 20, 2004, Accord 2-2007 of March 5, 2007, Accord 3-2008 of March 31, 2008 and Accord 1-2009 of February 3, 2009. These requirements also comply with the parameters set forth in Accord 2-2010 as amended.

In addition, the Bank complies with the mandatory principles and procedures established by the SBP on good corporate governance, as regulated under Accord 5-2011 of September 20, 2011.

In this context, the Bank has also established structures that allow the Board of Directors and the rest of the organization a transparent management with business controls oriented to the creation of long-term value. The structures created for the implementation of principles of good corporate governance are based on cooperation, communication and transparency and is formed by the following committees:

Board and Executive Committees

Our board of directors and executive officers, respectively, delegate certain functions and activities to our committees to research, evaluate and report to it regarding specific matters that may affect our business. We maintain six committees at the board level and sixteen committees at the executive level. A description of our principal board-level committees and our executive committees follows below.

Board-Level Committees

Our board of directors is divided into the following six committees to better integrate our policies and strategies: Audit Committee, Credit Committee, Human Resources Committee, Risk Committee, Money Laundering Prevention Committee, and Ethics and Compliance Committee. Below is a summary of our most critical board committees.

Audit Committee

Our Audit Committee is composed of four voting members, who are also directors of the board of directors, and one nonvoting member, who is our Executive Vice President and General Manager. Our Audit Committee generally meets every two months and is responsible for ensuring compliance with laws, policies and internal and external regulations, as well as our code of ethics and corporate governance manual. The committee also makes recommendations to our board of directors in connection with the hiring of external auditors and the approval of the financial statements each fiscal period. Further, the committee appoints our internal auditor, evaluates their performance as well as the performance of the internal audit department and supervises our internal and external audit plans, financial information process, integrity of our financial statements, and internal control systems.

Credit Committee

Our Credit Committee is composed of six voting members, who are also directors of the board of directors, and six nonvoting participants, who are our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Vice President of Risk and any other appointed Assistant Vice President of Risk. Our Credit Committee typically meets based on business needs but at least once per month. Our Credit Committee is responsible for approving or denying the credit proposals of our Corporate Banking, Consumer Banking and Wealth Management unit that exceed the authority of the Executive Credit Committee. The committee is also responsible for approving or denying the transaction proposals involving credit risk with financial institutions and the opening of investment portfolios, their limits, their assets, issuers and counterparties and executions limits.

Risk Committee

Our Risk Committee is composed of five voting members, who are also directors of the board of directors, including one independent director, and six nonvoting members, who are our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Vice President of Operations and Technology and Vice President of Risk. Our Risk Committee meets at least every quarter. Our Risk Committee is responsible for the development and proposal of objectives, policies, procedures, structures and risk limits for risk management. The committee also determines the scenarios in which limits or policy exceptions can be made, as well as the course of action in neutralizing situations as necessary. Further, the committee reviews and reports to the board of directors the impact of risk exposures to the organization and compares said exposures to the policies and limits approved by the board of directors.

Money Laundering Prevention Committee

Our Money Laundering Prevention Committee is composed of three voting members, who are also directors of the board of directors, including one independent director, and six nonvoting members, who are our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Operations and Technology, Vice President of Risk, Assistant Vice President of Audit and Vice President of Compliance and Corporate Security. Our Money Laundering Prevention Committee meets at least every two months. Our Money Laundering Prevention Committee is responsible for ensuring we and our subsidiaries comply with the policies and procedures established for the prevention of money laundering, terrorist financing and financing of proliferation of weapons of mass destruction, and thereby to control and mitigate the reputational risk caused by the improper use of banking services.

Ethics and Compliance Committee

Our Ethics and Compliance Committee is composed of four voting members, who are also directors of the board of directors, and nonvoting members, who are our Vice President and Compliance Officer and the Chief Executive Officer of BG Investment and BG Valores, our investment and brokerage subsidiaries. Our Ethics and Compliance Committee typically meets every trimester. The committee supervises the operation of our entities regulated by the Panamanian Superintendency and is responsible for planning, coordinating and ensuring compliance with laws governing the securities market and the regulations on the Prevention of Money Laundering. Our Ethics and Compliance Committee approves the opening of accounts and the initiation of commercial or business relations for those customers or activities that may be classified or represent a high risk and to which extended or reinforced due diligence measures should apply.

Executive-Level Committees

At the executive level, we have also established sixteen committees designed to support our board-level committees and the general management of our business. Below is a summary of our most critical executive committees.

Executive Committee

Our Executive Committee is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Executive Vice President of Operations and Technology and all of our Vice Presidents. The committee meets on a monthly basis. Our Executive Committee is responsible for overseeing our financial development and business planning, as well as ensuring budget and business plan compliance.

Executive Credit Committee

Our Executive Credit Committee is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Vice President and Assistant Vice Presidents of the business areas. The Executive Credit Committee meets weekly or as needs dictate. Our Executive Credit Committee is responsible for approving or denying credit proposals that exceed the authority of business executives, but which do not require approval from the Credit Committee of the board of directors.

Strategic Planning Committee

Our Executive Committee is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of Operations and Technology, Vice President of Human Resources, and Vice President of Planning and Management. The committee meets every two months. Our Strategic Planning Committee is responsible for leading our strategic planning processes, ensuring successful implementation of strategic plans and approving any new plans or initiatives. Our Strategic Planning Committee also works with the Project Management Committee and other committees, as needed, to ensure the alignment of strategic projects and actions.

Assets and Liabilities Committee (ALCO)

Our ALCO is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of Finance, Executive Vice President of International Banking, Vice President of Treasury and Investments, and Treasury and Investments Executive Managers. The committee typically meets at least every month. Our ALCO is responsible for developing and proposing to the board of directors' policies relating to the management of our assets and liabilities. Our ALCO is also responsible for maintaining capitalization levels and an adequate risk-return relationship, as well as maximizing the return of shareholders within the established risk parameters. On an annual basis when necessary, this committee proposes risk limited modifications to our board of directors.

Operational Risk Committee

Our Operational Risk Committee is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of International Banking, Executive Vice President of Finance, Executive Vice President of Operations and Technology, Corporate Security and Compliance Vice President, Vice President of Risk and Vice President of Human Resources. The Committee meets at least quarterly. Our Operational Risk Committee is responsible for approving the objectives, policies, procedures and structures relating to our operational risk limits. The committee monitors risk statistics and revises risk classifications as appropriate.

Environmental, Social, and Reputational Risk Executive Committee

Our Environmental, Social, and Reputational Risk Executive Committee is composed of our Executive Vice President and General Manager, Executive Vice President of Business, Executive Vice President of International Banking, Executive Vice President of Finance, Executive Vice President of Operations and Technology, Executive Vice President of Risk, Vice President of Trusts and Investment, Vice President of Corporate Banking, Vice President of Commercial Banking, Vice President of Corporate Banking – Interim, Vice President of Mortgage Credit, Vice President of Marketing, Risk Assistant Vice President (Business Credit and Environmental, Social, and Reputational Risk), Risk Assistant Vice President (Credit Management), Public Relations Manager for the Environmental, Social, and Reputational Risk Executive Committee, Architecture and Engineering Manager, Deputy Environmental Risk Manager and Deputy Environmental, Social, and Reputational Risk Manager. The committee meets at least every quarter. Our Environmental, Social, and Reputational Risk Executive Committee is responsible for supervising the level of environmental, social and reputational risk exposure in relation to our credit portfolios and assets. The committee recommends policies, procedures, limits and initiatives of our ESMS and our Reputational Risk Model and our related compliance.

Social Responsibility and Business Ethics Committee

Our Social Responsibility and Business Ethics Committee is composed of the Chairman of the board of directors of EGI, Chairman of the board of directors of GFBG, Director of Fundación Sus Buenos Vecinos (FSBV), Vice President of Operations and Technology, Vice President of Human Resources, Vice President of Corporate Banking, Vice President of Operational Risk, Vice President of International Business Risk, Vice President of Management of Environmental and Social Risk, Vice President of Risk-Credit Administration, Branch Manager, Public Relations Manager for the Social Responsibility and Business Ethics Committee. The committee typically meets every two months. Our Social Responsibility and Business Ethics Committee is responsible for verifying compliance with our business social responsibility strategy objectives, including reviewing any matters brought to the committee's attention by employees.

Employees

Our total number of employees decreased from 4,714 employees for the year ended December 31, 2019 to 4,554 employees for the year ended December 31, 2020. As of December 31, 2020, we employed an average of 4,651 employees for the three-year period then ended.

	As of December 31,		
	2020	**2019**	**2018**
Number of Employees	4,554	4,714	4,685
Year-over-Year Growth	(3.4%)	0.6%	0.8%

PRINCIPAL SHAREHOLDERS

As of December 31, 2020, the Bank had 10,000,000 authorized common shares without nominal value, of which 9,787,108 were issued, fully paid and outstanding, having one vote per share.

The following table sets forth our principal shareholders and their percentage of ownership in us as of December 31, 2020.

Shareholder	% Ownership
Grupo Financiero BG, S.A.[1]	100.0%
Total	**100.0%**

(1) GFBG is a holding company publicly listed in Panama, registered in the Bolsa de Valores de Panamá, that is (i) 59.9% owned by EGI, a holding company publicly listed in Panama, and (ii) 40.1% owned by 1,493 shareholders.

The following tables set forth certain directors, dignitaries, and management and employee equity ownership in the Bank and its controlling shareholder:

Group of Employees	Number of Shares	Number of shares as a percentage of total issued shares	Number of shareholders	Number of shareholders as a percentage of total shareholders
Directors, Dignitaries, Executive Officers, and Managers	12,872,916	14.42%	225	15.07%
Other employees	219,174	0.25%	134	8.98%

RELATED PARTY TRANSACTIONS

General

We and our subsidiaries engage in a variety of transactions among ourselves, our affiliates and our related parties. All such transactions that are material to our business are evaluated by our senior management in accordance with applicable laws and internal guidelines applicable to all third-party transactions. These transactions are subject to prevailing market conditions.

Our loans to related parties are subject to the same basic underwriting criteria as other loans, and terms of such loans are set at prevailing market rates. As of December 31, 2020, an aggregate of U.S.$240.7 million in loans and commitments and contingencies and U.S.$183.7 million in investment securities were outstanding to our directors and officers, our principal shareholders and those of our subsidiaries and affiliated entities. The same related parties, as of December 31, 2020, maintained deposits with us totaling U.S.$789.9 million and owned perpetual bonds issued by us totaling U.S.$90.0 million.

We extend loans to related parties, including to our executive officers and directors in accordance with Panamanian law and regulations established by the SBP.

Under Panamanian law, a bank or a bank holding company may not grant loans or issue guarantees or any other obligation to a related party exceeding 5% of its total capital funds, in the case of unsecured transactions, or 10% of its total capital funds, in the case of collateralized transactions (other than loans secured by deposits in the bank). Furthermore, the total limit to all related parties is set at a maximum of 25% of the bank or bank holding company’s total capital funds. Other important norms include that a bank may not grant to its applicable related parties loans or other credit facilities secured solely with the shares of such bank or bank holding company; if the applicable related party is an employee, a bank may not grant unsecured and unguaranteed loans or credit facilities to such employee in an amount exceeding the annual salary of such employee; and a bank may not grant loans or other credit facilities underpriced or with terms that are more favorable than those found in the market.

For these purposes, a related party is: (i) one or more of the bank’s directors, (ii) any stockholder of the bank who directly or indirectly owns at least 5% of the voting shares of the bank or bank holding company, (iii) any company of which one or more of the bank’s directors is a director or officer or where one or more of the bank’s directors is a guarantor of the loan or credit facility, (iv) any company or entity in which the bank or any one of its directors or officers can exercise a controlling influence, (v) any company or entity in which the bank or any one of its directors or officers owns 20% or more of the voting shares and (vi) the managers, officers and employees of the bank or their respective spouses (other than home mortgage loans or guaranteed personal loans under general programs approved by the bank for employees).

As mentioned, the SBP currently limits the total amount of loans, credit facilities, guarantees or any other obligations (other than credit facilities fully secured by deposits in the bank) granted by a bank or the ultimate parent of a banking group to related parties to 25% of the total consolidated regulatory capital of the bank (in our case, of GFBG). In accordance with Article 96 of the Banking Law, the following loans are not computed when determining the 25% threshold: loans guaranteed 100% by cash, mortgage loans used for the purchase or construction of the borrower’s primary residence, and personal loans guaranteed by a mortgage.

For additional information about related party transactions, see Note 4 to our financial statements as of December 31, 2020 included in this offering memorandum.

The following table sets forth a description of the loans, commitments and contingencies, and investment securities entered with related parties that compute for the regulatory thresholds described in the Banking Law:

	As of December 31, 2020			
	(in U.S. dollars, except percentages)			
	Total Amount of Loans, Commitments and Contingencies, and Investment Securities	**Amount computed for the 25% threshold**	**% Over consolidated regulatory capital**	**% Over consolidated assets**
Directors and Key Personnel[1]	10,993,872	4,087,785	0.14%	0.06%
Other Related and Affiliate Parties[2]	413,338,340	297,478,403	10.10%	2.22%
	424,332,212	**301,566,187**	**10.24%**	**2.28%**

(1) Includes all directors who are our directors or indirect shareholders and key management personnel.
(2) Includes enterprises in which a substantial interest is owned by directors, key management personnel or shareholders of GFBG.

Persons Providing Services in Connection with the Registration of the Offering of Notes

Persons providing services in connection with the registration of the offering of notes include:

- BG Investment Co., Inc and BG Valores, S.A. are the broker-dealers of this Bank and are also its wholly owned subsidiaries. BG Investment Co., Inc. is also a shareholder of the Bolsa de Valores de Panamá, S.A. and the Central Latinoamericana de Valores, S.A. (Latinclear).

- Rolando Arias and Gary Chong-Hon Cabada are directors, respectively, of the Bolsa de Valores de Panamá, S.A. and Central Latinoamericana de Valores, S.A. (LatinClear) and executives of the Bank.

- Ricardo M. Arango, partner of ARIAS, FÁBREGA & FÁBREGA and member of the team of Panamanian counsel to the Bank for purposes of this offering.

- Arturo Gerbaud, partner of Alemán, Cordero, Galindo & Lee and member of the legal team of Panamanian counsel to the initial purchasers for purposes of this offering, is an independent director and President of the Bolsa de Valores de Panamá, S.A. and of Central Latinoamericana de Valores, S.A. (LatinClear).

DESCRIPTION OF THE NOTES

Banco General, S.A.'s (the "Issuer" or "our")   % perpetual non-cumulative fixed-to-fixed subordinated notes (the "notes") will be issued pursuant to an indenture dated as of   , 2021 (the "indenture"), between The Bank of New York Mellon, as trustee, paying agent and registrar, and us.

The indenture provides for the issuance of the notes but does not limit the aggregate principal amount of notes that may be issued under the indenture, and provides that, subject to certain conditions, additional notes may be issued under the indenture from time to time. The indenture does not limit the amount of additional indebtedness or other obligations that we may incur. At our option, this additional indebtedness may consist of additional notes ("additional notes") issued by us in one or more transactions, which will have identical terms (other than issue date, issue price and in certain cases, first interest payment date) as the notes issued hereby.

This summary describes the general terms and provisions of the indenture and the notes. The description of certain provisions of the notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the notes, including the definitions therein of certain terms. We urge you to read each of the indenture and the form of the notes because they, and not this description, define your rights as a holder of notes. In case of any conflict regarding the rights and obligations of the holders of the notes under the indenture, the notes, and this offering memorandum, the terms of the indenture will prevail.

Capitalized terms not otherwise defined in this "Description of the Notes" have the meanings ascribed to them in the indenture. You may obtain a copy of the indenture by contacting the trustee at the address of its corporate trust office set forth in this offering memorandum.

Ranking

The notes will be our direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event an Insolvency or Liquidation Event (as defined below) occurs in respect of the Issuer, the notes will rank:

- junior in right of payment to the payment of all of our Senior Debt;
- *pari passu* in right of payment among themselves and with our Parity Securities; and
- senior in right of payment to the payment of our Junior Securities.

"Common Shares" means all existing and future common shares of the Issuer.

"Insolvency or Liquidation Event" means (i) emergency measures (*medidas correctivas*) or the appointment of an advisor (*asesor*), (ii) the taking of operating and administrative control (*control administrativo y operativo*) or the appointment of an administrator (*administrador*), (iii) reorganization (*reorganización*) or the appointment of a reorganizer (*reorganizador*), (iv) forceful liquidation (*liquidación forzosa*) or the appointment of a liquidator (*liquidador*), (v) insolvency, (vi) moratorium of payments, (vii) assignment for the benefit of creditors, (viii) marshalling of assets and liabilities, (ix) voluntary liquidation (*liquidación voluntaria*), (x) dissolution, (xi) winding up or (xii) other similar measures or proceedings with respect to the Issuer.

"Junior Securities" means all existing or future: (i) Common Shares (as defined below); (ii) Preferred Shares (as defined below); and (iii) other securities or instruments of the Issuer which, by its terms or by operation of law, rank junior in right of payment to the notes in an Insolvency or Liquidation Event, with regards to principal, interest or dividend.

"Parity Securities" means any existing or future securities or instruments of the Issuer which, by their terms or by operation of law, rank *pari passu* in right of payment with the notes in an Insolvency or Liquidation Event, with regards to principal, interest or other amounts.

"Preferred Shares" means all existing and future preferred shares of the Issuer, whether perpetual or not, and whether cumulative or not.

"Senior Debt" means all existing and future: (i) debt of the liquidation estate (*deudas de la masa*) in the event of our forceful liquidation; (ii) bank deposits; (iii) employee liabilities, including payroll expenses and employee pensions, (iv) claims from the Panamanian Social Security Administration (*Caja de Seguro Social*) for unpaid employer-employee social security contributions; (v) liability for taxes owed or owing by the Issuer; (vi) indebtedness or other obligation of the Issuer (including subordinated debt of the Issuer, with the exception of Parity Securities) or and any other claims of the Issuer's other creditors; (vii) other claims that are granted preference as a matter of law, except for (x) claims of holders of notes in respect of the notes, (y) claims in respect of Parity Securities and (z) claims in respect of Junior Securities.

The indenture provides that, in the event of an Insolvency or Liquidation Event in respect of the Issuer, unless all holders of its Senior Debt have been paid in full, no payment or other distribution may be made in respect of the notes. If the trustee under the indenture or any holders of the notes receive any payment or distribution that is prohibited under these provisions, then the trustee or the holders will have to repay that money to, or hold that money in trust for the benefit of, the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent, advisor (*asesor*), administrator (*administrador*), intervenor, reorganizer (*reorganizador*), liquidator (*liquidador*) or other person making payment or distribution of assets of the Issuer for application to the payment of all Senior Debt remaining unpaid, to the extent necessary to pay all Senior Debt in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

Absence of Fixed Maturity

The notes are perpetual instruments with no fixed maturity or fixed redemption date We have the option to redeem the notes, in whole or in part, as described below under "—Redemption".

Principal and Interest

We are issuing U.S.$ aggregate principal amount of notes.

Subject to the limitations on interest described on "—Limitation on Interest", from, and including, , 2021 (the "Closing Date") to, but excluding, , 20 (the "Initial Reset Date"), interest on the notes will initially accrue at a fixed rate of % *per annum*. The Initial Reset Date and every anniversary thereafter will each be a "Reset Date." Subject to the limitations on interest described on "—Limitation on Interest", from, and including, each Reset Date, including the Initial Reset Date, to, but excluding, the next succeeding Reset Date, interest on the notes will accrue at a fixed rate *per annum* equal to the sum of (a) the Treasury Yield (as defined below) and basis points (rounded to two decimal places, with any value equal to or lesser than 0.005 being rounded down).

"H.15" means the statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication).

"Reset Determination Date" means, with respect to any Reset Date, the second Business Day immediately preceding such Reset Date.

"Treasury Yield" means, as of any Reset Determination Date, an interest rate (expressed as a decimal) determined by the Issuer to be (i) the rate *per annum* corresponding to the average semi-annual equivalent yield to maturity for the five consecutive New York Business Days ending on and including the applicable Reset Determination Date as published in the most recent H.15, or (ii) if H.15 is no longer published or regularly available, the rate *per annum* equal to the semi-annual equivalent yield to maturity of the United States Treasury security, selected by the Issuer with a maturity closest to the Reset Date following the next succeeding Reset Determination Date and, if two or more have the same maturity, that is trading closest to par, and that is otherwise consistent with customary financial practice, assuming a price for such Reset Date equal to the average of the bid and asked prices for such United States Treasury (expressed in each case as a percentage of its principal amount) quoted utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the applicable Reset Determination Date.

Subject to the limitations on interest described on "—Limitation on Interest", interest on the notes will be payable semi-annually in arrears on each and of each year (each, an "Interest Payment Date"), commencing on , 2021.

Interest-payments are non-cumulative such that if an interest payment is cancelled (in whole or in part) as a result of the limitation described below, the unpaid interest will not accrue or be due and payable at any time and the failure to pay such interest will not constitute a default or an event of default. Accordingly, holders of the notes will not have any claim therefor, whether or not interest is paid in respect of any other period. Subject to the limitations on interest described on "—Limitation on Interest", with respect to each Interest Payment Date, interest on the notes will accrue from the date of original issuance, or the most recent Interest Payment Date, as applicable.

Promptly following the Reset Determination Date (and in any case no later than 15 Business Days thereafter), we will deliver to the trustee and paying agent an Officers' Certificate, which sets forth the interest rate for the notes. In no event will the trustee or paying agent be responsible for determining the interest rates on any Reset Determination Date.

Limitation on Interest

Cancellation of Interest Payments

Interest on the notes will not be due and payable on an Interest Payment Date (a "Cancellation of Interest") and such interest will not accrue or accumulate in the event that:

(i) the Issuer determines that it is, or that such interest payment would result in it being, in noncompliance with applicable capital regulations or operational limits set by the Superintendency of Banks of Panama (as defined below); or

(ii) the Issuer determines that such interest payment would result in the notes no longer being characterized as Target Capital Instruments (as defined below); or

(iii) the Superintendency of Banks of Panama determines that such interest payment may not be made; or

(iv) certain Insolvency or Liquidation Events occur which limit the Issuer's ability to make payments in full in respect of the notes; or

(v) certain defaults with respect to the Senior Debt having a principal amount in excess of U.S.$ 50,000,000 occur; or

(vi) the Issuer elects to suspend the payment and accrual of interest for extraordinary reasons.

Notwithstanding the above, no payment of interest may be suspended with respect to any outstanding principal of notes that have been called for redemption and remain unpaid after a Redemption Date (as defined below).

"Superintendency of Banks of Panama" means the *Superintendencia de Bancos de Panamá* or any successor thereof.

"Target Capital Instrument" means any securities or instruments that classify as Additional Tier I Capital (*Capital Primario Adicional*), under applicable laws and regulations of the Superintendency of Banks of Panama as in effect from time to time.

Target Capital Instrument will also include any such other securities or instruments with a classification by the Superintendency of Banks of Panama which denotes a greater equity content than Additional Tier I Capital (*Capital Primario Adicional*), under applicable laws and regulations of the Superintendency of Banks of Panama as in effect from time to time.

In the event that we have determined that we will not pay interest on the notes in full on the next Interest Payment Date as a result of a Cancellation of Interest, we will, promptly thereafter and in any case no later than 15 Business Days (as defined below) prior to the relevant Interest Payment Date, notify the trustee by delivering an Officers' Certificate (as defined in the indenture) to that effect to enable the trustee to notify the holders of the notes.

Dividend Stopper

The indenture provides that, in the event that interest has not been paid as a result of a Cancellation of Interest, we will recommend to our shareholders that they refrain from voting to take and, to the fullest extent permitted by applicable law, will otherwise act to prevent, any of the following actions until interest payments on a subsequent Interest Payment Date, and with respect to the relevant interest period, have been paid in full:

(i) declare, pay or distribute a dividend or make a payment on or in respect of, any of our Junior Securities or Parity Securities; or

(ii) redeem, purchase or otherwise acquire for any consideration any of our or our subsidiaries' Junior Securities or any Parity Securities, other than:

(1) by conversion into, or in exchange for, Junior Securities;

(2) in connection with transactions effected by or for our customers or any of our subsidiaries' customers or in connection with interest, trading or market-making activities in respect of the Junior Securities or Parity Securities;

(3) in connection with the satisfaction of our obligations or the obligations of any of our subsidiaries under any employee benefit plans or similar arrangements with, or for the benefit of employees, officers, directors or consultants;

(4) as a result of a reclassification of our capital stock or the capital stock of any of our subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or

(5) the purchase of the fractional interests in shares of our capital stock or the capital stock of any of our subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

In the event of a breach of any of our obligations under the notes and the indenture (other than a breach that results in an Acceleration Event as described under "—Defaults and Remedies"), a holder of notes may not institute bankruptcy, forceful liquidation (*liquidación forzosa*) and other similar proceedings against us or declare the principal amount of any outstanding notes to be accelerated and become due and payable.

Redemption

Optional Redemption

The notes are perpetual securities and have no fixed maturity date or fixed redemption date.

Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, we may at our option redeem the notes in whole or in part, on the Initial Reset Date or on any Interest Payment Date occurring thereafter, at the Redemption Price (as defined below), solely if

(i) we replace the notes subject to redemption with securities or other instruments that we determine, as evidenced by an Officers' Certificate, qualify as Tier I capital deemed to be of equal or greater quality than that of the redeemed notes, or (ii) we prove to the Superintendency of Banks that our capital position will significantly exceed minimum capital requirements following redemption, *provided*, that in the event that we do not redeem the entire aggregate principal amount of the notes outstanding, following such redemption at least U.S.$ million in aggregate principal amount of the notes must remain outstanding. Prior to the giving of any notice of redemption of the notes hereunder, we will deliver to the trustee an Officers' Certificate confirming that the redemption has been authorized by the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, and, if requested by the trustee, an opinion under New York law that the conditions precedent in the indenture to such redemption have been complied with.

"Redemption Price" means (i) 100% of the then outstanding aggregate principal amount of the notes to be redeemed on a proposed date of redemption (the "Redemption Date"), as set out in the notice of redemption delivered pursuant to "Redemption—Notice of Redemption," *plus* (ii) accrued and unpaid interest, if any, thereon with respect to the then current interest period through the Redemption Date, *plus* (iii) any other amounts accrued and unpaid thereon under the terms of the notes and the indenture, including Additional Amounts, if any.

Early Redemption Upon Tax Event

Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, we may at our option redeem the notes, in whole but not in part, at any time upon the occurrence of a Tax Event by giving notice of redemption pursuant to "Redemption—Notice of Redemption," at the Redemption Price, solely if (i) we (a) replace the notes subject to redemption with securities or other instruments that we determine, as evidenced by an Officers' Certificate, qualify as Tier I capital deemed to be of equal or greater quality than that of the redeemed notes, or (b) prove to the Superintendency of Banks of Panama that our capital position will significantly exceed minimum capital requirements following redemption, (ii) we certify to the paying agent (unless we are acting as sole paying agent, in which case, we will certify directly to the holders of the notes) in writing immediately prior to the giving of such notice that we have or will become obligated to pay Additional Amounts with respect to the notes or would not be entitled to deduct any interest to be paid on the notes (or such deduction is materially limited), in whole or in part, for Panamanian income tax purposes, and (iii) such obligation or circumstance cannot be avoided by taking reasonable measures available to us. Prior to the giving of any notice of redemption of the notes hereunder, we will deliver to the trustee (i) an Officers' Certificate, stating that we are entitled to effect such a redemption pursuant to the terms of the indenture, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption and that such redemption has been authorized by the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required and (ii) a written legal opinion of recognized counsel of the relevant Taxing Jurisdiction experienced in such matters, selected by the Issuer, confirming that there has been a change in or amendment to the laws of the relevant Taxing Jurisdiction that has or will obligate the Issuer to pay Additional Amounts or would not entitle the Issuer to deduct interest (or materially limit such deduction), in whole or in part, for Panamanian income tax purposes, in the manner described above and, if requested by the trustee, an opinion under New York law that the conditions precedent to the indenture to such redemption have been complied with.

"Tax Event" means a determination by the Issuer that, immediately prior to the giving of the notice of redemption pursuant to "Redemption—Notice of Redemption," on the next Interest Payment Date the Issuer would, as a result of changes in, or amendments to, the laws (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction, be obligated to pay Additional Amounts or would not be entitled to claim a deduction, in whole or in part, for Panamanian income tax purposes, in respect of any interest to be paid on the notes (or such deduction is materially limited) and such change in law occurs after the later of the issue date of the notes and the date the Taxing Jurisdiction became a Taxing Jurisdiction.

Early Redemption Upon Regulatory Event or Rating Agency Event

Subject to the prior approval of the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required, at any time on or after the fifth anniversary of the issue date of the notes, we may at our option redeem the notes, in whole but not in part, by giving notice of redemption pursuant to "Redemption—Notice of Redemption," at the Redemption Price, solely if (i) we (a) replace the notes subject to redemption with securities or other instruments that we determine, as evidenced by an Officers' Certificate, qualify as Tier I capital deemed to be of equal or greater quality than that of the redeemed notes, or (b) prove to the Superintendency of Banks that our capital position will significantly exceed minimum capital requirements following redemption, and (ii) we certify to the paying agent (unless we are acting as sole paying agent, in which case, we will certify directly to the holders of the notes) in writing immediately prior to the giving of such notice that a Regulatory Event or a Rating Agency Event has occurred. Prior to the giving of any notice of redemption of the notes hereunder, we will deliver to the trustee an Officers' Certificate, stating that we are entitled to effect such a redemption pursuant to the terms of the indenture, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption and that such redemption has been authorized by the Superintendency of Banks of Panama or any other applicable Panamanian regulator, if such approval is then required and, if requested by the trustee, an opinion under New York law that the conditions precedent to the indenture to such redemption have been complied with. The trustee shall not be charged with knowledge of, or responsible for monitoring, whether a Rating Agency Event or Regulatory Event has occurred.

"Rating Agency Event" means that, any time on or after the issue date of the notes, the Issuer receives confirmation from any Rating Agency that then publishes a rating for the Issuer that an amendment, clarification or change has occurred in the equity credit criteria for securities such as the notes, which amendment, clarification or change results (1) in the length of time for which such current criteria are scheduled to be in effect being shortened with respect to the notes or (2) in a lower equity credit for the notes than the then respective equity credit assigned by such Rating Agency or its predecessor on the issue date of the notes. For purposes of this definition, "Rating Agency" means Standard & Poor's Ratings Services, Fitch Inc. and Moody's Investors Service, Inc. or, if Standard & Poor's Ratings Services, Fitch Inc. or Moody's Investors Service, Inc. or the three of them shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall substitute Standard & Poor's Ratings Services, Fitch Inc. or Moody's Investors Service, Inc. or the three of them, as the case may be.

"Regulatory Event" means that the Issuer (i) is notified in writing by the Superintendency of Banks of Panama that under applicable law, regulations or rules the notes will no longer be classified as Target Capital Instruments, or (ii) determines, in its sole discretion, that under applicable laws, regulations or rules, the notes may no longer be classified as Target Capital Instruments.

Notice of Redemption

If we give a notice of redemption in respect of the notes as described above, then, to the extent funds are legally available on or prior to the applicable Redemption Date, with respect to the notes being redeemed and held by DTC or its nominee, the trustee or a paying agent will pay the applicable redemption amount to DTC. With respect to the notes being redeemed and held in certificated form, the trustee, to the extent funds are legally available, will pay the applicable redemption amount to the holders of the notes upon surrender of any notes in certificated form. Interest payable on or prior to the Redemption Date, if any, will be payable to the holders of the notes on the Regular Record Date. If notice of redemption will have been given and funds deposited with the trustee to pay the applicable redemption amount for the notes, then upon the date of such deposit, all rights of the holders of the notes will cease, except the right of the holders of the notes to receive the applicable redemption amount, but without interest on such redemption amount, and the notes will cease to be outstanding. In the event that any Redemption Date of the notes is not a Business Day, then the applicable redemption amount payable on such date will be paid on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), in each case with the same force and effect as if made on such date. In the event that payment of the applicable redemption amount is improperly withheld or refused and not paid by us (1) interest due on the notes being redeemed will continue to accrue at the then applicable rate, from the Redemption Date originally established by us to the date such applicable redemption amount is actually paid, and (2) the actual payment date will be the Redemption Date for purposes of calculating the applicable redemption amount.

Notice of redemption in respect of the notes as described above will be sent at least 30 days but not more than 60 days prior to a Redemption Date to each holder of the notes in accordance with the procedures described in the indenture and notice will be otherwise given as set forth hereunder. Unless we default in payment of the applicable amounts due on, or in the repayment of, the notes, on and after a Redemption Date, interest due will cease to accrue on the notes.

Payment and Administration of the Notes

Subject to the limitations on interest described on "—Limitation on Interest", the notes will bear interest at the rate specified above. See "—Principal and Interest" above. Subject to the limitations on interest described on "—Limitation on Interest", interest on the notes will be paid on the dates specified above to the person in whose name a note is registered at the close of business on the 5th day preceding the respective Interest Payment Date (such date, a "record date," whether or not a Business Day).

If any Interest Payment Date or Redemption Date for the notes falls on a day that is not a Business Day, the related payment of principal or interest will be made on the next succeeding Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Redemption Date, as the case may be. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months. "Business Day" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States, or Panama City, Panama, generally are authorized or required by law, regulation or executive order to remain closed.

Any interest on the notes which is payable, but is not paid or duly provided for, on any Interest Payment Date will cease to be payable to the holder of the note on the regular record date, and such defaulted interest may be paid by us to the persons in whose name the notes are registered at the close of business on a special record date (as such term is explained in the indenture) fixed by the trustee for such purpose. Except as described in "Book-Entry System, Delivery and Form," we will pay principal and interest by check and may mail interest checks to a holder's registered address.

The principal of and interest on the notes will be payable in U.S. dollars or in such other coin or currency of the United States of America as is legal tender for the payment of public and private debts at the time of payment.

The notes will be issued in minimum denominations of U.S.$200,000 and any integral multiple of U.S.$1,000 in excess thereof and only in the form of beneficial interests in respect of one or more global notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. Beneficial interests in respect of the global notes will be held through financial institutions acting on behalf of the beneficial holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, owners of beneficial interests in respect of the global notes will not be entitled to receive physical delivery of notes in certificated form. See "Book-Entry System, Delivery and Form." No service charge will be made for any registration of, transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Initially, the trustee will act as paying agent and registrar for the notes. The notes may be presented for registration of transfer and exchange at the offices of the registrar for the notes.

A paying agent in Singapore will be appointed upon the issuance of notes in definitive, or certificated, form. See "Book-Entry System, Delivery and Form." In the event that any of the notes are exchanged for definitive notes, announcement of such exchange will be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

Highly Leveraged Transactions; Change of Control

The indenture does not include any debt covenants or other provisions which afford holders of the notes protection in the event of a highly leveraged transaction or a change of control.

Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates, Reserves and Maintenance of Properties

The indenture does not limit our ability to incur additional indebtedness (including additional notes), our ability to grant liens on our assets and properties, our payment of dividends (other than as set forth in "—Limitation on Interest—Dividend Stopper"), our ability to make investments or enter into transactions with our affiliates or require us to create or maintain any reserves.

We may not dispose of and must maintain and keep in good condition any tangible property useful in the conduct of our business, unless such disposal or the discontinuance of its maintenance is, in our judgment, desirable in the conduct of our business and not disadvantageous in any material respect to the holders of the notes.

Covenants

We have agreed to restrictions on our activities for the benefit of holders of the notes. The following restrictions will apply separately to the notes:

Consolidation, Merger, Sale, Conveyance or Spin-Off (Escisión)

We may not consolidate with or merge into any other corporation or convey, transfer or spin-off (*escindir)* our properties and assets substantially as an entirety to any person, unless:

(i) the successor corporation (if not us) must be a corporation organized and existing under the laws of (A) Panama, (B) the United States of America or any state thereof, (C) any country member of the Organisation for Economic Co-operation and Development or the G-20 or (D) any other country having an international investment grade rating from each of Moody's Investors Service, Inc. and S&P Global Ratings at the time of such merger, consolidation, conveyance, transfer or spin-off (*escisión*), and any state thereof (to the extent applicable), and must expressly assume by a supplemental indenture, delivered to and in a form satisfactory to the trustee, the due and punctual payment of the principal of, premium, if any and interest on all the outstanding notes and the performance of every covenant in the indenture on our part to be performed or observed;

(ii) immediately after giving effect to such transaction, no default under the indenture, and no event which, after notice or lapse of time or both would become a default under the indenture, will have occurred and be continuing; and

(iii) we will have delivered to the trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or spin-off (*escisión*) and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the indenture relating to such transaction have been complied with.

In case of any such consolidation, merger, conveyance, transfer or spin-off (*escisión*), such successor corporation will succeed to and be substituted for us as obligor on the notes with the same effect as if it had issued the notes. Upon the assumption of our obligations by any such successor corporation in such circumstances subject to certain exceptions, we will be discharged from all obligations under the notes and the indenture.

For purposes of the above, "G-20" means the Group of Twenty (G-20) Finance Ministers and Central Bank Governors.

Periodic Reports

So long as any notes are outstanding, we will furnish to the trustee:

(i) within 120 days following the end of each of our fiscal years, an English version (or accompanied by an English translation thereof) of (a) our consolidated statements of financial position, income, comprehensive income, changes in equity and cash flows and the related notes thereto for the two most recent fiscal years in accordance with International Financial Reporting Standards ("IFRS") or in accordance with such accounting standards as may from time to time be required for Panamanian banks, together with an audit report thereon by our independent auditors and (b) a "management discussion and analysis of results of operation and financial condition" or other substantially similar report from management providing an overview in reasonable detail of our results of operation and financial condition for the fiscal year; and

(ii) within 60 days following the end of the first three fiscal quarters in each of our fiscal years, an English version (or accompanied by an English translation thereof) of our quarterly reports containing unaudited condensed consolidated statements financial position, income, comprehensive income, changes in equity and cash flows and the related notes thereto as required under IFRS, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with IFRS or in accordance with such accounting standards as may from time to time be required for Panamanian banks.

We will deliver, pay or notify, as applicable, to the *Superintendencia del Mercado de Valores* of Panama (the "SMV"), the *Bolsa de Valores de Panama* (Panama Stock Exchange) (the "BVP") the following: (i) within the three months following the closing of each fiscal year, our audited consolidated financial statements together with our annual report (*informe anual de actualización del emisor*), for the previous fiscal year; (ii) within two months following the closing of each quarter, our unaudited consolidated quarterly financial statements together with our quarterly report (*informe de actualización trimestral*) within the timeframes prescribed by applicable law, for the previous fiscal quarter; (iii) notification of any material events of importance to holders of notes (*hechos relevantes*); (iv) pay the annual supervision fee and any applicable fees and expenses of the BVP and SMV; and (v) pay any applicable fees and expenses to Central Latinoamericana de Valores S.A., in each case, for so long as the notes are registered with the SMV, listed on the BVP, and deposited at Central Latinoamericana de Valores, S.A.

Within 10 days after such filing, we will deliver to the trustee (for the trustee to deliver to each holder of notes) copies (including electronic copies) of each material public filing we make with the BVP and the SMV and/or any other securities exchange or securities regulatory agency or authority; *provided* that we will be deemed to have furnished such reports to the trustee and the holders of the notes if we made such reports publicly available in Spanish on our website.

In addition, we will furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such notes are not freely transferable under the Exchange Act by "persons" who are not "affiliates" under the Securities Act.

In addition, if and so long as the notes are admitted to listing on the Official List of the SGX-ST and the rules of the SGX-ST so require, copies of such reports and information furnished to the trustee will also be made available in Singapore through the SGX-ST.

Listing

The notes are registered with the SMV and listed on the BVP and we will use commercially reasonable efforts to maintain such listing. If we are unable to maintain such listing having used all commercially reasonable efforts or if the maintenance of such listing is determined by us to be unduly burdensome or impractical, we will use commercially reasonable efforts to obtain and maintain a quotation or listing of the notes on such other stock exchange or exchanges or securities market or markets as we decide and will give notice of the identity of such other stock exchange or exchanges or securities market or markets to the trustee, which will provide notice thereof to each of the holders of the notes. We will comply with the reporting and other requirements of Panamanian securities law applicable to companies who have registered their securities with the SMV, as well as the requirements of the BVP, for so long as the notes are registered on the SMV and listed on the BVP.

In the event that the notes are admitted to listing on the Official List of the SGX-ST, we will use our reasonable best efforts to maintain such listing, provided that we may delist the notes from the SGX-ST in accordance with the rules of the SGX-ST and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the SGX-ST or by such other listing authority, stock exchange and/or quotation system as we may decide. Although we cannot assure you as to the liquidity that may result from a listing on the SGX-ST, delisting the notes from the SGX-ST may have a material effect on the ability of holders of the notes to resell the notes in the secondary market.

Defaults and Remedies

Acceleration Event

There will be no right of acceleration in the case of a default in any payment on the notes (whether when due, upon redemption or otherwise) or the performance of any of our other obligations under the indenture or the notes. Acceleration of the notes will occur only upon the occurrence and continuation of an Acceleration Event, in which case the principal of and accrued interest on the notes then outstanding will become immediately due without any declaration or other act on the part of the trustee or any holder. Upon the occurrence of an Acceleration Event, the rights and remedies set forth below under "—Payment Default" and "—Covenant Default Other than a Payment Default" with respect to a Payment Default and Covenant Default shall also apply to an Acceleration Event; provided, however, that notwithstanding anything to the contrary contained therein, the trustee may, but shall not be obligated to, participate in proceedings, exercise remedies, take direction from Holders, or otherwise avail itself of such rights and remedies following an Acceleration Event.

"Acceleration Event" means that the Superintendency of Banks of Panama has entered a decree or similar order for the forceful liquidation (*liquidación forzosa*), voluntary liquidation (*liquidación voluntaria*), banking resolution, winding down or similar action of the Issuer and such decree or similar order has become effective and is no longer subject to challenge, appeal or revision.

Loss Absorption

Pursuant to Panamanian law, following the administrative taking of control of the Issuer by the Superintendency of Banks of Panama and subsequent reorganization of the Issuer ordered by such entity, the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks of Panama may decree that the principal amount and/or interest owed under the notes be used to absorb our losses. The Superintendency of Banks of Panama may take this action in the absence of any Acceleration Event or other similar legal proceeding. The notes will provide for the write-off on a permanent basis, in a minimum amount corresponding to the balance of any losses allocated to the Tier I capital, under applicable laws and regulations of the Superintendency of Banks of Panama, upon the occurrence of any of the following events:

(a) a decree by the reorganizer or the reorganization board (as the case may be) appointed by the Superintendency of Banks of Panama pursuant to a reorganization process of the Issuer ordered by such entity; or

(b) determination by the Superintendency of Banks of Panama of a write-off of the notes.

Upon the exercise of any loss absorption power by the such relevant authority with respect to the notes, the Issuer will provide a written notice thereof to the holders as soon as practicable regarding any write-off in respect of the principal amount of the notes. The Issuer shall also deliver a copy of such notice to the trustee for information purposes.

By its acquisition of the notes, each holder of the notes acknowledges and agrees that, upon the exercise of any write-off, (a) the trustee shall not be required to take any further directions from holders of the notes either under the terms of the notes, the indenture or any relevant supplemental indenture, that such holders may not direct the trustee to take any action whatsoever, including without limitation, any challenge to the exercise of a write-off or a request to call a meeting or take any other action under the terms of the notes, the indenture or any relevant supplemental indenture thereto in connection with the exercise of a write-off, and (b) neither the notes, the indenture or any relevant supplemental indenture thereto shall impose any duties upon the trustee whatsoever with respect to the exercise of any write-off. Notwithstanding the foregoing, if, following the completion of such exercise, any notes remain outstanding (for example, if the exercise of the loss absorption power results in only a partial write-off of the principal of the notes), then the trustee's duties under the indenture will remain applicable with respect to the notes following such completion.

By its acquisition of the notes, each holder of the notes, to the extent permitted by law, waives any and all claims against the trustee for, agrees not to initiate a suit against the trustee in respect of, and agrees that the trustee shall not be liable for, any action that the trustee takes, or abstains from taking, in either case in accordance with the exercise of any write-off with respect to the Notes.

Holders of the notes that acquire such notes in the secondary market and any beneficial owner of notes shall be deemed to acknowledge, agree to be bound by and consent to the same provisions specified in the governing documents to the same extent as the holders and beneficial owners of the notes that acquire the notes upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the notes, including in relation to write-offs.

If the relevant authority exercises the loss absorption power with respect to less than the total outstanding principal amount of the notes, any cancellation or write-off made in respect of the notes pursuant to the loss absorption power will be made on a pro rata basis among the notes.

Payment Default

A "Payment Default" will occur if we fail to pay or set aside for payment the amount due to satisfy any principal, interest or other payment on the notes when due and such failure continues for a period of thirty (30) days; provided, that for the avoidance of doubt, if we have suspended any payment and/or accrual of interest in accordance with "—Limitation on Interest", such interest will not accrue or be due and payable and such nonpayment will not constitute a Payment Default.

If a Payment Default occurs and is continuing, the trustee may, and if directed by holders of at least twenty-five (25%) in principal amount of the outstanding notes shall, to the fullest extent permitted by applicable law, bring an action or institute judicial proceedings to collect the principal, interest or other amount due and unpaid, but holders of notes will not have a right to accelerate or to demand payment of any principal, interest or other amount that has not yet become due and payable; *provided,* that the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holders, unless such holders shall have offered to the trustee indemnity satisfactory to the Trustee.

Covenant Default Other than a Payment Default

If a default in the performance or breach of any covenant, warranty or agreement of the Issuer under the Indenture or the notes (other than a Payment Default) has occurred and is continuing for a period of sixty (60) days after there has been given to the Issuer and the Trustee by the holders of notes of at least twenty-five (25%) in principal amount of the outstanding notes a written notice specifying such default or breach ("Covenant Default") and requiring it to be remedied and such Covenant Default has not been remedied, the Trustee may, and if directed by holders of at least twenty-five (25%) in principal amount of the outstanding notes shall, to the fullest extent permitted by applicable law, bring an action or institute judicial proceedings to protect and enforce the rights of the holders by such appropriate judicial proceedings, whether for the specific enforcement of any covenant, warranty or agreemen therein or to enforce any other proper remedy; *provided,* that the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holders, unless such holders shall have offered to the trustee indemnity satisfactory to the Trustee; and *provided, further,* that neither the Trustee nor the holders will be entitled to institute bankruptcy, forceful liquidation (*liquidación forzosa*) and other similar proceedings against the Issuer or declare the principal amount of any outstanding notes to be accelerated and become due and payable.

Payment of Additional Amounts

All payments in respect of the notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If we are required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, we will (i) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction will equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note, receiving principal or interest payments on the notes or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of the notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the taxes, (2) if the certification, identification or other reporting requirement does not concern nationality, residence or identity with the Taxing Jurisdiction, the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) we have given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its note for payment within 30 days after we have made available a payment of principal or interest, provided that we will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges; or

(vi) any combination of items (i) to (v) above.

Any reference to payments, premium, if any, redemption price, interest or any other amount payable under or with respect to any note, will be deemed also to include any Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. However, no holder of a note will be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

Notwithstanding any other provision to the contrary, we may withhold or deduct any amount pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any treaty, law, regulation or other official guidance enacted by any taxing authority implementing FATCA, or any agreement between us and the United States, or any other jurisdiction or any authority of any of the foregoing implementing FATCA.

"Taxes" means, with respect to payments on the notes, all present and future taxes, levies, imposts, deductions, charges, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied (including interest and penalties with respect thereto) by or on behalf of Panama or any other jurisdiction in which Banco General, S.A. is organized or tax resident, or any jurisdiction from or through which payments are made by us or on our behalf (each, a "Taxing Jurisdiction"), or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

We will provide the trustee with documentation reasonably satisfactory to the trustee evidencing the payment of Taxes deducted or withheld resulting in the payment of Additional Amounts.

We will pay any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by Panama or any jurisdiction in which the Bank is otherwise resident for tax purposes (or in each case, any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution and delivery or the enforcement of the notes or the indenture. In the case of any such stamp tax with respect to enforcement of the indenture, we will pay such tax on a date no later than the date of the indenture's submission before any court or other governmental authority in Panama.

The foregoing provisions will survive any termination or discharge of the indenture (and any transfer of a holder or beneficial owner of its notes). For a discussion of Panamanian withholding taxes applicable to payments under or with respect to the notes, see "Taxation."

Modification of the Indenture

We and the trustee may, without the consent of the holders of the notes, amend, waive or supplement the indenture or the notes for certain specified purposes, including, among other things, curing ambiguities, defects, omissions or inconsistencies, to conform the text of the indenture or the notes to any provision in this "Description of the notes" or making any other provisions with respect to matters or questions arising under the indenture or the notes or making any other change as will not adversely affect the interests of any holder of the notes in any material respect. Without the consent of any holder of the notes, we and the trustee may amend the indenture to evidence the assumption by a successor corporation of our covenants contained in the indenture and the notes, to add to our covenants, or to surrender any right or power conferred by the indenture upon us, for the benefit of the holders of the notes, to establish any form of security as provided for in the indenture and the issuance of and terms thereof, to add to the rights of the holders of the notes, and to evidence and provide for the acceptance of a successor trustee.

In addition, with certain exceptions, we and the trustee may amend, waive or supplement the indenture or the notes with the consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding, but no such modification may be made without the consent of the holder of each outstanding note affected thereby which would:

(i) change the Interest Payment Date on any note;

(ii) reduce the principal amount, the interest rate or the redemption price for the notes;

(iii) waive a redemption payment on any note;

(iv) change the method of computing the amount of principal thereof or interest or premium, if any, payable on any note on any date or change any place of payment where, or the coin or currency in which, any principal or interest or premium thereon are payable;

(v) impair the right of holders to institute suit for the enforcement of any such payment on or after the date when due;

(vi) make a change in the notes that will result in the Preferred Shares ranking in priority of payment ahead of the notes;

(vii) reduce the percentage in aggregate principal amount of the outstanding notes, the consent of whose holders is required for any such amendment, supplement or waiver or the consent of whose holders is required for any waiver of compliance with certain provisions of the indenture or certain defaults thereunder and their consequences provided for in the indenture; or

(viii) modify any of the provisions of certain sections of the indenture with respect to the notes, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding note affected thereby.

The indenture provides that the notes owned by us or any of our affiliates (including, for the avoidance of doubt, Grupo Financiero BG, S.A.) shall be deemed not to be outstanding for, among other purposes, consenting to any such modification.

Any amendment to the terms of the notes and the indenture shall comply with the above listed requirements, as well as with the requirements of the *Acuerdo* 4-2003 of April 11, 2003 of the SMV (as amended or replaced) and any other applicable regulation.

Registrar, Transfer Agent and Paying Agents

The Bank of New York Mellon will act as our agent as registrar for the notes. The Bank of New York Mellon will also act as paying agent for the notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the notes; provided that such additional and successor paying agent are banks or financial institutions outside of Panama. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the notes after the notes have been called for redemption. Application is expected to be made to admit the notes for listing on the Official List of the SGX-ST.

As long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will also maintain a paying agent and a transfer agent in Singapore, where the notes may be presented or surrendered for payment or redemption. In the event that any of the notes are exchanged for definitive notes, announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The Trustee

The Bank of New York Mellon is the trustee under the indenture. The trustee need only perform the duties specifically set forth in the indenture. The indenture does not contain limitations on the rights of the trustee under the indenture, should it become our creditor, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign. The trustee will be a bank or financial institution outside of Panama. The principal Corporate Trust Office of the trustee is at 240 Greenwich Street, Floor 7 East, New York, New York, 10286, United States of America.

Notices

From and after the date the notes are listed on the SGX-ST and so long as (i) a listing on the SGX-ST is maintained and (ii) it is required by the rules of the SGX-ST, all notices to holders of notes will be published through the SGX-ST as required by the rules of such exchange. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Notices to be given to holders of a global note will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the security register maintained by the registrar, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

The Issuer will also comply in form and substance with the notices that must be provided in accordance with Panamanian laws and the regulations of the Superintendency of Banks of Panama, the SMV (so long as the notes are registered with the SMV), the BVP (so long as the notes are registered with the BVP) and Central Latinoamericana de Valores, S.A. (so long as the notes are deposited at Central Latinoamericana de Valores, S.A.).

Governing Law; Submission to Jurisdiction

The notes are being issued as direct, unsecured, junior subordinated obligations and the indenture provides that it and the notes will be governed by, and be construed in accordance with, the laws of the State of New York, without giving effect to the applicable principles of conflict of laws.

We have consented to the jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and to the courts of our own corporate domicile, in respect of actions brought against us as defendants, and have waived any immunity from the jurisdiction of these courts over any suit, action or proceeding that may be brought by the trustee or a holder based upon the indenture and the notes and have waived any right to be sued in any other jurisdiction to which we may be entitled on account of place of residence and domicile. We have appointed Corporation Service Company as our initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought by the trustee or a holder based upon the indenture or the notes against us in any court of the State of New York or any United States Federal court sitting in the Borough of Manhattan, The City of New York and have agreed that such appointment shall be irrevocable so long as any of the notes remain outstanding or until the irrevocable appointment by us of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor.

Currency Rate Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by us under or in connection with the indenture and the notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer by the trustee or any holder of a note, in respect of any sum expressed to be due to it from the Issuer will only constitute a discharge of the Issuer to the extent of the U.S. dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the indenture or any notes, the Issuer will indemnify such recipient against any loss sustained by it as a result, and if the amount of U.S. dollars so purchased is greater than the sum originally due to such recipient, such recipient will, by accepting notes, in the case of a holder of the notes and, by executing the indenture, in the case of the trustee, be deemed to have agreed to repay such excess. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holders of the notes or the trustee, as applicable, to certify in a manner satisfactory to the Issuer (indicating the sources of information used) that it would have suffered a loss had an actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the trustee or any holder of notes and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the indenture or any notes.

BOOK-ENTRY, DELIVERY AND FORM

General

The certificates representing the notes will be issued in fully registered form without interest coupons. Notes sold in reliance on Rule 144A initially will be represented by permanent notes in global, fully registered form without interest coupons (each, a "Restricted Global Note"). The notes sold in offshore transactions in reliance upon Regulation S will initially be represented by permanent notes in global, fully registered form without interest coupons (each, a "Regulation S Global Note," together with the Restricted Global Notes, the "Global Notes"). The Global Notes will be deposited with the trustee as a custodian for DTC, as depositary, and registered in the name of a nominee of such depositary.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the indenture and will bear the applicable legend regarding such restrictions set forth under the heading "Transfer Restrictions—Legends."

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary ("participants") and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the initial purchasers and ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture governing the notes. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest on the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities (as defined below), which it will distribute to its participants and which will be legended as set forth under the heading "Transfer Restrictions."

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a "banking organization" within the meaning of the New York banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants' accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons ("Certificated Securities") only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depositary for the Global Note and we fail to appoint a successor depositary within 90 days of such notice, or
- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges Between Regulation S Notes and Restricted Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which Global Note the transfer is being made, the seller may be required to provide certain written certifications in the form provided in the indenture. A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Restricted Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

TAXATION

This section summarizes the principal Panamanian tax and U.S. federal income tax considerations relating to the acquisition, ownership and disposition of the notes. This summary does not provide a comprehensive description of all tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Panama. There is no convention for the avoidance of double taxation between the United States and Panama currently in force.

This summary is based on the tax laws of Panama and the United States as in effect on the date of this offering memorandum, as well as regulations, rulings, opinions and decisions of Panama and the United States available on or before that date and now in effect. Those laws, regulations, rulings, opinions and decisions are subject to change and changes could apply retroactively, which could affect the continued accuracy of this summary. Prospective purchasers of the notes should consult their own tax advisors as to the Panamanian, U.S. or other tax consequences of the acquisition, ownership and disposition of the notes. They should especially consider how the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws, could apply to them in their particular circumstances.

Panamanian Tax Considerations

The following is a summary of the principal Panamanian income, stamp and certain other tax consequences in Panama resulting from the beneficial ownership and disposition of the notes by certain investors. This summary is based on the Panamanian Tax Code of 1956, as amended, other applicable tax laws, Law Decree No. 1 of 1999 (Restated and amended from time to time) (“Panama Securities Law”) and decrees and regulations promulgated thereunder, interpretative rulings and opinions issued by tax authorities, and judicial decisions, all as in effect on the date hereof. This summary is subject to changes in these laws, decrees, regulations, rulings, opinions and judicial decisions occurring after the date hereof, possibly with retroactive effect.

This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income, stamp and other tax consequences to noteholders. In particular, this summary does not address the tax treatment of investors that may be subject to special tax regimes or tax treaties. This summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of details as, or with attention to, an investor’s specific circumstances that would be provided by an investor’s own tax advisor.

Prospective purchasers of notes are urged to consult their own tax advisors as to the precise Panamanian and other tax consequences of acquiring, owning, and disposing of the notes.

Taxation of Interest

Interest payable on the notes will be exempt from income tax or withholding requirements in Panama, provided that the notes are registered with the SMV and are initially placed on an exchange or through an organized market. The notes are registered with the SMV and will be placed through the PSE. Accordingly, interest payments made on the notes will be exempt from income tax or withholding requirements in Panama; provided, however, that there can be no assurance that these tax benefits will not be changed or revoked by the Government in the future. Interest payments on Notes that are not initially placed on the PSE are subject to a 5% income tax, which would have to be withheld by us.

Taxation of Dispositions

Upon registration of the notes with the SMV, any capital gains realized by a noteholder on the sale or other disposition of notes will be exempt from income tax in Panama, provided that the sale or disposition of the notes is made through an exchange or other organized market in Panama or outside of Panama. The listing and negotiation of the notes has been authorized by the PSE. Thus, any gains realized on the sale of the notes on this exchange will be exempt from income tax in Panama.

If the notes are not sold through a securities exchange or another organized market, pursuant to article 701(e) of the Panamanian Tax Code of 1956, as amended, which is regulated by Executive Decree No. 170 of October 27 of 1993 (as amended by Executive Decree No. 135 of February 6, 2012), and article 334 of the Panama Security Law (Decree Law 1 of 1999) (i) the seller will be subject to income tax in Panama on capital gains realized on the sale of the notes calculated at a fixed rate of ten percent (10%) on the gain realized, and; (ii) the buyer will be obligated to withhold from the seller an amount equal to five percent (5%) of the aggregate proceeds of the sale, as an advance in respect of the capital gains income tax payable by the seller, and the buyer will be required to send to the fiscal authorities the withheld amount within ten (10) business days following the date of withholding; (iii) the seller will have the option of considering the amount withheld by the buyer as definitive payment in full of the seller's obligation to pay income tax on capital gains; and (iv) in the event the amount withheld by the buyer is greater than the amount of capital gains income tax payable by the seller, that is, exceeding ten percent (10%) of the capital gain actually realized on the sale, the seller may file a sworn declaration before the tax authorities claiming a tax credit or refund in respect of the amounts paid in excess.

The capital gains income tax provisions of the Panamanian Tax Code of 1956 and its regulations do not provide an exemption from income tax in Panama with respect to capital gains on sales of notes outside Panama by holders not resident in Panama. Notwithstanding Law No. 18 of June 19, 2006, based on certain opinions issued by the Dirección General de Ingresos, or the Tax Authority, any capital gains realized by a holder of notes who is not resident in Panama on the sale or other disposition of Notes that is executed and effected outside Panama, and which payment thereof is made outside of Panama, will not be deemed Panamanian source income and the inference from the foregoing would, therefore, be that the income realized from said sale would not be subject to income tax in Panama. However, we have been advised by our Panamanian counsel that the Tax Opinions are not legally binding interpretations of the 2006 Tax Law.

Stamp and Other Taxes

Upon registration of the notes with the SMV, the notes will not be subject to stamp, registration or similar taxes.

The Panama Securities Law provides that securities registered with the SMV, as well as all contracts, agreements and documents related to their issuance, subscription, sale, payment, transfer, exchange or redemption are exempt from the payment of stamp taxes. Such exemption is also applicable if such securities or documents are introduced as evidence in the Panamanian courts for the enforcement thereof.

Foreign Investors

A person domiciled outside of Panama is not required to file a tax return in Panama, solely by reason of his or her investment in the notes, provided that gains realized on the sale and disposition of the notes are exempt from income tax as indicated above.

U.S. Federal Income Tax Considerations

The following summary is a general discussion of certain U.S. federal income tax considerations to U.S. Holders (as defined below) of acquiring, holding and disposing of the notes issued in this offering. The following summary applies only to U.S. Holders that hold the notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). The discussion also does not address any aspect of U.S. federal taxation other than U.S. federal income taxation (such as the estate and gift tax or the Medicare tax on net investment income). This summary does not address all tax considerations applicable to investors that own (directly or by attribution) 10 percent or more of the Issuer's stock (by voting power or value), nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special tax treatment (such as banks and other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, certain former United States citizens or long-term residents, accrual method taxpayers subject to special tax accounting rules as a result of their use of certain financial statements, investors liable for the alternative minimum tax, certain U.S. expatriates, individual retirement accounts and other tax deferred accounts, tax exempt organizations, dealers in securities or currencies, securities traders that elect mark to market tax accounting, investors that will hold the Note as part of constructive sales, straddles, hedging, integrated or conversion transactions for U.S. federal income tax purposes or investors whose "functional currency" is not the U.S. dollar).

The following summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations issued thereunder, published rulings of the U.S. Internal Revenue Service (the "IRS") and judicial and administrative interpretations thereof, in each case as available on the date of this offering memorandum. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

For purposes of the following summary, a "U.S. Holder" is a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons (as defined in the Code) have the authority to control all of the substantial decisions of such trust.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a note, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. An entity or an arrangement treated as a partnership considering an investment in the notes should consult its own tax advisers about the U.S. federal income tax consequences of an investment in the notes.

The Issuer expects, and other than with respect to the discussion below under "– Passive Foreign Investment Company," this discussion assumes, that the Issuer will not be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes for the current taxable year or in the foreseeable future.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, NON-U.S. AND ANY OTHER TAX CONSEQUENCES TO IT OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

Characterization of the notes

The Issuer, to the extent required to do so, intends to treat the notes as equity for U.S. federal income tax purposes. However, no assurance can be given that the IRS will not assert that the notes should be treated as indebtedness for U.S. federal income tax purposes. If the notes were treated as indebtedness for U.S. federal income tax purposes, the timing and character of income, gain and loss recognized by a U.S. Holder could differ from the description below. The following discussion assumes the notes will be equity for U.S. federal income tax purposes and by acquiring the notes, U.S Holders agree to treat the notes as equity for U.S. federal income tax purposes. As a result of this assumption, the following discussion treats each payment under the notes that is referred to herein as "interest" (including Additional Amounts, if any) as a distribution by the Issuer with respect to an equity interest, and each reference in the following discussion to dividends refers to any such payment under the notes.

Taxation of distributions

The gross amount of any payments of interest on the notes (and any Additional Amounts paid by the Issuer) to a U.S. Holder (including any foreign tax withheld or deducted, if any) will be taxable as a foreign source dividend to the extent that such amounts are paid out of the Issuer's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Such dividends generally will be taxed to a U.S. Holder as ordinary dividend income. The Issuer does not expect to calculate its earnings and profits in accordance with U.S. federal income tax principles, and, accordingly, U.S. Holders should expect that a distribution generally will be a dividend for these purposes. Dividends will not be eligible for the preferential dividend rate currently applicable to certain "qualified dividend income" received by noncorporate shareholders nor will they be eligible for the dividends received deduction available to corporate shareholders with respect to dividends they receive from certain corporations.

Taxation of capital gains

Upon the sale, exchange, redemption, retirement or other taxable disposition of a note, a U.S. Holder generally will recognize U.S. source capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized in consideration for the disposition of the note and the U.S. Holder's tax basis in the note. Such gain or loss generally will be long-term capital gain or loss if the note was held for more than one year. The deductibility of capital losses is subject to certain limitations. If Panamanian income tax is withheld on the sale or other disposition of the notes, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of the Panamanian income tax. If Panamanian tax is imposed on such gain, the U.S. Holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign source income of the appropriate type in respect of which the credit may be used. Alternatively, the U.S. Holder may take a deduction for the Panamanian income tax if it does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year.

Passive Foreign Investment Company

Based on the Issuer's audited financial statements and current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market data, the Issuer does not expect to be a PFIC for the current taxable year or in the foreseeable future. The Issuer's expectation that it will not be a PFIC is based on certain Proposed Treasury Regulations dealing with non-U.S. banks. These regulations have a proposed retroactive effective date but are not final and are subject to modification. If they are finalized in a modified form, that may impact the Issuer's potential status as a PFIC.

If the Issuer were a PFIC for any taxable year during which a U.S. Holder holds notes and does not make a mark-to-market election, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the notes will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over a U.S. Holder's holding period for the notes;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Issuer was a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable, for that year and an amount equal to the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution in which the Issuer was a PFIC cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the notes cannot be treated as capital, even if a U.S. Holder holds the notes as capital assets. A U.S. Holder will be required to report additional information with its U.S. federal income tax return if such U.S. Holder holds the notes in any year in which the Issuer is a PFIC.

If the Issuer is a PFIC and if any of its subsidiaries or other entities in which it, directly or indirectly, owns equity are PFICs (collectively, "Lower-tier PFICs"), a U.S. Holder will be deemed to own its proportionate share of any Lower-tier PFICs and will be subject to U.S. federal income tax according to the PFIC rules described in the paragraph above on (i) certain distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder owned such shares directly, even though it has not received the proceeds of those distributions or dispositions directly. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of the Issuer's subsidiaries.

Investors in certain PFICs may be able to make certain elections, which, if made, generally would result in different treatment from the general treatment for PFICs described above. For example, U.S. Holders may be able to make a mark-to-market election with respect to the Issuer; however, even if a U.S. Holder were to do so, the Issuer's structure may not prevent the U.S. Holder from being subject to the general tax treatment for PFICs under the excess distribution regime described above with respect to some or all of its income and gain from an investment in the notes.

U.S. Holders are urged to consult their own tax advisor concerning the U.S. federal income tax consequences of holding the notes including the availability and impact of making certain elections if the Issuer is a PFIC in any taxable year during their holding period.

Backup withholding and information reporting

Information returns may be filed with the IRS in connection with payments of interest in respect of the notes and the proceeds from sale, exchange or disposition of the notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their advisers regarding any tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the notes. Failure to comply with certain reporting or filing obligations could result in the imposition of substantial penalties.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences in their particular situations.

PLAN OF DISTRIBUTION

BofA Securities, Inc., J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC are acting as the initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
BofA Securities, Inc.	
J.P. Morgan Securities LLC	
Goldman Sachs & Co. LLC	
Total	**U.S.$**

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers may offer and sell the notes through certain of their affiliates.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The Issuer intends to offer the notes to, among others, its existing shareholders. GFBG has stated that it intends to purchase approximately U.S.$ of the notes.

Commissions and Discounts

The initial purchasers have advised us that the initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws, except in Panama where the notes have been registered with the SMV. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The notes are a new issue of securities with no established trading market. Although we expect to apply to have the notes listed on the SGX-ST and on the PSE, we cannot assure you that an active market for the notes will develop. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

Panamanian Settlement Process

We have appointed BG Investment, Co., Inc., as the broker-dealer house of the offering of the notes through the PSE and BofA Securities, Inc., as representative of the initial purchasers, has appointed BG Valores, S.A. as the broker-dealer house of the initial purchasers for the purchase of the notes through the PSE. BG Investment, Co., Inc. has a trading post at the PSE and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolutions CNV-322-00 of November 24, 2000, while BG Valores, S.A. has a trading post at the PSE and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolution CNV -376-00 of November 22, 2000.

The offices of BG Investment, Co., Inc. are located at Calle Aquilino de la Guardia y Avenida 5B Sur, Panama City, Republic of Panama, its telephone number is (507) 303-5001 and its fax number is (507) 215-8160. The offices of BG Valores, S.A. are located at Plaza BG, Calle Aquilino de la Guardia y Avenida 5B Sur and Calle 50, Panama, Republic of Panama, its telephone number is (507) 205-1755 and its fax number is (507) 205-1712. BG Investment, Co., Inc. will enter into a broker-dealer house agreement with us to carry out the sale of the notes through the PSE. Among the services to be rendered in its role as placement agent of the notes, BG Investment, Co., Inc. may:

- carry out the offers of the notes through the PSE pursuant to the rules of the PSE; and
- deliver at the disposal of the broker-dealer houses, brokers, investments advisors and the public in general, this offering memorandum and any amendments to it.

As set forth in the Primary Market Manual Proceeding of the PSE, as amended, the public auction process described below is applicable to the notes. The Panamanian public auction procedures applicable to the notes could be either those applicable to the "first session of the primary market," which is a session solely available on the PSE for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, including, among others, this offering of the notes and which takes place between 8:00 a.m. and up to 9:00 a.m. (Panama time) or the regular trading session that takes place between 10:00 a.m. and up to 3:00 p.m. (Panama time).

At the chosen trading session on the date in which we offer the notes through the PSE, a trading session in respect of the notes will be opened, on the one hand, for each person registered as a member of the PSE (each, a "Local Broker") as potential purchasers of the notes, and, on the other hand, for us as seller of the Notes (the "Panamanian Public Auction"). During this period, any Local Broker will be permitted to submit a bid to purchase the notes and we will be permitted to present our offer to sell the Notes on the PSE. Any such bids to purchase the notes are required to be for the full principal amount of the offering as they will be made as a "whole or none" order (WON) under PSE regulation. During the applicable trading session on the same date, the initial purchasers will submit their bid to purchase the totality of the notes through BG Valores S.A.

In the purchase agreement relating to the notes, we have also agreed that if the representative of the initial purchasers has not placed and secured the highest (and in case of equality, earliest) bid price for the notes, we will withdraw any offer to sell the notes on the PSE and any such offer will immediately be withdrawn and cancelled and be of no further force or effect. See "Risk Factors—Risks relating to the Notes—The public auction at the Panama Stock Exchange will allow any investor to submit a bid for the notes and the bidder submitting the highest, and in case of equality the earliest, bid would have the right to purchase the notes. If a bidder different from the Initial Purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that the Issuer could face under the purchase agreement." If a bidder other than the representatives of the initial purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that we could face under the purchase agreement.

At any time from or after the commencement of the Panamanian Public Auction and or prior to the settlement of the notes, if the initial purchasers determine, in accordance with the terms of the purchase agreement, that any of the conditions has not been satisfied or waived or that a termination event has occurred or if we and the initial purchasers mutually agree, the initial purchasers have the right to require us to repurchase the notes purchased on the PSE on the settlement date, by delivering a notice to us, and in that event, we will repurchase on the settlement date the notes sold to the representative of the initial purchasers on the PSE. The repurchase price will be equal to the price payable to us for the notes (including any premium, discount and/or prepaid interest) and no make-whole premium or any other amounts will be payable in connection therewith. Our obligation to pay the repurchase price for the notes acquired by the initial purchaser will be set off against the initial purchaser's obligation to pay the purchase price for those notes.

International Settlement

The settlement of the Notes will take place outside of the Panamanian trading market and LatinClear system as set out in the purchase agreement. We expect that delivery of the notes will be made to investors on or about , 2021, which will be the business day following the date of this offering memorandum (such settlement being referred to as "T+ "). Under Rule 15c6-1, under the Exchange Act, trades in the secondary market are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+ , to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors. The settlement procedures associated with the offering of the notes on the Panama Stock Exchange are complex, and they are not within our ability to control or direct. Any delays involving these Panamanian settlement procedures may cause correlative delays in respect of the settlement and delivery of the notes on the system of DTC, with the result that the actual settlement and delivery of the notes may not be completed on the issue date and investors should consider the risks of trading their notes in the secondary market prior to the issue date as settlement is conditioned on the Initial Purchasers having the winning bid on the Panama Stock Exchange and even if the initial purchasers do have the winning bid, settlement delays may result in delivery to investors of notes on the business day following the intended settlement date.

No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without first obtaining the prior written consent of BofA Securities, Inc. and J.P. Morgan Securities LLC, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any debt securities issued by us and having a tenor of more than one year, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the initial purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

This offering memorandum is not a prospectus for the purposes of the EU Prospectus Regulation. The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; or (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by the EU PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the EU PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum has not been approved by an authorized person for the purposes of Section 21 of the FSMA. This offering memorandum is for distribution only to persons who: (i) are outside the UK; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Brazil

The notes have not been and will not be issued nor placed, distributed, offered, or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the *Comissão de Valores Mobiliários* in Brazil. Documents relating to the offering of the notes, as well as information contained therein, may not be distributed in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offering for subscription or sale of the notes in Brazil.

Notice to Prospective Investors in Chile

The offer of the notes is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Mexico

The notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), and may not be offered or sold publicly or otherwise be the subject of brokerage activities in Mexico, except pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*).

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). The notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Act and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private, among others, if it is directed exclusively to institutional investors.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. As such, each investor should note that the notes may not be offered or sold, or made the subject of an invitation for subscription or purchase, nor may the offering memorandum or any of the documents or materials in connection with the offer or sale or invitation for subscription of any notes be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA (as defined below), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA); (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA; (3) where no consideration is or will be given for the transfer; (4) where the transfer is by operation of law; (5) as specified in Section 276(7) of the SFA; or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("Regulation 32").

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA); (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets); (3) where no consideration is or will be given for the transfer; (4) where the transfer is by operation of law; (5) as specified in Section 276(7) of the SFA; or (6) as specified in Regulation 32.

Solely for the purposes of its obligations pursuant to sections 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A) of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment).

Any reference to the "SFA" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and any reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

ESTIMATED EXPENSES OF THE OFFERING

The local Panamanian regulations and the SMV guidelines require that we disclose an estimate of the total expenses and costs to this offering which will be deducted from the proceeds of the notes.

The total estimated public price below is an estimate and as such is not indicative of the actual price of the issue. We have estimated the expenses in connection with the issuance of our notes in this offering based on a total estimated public price of U.S.$, as follows:

Fees *(i)*	**Recurrence**	**Approximate Cost in U.S.$**	**%**
Structuring and Placement	One time	1,500,000.00	0.3000%
Legal expenses	One time	538,000.00	0.1076%
Indenture Trustee	Annual	6,500.00	0.0013%
Rating Agencies upfront *(ii)*	One time	437,500.00	0.0875%
Panama Stock Exchange			
Negotiation Fee	One time	181,866.32	0.0364%
Listing and Registration Fee	One time	600.00	0.0001%
Maintenance Fee	Annual	150.00	0.00003%
Latin Clear			
Registration Fee	One time	44,137.50	0.0088%
Maintenance Fee	Annual	400.00	0.00008%
SMV			
Registration Fee for a Public Offer	One time	100,000.00	0.0200%
Supervision Fee	Annual	20,000.00	0.0040%
Total		**2,802,103.82**	**0.5604%**

(i) All figures based on a U.S.$500,000,000 notes issuance
(ii) Based on the selection of two international rating agencies

TRANSFER RESTRICTIONS

General

The notes have not been registered, and will not be registered, under the U.S. Securities Act or any U.S. state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us or any of our subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture, including with respect to notes sold or transferred pursuant to Rule 144A or Regulation S;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Restricted Global Note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A)(I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(A)(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON, EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE. THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Clifford Chance US LLP, our U.S. counsel, and for the initial purchasers by Milbank LLP, U.S. counsel to the initial purchasers.

Certain matters of Panamanian law relating to the notes will be passed upon for us by Arias, Fábrega & Fábrega, our Panamanian counsel, and for the initial purchasers by Alemán, Cordero, Galindo & Lee, Panamanian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco General, S.A. and subsidiaries as of December 31, 2020 and 2019 and for the two years then ended December 31, 2020; as well as the consolidated financial statements as of December 31, 2019 and 2018 and for the two years then ended December 31, 2019, included herein, have been audited by KPMG, independent auditors, as stated in their reports appearing herein.

ANNEX I: GLOSSARY OF DEFINITIONS

See "Description of the Notes—Definitions" for additional definitions applicable to such section.

"ALCO" means Assets and Liabilities Committee.

"APC" means *Asociacion Panameña de Crédito*.

"ASSA Seguros" means ASSA Compañía de Seguros, S.A.

"ABS" means asset-backed securities

"AML" means anti-money laundering.

"Banco General" means Banco General, S.A.

"Bank" means Banco General, S.A.

"BC" means Banco Continental de Panama S.A.

"BG Trust" means BG Trust, Inc.

"BGO" means Banco General (Overseas), Inc.

"BNP" means National Bank of Panama (*Banco Nacional de Panamá*).

"BVP" means Panama's Stock Exchange (*Bolsa de Valores de Panamá*).

"BGCR" means Banco General (Costa Rica), S.A.

"BG Investment" means BG lnvestment Co., Inc.

"BG Valores" means BG Valores, S.A.

"CAGR" means compounded annual growth rates.

"CBCR" means Central Bank of Costa Rica.

"Certified Securities" means a global note fully exchangeable for certificated notes in registered form without interest coupons

"Clearstream" means Clearstream Banking, société anonyme.

"CONASSIF" means National Council for Supervision of the Financial System.

"COVID-19" means the novel coronavirus.

"CMOs" means collateralized mortgage obligations.

"Commercial RE" means Commercial RE Overseas, Ltd.

"CSR" means corporate social responsibility.

"DFSA" means Dubai Financial Services Authority.

"DPR" means diversified payment rights program.

"DTC" means the Depository Trust Company.

"EGI" means Empresa General de Inversiones, S.A.

"EGS" means Empresa General de Seguros.

"ESMS" means Environmental & Social Risk Management System.

"Euroclear" means Euroclear Bank SA/NV.

"IASB" means International Accounting Standard Board.

"IBA" means ICE Benchmark Administration Limited.

"IBC" means the International Banking Centre.

"IBS" means the International Banking System.

"IFC" means International Finance Corporation.

"IFRS" means International Financial Reporting Standards.

"Issuer" means Banco General, S.A.

"Istmeña" means Compañía Istmeña de Seguros.

"IT" means Information Technology.

"Finanzas Generales" means Finanzas Generales, S.A.

"FCA" means United Kingdom Financial Conduct Authority.

"FGI" means Fondo General de Inversiones, S.A.

"FGRT" means Fondo General de Retorno Total, S.A.

"FHLMC" means Federal Home Loan Mortgage Association.

"Fitch Ratings" means Fitch Ratings, Inc.

"FNMA" means Federal National Mortgage Association.

"GFBG" means Grupo Financiero BG, S.A.

"GNMA" means Government National Mortgage Association.

"Global Forum" means OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

"GS" means General de Seguros, S.A.

"Law No 23" means Law No. 23 of April 27, 2015, as amended.

"Latinclear" means Central Latinoamericana de Valores S.A.

"LIBOR" means London InterBank Offered Rate.

"MBS" means mortgage-backed securities.

"Moody's" means Moody's Investor Services, Inc.

"NBS" means the National Banking System.

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"NI 33-105" means National Instrument 33-105 *Underwriting Conflicts*.

"OECD" means Organization for Economic Cooperation and Development.

"OLCBCR" means Organic Law of the Central Bank of Costa Rica.

"OLNBS" means Organic Law of the National Banking System.

"ORM" means Operational Risk Model.

"Overseas Capital Markets" means Overseas Capital Markets, Inc.

"Panama" means the Republic of Panama.

"Panama Securities Law" means Law Decree No. 1 of 1999 (Restated and amended from time to time).

"Preferred Program" means preferential interest program.

"ProFuturo" means ProFuturo Administradora de Fondos de Pensiones y Cesantia, S.A.

"Public Registry" means Panama Public Registry (*Registro Público de Panamá*).

"RLSM" means Regulating Law of Securities Market.

"ROAA" means Return on Average Assets.

"ROAE" means Return on Average Equity.

"**SBP**" means the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*).

"**SMV**" means the Panamanian Superintendency of Capital Market (*Superintendencia del Mercado de Valores de Panamá*).

"Special Mention Modified Loans" means SBP new category of loans known as modified loans.

"SUGEF" means General Superintendent of Financial Institutions.

"S&P" means Standard & Poor's.

"SPC" means special purpose corporation.

"UAF" means Financial Analysis Unit.

"UNEP FI" means United Nations Environment Program Finance Initiative.

ANNEX II: RATINGS

INDEX TO FINANCIAL STATEMENTS

BANCO GENERAL, S. A.
AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report)

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

Table of Contents

KPMG
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Banco General, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IABS).

Basis for Opinion

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

Key Audit Matters

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

Allowance for Loan Losses
See Notes 3(h), 7 and 32 to the consolidated financial statements

Key audit matter

The allowance for loan losses at amortized cost is considered one of the most significant issues since its methodology requires the application of judgments and the use of assumptions, including the impact of the Covid-19 pandemic, by the administration in the construction of the expected credit loss ("ECL") model. The loan portfolio at amortized cost represents 60% of the Bank's total assets as of December 31, 2020. The allowance for loan losses at amortized cost comprises the ECL as a result of the loan rating model and the mechanism used to determine the loans' probability of default according to the impairment stage assigned.

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

How the key matter was addressed in our audit

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

- Evaluating certain key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies.

- The judgments applied by the Bank on assumptions related to the current conditions of the economy were evaluated, including the impact of Covid-19 in these judgments and the considerations on the prospective analysis that may change the level of ECL, based on our experience and industry knowledge.

- For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, collateral values as determined by qualified appraisers that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the credit risk rating assigned by the Bank's risk officers.

- Assessing the Bank's applied methodologies in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance.

- Performing an independent assessment of the inputs used in the Consumer and Corporate Banking methodologies and recalculating according to the estimation model of ECL for both methodologies.

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

Key audit matter	How the key matter was addressed in our audit
As of December 31, 2020, investment securities at fair value through profit or loss (FVTPL) and investment securities measured at fair value through other comprehensive income (FVOCI) represent together 30% of total assets. The Bank uses external price vendors that provide pricing for most of these investments and uses internal valuation methodologies for those securities for which pricing is not provided by external price vendors. The fair value of investments determined through internal valuation models involve judgments made by the Bank and the use of some inputs that are not readily available in active markets. Furthermore, the valuation of investments, for which prices are provided by an external price vendor, require additional effort from auditors to assert the reasonableness of their valuation. The judgment involved in estimating the fair value of an investment when some valuation inputs are not observable (i.e. investments categorized as Level 3 in the fair value hierarchy), are significant. As of December 31, 2020, investments classified as level 3 represented 18% of total investments measured at fair value and 5% of total assets.	Our audit procedures, considering the use of specialists, included: • Evaluation certain of the key controls in the process of identification, measurement and management of valuation risk, and the evaluation of the methodologies, inputs and assumptions used by the Bank in determining fair values. • Testing valuation of instruments categorized as level 1, by comparing the fair value applied by the Bank with public and observable market data. • Evaluation of the fair value models and the inputs used in the valuation of level 2 instruments by comparing observable market inputs with independent sources and external market data available. • For a sample of investments with significant unobservable valuation inputs (level 3), assessing the models used and approved by the Bank's Corporate Governance and independent calculation of prices for such investments.

Responsibilities of Management and Those Charged with Governance in relation to the Consolidated Financial Statements

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

In the preparation of the consolidated financial statements, management is responsible for assessing the Bank´s capacity to continue as a going concern, disclosing, as appropriate, issues related to business as a going concern and using the basis of accounting for going concern, unless management has the intention to liquidate the Bank or cease operations, or there is no other realistic alternative.

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

Auditor's Responsibilities in Relation to the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements, are free of material misstatements, due to fraud or error, and issue an audit report that includes our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted according to ISAs will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or aggregated, may be reasonably expected to influence the economic decisions of users based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the consolidated financial statements, due to fraud or error, we design and apply audit procedures to respond to those risks, and we obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that resulting from error, since fraud may imply collusion, forgery, deliberate omissions, intentional erroneous comments, or override of internal control.

- We obtain an understanding of relevant internal control for the audit to design adequate audit procedures to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We conclude on the management's appropriate use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report about the corresponding disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the group's audit. We are solely responsible for our audit opinion.

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

We also provided to those charged with corporate governance a declaration of compliance with the relevant ethical requirements regarding independence and we communicated all relations and other matters that we consider may reasonably affect our independence and, when applicable, the corresponding safeguards.

Among the matters communicated to those charged with corporate governance, we determined those that have been the most significant throughout the audit of the consolidated financial statements of the current period and are, consequently, the key audit matters. We describe these matters in our audit report unless legal dispositions or requirements prohibit the public disclosure of the issue, or when extremely infrequent circumstances, we determine that a matter should not be communicated in our report because it could reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of such communication.

The partner in charge of the audit who has prepared this independent auditors' report is Jorge E. Castrellón.

KPMG

Panama, Republic of Panama
February 11, 2021

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

Consolidated Statement of Financial Position

December 31, 2020 and 2019

(Expressed in Balboas)

Assets	**Note**	**2020**	**2019**
Cash and cash items		157,149,834	206,185,414
Deposits with banks:			
Local demand deposits		143,149,342	141,796,040
Foreign demand deposits		300,914,192	190,730,409
Local time deposits		199,371,557	191,762,241
Accrued interest receivable		2,602,452	2,931,780
Total deposits with banks	5	646,037,543	527,220,470
Total cash, cash items and deposits with banks		803,187,377	733,405,884
Investments and other financial assets at FVTPL		1,148,054,620	679,234,360
Investments and other financial assets at FVOCI		4,423,314,046	4,294,206,345
Investments and other financial at amortized cost, net		53,415,461	0
Accrued interest receivable		388	0
Investments and other financial assets, net	6	5,624,784,515	4,973,440,705
Loans	7	11,444,423,336	12,083,688,894
Accrued interest receivable		152,889,983	45,706,607
Less:			
Loan losses allowance		383,795,407	165,158,800
Unearned commissions		37,045,371	43,302,329
Loans, net		11,176,472,541	11,920,934,372
Investments in associates	8	21,685,950	24,881,185
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	9	236,834,035	241,433,458
Right-of-Use Assets, net	10	18,464,615	20,173,849
Customer liabilities under acceptances		12,536,897	15,956,566
Investments and other financial assets sold pending settlement	11	218,340,211	435,826,300
Deferred tax assets	26	93,796,753	40,356,757
Goodwill and other intangible assets, net	12	54,271,429	57,221,325
Foreclosed assets, net	13	26,738,930	22,260,926
Other assets		329,669,702	237,829,761
Total assets		18,616,782,955	18,723,721,088

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

Liabilities and Equity	Note	2020	2019
Liabilities:			
Deposits:			
Local:			
Demand		2,895,449,425	2,482,028,648
Savings		4,269,350,963	3,474,838,957
Time:			
Customers		5,724,270,786	5,869,300,607
Banks		6,287,808	98,725,592
Foreign:			
Demand		83,392,248	126,234,642
Savings		200,693,554	123,406,270
Time:			
Customers		270,091,681	280,733,231
Accrued interest payable		102,336,968	112,773,741
Total deposits		13,551,873,433	12,568,041,688
Financing:			
Securities sold under repurchase agreements	14	0	403,947,411
Borrowings and debt securities issued, net	16	1,076,468,583	1,914,581,302
Perpetual bonds	17	217,680,000	217,680,000
Accrued interest payable		12,340,459	15,523,759
Total financing		1,306,489,042	2,551,732,472
Lease Liabilities	18	19,696,316	20,869,766
Acceptances outstanding		12,536,897	15,956,566
Investments and other financial assets purchased pending settlement	11	730,935,003	661,020,353
Reserves of insurance operations	19	18,580,951	19,023,983
Deferred tax liabilities	26	3,047,343	4,174,111
Other liabilities	15	340,413,236	400,163,248
Total liabilities		15,983,572,221	16,240,982,187
Equity:	22		
Common shares		500,000,000	500,000,000
Legal reserves		199,242,854	189,514,475
Capital reserves		160,987,401	90,124,875
Retained earnings		1,772,980,479	1,703,099,551
Total equity		2,633,210,734	2,482,738,901
Commitments and contingencies	27		
Total liabilities and equity		18,616,782,955	18,723,721,088

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

Consolidated Statement of Income

Year ended December 31, 2020 and 2019

(Expressed in Balboas)

	Note	2020	2019
Interest and commission income:			
Interest:			
Loans		797,753,954	841,043,238
Deposits with banks		7,098,601	9,325,903
Investments and other financial assets		160,067,401	189,475,461
Commissions on loans		29,551,361	46,300,912
Total interest and commission income		994,471,317	1,086,145,514
Interest expenses:			
Deposits		258,142,100	262,369,392
Financing	30	73,590,209	124,594,527
Total interest expenses		331,732,309	386,963,919
Net interest and commission income		662,739,008	699,181,595
Provision for loan losses, net	7	280,946,792	41,953,835
Provision for impairment of investments, net	6	3,773,350	1,141,243
(Reversal) provision for foreclosed assets, net	13	(727,848)	1,827,973
Net interest and commission income, after provisions		378,746,714	654,258,544
Other income (expenses):			
Fees and other commissions	24 and 29	204,466,234	229,220,594
Insurance premiums, net		35,593,118	33,930,416
Gain on financial instruments, net	6 and 23	19,251,565	15,347,617
Other income, net	24	30,438,561	28,607,715
Commission expenses and other expenses	12 and 18	(78,686,190)	(94,963,682)
Total other income, net		211,063,288	212,142,660
General and administrative expenses:			
Salaries and other personnel expenses	25	166,277,636	178,976,862
Depreciation and amortization	9 and 10	28,516,799	28,600,218
Properties, furniture and equipment expenses		22,727,469	22,315,771
Other expenses		72,717,088	78,281,956
Total general and administrative expenses		290,238,992	308,174,807
Net operating income		299,571,010	558,226,397
Equity participation in associates	8	7,329,335	10,897,963
Net income before tax		306,900,345	569,124,360
Income tax, estimated		40,307,387	66,402,445
Income tax, deferred		(54,567,490)	(1,544,405)
Income tax, net	26	(14,260,103)	64,858,040
Net income		321,160,448	504,266,320

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020 and 2019

(Expressed in Balboas)

	2020	2019
Net income	321,160,448	504,266,320
Other comprehensive income (expense):		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	30,407,033	74,232,682
Transfer to profit or loss for sales of investments at FVOCI	30,148,087	15,218,788
Valuation of investment credit risk at FVOCI	3,756,963	1,142,551
Valuation of hedging instruments	6,550,443	(5,111,190)
Total other comprehensive income, net	70,862,526	85,482,831
Total comprehensive income	392,022,974	589,749,151

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2020 and 2019

(Expressed in Balboas)

			Capital reserves					
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Valuation of hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2018	500,000,000	182,098,343	1,000,000	5,678,583	(2,036,539)	4,642,044	1,498,282,142	2,185,022,529
Net income	0	0	0	0	0	0	504,266,320	504,266,320
Other comprehensive income (expense):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	74,232,682	0	74,232,682	0	74,232,682
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	15,218,788	0	15,218,788	0	15,218,788
Valuation of investment credit risk at FVOCI	0	0	0	1,142,551	0	1,142,551	0	1,142,551
Valuation of hedging instruments	0	0	0	0	(5,111,190)	(5,111,190)	0	(5,111,190)
Total other comprehensive income (expense), net	0	0	0	90,594,021	(5,111,190)	85,482,831	0	85,482,831
Total comprehensive income	0	0	0	90,594,021	(5,111,190)	85,482,831	504,266,320	589,749,151
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(287,980,000)	(287,980,000)
Dividends tax	0	0	0	0	0	0	(1,308,692)	(1,308,692)
Complementary tax	0	0	0	0	0	0	(2,744,087)	(2,744,087)
Transfer of retained earnings	0	7,416,132	0	0	0	0	(7,416,132)	0
Total transactions attributable to the shareholder	0	7,416,132	0	0	0	0	(299,448,911)	(292,032,779)
Balance as of December 31, 2019	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901
Net income	0	0	0	0	0	0	321,160,448	321,160,448
Other comprehensive income:								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	30,407,033	0	30,407,033	0	30,407,033
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	30,148,087	0	30,148,087	0	30,148,087
Valuation of investment credit risk at FVOCI	0	0	0	3,756,963	0	3,756,963	0	3,756,963
Valuation of hedging instruments	0	0	0	0	6,550,443	6,550,443	0	6,550,443
Total other comprehensive income, net	0	0	0	64,312,083	6,550,443	70,862,526	0	70,862,526
Total comprehensive income	0	0	0	64,312,083	6,550,443	70,862,526	321,160,448	392,022,974
Transactions attributable to the shareholder								
Dividends paid on common shares	0	0	0	0	0	0	(238,862,127)	(238,862,127)
Dividends tax	0	0	0	0	0	0	(1,216,449)	(1,216,449)
Complementary tax	0	0	0	0	0	0	(1,472,565)	(1,472,565)
Transfer of retained earnings	0	9,728,379	0	0	0	0	(9,728,379)	0
Total transactions attributable to shareholder	0	9,728,379	0	0	0	0	(251,279,520)	(241,551,141)
Balance as of December 31, 2020	500,000,000	199,242,854	1,000,000	160,584,687	(597,286)	160,987,401	1,772,980,479	2,633,210,734

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

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

Consolidated Statement of Cash Flows

Year ended December 31, 2020 and 2019

(Expressed in Balboas)

	Note	2020	2019
Operating activities:			
Net income		321,160,448	504,266,320
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses, net	7	280,946,792	41,953,835
Provision for valuation of investments, net		3,773,350	1,141,243
(Reversal) provision for foreclosed assets, net	13	(727,848)	1,827,973
Unrealized (gain) loss on investments and other financial assets	23	(12,178,270)	4,551,921
Unrealized loss (gain) on derivative instruments	23	8,010,787	(5,046,368)
Gain on sale of investments and other financial assets at FVTPL, net	23	(21,926,937)	(15,609,839)
Gain on sale of investments and other financial assets at FVOCI, net	23	(19,134,530)	(1,704,461)
Realized loss on derivative instruments	23	25,977,385	2,461,130
Foreign exchange fluctuations, net	24	(10,689)	218,819
Gain on sale of fixed assets, net	24	(14,014)	(261,176)
Other net income from cancellations of right-of-use assets		(33,060)	0
Depreciation and amortization	9 and 10	28,516,799	28,600,218
Impairment loss of goodwill and amortization of intangible assets	12	2,949,896	2,617,388
Equity participation in associates	8	(7,329,335)	(10,897,963)
Income tax, net	26	(14,260,103)	64,858,040
Interest and commission income		(994,471,317)	(1,086,145,514)
Interest expense		331,732,309	386,963,919
Changes in operating assets and liabilities:			
Time deposits with banks		(7,609,316)	(25,040,930)
Investments and other financial assets at FVTPL		(445,048,645)	114,731,039
Loans		576,955,373	(166,630,529)
Unearned commissions		23,294,403	48,498,791
Tax credit from preferential interest	7	(50,413,881)	(46,133,208)
Other assets		190,004,258	14,298,736
Demand deposits		370,578,383	(227,668,781)
Savings deposits		871,799,290	83,082,096
Time deposits		(248,109,155)	371,547,602
Reserves of insurance operations		(443,032)	1,375,338
Other liabilities		39,751,049	108,522,711
Cash provided by operations:			
Income tax paid		(32,421,197)	(57,101,794)
Interest received		860,311,677	1,040,449,020
Interest paid		(345,392,927)	(376,881,581)
Dividends received	24	1,881,975	2,345,418
Total		1,416,959,470	300,923,093
Cash flows from operating activities		1,738,119,918	805,189,413
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(5,814,599,694)	(5,061,831,568)
Sale and redemptions of investments and other financial assets at FVOCI		5,716,110,156	5,163,845,991
Purchases of securities at amortized cost		(103,157,170)	0
Redemptions of securities at amortized cost		49,725,322	10,950,000
Dividends received from associates		10,524,570	12,051,494
Sale of properties, furniture and equipment		248,332	280,099
Purchases of properties, furniture and equipment	9	(20,576,766)	(31,899,165)
Cash flows from investing activities		(161,725,250)	93,396,851
Financing activities:			
Borrowings and debt securities issued	16	129,993,541	162,591,685
Redemption of debt securities issued and cancellation of borrowings	16	(988,036,113)	(1,154,050,894)
Securities sold under repurchase agreements		(403,947,411)	403,947,411
Payment of lease liabilities	18	(3,006,084)	(3,052,594)
Dividends paid on common shares		(238,862,127)	(287,980,000)
Complementary tax paid		(8,818,520)	(7,502,470)
Dividend tax		(1,216,449)	(1,308,692)
Cash flows from financing activities		(1,513,893,163)	(887,355,554)
Net increase in cash and cash equivalents		62,501,505	11,230,710
Cash and cash equivalents at the beginning of the year		538,711,863	527,481,153
Cash and cash equivalents at the end of the year	5	601,213,368	538,711,863

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

Index of Notes to the Consolidated Financial Statements:

(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, Mexico, El Salvador, Guatemala and Peru.

Grupo Financiero BG, S. A., a 59.86% (2019: 59.97%) subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

Banco General, S. A. owns 100% of the following subsidiaries which form part of the consolidation:

- Finanzas Generales, S. A. and subsidiaries: financial lease and loans in Panama. It in turn has the following subsidiaries:
  - BG Trust, Inc.: trust administration in Panama.
  - Vale General, S. A.: administration and marketing of food vouchers in Panama.
- 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.

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

COVID-19

The outbreak of the virus known as COVID-19 pandemic has spread among the world's population during the year 2020, significantly affecting macroeconomic variables in Panama, impacting our financial position and operating results, which are particularly dependent on our clients' ability to meet their credit obligations. Although its effects continue to materialize, COVID-19 has caused a significant decrease in commercial activity throughout Panama. This decrease in commercial activity may cause our clients (individuals and companies), suppliers and counterparties to be unable to fulfill their payments or other obligations with the Bank.

The Bank has policies and procedures for business continuity, which establish the mechanisms to operate in the event of contingencies, guaranteeing the uninterrupted continuity of operations and services for our clients.

As of the date of the consolidated financial statements and up to the date of issuance, management continues to monitor, analyze and manage the effects that COVID-19 is having on its operations, its clients and its suppliers. For further information, refer to note 32.

(2) Basis of Preparation

(a) Statement of Compliance

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

These consolidated financial statements were reviewed by the Board of Directors' Audit Committee and authorized for issuance by the Board of Directors on January 28, 2021.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

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

(a) Basis of Consolidation

- *Subsidiaries*

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

- *Investment Entities and Separate Vehicles*

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

- *Structured Entities*

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

- *Investments in Associates*

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

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

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

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

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

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

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

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

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

(c) *Cash and Cash Equivalents*
For the purpose of the consolidated statement of cash flows, cash equivalents include demand deposits and time deposits with banks that have an original maturity of three months or less.

(d) Securities Purchased Under Resale Agreements

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

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

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

(e) Investments and Other Financial Assets

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

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

The business model includes three classification categories for financial assets:

- *Amortized Cost (AC)*

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

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

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

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

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

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

- *Fair value through profit or loss (FVTPL)*
  All other financial assets are measured at fair value through profit or loss.

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

- The policies and objectives identified for the loan portfolio and operation of those policies including management's strategy to define:

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

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

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other risks on a basic loan agreement and other associated costs, as well as the profit margin.

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

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

(f) *Derivative Financial Instruments*

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

- *Fair value hedge*

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

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

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

- *Cash flow hedges*

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

- *Derivative without hedge accounting*

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

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

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

(g) Loans and Interest

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

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

(h) Impairment of Financial Instruments

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

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

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

Impairment losses on equity instruments investments are not recognized.

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

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

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

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

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

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

- Stage 1: The Bank recognizes a credit loss allowance at an amount equivalent to 12-month expected credit losses. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period often the reporting date, assuming that credit risk has not increased significantly since initial recognition.

- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in his stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.

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

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

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

Credit Risk Rating

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

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

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

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

Determining the significant increase of credit risk

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

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

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

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

The risk committee, management and the Board of Directors in response to COVID-19, have increased the frequency of monitoring loan portfolios and consider the different parameters on which they rely for the definition of significant increase in credit risk.

Definition of Default
A financial asset is considered in default when:

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

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

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

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

During the year ended December 31, 2020, the Bank made deferrals to the loan payments of clients affected by COVID-19. In addition to the deferrals, relief measures have been established in order to achieve payment feasibility by affected clients based on their financial situation, without affecting clients' delinquencies. The relief measures are of a temporary nature and are reviewed as economic activities are reactivated.

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

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

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

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

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

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

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

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

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

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

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

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

In most cases, the EAD is equivalent to the outstanding balance of the contract; with the exception of credit cards and contingencies. For the credit cards and contingencies the current balance, the available balance and the CCF (credit conversion factor) were included in the EAD, in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

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

Forward-looking information

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

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

The Bank uses a prospective factor for the consumer portfolio that uses the growth of the Gross Domestic Product as a variable, as well as the consumer price index. For the business portfolio, the prospective factor uses the monthly index of economic activity as a variable.

The extraordinary situation caused by COVID-19 has forced our authorities to impose restrictions on mobility and the closure of commercial activities during different periods, causing an economic contraction in Panama and the countries of our region, as well as in most of the world economies. Given the economic impact, the Government and the Superintendency of Banks of Panama have established and authorized financial relief mechanisms that include a moratorium on payments to the obligations that can be extended until June 2021.

As a result of the impact on the economy, employment and the business sector, the Bank faces possible future losses on its loan portfolio, for which it has recorded complementary reserves.

Because this is a recent unprecedented situation, the estimation of its effects on the portfolio using statistical models is subject to greater uncertainty and volatility. Therefore, the Bank has made the decision to create additional provisions to those determined by our ECL models, using complementary models for portfolios with high volumes and relatively small balances; and conducting an individual analysis of debtors with significant credit exposure. The models consider, among other factors, the employment situation of the debtor and his o her family environment, the economic activity or industry of the debtor or his or her employer, the situation of postponement of his or her credit obligations and the guarantees covering the obligation. Additionally, the individual analyses considers the financial strength of the debtor and its shareholders.

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

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

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

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

(j) *Right-of-Use Assets*

IFRS 16 changes the accounting by lessees, using a unique model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, representing its right to use the underlying assets, and a lease liability, representing its obligation to make future lease payments.

The Bank used the modified retrospective approach, which establishes the cumulative effect of the adoption of IFRS 16 as an adjustment to the initial balance of retained earnings as of January 1, 2019.

The Bank applied the exemption from the standard for lease contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4, applying the following practical options for contracts in force as of that date:

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

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

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

(k) *Goodwill and Intangible Assets*

Goodwill

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

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

(l) *Foreclosed Assets*
Foreclosed assets are recognized at the lower of the outstanding principal of the secured loan and the estimated realizable value of the acquired asset.

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

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

(n) *Securities Sold Under Repurchase Agreements*
Securities sold under repurchase agreements are short-term funding transactions guaranteed with securities, in which the Bank is obligated to repurchase the securities sold at a future date at a specified price. The difference between the selling price and the future purchase price is recognized as interest expense under the effective interest rate method.

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

(o) *Deposits, Borrowings and Debt Securities Issued*
Deposits from customers, borrowings and debt securities issued are initially measured at fair value. Subsequently, they are measured at their amortized cost using the effective interest rate method.

(p) *Financial Liabilities*
The changes in the fair value of liabilities designated as FVTPL are presented as follows:

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

(q) *Other Financial Liabilities at Fair Value*

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

(r) Lease Liabilities

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

The Bank discounted the future lease payments using the incremental rate as of January 1, 2019, which was calculated considering a rate equivalent to that which would be used in a loan to acquire an asset with the same conditions, for a similar term to that agreed upon in the lease.

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

(s) *Financial Guarantees*

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

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

(t) *Interest Income and Expenses*

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

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

(u) *Commission Income*

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

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

(v) Insurance Operations

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

Unearned premiums and reinsurers' participation in unearned premiums are calculated using the daily quota method.
Estimated claims pending settlement are represented by claims incurred but not settled at the reporting date, whether or not they are reported and the related internal and external claims handling expenses.

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

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

(w) Trust Operations

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

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

(x) Income Tax

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

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

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

(y) Stock Purchase Option Plan and Restricted Stock Plan

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

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

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

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

(z) Segment Reporting

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

(aa) Foreign Currency Transactions

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

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

(ab) New International Financial Reporting Standars (IFRS) and Interpretations no adopted

New standards, interpretations and amendments to IFRS have been published, but are not mandatory as of December 31, 2020, and have not been adopted in advance by the Bank.

(4) Balances and Transactions with Related Parties

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

	2020			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	0	146,924,601	36,739,463	183,664,064
Loans	10,993,872	174,406,513	13,210,417	198,610,802
Investments in associates	0	21,685,950	0	21,685,950
Liabilities:				
Deposits:				
Demand	1,327,813	109,265,903	83,070,493	193,664,209
Savings	6,054,480	118,399,415	22,904,654	147,358,549
Time	2,892,117	316,782,997	129,153,846	448,828,960
	10,274,410	544,448,315	235,128,993	789,851,718
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	6,102,346	35,955,000	42,057,346
Interest income:				
Loans	480,115	8,429,540	778,291	9,687,946
Investments and other financial assets	0	6,757,302	1,919,167	8,676,469
Interest expenses:				
Deposits	142,942	14,638,404	1,520,765	16,302,111
Financing	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	7,329,335	0	7,329,335
Received dividends	0	683,894	0	683,894
General and administrative expenses:				
Directors' fees	492,038	0	0	492,038
Benefits to key management personnel	4,997,943	0	0	4,997,943

	2019			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	0	156,432,533	36,676,666	193,109,199
Loans	7,574,124	122,728,155	16,644,873	146,947,152
Investments in associates	0	24,881,185	0	24,881,185
Liabilities:				
Deposits:				
Demand	902,618	128,087,774	66,041,738	195,032,130
Savings	6,300,605	54,923,011	1,704,654	62,928,270
Time	2,192,803	362,150,975	116,461,538	480,805,316
	9,396,026	545,161,760	184,207,930	738,765,716
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	6,503,627	31,333,000	37,836,627
Interest income:				
Loans	363,566	11,856,792	1,043,972	13,264,330
Investments and other financial assets	0	7,568,528	1,958,177	9,526,705
Interest expenses:				
Deposits	96,551	16,450,378	1,516,961	18,063,890
Financing	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	10,897,963	0	10,897,963
Received dividends	0	996,173	0	996,173
General and administrative expenses:				
Directors' fees	367,380	0	0	367,380
Benefits to key management personnel	5,996,989	0	0	5,996,989

The benefits to key management personnel include salaries and other expenses for B/.4,641,573 (2019: B/.5,524,595) and options to purchase shares for B/.356,370 (2019: B/.472,394).

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 consolidated statement of cash flows:

	2020	**2019**
Cash and cash items	157,149,834	206,185,414
Demand deposits with banks	444,063,534	332,526,449
Time deposits with banks	199,371,557	191,762,241
Total deposits with banks	643,435,091	524,288,690
Less: Deposits with banks, with original maturities greater than three months	199,371,557	191,762,241
Cash and cash equivalents in the consolidated statement of cash flows	601,213,368	538,711,863

Demand deposits with banks include cash collateral accounts for B/.37,692,362 (2019: B/.38,014,162) that secure derivative operations, Repos, and the next quarterly payments of principal, interest and expenses of certain obligations.

(6) Investments and Other Financial Assets

Investments and other financial assets are detailed as follows:

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

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

	2020	**2019**
Local Commercial Paper	465,047	0
Local Corporate Bonds and Fixed Income Funds	60,486,502	56,841,449
Bonds of the Republic of Panama	1,590,697	1,564,073
Local Corporate Shares	37,736,965	44,750,679
Foreign Treasury Bills	250,793	250,991
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	662,872,298	428,223,755
Asset Backed Securities	63,530,323	38,113,904
Foreign Corporate Bonds and Fixed Income Funds	321,047,881	109,239,711
Foreign Corporate Shares and Variable Income Mutual Funds	74,114	249,798
Total	1,148,054,620	679,234,360

The Bank sold from the portfolio of investments and other financial assets at fair value through profit or loss the amount of B/.11,659,598,599 (2019: B/.8,901,685,652). These sales generated a net gain of B/.24,871,658 (2019: B/.19,136,176) which is presented in the consolidated statement of income a gain on financial instruments, net.

Investments and Other Financial Assets at Fair Value Through OCI

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

	2020		2019	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Local Commercial Paper and Treasury Bills	6,982,274	6,900,000	13,300,647	13,197,163
Local Corporate Bonds	1,144,518,892	1,081,951,634	1,070,031,900	1,026,855,001
Bonds of the Republic of Panama	205,763,203	182,592,578	361,359,455	346,972,169
Bonds of the US Government and Agency	43,469,116	43,476,528	35,716,813	35,348,203
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	367,546,062	367,501,342	202,365,732	202,343,956
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,380,112,611	1,347,329,648	1,451,228,382	1,439,744,542
Asset Backed Securities (ABS)	180,218,685	179,509,897	163,509,991	162,864,420
Foreign Corporate Bonds	1,039,221,091	1,006,286,176	950,874,618	931,706,462
Other Government Bonds	55,482,112	52,570,745	45,818,807	43,921,149
Total	4,423,314,046	4,268,118,548	4,294,206,345	4,202,953,065

The Bank sold investments and other financial assets at fair value through OCI for the amount of B/.2,444,842,724 (2019: B/.2,240,425,864). These sales generated a net gain of B/.19,134,530 (2019: B/.1,704,461), which is presented in the consolidated statement of income as gain on financial instruments, net.

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

	2020				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at the beginning of the year	4,894,576	701,173	5,272,890	0	10,868,639
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(25,909)	25,909	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	665,261	(189,491)	2,289,915	0	2,765,685
New investment securities purchased	3,204,978	0	334,144	0	3,539,122
Investment securities that have been derecognized	(2,211,761)	(1,939)	(334,144)	0	(2,547,844)
Balance at the end of the year	6,527,145	535,652	7,562,805	0	14,625,602

	2019				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at the beginning of the year	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(35,324)	35,324	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(2,044,900)	(124,510)	3,222,544	(12,093)	1,041,041
New investment securities purchased	2,994,378	0	0	0	2,994,378
Investment securities that have been derecognized	(2,889,078)	(3,606)	0	(184)	(2,892,868)
Balance at the end of the year	4,894,576	701,173	5,272,890	0	10,868,639

Investments at Amortized Cost

At December 31, 2020, the investments portfolio at amortized cost amounted to B/.53,431,848 less a 12-month expected credit loss allowance of B/.16,387.

	Amortized Cost	Fair Value
Foreign securities purchased under resold agreements, net	47,597,144	47,600,000
Foreign Bank Acceptances, net	5,818,317	5,831,848
Total	53,415,461	53,431,848

At December 31, 2020, the investments at amortized cost are summarized as follows:

Investments portfolio at amortized cost, net	53,415,461
Accrued interest receivable	388
Total of investments at amortized cost	53,415,849

Foreign securities purchased under resold agreements, net for B/.47,597,144 were guaranteed with foreign securities for B/.48,728,954.

The payment of capital and interest on 99.9% of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 64.2% (2019: 70.7%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 2.84 years and CMOs is of 1.49 years (2019: 2.94 years for MBS and 1.61 years for CMOS).

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

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

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

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

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

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

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

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

	2020	Level 1	Level 2	Level 3
Local Commercial Paper	465,047	0	0	465,047
Local Corporate Bonds and Fixed Income Funds	60,486,502	0	0	60,486,502
Bonds of the Republic of Panama	1,590,697	0	1,590,697	0
Local Corporate Shares	37,736,965	3,182	0	37,733,783
Foreign Treasury Bills	250,793	250,793	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	662,872,298	0	662,872,298	0
Asset Backed Securities (ABS)	63,530,323	0	63,530,323	0
Foreign Corporate Bonds and Fixed Income Funds	321,047,881	0	206,855,893	114,191,988
Foreign Share capital	74,114	0	0	74,114
Total	1,148,054,620	253,975	934,849,211	212,951,434

	2019	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	56,841,449	0	0	56,841,449
Bonds of the Republic of Panama	1,564,073	0	1,564,073	0
Local Corporate Shares	44,750,679	4,297	0	44,746,382
Foreign Treasury Bills	250,991	250,991	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	428,223,755	0	428,223,755	0
Asset Backed Securities (ABS)	38,113,904	0	38,113,904	0
Foreign Fixed Income Funds	109,239,711	0	0	109,239,711
Foreign Share capital and Variable Income Mutual Funds	249,798	0	3,615	246,183
Total	679,234,360	255,288	467,905,347	211,073,725

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

	2020	Level 1	Level 2	Level 3
Local Commercial Paper	6,982,274	0	0	6,982,274
Local Corporate Bonds	1,144,518,892	0	382,240,527	762,278,365
Bonds of the Republic of Panama	205,763,203	0	205,763,203	0
Bonds of the US Government and Agency	43,469,116	39,457,736	4,011,380	0
Foreign Commercial Paper and Treasury Bills	367,546,062	313,322,675	51,623,459	2,599,928
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,380,112,611	0	1,380,112,611	0
Asset Backed Securities (ABS)	180,218,685	0	180,218,685	0
Foreign Corporate Bonds	1,039,221,091	201,649	1,039,019,442	0
Bonds of Other Governments	55,482,112	0	55,482,112	0
Total	4,423,314,046	352,982,060	3,298,471,419	771,860,567

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

	2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	13,300,647	0	0	13,300,647
Local Corporate Bonds	1,070,031,900	0	185,453,851	884,578,049
Bonds of the Republic of Panama	361,359,455	0	361,359,455	0
Bonds of the US Government	35,716,813	35,716,813	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	202,365,732	148,368,307	46,980,989	7,016,436
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,451,228,382	0	1,450,514,538	713,844
Asset Backed Securities (ABS)	163,509,991	0	163,509,991	0
Foreign Corporate Bonds	950,874,618	0	950,874,618	0
Bonds of Other Governments	45,818,807	4,039,883	41,778,924	0
Total	4,294,206,345	188,125,003	3,200,472,366	905,608,976

Changes in Fair Value Measurement of Level 3 hierarchy

	Investments and other financial assets		
	Fair Value through Profit or Loss	Fair Value through OCI	Total
December 31, 2019	211,073,725	905,608,976	1,116,682,701
(Loss) gain recognized in income	(7,850,882)	2,281,900	(5,568,982)
Gain recognized in equity	0	9,096,814	9,096,814
Purchases	30,707,898	431,197,075	461,904,973
Amortization, sales and redemptions	(20,979,307)	(575,692,393)	(596,671,700)
Transfers from level 3	0	(631,805)	(631,805)
December 31, 2020	212,951,434	771,860,567	984,812,001
Total gains (loss) related to instruments held as of December 31, 2020	(7,987,108)	18,073,471	10,086,363
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(3,691,126)	(174,896)	(3,866,022)
Gain recognized in equity	0	8,764,256	8,764,256
Purchases	50,833,752	242,974,034	293,807,786
Amortization, sales and redemptions	(42,184,434)	(215,681,738)	(257,866,172)
December 31, 2019	211,073,725	905,608,976	1,116,682,701
Total (loss) gains related to instruments held as of December 31, 2019	(10,450,546)	9,509,954	(940,592)

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

During 2020, by changes in the source of estimate of fair value level of Collateralized Mortgage Obligations (CMOs) agency, a non-significant transfer was made Level 3 to Level 2 in the fair value through OCI category.

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

Instruments	Valuation technique	Unobservable inputs used	Range for unobservable inputs 2020	2019	Fair value sensitivity to unobservable inputs
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Minimum 4.75% Maximum 11.11%	Minimum 5.36% Maximum 8.37%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Minimum (102.34%) Maximum 3714.09%	Minimum (20.23%) Maximum 22.14%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Minimum 0.99% Maximum 12.55% Average 2.54%	Minimum 0.71% Maximum 13.95% Average 2.06%	If the credit spreads increase, the price decreases and vice versa

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

Instrument	Valuation technique	Inputs used	Level
Local Fixed Income	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
Local Shares	Quoted market prices	Quoted prices in active markets	1-3
	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	1-2-3
	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	

Instrument	Valuation technique	Inputs used	Level
Agencies' MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2-3
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:

	2020			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	2,256	(65,675)	6,362,446	(6,473,423)
Corporate Shares	2,181,826	(1,835,647)	0	0
Total	2,184,082	(1,901,322)	6,362,446	(6,473,423)

	2019			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	1,478	(1,477)	5,349,346	(5,415,804)
Corporate Shares	4,398,399	(3,607,127)	0	0
Total	4,399,877	(3,608,604)	5,349,346	(5,415,804)

For investments and other financial assets securing borrowings, see Note 14.

(7) Loans

The composition of the loan portfolio is summarized as follows:

	2020	2019
Local sector:		
Residential mortgages	4,390,972,007	4,321,903,596
Personal, auto and credit cards	1,759,519,908	1,894,882,198
Commercial mortgages	1,952,980,797	2,020,114,781
Lines of credit and commercial loans	1,247,970,214	1,447,828,168
Interim financing	482,879,078	565,399,272
Financial leases, net	79,984,276	100,191,047
Other secured loans	186,758,212	212,990,294
Overdrafts	113,189,064	145,292,387
Total internal sector	10,214,253,556	10,708,601,743
Foreign sector:		
Residential mortgages	204,561,338	223,143,187
Personal, auto and credit cards	11,965,524	15,322,824
Commercial mortgages	188,603,109	208,335,226
Lines of credit and commercial loans	759,317,604	858,508,205
Other secured loans	12,317,737	11,209,493
Overdrafts	53,404,468	58,568,216
Total external sector	1,230,169,780	1,375,087,151
Total	11,444,423,336	12,083,688,894

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

	2020			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	83,607,552	30,710,807	50,840,441	165,158,800
Transferred to 12-month ECL	22,593,609	(18,368,851)	(4,224,758)	0
Transferred to lifetime ECL not credit-impaired	(4,770,813)	10,912,196	(6,141,383)	0
Transferred to lifetime ECL credit-impaired	(1,086,177)	(9,563,591)	10,649,768	0
Net remeasurement of portfolio	125,514,934	65,302,719	112,571,124	303,388,777
New Loans	9,218,766	2,398,602	9,767,176	21,384,544
Loans that have been derecognized	(9,354,756)	(9,432,602)	(25,039,171)	(43,826,529)
Recovery of loan write-off	0	0	20,907,477	20,907,477
Loans written-off	0	0	(83,217,662)	(83,217,662)
Balance at the end of the year	225,723,115	71,959,280	86,113,012	383,795,407

	2019			
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at the beginning of the year	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-month ECL	11,693,528	(8,360,800)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(2,065,593)	3,279,515	(1,213,922)	0
Transferred to lifetime ECL credit-impaired	(1,285,013)	(3,274,520)	4,559,533	0
Net remeasurement of portfolio	(16,064,735)	15,917,937	50,546,694	50,399,896
New Loans	18,209,255	5,722,308	7,092,667	31,024,230
Loans that have been derecognized	(13,489,439)	(7,118,421)	(18,862,431)	(39,470,291)
Recovery of loan write-off	0	0	27,654,274	27,654,274
Loans written-off	0	0	(62,980,583)	(62,980,583)
Balance at the end of the year	83,607,552	30,710,807	50,840,441	165,158,800

Loan loss allowance for consumer loans:

	2020			
	12-month ECL	**Lifetime ECL Not credit – impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at the beginning of the year	75,144,086	19,487,849	19,743,391	114,375,326
Transferred to 12-month ECL	16,886,005	(12,824,090)	(4,061,915)	0
Transferred to lifetime ECL not credit-impaired	(3,079,616)	4,478,462	(1,398,846)	0
Transferred to lifetime ECL credit-impaired	(940,958)	(6,316,270)	7,257,228	0
Net remeasurement of portfolio	121,369,231	23,432,453	67,654,194	212,455,878
New Loans	4,066,843	43,438	83,820	4,194,101
Loans that have been derecognized	(4,607,351)	(7,057,768)	(14,824,702)	(26,489,821)
Recovery of loans write-off	0	0	18,880,057	18,880,057
Loans written-off	0	0	(78,895,279)	(78,895,279)
Balance at end of the year	208,838,240	21,244,074	14,437,948	244,520,262

	2019			
	12-month ECL	**Lifetime ECL Not credit – impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at the beginning of the year	76,707,773	17,801,949	18,978,216	113,487,938
Transferred to 12-month ECL	11,105,225	(7,772,497)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(1,611,638)	2,533,427	(921,789)	0
Transferred to lifetime ECL credit-impaired	(1,209,505)	(1,866,695)	3,076,200	0
Net remeasurement of portfolio	(15,101,091)	12,313,145	34,059,528	31,271,582
New Loans	14,563,741	1,474,677	999,480	17,037,898
Loans that have been derecognized	(9,310,419)	(4,996,157)	(11,919,868)	(26,226,444)
Recovery of loans write-off	0	0	27,309,054	27,309,054
Loans written-off	0	0	(48,504,702)	(48,504,702)
Balance at end of the year	75,144,086	19,487,849	19,743,391	114,375,326

Loan loss allowance for corporate loans:

	2020			
	12-month ECL	Lifetime ECL Not credit - impaired	Lifetime ECL credit-impaired	Total
Balance at beginning of the year	8,463,466	11,222,958	31,097,050	50,783,474
Transferred to 12 months ECL	5,707,604	(5,544,761)	(162,843)	0
Transferred to lifetime ECL not credit impaired	(1,691,197)	6,433,734	(4,742,537)	0
Transferred to lifetime ECL credit impaired	(145,219)	(3,247,321)	3,392,540	0
Net remeasurement of portfolio	4,145,703	41,870,266	44,916,930	90,932,899
New Loans	5,151,923	2,355,164	9,683,356	17,190,443
Loans that have been derecognized	(4,747,405)	(2,374,834)	(10,214,469)	(17,336,708)
Recovery of loans write-off	0	0	2,027,420	2,027,420
Loans written-off	0	0	(4,322,383)	(4,322,383)
Balance at end of the year	16,884,875	50,715,206	71,675,064	139,275,145

	2019			
	12-month ECL	Lifetime ECL Not credit - impaired	Lifetime ECL credit-impaired	Total
Balance at beginning of the year	9,901,776	6,742,839	28,398,721	45,043,336
Transferred to 12 months ECL	588,303	(588,303)	0	0
Transferred to lifetime ECL not credit impaired	(453,955)	746,088	(292,133)	0
Transferred to lifetime ECL credit impaired	(75,508)	(1,407,825)	1,483,333	0
Net remeasurement of portfolio	(963,644)	3,604,792	16,487,166	19,128,314
New Loans	3,645,514	4,247,631	6,093,187	13,986,332
Loans that have been derecognized	(4,179,020)	(2,122,264)	(6,942,563)	(13,243,847)
Recovery of loans write-off	0	0	345,220	345,220
Loans written-off	0	0	(14,475,881)	(14,475,881)
Balance at end of the year	8,463,466	11,222,958	31,097,050	50,783,474

The main factors that influenced the increase in the loan loss allowance during 2020 were the following:

- Increase in unemployment levels or work suspensions
- Decrease in the volume of commercial activities as a result of the temporary closure measures
- Uncertainty about the economy's recovery period

The interest receivable from the loans to which the Bank applied deferral of installments as a measure of financial relief for COVID-19 amounts to B/.109,428,367.

As of December 31, 2020 and 2019, 59% and 56%, respectively of the Bank's credit portfolio is constituted by residential and commercial mortgage loans backed by residential units and commercial or industrial buildings.

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

	2020	2019
	(in Thousands)	
Mortgages on real estate	7,740,265	7,928,112
Mortgages on moveable property	618,339	666,521
Deposits	305,813	405,549
Other guaranties	269,780	318,784
Unsecured	2,510,226	2,764,723
Total	11,444,423	12,083,689

For loans pledged to secure borrowings, see Note 16.

The Bank recognized a tax credit in the amount of B/.50,413,881 (2019: B/.46,133,208), originating from the annual benefit awarded on mortgage loans granted with preferential interest rates.

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

Finance Leases, Net

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

	2020	2019
Minimum payments up to 1 year	40,100,105	48,210,063
Minimum payments from 1 to 6 years	48,098,653	63,840,430
Total minimum payments	88,198,758	112,050,493
Less unearned interest	8,214,482	11,859,446
Total finance leases, net	79,984,276	100,191,047

(8) Investments in Associates

The investments in associates are detailed as follows:

Associates	Activity	Equity Participation 2020	Equity Participation 2019	2020	2019
Telered, S. A.	Processing of electronic transactions	40%	40%	11,964,585	13,356,397
Proyectos de Infraestructura, S. A.	Real estate investors	38%	38%	6,267,042	6,453,338
Processing Center, S. A.	Credit card processing	49%	49%	833,338	2,459,265
Financial Warehousing of Latin America, Inc.	Administrator of trust funds	38%	38%	2,620,985	2,612,185
				21,685,950	24,881,185

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

Associates	Financial Information Date	Assets	Liabilities	Equity	Income	Expenses	Net income (loss)	Participation recognized in profit or loss
				2020				
Telered, S. A.	30-nov-2020	56,400,312	16,709,653	39,690,659	37,940,211	29,911,657	8,028,554	3,486,203
Proyectos de Infraestructura, S. A.	31-dec-2020	16,424,005	0	16,424,005	0	487,869	(487,869)	(186,295)
Processing Center, S. A.	31-dec-2020	13,195,402	11,643,508	1,551,894	20,083,376	11,144,796	8,938,580	3,900,927
Financial Warehousing of Latin America, Inc.	30-sep-2020	9,666,910	3,359,319	6,307,591	2,052,803	1,410,102	642,701	128,500
Total								7,329,335

Associates	Financial Information Date	Assets	Liabilities	Equity	Income	Expenses	Net Income	Participation recognized in profit or loss
				2019				
Telered, S. A.	30-nov-2019	54,415,351	17,218,349	37,197,002	43,810,282	30,752,828	13,057,454	5,450,625
Proyectos de Infraestructura, S. A.	31-dec-2019	16,911,874	0	16,911,874	3,361,951	509	3,361,442	1,285,274
Processing Center, S. A.	30-nov-2019	27,528,274	13,876,652	13,651,622	18,575,038	10,710,845	7,864,193	3,890,064
Financial Warehousing of Latin America, Inc.	31-oct-2019	11,352,397	3,782,322	7,570,075	4,427,384	2,447,176	1,980,208	272,000
Total								10,897,963

(9) Properties, Furniture, Equipment and Improvements

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

	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
			2020			
Cost:						
At the beginning of the year	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
Additions	229,671	0	14,242,307	5,996,359	108,429	20,576,766
Sales and disposals	0	396,447	132,188	2,926,838	1,008,863	4,464,336
At the end of the year	32,566,104	137,110,977	142,884,048	113,470,270	41,944,606	467,976,005
Accumulated depreciation and amortization:						
At the beginning of the year	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Expense of the year	0	3,542,190	10,629,755	8,624,246	2,145,680	24,941,871
Sales and disposal	0	166,776	132,172	2,922,209	1,008,861	4,230,018
At the end of the year	0	37,058,835	84,121,051	78,790,441	31,171,643	231,141,970
Net balance	32,566,104	100,052,142	58,762,997	34,679,829	10,772,963	236,834,035

	Land	Buildings	Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
			2019			
Cost:						
At the beginning of the year	32,147,489	136,631,808	113,226,231	102,710,974	38,902,824	423,619,326
Additions	205,000	875,616	16,750,546	9,953,557	4,114,446	31,899,165
Sales and disposals	16,056	0	1,202,848	2,263,782	172,230	3,654,916
At the end of the year	32,336,433	137,507,424	128,773,929	110,400,749	42,845,040	451,863,575
Accumulated depreciation and amortization:						
At the beginning of the year	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the year	0	3,588,416	9,888,299	9,373,466	2,001,526	24,851,707
Sales and disposal	0	0	1,202,848	2,260,915	172,230	3,635,993
At the end of the year	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Net balance	32,336,433	103,824,003	55,150,461	37,312,345	12,810,216	241,433,458

(10) Right-of-Use Assets

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

	2020	2019
Cost:		
At the beginning of the year	23,922,360	23,366,850
New contracts	2,204,652	555,510
Cancellations	(588,579)	0
At the end of the year	25,538,433	23,922,360
Accumulated depreciation:		
At the beginning of the year	3,748,511	0
Expense of the year	3,574,928	3,748,511
Cancellations	(249,621)	0
At the end of the year	7,073,818	3,748,511
Net balance	18,464,615	20,173,849

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

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

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

Investments and other financial assets pending settlement amounted to B/.218,340,211 (2019: B/.435,826,300) for sales of investments and other financial assets and B/.730,935,003 (2019: B/.661,020,353) for purchases of investments and other financial assets.

(12) Goodwill and Intangible Assets, Net

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

Company	Date of acquisition	Participation acquired	% of Acquired Participation	Balance
Banco General, S. A. (1)	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A. (1)	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2)	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A. (1)	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A. (1)	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	398,238
Total				41,489,737

(1) Banking CGU.
(2) Pension and Retirement Fund.

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

		2020	
	Goodwill	**Intangible assets**	**Total**
Cost:			
Balance at the beginning of the year	41,822,241	47,462,084	89,284,325
Impairment loss	(332,504)	0	(332,504)
Net balance at the end of the year	41,489,737	47,462,084	88,951,821
Accumulated amortization:			
Balance at the beginning of the year	0	32,063,000	32,063,000
Amortization of the year	0	2,617,392	2,617,392
Balance at the end of the year	0	34,680,392	34,680,392
Net balance at the end of the year	41,489,737	12,781,692	54,271,429

		2019	
	Goodwill	**Intangible assets**	**Total**
Cost:			
Balance at the beginning and end of the year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the year	0	29,445,612	29,445,612
Amortization of the year	0	2,617,388	2,617,388
Balance at the end of the year	0	32,063,000	32,063,000
Net balance at the end of the year	41,822,241	15,399,084	57,221,325

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

It is the Bank's policy to conduct an impairment test on an annual basis or more frequently when there is any indication that an asset may be impaired (a trigger event). During 2020, the subsidiary Vale General, S. A. had an impairment loss of B/.332,504 in the goodwill generated from participation acquired in Pases Alimenticios S.A. (2019: no impairment losses were recognized).

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

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

To calculate the present value of future cash flows and determine the value of the assets or businesses being evaluated, the Bank's estimated average cost of capital was used as a discount rate for the periods referred to, when the business unit being assessed is the Bank; when discounting cash flows of assets or units with a profile other than that of the Bank, the applicable cost of capital to that unit is used. The Bank's capital cost is based on the average interest rates of long-term AAA dollar instruments, the country risk premium and return premium applicable for capital investments. The cost of capital used fluctuates between 8% and 9% and changes over time.

The key assumptions described above may change as economic and market conditions change. The Bank estimates that reasonable possible changes under these assumptions could affect the recoverable amount of the business units or decreases them below their carrying amounts.

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

(13) Foreclosed Assets, Net

The Bank holds foreclosed assets, amounting to B/.28,343,710 (2019: B/.25,852,378), less a reserve of B/.1,604,780 (2019: B/.3,591,452).

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

	2020	**2019**
Balance at the beginning of the year	3,591,452	2,567,370
Provisions charged to expenses	1,064,821	1,851,036
Reversal of provision	(1,792,669)	(23,063)
Foreclosed assets sold	(1,258,824)	(803,891)
Balance at the end of the year	1,604,780	3,591,452

(14) Securities Sold Under Repurchase Agreements

As of December 31, 2019, the Bank held obligations from securities sold under repurchase agreements for B/.403,947,411 with various maturities until January 2020 at an annual interest rate of 1.97% until 2.45%; the average interest rate of these securities was 2.28%. These securities were guaranteed by investment securities for B/.428,411,465.

Securities sold under repurchase agreements at amortized cost are detailed as follows:

	2019
Securities sold under repurchase agreements	403,947,411
Accrued interest payable	665,833
Securities sold under repurchase agreements at amortized cost	404,613,244

(15) Other Financial Liabilities at Fair Value

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

	Level	2020	2019
Mortgage Backed Securities (MBS)	2	32,653,464	58,156,179
Total		32,653,464	58,156,179

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

(16) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	2020	2019
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	537,217,000	550,000,000
Borrowings with maturity in 2020, at interest rates of 6 month Libor plus a margin	0	609,697,952
Borrowings with maturity in 2021, at interest rates of 3, 6 and 12 month Libor plus a margin	42,851,563	71,203,125
Borrowings with maturity in 2022, at interest rates of 3 month Libor plus a margin	30,000,000	250,000,000
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	150,000,000
Borrowings with maturity in 2025, at interest rates of 6 month Libor plus a margin	50,000,000	0
Borrowings with maturity in 2025, at interest rates Basic Passive rate of The Central Bank of Costa Rica plus a margin	3,232,835	0
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	2,747,512	3,190,405
Notes with maturities in 2024, at a fixed interest rate	150,000,000	190,000,000
Notes with maturities in 2027, at a fixed interest rate	75,000,000	75,000,000
Subtotal of borrowings and debt securities issued	1,043,803,910	1,901,846,482
Foreign exchange hedge	32,664,673	12,734,820
Total borrowings and debt securities issued, net	1,076,468,583	1,914,581,302

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

	2020	**2019**
Borrowings and debt securities issued, net	1,076,468,583	1,914,581,302
Accrued interest payable	11,711,606	14,229,073
Borrowings and debt securities issued at amortized cost	1,088,180,189	1,928,810,375

The borrowing obtained in 1985 under the USAID Housing Program resulted from the Bank's participation in the Housing Program No.525-HG-013 with the United States of America Agency for International Development (USAID), which involves the financing of low cost housing by foreign investors. These borrowings have a maturity of thirty (30) years, and a grace period of ten (10) years for repayment of principal. These borrowings are guaranteed by USAID. In turn, the Bank must maintain these borrowings secured by mortgage loans pledged on behalf of USAID for B/.3,434,390 (2019: B/.3,988,006), representing 1.25 times the amount of the borrowed funds.

The Bank is the residual beneficiary of the liquid assets of Banco General DPR Funding Limited, a special purpose entity. The following transactions have been executed through this entity: in 2016 a notes for B/.200,000,000; in 2017 a borrowing for B/.50,000,000 and notes for B/.75,000,000; collateralized with future cash flows of remittances received (MT103). The Bank maintains a money market deposit with an amount equivalent to the next quarterly payment of principal, interest and expense, which is presented within the Deposits with banks line. The balance of the borrowing is B/.255,000,000 (2019: B/.315,000,000).

The borrowings and notes detailed above were agreed to the following terms and types of rates: 8 years with capital repayments from the third year and a fixed rate for the notes (2016), 5 years with capital repayments from the second year and an interest rate of 3 month labor plus a margin for the borrowing (2017) and 10 years with capital repayments from the fifth year and a fixed interest rate for notes (2017).

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

In December 2017, the Bank signed a medium-term syndicated loan agreement for B/.800,000,000, which was then increased in June 2018 for B/.300,000,000 using the "Increase Facility" of that contract. The loans under this contract were syndicated at a variable rate of Libor 3 months plus a margin, between commercial banks in the United States, Europe, Asia, the Middle East and Latin America. The balance of these loans in December 2019 was B/.375,000,000, in September 2020 these loans were canceled.

In October 2018, the Bank agreed medium-term borrowings for B/.200,000,000, with a variable rate of Libor 3 months plus a margin and payment of quarterly interest and capital at maturity. The loans were syndicated between commercial banks in the United States, Europe and Asia. During the month of November 2020 these loans were canceled.

In December 2019, the Bank entered into a long-term loan agreement with a multilateral entity for B/.150,000,000 at a variable Libor rate of 6 months plus a margin and payment of six-monthly interest and maturity capital.

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

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

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

	2020	**2019**
Balance at the beginning of the year	1,914,581,302	2,886,528,342
New borrowings and debt securities issued	129,993,541	162,591,685
Redemption of debt securities issued and cancellation of borrowings	(988,036,113)	(1,154,050,894)
Revaluation coverage	19,929,853	19,512,169
Balance at the end of the year	1,076,468,583	1,914,581,302

(17) Perpetual Bonds

Under Resolution No.366-08 of November 24, 2008, issued by the Superintendence of the Securities Markets of the Republic of Panama, Banco General, S. A. is authorized to offer Perpetual Bonds with a face value of up to B/.250,000,000 through public offering. The bonds will be issued in nominative, registered form, with no coupons, in one series, in denominations of B/.10,000 and multiples of B/.1,000, with no specific maturity or redemption date. Also, they can be redeemed by the Issuer, at its discretion either totally or partially, starting on the fifth year after the issuance date and at any interest payment day after that first redemption date. The bonds will earn a 6.5% interest rate and interest will be paid quarterly. The Bank, under certain circumstances, as described in the informative prospectus, may suspend interest payment without being considered in default. The bond's repayment is subordinated to all existing and future preferential borrowings of the issuer, and backed solely by the general credit worthiness of Banco General, S. A.

The balance of perpetual bonds is B/.217,680,000 (2019: B/.217,680,000).

The perpetual bonds at amortized cost are summarized as follows:

	2020	**2019**
Perpetual bonds	217,680,000	217,680,000
Accrued interest payable	628,853	628,853
Perpetual bonds at amortized cost	218,308,853	218,308,853

(18) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	2020	2019
Balance at the beginning of the year	20,869,766	23,366,850
New contracts	2,204,652	555,510
Payments	(3,006,084)	(3,052,594)
Cancellations	(372,018)	0
Balance at the end of the year	19,696,316	20,869,766

Interest expense on lease liabilities for B/.1,019,385 (2019: B/.1,003,223) is included in the line as of commission expenses and other expenses in the consolidated statement of income.

The Bank held lease liabilities whose contracts range from 1 to 20 years, and were calculated using discount rates between 4.13% and 5.88%.

(19) Reserves of Insurance Operations

Reserves of insurance operations amounted to B/.18,580,951 (2019: B/.19,023,983) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	2020	2019
Unearned Premiums		
Balance at the beginning of the year	21,385,439	19,652,339
Issued premiums	38,862,438	41,155,073
Earned premiums	(39,144,499)	(39,421,973)
Balance at the end of the year	21,103,378	21,385,439
Reinsurers participation	(4,904,557)	(4,801,738)
Unearned premiums, net	16,198,821	16,583,701
Estimated Insurance Claims Incurred		
Balance at the beginning of the year	2,952,326	3,156,224
Incurred claims	9,774,685	7,652,444
Paid claims	(9,313,226)	(7,856,342)
Balance at the end of the year	3,413,785	2,952,326
Reinsurer participation	(1,031,655)	(512,044)
Estimated insurance claims incurred, net	2,382,130	2,440,282
Total reserves of insurance operations	18,580,951	19,023,983

(20) Concentration of Financial Assets and Liabilities

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

	2020			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Assets:				
Deposits with banks:				
Demand	58,223,268	85,063,262	300,777,004	444,063,534
Time	198,838,484	533,073	0	199,371,557
Investments and other financial assets at fair value through profit or loss	83,495,161	24,716,872	1,039,842,587	1,148,054,620
Investments and other financial assets at FVOCI	1,389,100,590	173,855,478	2,860,357,978	4,423,314,046
Investments and other financial assets at amortized cost, net	0	5,818,317	47,597,144	53,415,461
Loans	10,214,253,556	1,230,139,799	29,981	11,444,423,336
Total	11,943,911,059	1,520,126,801	4,248,604,694	17,712,642,554
Liabilities:				
Deposits:				
Demand	2,848,188,235	111,738,614	18,914,824	2,978,841,673
Saving	4,388,532,608	69,895,937	11,615,972	4,470,044,517
Time	5,706,777,890	287,854,496	6,017,889	6,000,650,275
Borrowings and debt securities issued, net	18,106,563	3,232,835	1,055,129,185	1,076,468,583
Perpetual bonds	217,680,000	0	0	217,680,000
Lease liabilities	18,407,995	1,288,321	0	19,696,316
Other liabilities/securities sold in short	0	0	32,653,464	32,653,464
Total	13,197,693,291	474,010,203	1,124,331,334	14,796,034,828
Commitments and contingencies	598,978,372	7,106,760	0	606,085,132

	2019			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Assets:				
Deposits with banks:				
Demand	59,827,407	82,156,796	190,542,246	332,526,449
Time	191,239,591	522,650	0	191,762,241
Investments and other financial assets at fair value through profit or loss	80,931,490	26,420,902	571,881,968	679,234,360
Investments and other financial assets at FVOCI	1,477,054,111	197,663,021	2,619,489,213	4,294,206,345
Loans	10,708,601,743	1,375,056,811	30,340	12,083,688,894
Total	12,517,654,342	1,681,820,180	3,381,943,767	17,581,418,289
Liabilities:				
Deposits:				
Demand	2,437,656,905	153,155,931	17,450,454	2,608,263,290
Saving	3,516,566,170	71,741,623	9,937,434	3,598,245,227
Time	5,925,948,873	315,965,421	6,845,136	6,248,759,430
Securities sold under repurchase agreements	0	0	403,947,411	403,947,411
Borrowings and debt securities issued, net	55,958,125	62,000,000	1,796,623,177	1,914,581,302
Perpetual bonds	217,680,000	0	0	217,680,000
Lease liabilities	19,077,998	1,791,768	0	20,869,766
Other liabilities/securities sold in short	0	0	58,156,179	58,156,179
Total	12,172,888,071	604,654,743	2,292,959,791	15,070,502,605
Commitments and contingencies	760,800,737	6,399,078	0	767,199,815

(21) Segment Information

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

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

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

			2020		
	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	990,736,593	7,489,717	1,466,800	5,221,793	994,471,317
Interest and provision expenses	620,911,793	34,603	0	5,221,793	615,724,603
Other income, net	174,022,977	30,269,361	14,208,577	7,437,627	211,063,288
General and administrative expenses	254,198,951	2,511,167	5,022,844	10,769	261,722,193
Depreciation and amortization expense	27,991,986	232,927	291,886	0	28,516,799
Equity participation in associates	7,329,335	0	0	0	7,329,335
Net income before income tax	268,986,175	34,980,381	10,360,647	7,426,858	306,900,345
Net Income tax, estimated	32,024,670	5,976,914	2,305,803	0	40,307,387
Net Income tax, deferred	(54,567,490)	0	0	0	(54,567,490)
Net Income tax	(22,542,820)	5,976,914	2,305,803	0	(14,260,103)
Net income	291,528,995	29,003,467	8,054,844	7,426,858	321,160,448
Total assets	18,497,978,816	299,239,987	44,118,659	224,554,507	18,616,782,955
Total liabilities	16,133,416,922	53,833,277	1,470,467	205,148,445	15,983,572,221

	Banking and Financial Activities	Insurance and Reinsurance	2019 Pension and retirement Fund	Eliminations	Total
Interest and commission income	1,082,065,495	7,247,977	1,254,617	4,422,575	1,086,145,514
Interest and provision expenses	436,312,015	(2,470)	0	4,422,575	431,886,970
Other income, net	177,855,159	27,970,417	13,757,590	7,440,506	212,142,660
General and administrative expenses	271,198,380	2,692,663	5,694,731	11,185	279,574,589
Depreciation and amortization expense	28,040,064	231,579	328,575	0	28,600,218
Equity participation in associates	10,897,963	0	0	0	10,897,963
Net income before income tax	535,268,158	32,296,622	8,988,901	7,429,321	569,124,360
Net Income tax, estimated	59,525,725	4,834,125	2,042,595	0	66,402,445
Net Income tax, deferred	(1,544,405)	0	0	0	(1,544,405)
Net Income tax	57,981,320	4,834,125	2,042,595	0	64,858,040
Net income	477,286,838	27,462,497	6,946,306	7,429,321	504,266,320
Total assets	18,584,978,649	278,898,944	38,023,484	178,179,989	18,723,721,088
Total liabilities	16,341,255,834	57,546,350	953,930	158,773,927	16,240,982,187

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

2020	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and equity participation in associates	1,005,768,132	97,379,824	109,715,984	1,212,863,940
Non-financial	287,311,590	3,793,874	0	291,105,464

2019	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and equity participation in associates	1,065,060,541	125,625,983	118,499,613	1,309,186,137
Non-financial	294,446,468	4,208,315	0	298,654,783

(22) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (2019: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (2019: 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:

	2020 Reserves					
	Dynamic	**Foreclosed Assets**	**Loans in the process of awarding**	**Legal**	**Insurance**	**Total**
Banco General, S. A.	133,877,476	2,658,655	9,188,381	0	0	145,724,512
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	33,346,963	33,346,963
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	2,658,655	9,188,381	1,794,475	33,346,963	199,242,854

	2019 Reserves					
	Dynamic	**Foreclosed Assets**	**Loans in the process of awarding**	**Legal**	**Insurance**	**Total**
Banco General, S. A.	133,877,476	1,128,759	3,145,657	0	0	138,151,892
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	31,191,204	31,191,204
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	1,128,759	3,145,657	1,794,475	31,191,204	189,514,475
Transfer from retained earnings of the year	0	1,529,896	6,042,724	0	2,155,759	9,728,379

The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and 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.

(23) Gain on Financial Instruments, Net

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

	2020	2019
Unrealized gain (loss) on investments and other financial assets	12,178,270	(4,551,921)
Unrealized (loss) gain on derivative instruments	(8,010,787)	5,046,368
Net gain on sale of investments and other financial assets at FV through profit or loss	21,926,937	15,609,839
Net gain on sale of investments and other financial assets at FVOCI	19,134,530	1,704,461
Realized loss on derivative instruments	(25,977,385)	(2,461,130)
Net gain on financial instruments	19,251,565	15,347,617

The net gain on the sale of investments and other financial assets at FV through profit or loss includes loss on sale of financial instruments of debt for short sales for B/.2,944,721 (2019: B/.3,526,337).

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

(24) Fees and Other Commissions and Other Income, Net

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

	2020	2019
Debit and credit cards services	112,304,780	138,303,969
Other banking services	46,827,750	53,142,748
Managing funds and trusts	21,273,311	20,461,913
Securities brokerage	19,499,426	14,030,428
Other commissions	4,560,967	3,281,536
Total fees and other income, net	204,466,234	229,220,594

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

	2020	2019
Dividends	1,881,975	2,345,418
Foreign exchange fluctuations, net	10,689	(218,819)
Various banking services	11,782,631	13,292,116
Gain on sale of fixed assets, net	14,014	261,176
Fiduciary services	97,160	144,151
Other income	16,652,092	12,783,673
Total other income, net	30,438,561	28,607,715

(25) Personnel Benefits

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

Share-Based Compensation Plan

The total of the options granted by the Bank to participants to purchase shares from Grupo Financiero BG, S. A. is 5,199,260 (2019: 5,052,135). The options balance is 1,820,668 (2019: 1,792,949), which have an average exercise price of B/.67.47 (2019: B/.66.78). The total expense of the options granted to the participants based on their fair value, amounted to B/.1,598,577 (2019: B/.2,011,696). These options may be exercised by the executives until the year 2027.

Restricted Share Plan

On March 2018, the Board of Directors of Grupo Financiero BG, S. A. approved to reserve a total of up to 350,000 common shares of its authorized share capital in order to be awarded under the Restricted Share Plan for participants, which applies for the 2018-2022 period.

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

The shares to be issued to the participants are awarded at the average price of the month preceding the grant quoted in the Stock Exchange of Panama.

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

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

In 2020, 51,317 (2019: 49,240) shares were granted under the restricted share plan and recognized as an expense of B/.3,564,861 (2019: B/.4,190,543). The reconciliation of the balance for these shares is as follows:

	2020	2019
Shares at the beginning of the year	256,953	306,193
Shares issued	(51,317)	(49,240)
Balance at the end of the year	205,636	256,953

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/.86,580 (2019: B/.100,000) and the disbursements to former employees who are covered under the retirement plan amount to B/.164,776 (2019: B/.174,502).

(26) Income Tax

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

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

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

Country	**Tax rate**
Panama	25%
Costa Rica	30%

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

The income tax, estimated is of B/.39,618,254 (2019: B/.64,752,353) on a financial income generated by companies incorporated in the Republic of Panama of B/.226,190,484 (2019: B/.482,019,090) and the average effective estimated income tax rate is 18% (2019: 13%). The income tax rate applicable according to current legislation in the Republic of Panama is 25% (2019: 25%) or based on the alternative calculation, whichever is greater.

Net income tax is detailed as follows:

	2020	**2019**
Estimated income tax	40,098,788	66,032,357
Prior year income tax adjustments	208,599	370,088
Deferred income tax	(54,567,490)	(1,544,405)
Total income tax, net	(14,260,103)	64,858,040

The increase in deferred income tax for the year 2020 is mainly due to the increase of more than B/.200MM in the loan losses allowance, which is calculated at the tax rate according to current legislation of 25%.

The reconciliation of the effective tax rate is detailed as follows:

	2020		**2019**	
	Income tax base	**Income tax effect**	**Income tax base**	**Income tax effect**
Financial income before income tax	226,190,484	56,547,621	482,019,090	120,504,772
Net exempt and non-taxable income	(314,659,328)	(78,664,832)	(350,039,989)	(87,509,997)
Non-deductible expenses	31,428,433	7,857,108	127,030,311	31,757,578
Total	(57,040,411)	(14,260,103)	259,009,412	64,752,353

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

	2020	2019	Effect in profit or loss
Deferred income tax – asset:			
Loan loss allowance	93,524,942	39,726,216	53,798,726
Allowance for foreclosed assets	271,811	630,541	(358,730)
Total deferred income tax – asset	93,796,753	40,356,757	53,439,996
Deferred income tax – liability:			
Allowance for uncollectible finance leases	(323,586)	(136,952)	(186,634)
Allowance for foreclosed assets	0	(1,452)	1,452
Loan loss allowance	959,409	959,409	0
Investment loss allowance	(8,728)	(8,728)	0
Financial lease operations	2,053,620	2,964,862	(911,242)
Deferred commissions	366,628	424,780	(58,152)
Other assets/liabilities	0	(27,808)	27,808
Total deferred income tax – liability	3,047,343	4,174,111	(1,126,768)
Foreign currency fluctuations			(726)
Total deferred income tax			54,567,490

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

(27) Commitments and Contingencies

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

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

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

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

		2020	
	0 – 1 Year	1 – 5 Years	Total
Letters of credit	69,301,279	15,580,517	84,881,796
Financial guarantees	64,909,716	7,538,561	72,448,277
Mortgage disbursement commitment	448,755,059	0	448,755,059
Total	582,966,054	23,119,078	606,085,132

	2019		
	0 – 1 Year	1 – 5 Years	Total
Letters of credit	61,982,780	36,519,531	98,502,311
Financial guarantees	78,040,838	11,019,076	89,059,914
Mortgage disbursement commitment	579,637,590	0	579,637,590
Total	719,661,208	47,538,607	767,199,815

Credit Quality Analysis of Commitments and Contingencies

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

	2020	2019
Maximum exposure		
Carrying amount	606,085,132	767,199,815
Letters of credit		
Grade 1: Standard	81,634,740	95,095,052
Grade 2: Special mention	1,955,825	1,911,097
Grade 3: Sub-standard	1,159,881	1,364,812
Grade 4: Doubtful	131,350	0
Grade 5: Uncollectible	0	131,350
Gross amount	84,881,796	98,502,311
Financial guarantees		
Grade 1: Standard	62,747,543	79,573,614
Grade 2: Special mention	9,035,342	9,206,281
Grade 3: Sub-standard	665,392	280,019
Gross amount	72,448,277	89,059,914
Mortgage disbursement commitment		
Grade 1: Standard	444,166,803	577,203,453
Grade 2: Special mention	4,562,524	1,530,565
Grade 3: Sub-standard	0	447,739
Grade 4: Doubtful	0	455,833
Grade 5: Uncollectible	25,732	0
Gross amount	448,755,059	579,637,590

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

(28) Investment Entities and Separate Vehicles

The Bank managed trust funds and fiduciary contracts at client's own behalf and risk in the amount of B/.3,003,814,922 (2019: B/.2,762,301,786), and the custody of securities in investment accounts at client's own behalf and risk amounting to B/.11,300,280,989 (2019: B/.11,823,120,976). According to the nature of these services, the Bank's management considers that there are no significant risks attributable to the Bank.

The Bank does not hold assets under discretionary management.

(29) Structured Entities

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

Type of Structured Entity	Nature and Purpose	Interest Held by the Bank
- Investment funds	To offer an alternative to investors through a diversified portfolio while preserving capital	10.97% (2019: 10.66%)

The funds managed at client's own behalf and risk amount to B/.592,261,084 (2019: B/.598,208,959); income fees for administration and custody amount to B/.6,197,581 (2019: B/.6,379,075), and are presented as fees and other commissions in the consolidated statement of income.

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

(30) Derivative Financial Instruments

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

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

Below is the summary of derivative contracts is as follow:

	Total		Exchange-Traded		Over the Counter (OTC) Liquidated in a securities exchange		Over the Counter (OTC) Other bilateral counterparts	
	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value
2020								
Derivative assets	869,170,304	35,743,971	139,253,520	0	144,146,454	2,560,059	585,770,330	33,183,912
Derivative liabilities	888,479,225	19,409,040	280,152,190	0	99,275,734	2,384,608	509,051,301	17,024,432
2019								
Derivative assets	707,307,544	18,096,649	106,951,920	0	520,824,651	17,271,794	79,530,973	824,855
Derivative liabilities	799,394,730	19,780,525	78,759,700	0	483,034,950	17,288,287	237,600,080	2,492,238

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA and BBB+, which support derivative operations in the amount of B/.20.6MM (2019: B/.14.7MM).

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

Other Derivatives classified by Risk:

	2020 Assets	2020 Liabilities	2019 Assets	2019 Liabilities
Other Derivatives				
Credit	1,385,484	844,999	1,351,699	1,309,628
Interest	1,773,228	1,953,672	3,844,541	3,066,570
Currency	12,398	9,631	365,487	2,145,258
Total	3,171,110	2,808,302	5,561,727	6,521,456

The Bank had derivative contracts in books for a nominal value of B/.1,757,649,529 (2019: B/.1,506,702,274), of which B/.1,300,506,389 (2019: B/.811,660,813) were part of the portfolios given under management to third parties. Of these derivatives managed by third parties B/.911,171,178 (2019: B/.517,380,241) are aimed at manage the duration and interest rate risk of these portfolios.

The net impact of derivative instruments on financing interest expense in the consolidated statement of income was B/.4,299,708 (2019: B/.1,023,794).

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

Hedge Derivatives for Risk Management:

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exposure to risk:				
Interest rate				
Fair value hedge	32,464,775	9,238,523	12,534,922	5,953,873
Cash flow hedge	0	597,286	0	7,147,729
Others	0	386,588	0	157,467
Total interest rate	32,464,775	10,222,397	12,534,922	13,259,069
Currency				
Others	108,086	5,548,103	0	0
Total Currency	108,086	5,548,103	0	0
Credit				
Others	0	830,238	0	0
Total Credits	0	830,238	0	0
Total derivatives for risk exposure	32,572,861	16,600,738	12,534,922	13,259,069

Interest rate risk derivatives hedge

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

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

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

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

	2020 Maturity				
Risk Category	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	7,250,000	0	54,820,484
Average interest rate			7.60%		3.99%
Hedging of Bonds and Notes					
Notional Value	0	0	0	75,000,000	250,000,000
Average interest rate				1.26%	1.87%

Risk Category	2019 Maturity Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	95,000,000	250,000,000
Average interest rate				2.95%	3.55%

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

2020

	Notional Value	Book Value Assets	Book Value Liabilities	Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	62,070,484	0	9,238,523	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	325,000,000	32,464,775	0	Other assets (liabilities)	0	0
Total interest rate risk	387,070,484	32,464,775	9,238,523			

2019

	Notional Value	Book Value Assets	Book Value Liabilities	Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	82,250,000	0	5,953,873	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	345,000,000	12,534,922	0	Other assets (liabilities)	0	0
Total interest rate risk	427,250,000	12,534,922	5,953,873			

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

2020

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities	Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
Bonds	68,602,082		9,237,868	0	Investment securities FVOCI	0	0
Bonds and notes		325,000,000	0	32,664,673	Borrowing and debt securities issued	0	0

2019

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item Liabilities	Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
Bonds	90,759,034		5,851,281	0	Investment securities FVOCI	0	0
Bonds and notes		345,000,000	0	12,734,820	Borrowing and debt securities issued	0	0

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

2020
Maturity

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	30,000,000	0
Average interest rate				2.84%	

2019
Maturity

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

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

2020

	Notional Value	Book Value Assets	Book Value Liabilities	Item in the condensed consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	30,000,000	0	597,286	Other assets (liabilities)	0	0

2019

	Notional Value	Book Value Assets	Book Value Liabilities	Item in the condensed consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	7,147,729	Other assets (liabilities)	0	0

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

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	1,385,484	0	1,385,484
Interest	0	1,773,228	0	1,773,228
Currency	0	12,398	0	12,398
Total	0	3,171,110	0	3,171,110
Hedge derivates for risk management:				
Interest	0	32,464,775	0	32,464,775
Currency	0	108,086	0	108,086
Total	0	32,572,861	0	32,572,861
Total derivatives assets	0	35,743,971	0	35,743,971
Liabilities				
Other derivatives:				
Credit	0	844,999	0	844,999
Interest	0	1,953,672	0	1,953,672
Currency	0	9,631	0	9,631
Total	0	2,808,302	0	2,808,302
Hedge derivates for risk management:				
Credit	0	830,238	0	830,238
Interest	0	10,222,397	0	10,222,397
Currency	0	5,548,103	0	5,548,103
Total	0	16,600,738	0	16,600,738
Total derivates liabilities	0	19,409,040	0	19,409,040

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	1,351,699	0	1,351,699
Interest	0	3,844,541	0	3,844,541
Currency	0	365,487	0	365,487
Total	0	5,561,727	0	5,561,727
Hedge derivatives for risk management:				
Interest	0	12,534,922	0	12,534,922
Total	0	12,534,922	0	12,534,922
Total derivatives assets	0	18,096,649	0	18,096,649
Liabilities				
Other derivatives:				
Credit	0	1,309,628	0	1,309,628
Interest	6,125	3,060,445	0	3,066,570
Currency	0	2,145,258	0	2,145,258
Total	6,125	6,515,331	0	6,521,456
Hedge derivates for risk management:				
Interest	0	13,259,069	0	13,259,069
Total	0	13,259,069	0	13,259,069
Total derivates liabilities	6,125	19,774,400	0	19,780,525

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

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

See Note 6, for the description of these Levels.

(31) Fair Value of Financial Instruments

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

(a) Investments and other financial assets

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

(b) Loans

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

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

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

(d) Time deposits from customers and banks/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 consolidated statement of financial position:

	2020		2019	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Assets:				
Time deposits with banks	199,371,557	201,622,481	191,762,241	192,443,555
Investments at amortized cost, net	53,415,461	53,431,848	0	0
Loans, net	11,023,582,558	10,985,309,747	11,875,227,765	11,821,782,344
	11,276,369,576	11,240,364,076	12,066,990,006	12,014,225,899
Liabilities:				
Deposits	13,449,536,465	13,496,331,618	12,455,267,947	12,486,978,013
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	1,294,148,583	1,355,221,790	2,536,208,713	2,519,252,592
	14,743,685,048	14,851,553,408	14,991,476,660	15,006,230,605

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

	2020	**Level 1**	**Level 2**	**Level 3**
Assets:				
Time deposits with banks	201,622,481	0	0	201,622,481
Investments at amortized cost, net	53,431,848	0	47,600,000	5,831,848
Loans, net	10,985,309,747	0	0	10,985,309,747
	11,240,364,076	0	47,600,000	11,192,764,076
Liabilities:				
Deposits	13,496,331,618	0	0	13,496,331,618
Borrowings, debt securities issued and perpetual bonds	1,355,221,790	0	0	1,355,221,790
	14,851,553,408	0	0	14,851,553,408

	2019	**Level 1**	**Level 2**	**Level 3**
Assets:				
Time deposits with banks	192,443,555	0	0	192,443,555
Loans, net	11,821,782,344	0	0	11,821,782,344
	12,014,225,899	0	0	12,014,225,899
Liabilities:				
Deposits	12,486,978,013	0	0	12,486,978,013
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	2,519,252,592	0	0	2,519,252,592
	15,006,230,605	0	0	15,006,230,605

See Note 6, for the description of these levels.

(32) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage the several risks faced by the Bank, the Board of Directors has created the Credit Risk Committee of the Board of Directors, to oversee the 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 polices and limits in order to control and manage these risks. There is also an Audit Committee, composed of members of the Bank's Board of Directors that oversees the establishment of appropriate internal controls for reporting the Bank's financial information.

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

(a) Credit Risk

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

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

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:

	2020 (in thousands)			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortized cost				
Grade 1: Standard	10,004,724	29,881	4	10,034,609
Grade 2: Special mention	50,859	740,304	11,125	802,288
Grade 3: Sub-standard	3,759	69,777	309,296	382,832
Grade 4: Doubtful	1,060	631	49,479	51,170
Grade 5: Uncollectible	371	490	92,679	93,540
Gross amount	10,060,773	841,083	462,583	11,364,439
Allowance for impairment	(225,582)	(71,631)	(85,563)	(382,776)
Net carrying amount	9,835,191	769,452	377,020	10,981,663
Finance leases				
Grade 1: Standard	67,594	2,919	14	70,527
Grade 2: Special mention	4,165	1,628	3	5,796
Grade 3: Sub-standard	935	426	560	1,921
Grade 4: Doubtful	25	0	212	237
Grade 5: Uncollectible	0	0	1,503	1,503
Gross amount	72,719	4,973	2,292	79,984
Allowance for impairment	(141)	(328)	(550)	(1,019)
Net carrying amount	72,578	4,645	1,742	78,965
Total loans	10,133,492	846,056	464,875	11,444,423
Allowance for impairment	(225,723)	(71,959)	(86,113)	(383,795)
Net carrying amount	9,907,769	774,097	378,762	11,060,628
Restructured loans				
Gross amount	6,047	77,707	135,064	218,818
Allowance for impairment	(251)	(8,887)	(32,629)	(41,767)
Net carrying amount	5,796	68,820	102,435	177,051

	2019 (in thousands)			
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans at amortized cost				
Grade 1: Standard	11,034,292	53,564	39	11,087,895
Grade 2: Special mention	32,492	541,040	7,940	581,472
Grade 3: Sub-standard	8,083	19,102	173,559	200,744
Grade 4: Doubtful	5,812	4,950	44,577	55,339
Grade 5: Uncollectible	3,947	454	53,647	58,048
Gross amount	11,084,626	619,110	279,762	11,983,498
Allowance for impairment	(83,403)	(30,669)	(50,816)	(164,888)
Net carrying amount	11,001,223	588,441	228,946	11,818,610
Finance leases				
Grade 1: Standard	95,834	469	7	96,310
Grade 2: Special mention	0	2,568	0	2,568
Grade 3: Sub-standard	0	0	1,252	1,252
Grade 4: Doubtful	0	0	39	39
Grade 5: Uncollectible	0	0	22	22
Gross amount	95,834	3,037	1,320	100,191
Allowance for impairment	(205)	(42)	(24)	(271)
Net carrying amount	95,629	2,995	1,296	99,920
Total loans	11,180,460	622,147	281,082	12,083,689
Allowance for impairment	(83,608)	(30,711)	(50,840)	(165,159)
Net carrying amount	11,096,852	591,436	230,242	11,918,530
Restructured loans				
Gross amount	6,662	124,487	98,447	229,596
Allowance for impairment	(128)	(3,293)	(20,145)	(23,566)
Net carrying amount	6,534	121,194	78,302	206,030

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

	2020		
	Banco General, S. A.	**Subsidiaries**	**Total**
Current	10,058,383,706	860,057,083	10,918,440,789
From 31 to 90 days	340,469,729	9,471,795	349,941,524
More than 90 days (capital or interest)	157,146,230	9,267,295	166,413,525
More than 30 days past due (capital at maturity)	9,604,301	23,197	9,627,498
Total	10,565,603,966	878,819,370	11,444,423,336

	2019		
	Banco General, S. A.	**Subsidiaries**	**Total**
Current	10,619,222,393	976,853,681	11,596,076,074
From 31 to 90 days	325,254,021	8,932,349	334,186,370
More than 90 days (capital or interest)	139,785,766	5,156,381	144,942,147
More than 30 days past due (capital at maturity)	8,482,860	1,443	8,484,303
Total	11,092,745,040	990,943,854	12,083,688,894

The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital and mutual funds amounting to B/.37,811,079 (2019: B/.45,000,477), which are not subject to credit risk:

	2020				
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
At Amortized Cost					
Foreign:					
AAA	47,600,000	0	0	0	47,600,000
Lower than BBB-	5,831,848	0	0	0	5,831,848
Carrying amount	53,431,848	0	0	0	53,431,848
Loss allowance	(16,387)	0	0	0	(16,387)
Total carrying amount, net	53,415,461	0	0	0	53,415,461
At FVOCI					
Local:					
AA+ to BBB-	877,504,377	0	0	0	877,504,377
Lower than BBB-	442,155,673	8,939,289	28,665,030	0	479,759,992
Carrying amount	1,319,660,050	8,939,289	28,665,030	0	1,357,264,369
Valuation of credit risk	(1,945,002)	(508,899)	(7,562,805)	0	(10,016,706)
Foreign:					
AAA	1,835,823,833	0	0	0	1,835,823,833
AA+ to BBB-	995,579,158	0	0	0	995,579,158
Lower than BBB-	221,746,137	12,240,671	127,333	532,545	234,646,686
Carrying amount	3,053,149,128	12,240,671	127,333	532,545	3,066,049,677
Valuation of credit risk	(4,582,143)	(26,753)	0	0	(4,608,896)
Total carrying amount	4,372,809,178	21,179,960	28,792,363	532,545	4,423,314,046
Total valuation of credit risk	(6,527,145)	(535,652)	(7,562,805)	0	(14,625,602)
At Fair Value TPL					
Local:					
AA+ to BBB-	1,590,697				
Lower than BBB-	60,951,549				
Carrying amount	62,542,246				
Foreign:					
AAA	605,443,899				
AA+ to BBB-	172,480,656				
Lower than BBB-	266,001,494				
NR	3,775,246				
Carrying amount	1,047,701,295				
Total carrying amount	1,110,243,541				

	12-month ECL	Lifetime ECL Not credit-impaired	2019 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
At FVOCI					
Local:					
AA+ to BBB-	973,267,793	0	0	0	973,267,793
Lower than BBB-	432,183,824	25,606,021	13,634,364	0	471,424,209
Carrying amount	1,405,451,617	25,606,021	13,634,364	0	1,444,692,002
Valuation of credit risk	(1,598,162)	(681,472)	(5,272,890)	0	(7,552,524)
Foreign:					
AAA	1,744,292,256	0	0	0	1,744,292,256
AA+ to BBB-	918,605,432	0	0	0	918,605,432
Lower than BBB-	180,323,944	5,659,420	145,740	487,551	186,616,655
Carrying amount	2,843,221,632	5,659,420	145,740	487,551	2,849,514,343
Valuation of credit risk	(3,296,414)	(19,701)	0	0	(3,316,115)
Total carrying amount	4,248,673,249	31,265,441	13,780,104	487,551	4,294,206,345
Total valuation of credit risk	(4,894,576)	(701,173)	(5,272,890)	0	(10,868,639)
At Fair Value through profit or loss					
Local:					
AA+ to BBB-	4,992,935				
Lower than BBB-	53,412,587				
Carrying amount	58,405,522				
Foreign:					
AAA	397,570,376				
AA+ to BBB-	68,132,407				
Lower than BBB-	107,983,718				
NR	2,141,860				
Carrying amount	575,828,361				
Total carrying amount	634,233,883				

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

Time deposits with banks

The time deposits with banks are held with central banks and financial institution counterparties that are rated at least between AAA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to B/.198,838,484 (2019: B/.191,239,591).

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

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

- *Impairment of loans and investments and other financial assets and deposits with banks:*
  Impairment of loans, investments and other financial assets and deposits with banks is determined by comparing the carrying value of the asset to its estimated recoverable amount. At December 31, 2020 and 2019 the Bank has no impaired deposits.

- *Past due but not impaired loans and investments and other financial assets:*
  Loans and investments and other financial assets that hold enough collateral and/or sources of repayment to cover the carrying value of such loans or investments and other financial assets are considered past due but not impaired, i.e., no losses incurred.

- *Restructured loans:*
  Restructured loans are those that, due to material difficulties in the debtor´s ability to pay, have been formally documented with a significant variation in the original terms of the loan (balance, term, payment schedule, rate and guarantees), and the result of the assessment of their current condition does not allow them to be reclassified as standard.

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

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

- *Impairment reserves:*
  The Bank has established reserves for impairment of financial instruments, which are described in Note 3, literal h.

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

As a complement to the normal write-off policies, which are based on the number of days of delinquency, as a result of the situation caused by COVID-19, temporary and exceptional write-off policy was approved and applied for consumer loans that have been deferred and that demonstrate inability to pay. This operation is based on analyzing a combination of factors other than delinquency, such as the debtor's employment situation and his family environment, the economic activity of his employer, the situation of deferral of his credit obligations, the guarantees that protect the obligation, the customer's internal risk category, and the number of deferred installments. In the case of corporate loans, the individual analyzes additionally consider the financial strength of the debtor and its shareholders. This operation may be suspended by the Bank's management at any time.

Collateral to Reduce Credit Risk and its Financial Effect

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

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

	% of exposure that is subject to Collateral requirements		Type of Collateral
	2020	2019	
Loans	78.07%	77.12%	Cash, Properties, Equipment, and Others
Investments and Other Financial Assets	50.48%	52.91%	Cash, Properties, and Equipment

Residential mortgage loans

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

	2020	2019
Residential mortgages loans:		
Less than 50%	758,957,316	755,856,680
51% - 70%	1,235,968,287	1,212,599,938
71% - 90%	2,172,808,450	2,127,115,621
More than 90%	427,799,292	449,474,544
Total	4,595,533,345	4,545,046,783

Concentration of Credit Risk

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

	Loans		Investments and other financial assets	
	2020	**2019**	**2020**	**2019**
	(in thousands)		(in thousands)	
Concentration by Sector:				
Corporate	4,711,735	5,200,377	3,198,309	2,664,213
Consumer	6,369,158	6,457,529	0	0
Government and Government Agencies	0	0	2,426,475	2,309,228
Other Sectors	363,530	425,783	0	0
	11,444,423	12,083,689	5,624,784	4,973,441
Geographical Concentration:				
Panama	10,214,253	10,708,602	1,472,595	1,557,986
Latin America and the Caribbean	1,230,140	1,375,057	204,391	224,084
United States of America and Other	30	30	3,947,798	3,191,371
	11,444,423	12,083,689	5,624,784	4,973,441

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

The risk committee, in response to COVID-19, has increased the frequency of detailed reviews of the exposure concentrations maintained by the Bank by type of segment, product, sector, country, among others. These reviews include monitoring compliance with exposure limits for clients and / or economic groups in economic sectors and countries that have been seriously affected.

(b) Counterparty Risk

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

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

(c) Market Risk

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

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

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

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

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

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

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

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

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

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

The table below sets out the Bank´s maximum exposure to foreign currencies. The assets and liabilities are presented at their carrying amount, except derivatives which are presented at their nominal value within other assets/other liabilities.

2020	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	**1.22**	**617.30**	**1.36**	**103.25**	**19.92**	**6.53**		
Assets								
Cash and cash items	1,749,791	5,377,259	846,707	11,817	25,713	7,641	233,314	8,252,242
Investments and other financial assets	171,082,841	5,875,116	80,053,556	0	2,144,604	0	6,479,159	265,635,276
Loans	0	11,588,873	0	0	0	0	0	11,588,873
Other assets	9,134,693	3,549,999	2,324,337	0	73,239	179,487	574,424	15,836,179
	181,967,325	26,391,247	83,224,600	11,817	2,243,556	187,128	7,286,897	301,312,570
Liabilities								
Deposits	0	19,340,480	0	0	0	0	0	19,340,480
Borrowings and debt securities issued	0	3,919,251	0	0	0	0	0	3,919,251
Other liabilities	182,190,008	0	83,474,114	0	2,196,887	179,487	7,107,652	275,148,148
	182,190,008	23,259,731	83,474,114	0	2,196,887	179,487	7,107,652	298,407,879
Net currency positions	(222,683)	3,131,516	(249,514)	11,817	46,669	7,641	179,245	2,904,691

2019	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	**1.12**	**570.09**	**1.32**	**108.68**	**18.86**	**6.96**		
Assets								
Cash and cash items	374,302	7,979,697	326,036	1,094,382	40,724	7,660	270,266	10,093,067
Investments and other financial assets	74,257,082	7,064,616	32,845,952	18,109,537	0	0	0	132,277,187
Loans	0	5,891,445	0	0	0	0	0	5,891,445
Other assets	2,990,183	1,329,214	118,009	0	98,489	729,236	11,851,499	17,116,630
	77,621,567	22,264,972	33,289,997	19,203,919	139,213	736,896	12,121,765	165,378,329
Liabilities								
Deposits	0	17,534,017	0	0	0	0	0	17,534,017
Borrowings and debt securities issued	0	1,818,620	0	0	0	0	0	1,818,620
Other liabilities	77,349,064	16,292	33,200,119	19,226,308	98,172	729,236	11,869,200	142,488,391
	77,349,064	19,368,929	33,200,119	19,226,308	98,172	729,236	11,869,200	161,841,028
Net currency positions	272,503	2,896,043	89,878	(22,389)	41,041	7,660	252,565	3,537,301

* *Other currencies include Australian Dollar, Swiss Franc, Singapore Dollar, South African Rand, Colombian Peso, Canadian Dollar, Guatemalan Quetzal, Peruvian New Sun, Turkish Lira, Hong Kong Dollar, Norwegian Krone, Danish Krone, Swedish Krona and New Zealand Dollar.*

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

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

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

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

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

				2020			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
Assets:							
Time deposits with banks	38,818,808	13,040,523	147,512,226	0	0	0	199,371,557
Investments and other financial assets	1,593,439,084	135,995,055	249,727,405	1,765,287,559	1,037,403,042	273,288,595	5,055,140,740
Loans	10,690,956,064	335,144,544	136,605,415	202,838,190	38,885,380	39,993,743	11,444,423,336
Total	12,323,213,956	484,180,122	533,845,046	1,968,125,749	1,076,288,422	313,282,338	16,698,935,633
Liabilities:							
Deposits	6,867,948,258	725,562,056	1,417,393,284	2,661,602,321	1,345,276	0	11,673,851,195
Borrowings, debt securities issued and perpetual bonds	266,072,789	25,000,000	28,241,734	167,742,368	589,411,692	217,680,000	1,294,148,583
Total	7,134,021,047	750,562,056	1,445,635,018	2,829,344,689	590,756,968	217,680,000	12,967,999,778
Total interest sensitivity gap	5,189,192,909	(266,381,934)	(911,789,972)	(861,218,940)	485,531,454	95,602,338	3,730,935,855

				2019			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
Assets:							
Time deposits with banks	48,305,437	26,044,166	117,412,638	0	0	0	191,762,241
Investments and other financial assets	1,458,062,815	197,107,189	349,812,712	1,564,915,151	781,018,651	243,742,651	4,594,659,169
Loans	11,198,426,852	479,886,712	77,762,096	257,634,090	32,400,583	37,578,561	12,083,688,894
Total	12,704,795,104	703,038,067	544,987,446	1,822,549,241	813,419,234	281,321,212	16,870,110,304
Liabilities:							
Deposits	5,829,484,280	767,352,017	1,358,998,946	2,882,846,709	1,183,980	0	10,839,865,932
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	888,564,571	215,309,062	20,225,336	190,931,403	599,550,930	217,680,000	2,132,261,302
Total	7,121,996,262	982,661,079	1,379,224,282	3,073,778,112	600,734,910	217,680,000	13,376,074,645
Total interest sensitivity gap	5,582,798,842	(279,623,012)	(834,236,836)	(1,251,228,871)	212,684,324	63,641,212	3,494,035,659

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

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

	Sensitivity of the net interest income			
	100bp Increase		**100bp decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	24,721,927	14,457,446	(21,133,556)	(14,148,014)
Average for the year	19,161,289	12,339,745	(16,942,554)	(11,716,187)
Maximum for the year	24,721,927	14,457,446	(21,133,556)	(14,448,014)
Minimum for the year	15,183,167	11,327,138	(13,787,577)	(9,885,060)

	Sensitivity in profit or loss for investments at fair value			
	100pb Increase		**100pb decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	(34,380,838)	(20,335,902)	6,860,047	16,816,565
Average for the year	(28,759,818)	(18,748,582)	2,401,894	14,513,437
Maximum for the year	(34,380,838)	(20,417,858)	6,860,047	16,816,565
Minimum for the year	(23,308,888)	(16,198,011)	(2,826,453)	13,032,899

	Sensitivity of other comprehensive income			
	100pb Increase		**100pb decrease**	
	2020	**2019**	**2020**	**2019**
At the end of the year	(142,555,810)	(112,739,656)	91,590,277	114,205,754
Average for the year	(122,584,994)	(102,352,776)	64,509,976	103,986,909
Maximum for the year	(142,555,810)	(112,739,656)	91,590,277	114,205,754
Minimum for the year	(101,152,380)	(96,908,698)	48,922,819	99,535,353

Reform of the main Reference rates (IBOR)

Globally, there is a process of replacing the use of the main received interbank rates (IBORs) with risk-free interest rates. This reform has generated uncertainty in global markets and will have an impact on products referenced to IBOR. In order to carry out a smooth and orderly transition for the replacement of the IBOR rate, the Bank has established a multidisciplinary committee to evaluate the assets and liabilities agreed upon based on IBOR to determine the transition and impact. The committee is conformed by senior executives from Treasury, Corporate Credit, Risk, Legal, Finance and Operations. The committee reports its progress to the Bank's Assets and Liabilities Committee on a quarterly basis or more frequently if necessary.

The objective of the committee is to evaluate all the assets and liabilities of the Bank referenced to IBOR to determine the changes that, if necessary, are required by the financial assets and liabilities contracts. Additionally, the committee must determine the operational and systems risks that the transition may have and will coordinate the operations to be carried out in the different areas of the Bank for an orderly transition. The committee will coordinate communication and action plans with Bank clients so that the transition is transparent and efficient. The committee has reviewed the current IBOR replacement clauses of the Bank's loan contracts and has worked on new IBOR replacement clauses that it will begin to use in order to strengthen the IBOR replacement language of the contracts. Likewise, the Bank will endeavor to use rates not referenced to IBOR in its new loans in order to reduce the number of operations that must be amended when IBOR ceases to exist.

The Bank considers that the current risk to which it is exposed, as a result of the IBOR reform, is low since there are B/.541MM in loans or 4.72% of the total that is referenced to IBOR only; additionally there are B/.1,572MM in loans referenced to IBOR or 13.74%, but which have a floor rate. 75% of these operations expire after December 31, 2021. On the other hand, almost 87% of these loans are corporate loans, so the number of operations with loans referenced to IBOR is low. Regarding investments, less than 22% of them are referenced to IBOR and of these 43.92% have a floor rate. For liabilities, only B/.233MM of its institutional financings are referenced to IBOR and expire after 2021.

In relation to derivative transactions, the Bank maintains low amounts of accounting hedge derivative transactions referenced to IBOR. As of December 31, 2020, it maintains interest rate risk hedges referenced to IBOR for a total of B/.387MM of notional value of fair value hedges and a total of B / .30MM of notional value of cash flow hedge cash. Of these operations, B/.410MM expire after December 31, 2021, therefore, no material impact is anticipated due to differences in the baseline between derivatives and hedged assets and liabilities.

(d) Liquidity and Financing Risk

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

Liquidity Risk Management:

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

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

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

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

	2020							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	157,149,834	0	0	0	0	0	0	157,149,834
Deposits with banks	470,593,776	25,329,089	147,512,226	0	0	0	0	643,435,091
Investments and other financial assets, net	533,354,687	202,757,773	357,682,830	2,448,480,009	1,500,419,076	544,278,672	59,497,030	5,646,470,077
Loans, net	1,632,610,094	726,803,457	1,189,713,825	6,530,081,150	744,476,857	199,897,175	0	11,023,582,558
Accrued interest receivable	1,142,077	212,631	44,709,748	109,428,367	0	0	0	155,492,823
Other assets	255,368,764	3,527,421	153,467,863	9,418,453	4,644,849	686,258	563,538,964	990,652,572
Total	3,050,219,232	958,630,371	1,893,086,492	9,097,407,979	2,249,540,782	744,862,105	623,035,994	18,616,782,955
Liabilities:								
Deposits	8,641,296,270	725,562,056	1,419,730,542	2,661,602,321	1,345,276	0	0	13,449,536,465
Borrowings, debt securities issued and perpetual bonds	23,066,784	16,660,042	64,326,463	380,323,602	592,091,692	0	217,680,000	1,294,148,583
Lease Liabilities	782,851	790,168	1,520,466	9,535,151	5,319,640	1,748,040	0	19,696,316
Accrued interest payable	15,713	0	114,661,714	0	0	0	0	114,677,427
Other liabilities	835,499,746	1,093,052	20,664,292	24,229,134	0	0	224,027,206	1,105,513,430
Total	9,500,661,364	744,105,318	1,620,903,477	3,075,690,208	598,756,608	1,748,040	441,707,206	15,983,572,221
Net position	(6,450,442,132)	214,525,053	272,183,015	6,021,717,771	1,650,784,174	743,114,065	181,328,788	2,633,210,734

	2019							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	206,185,414	0	0	0	0	0	0	206,185,414
Deposits with banks	334,933,791	30,487,805	128,683,244	30,183,850	0	0	0	524,288,690
Investments and other financial assets, net	438,371,584	175,825,553	420,883,387	2,276,724,764	1,096,372,595	520,262,343	69,881,664	4,998,321,890
Loans, net	1,075,792,073	1,136,417,393	1,471,864,677	7,085,008,198	861,523,593	244,621,831	0	11,875,227,765
Accrued interest receivable	1,304,577	223,594	47,110,216	0	0	0	0	48,638,387
Other assets	475,666,212	1,440,113	118,983,382	16,614,944	5,159,244	608,390	452,586,657	1,071,058,942
Total	2,532,253,651	1,344,394,458	2,187,524,906	9,408,531,756	1,963,055,432	765,492,564	522,468,321	18,723,721,088
Liabilities:								
Deposits	7,442,671,043	767,352,019	1,359,814,889	2,884,246,016	1,183,980	0	0	12,455,267,947
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	44,782,228	106,809,062	550,401,117	610,357,965	602,230,930	0	217,680,000	2,132,261,302
Lease Liabilities	826,485	789,901	1,572,402	10,914,470	6,020,687	745,821	0	20,869,766
Accrued interest payable	15,713	0	128,281,787	0	0	0	0	128,297,500
Other liabilities	850,853,905	2,777,012	47,457,016	1,413,573	0	0	197,836,755	1,100,338,261
Total	8,743,096,785	877,727,994	2,087,527,211	3,506,932,024	609,435,597	745,821	415,516,755	16,240,982,187
Net position	(6,210,843,134)	466,666,464	99,997,695	5,901,599,732	1,353,619,835	764,746,743	106,951,566	2,482,738,901

Management estimates that the Bank's investment portfolio consists of highly liquid investments and other financial assets (with ratings from AAA to BBB-) for B/.3,521,460,619 (2019: B/.3,289,215,105), which can be readily convertible to cash, in a period of less than a week.

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

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

	2020	**2019**
At the end of the year	29.40%	27.29%
Average for the year	28.91%	27.62%
Maximum for the year	30.62%	28.53%
Minimum for the year	26.78%	26.16%

(e) Operational Risk
Operational risk is the risk that losses may occur due to failure or insufficiency of processes, personnel, internal systems or external events. This definition includes the legal risk associated with these factors.

The Bank has designed an operational risk management model under a decentralized management structure through risk managers within functional areas.

The Operational Risk Management model, addresses within its key functions the following:

- Definition of strategies and implementation of Business Continuity Plans for the critical processes
- Identification and assessment of risks
- Reporting of incidents and loss events
- Evaluation and follow-up of risk mitigating actions
- Assessment of operational risks in new initiatives
- Periodic training with the areas staff.

In addition to the Operational Risk Unit, the following areas manage operational risk intrinsically within its functions:

- Operational Risk Unit
- Risk Management of Information Technology
- Information Security
- Prevention and Fraud Control
- Corporate Security.

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

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

(f) Capital Management

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

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

	2020	2019
Ordinary Primary Capital (Tier 1)		
Common shares	500,000,000	500,000,000
Legal reserve	188,395,818	186,240,059
Other items of comprehensive income	159,987,401	89,124,875
Retained earnings	1,772,980,479	1,703,099,551
Less: regulatory adjustments	53,674,143	50,073,596
Total	2,567,689,555	2,428,390,889
Additional Primary Capital (Tier 1)		
Subordinated debt – perpetual bonds	217,680,000	217,680,000
Total	217,680,000	217,680,000
Total primary capital	2,785,369,555	2,646,070,889
Total capital	2,785,369,555	2,646,070,889
Credit risk-weighted assets	11,273,084,468	11,931,119,738
Market risk-weighted assets	1,551,595,690	422,022,914
Operative risk-weighted assets	607,185,552	630,171,927
Total Risk-weighted assets	13,431,865,710	12,983,314,579
Capital ratios		
Total capital	20.74%	20.38%
Total primary capital	20.74%	20.38%

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

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

(a) *Impairment losses on loans:*

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

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

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

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

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

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

(34) Main Applicable Laws and Regulations

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

Liquidity Ratio
The liquidity ratio reported by Banco General S. A. to the regulator, based on the parameters established in the Agreement No.4-2008, was 40.45% (2019: 38.21%).

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

The Bank has a ratio of consolidated regulatory capital to its risk-weighted assets of 20.74% (2019: 20.38%) in accordance with Agreements No.1-2015, No.3-2016, No.11-2018 and No.6-2019 issued by the Superintendence of Banks of Panama.

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

Market Risk Weighted Assets

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

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

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

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

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

	Market Risk-Weighted Assets	
	2020	**2019**
Category		
Fixed income	639,665,880	245,354,792
Variable income	611,628,937	79,420,848
Derivatives	300,300,873	97,247,274
Market risk-weighted assets	1,551,595,690	422,022,914

The net gain obtained during 2020 in the trading portfolio amounts to B/.2,548,785.

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.

Loans and Loan Allowances

Specific provisions

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

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

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

The following table summarizes the classification of the loan portfolio and loan loss allowance of Banco General, S. A., based on Agreement No.4-2013:

2020
(in thousands)

	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	3,290,537	758,101	295,907	24,683	33,142	4,402,370
Consumer loans	6,069,647	88,105	33,714	24,950	55,341	6,271,757
Total	9,360,184	846,206	329,621	49,633	88,483	10,674,127
Specific Reserve	0	33,418	34,478	17,543	12,869	98,308

2019
(in thousands)

	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	4,202,740	446,476	152,338	17,416	22,638	4,841,608
Consumer loans	6,120,631	133,733	47,958	35,695	32,321	6,370,338
Total	10,323,371	580,209	200,296	53,111	54,959	11,211,946
Specific Reserve	0	21,308	33,606	19,897	9,702	84,513

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

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

	2020 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,240,803	117,443	44,124	4,402,370
Consumer loans	5,923,046	222,648	126,063	6,271,757
Total	10,163,849	340,091	170,187	10,674,127

	2019 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,715,562	89,817	36,229	4,841,608
Consumer loans	6,022,678	235,430	112,230	6,370,338
Total	10,738,240	325,247	148,459	11,211,946

The following table presents the balance of the loan portfolio by maturity of Banco General, S.A. based on the Agreement No.4-2013, including contagion:

	2020 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,240,803	117,443	44,124	4,402,370
Consumer loans	5,914,648	229,146	127,963	6,271,757
Total	10,155,451	346,589	172,087	10,674,127

	2019 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,665,578	136,967	39,063	4,841,608
Consumer loans	5,995,480	244,518	130,340	6,370,338
Total	10,661,058	381,485	169,403	11,211,946

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

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

Total loans of Banco General, S. A. in non-accrual status of interest based on Agreement No.4-2013, modified by Agreement No. 8-2014, amounts to B/.156,928,663 (2019: B/.115,035,743). Total interest income not recognized on these loans is of B/.13.472,425 (2019: B/.8,034,444).

As a result of the situation caused by COVID-19, the Bank approved and applied a complementary and exceptional policy of non-calculation of interest for consumer loans that have been modified based on Agreement No.4-2013, modified by Agreement No.8-2014. This policy is based on the analysis of a combination of client factors in addition to delinquency, such as employment status, income generation, the type of credit product and its guarantees, the client's internal risk category and the number of deferred payments. This policy may be suspended or adjusted by the Bank's management.

The total of Banco General, S. A. loans in a non-calculation of interest status in accordance with the provisions of this complementary policy amounts to B/.279,606,351. The total unrecognized interest in income on these loans is B/.14,092,299.

Modified special mention category loans

As follow, a detail of the modified special mention category loan portfolio and their respective provisions and regulatory reserves is presented as of December 31, 2020, classified according to stages 1, 2 and 3 contemplated by IFRS 9, in accordance with the requirements of the Agreement No.2-2020 modified by Agreement No.9-2020:

	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified loans	4,650,041,610	612,943,746	10,448,633	5,273,433,989
Persons	3,154,776,508	78,913,699	10,448,633	3,244,138,840
Corporate	1,495,265,102	534,030,047	0	2,029,295,149
(-) Modified loans guaranteed with deposits pledged in the same bank up to the guaranteed amount	(3,532)	0	0	(3,532)
(+) Accrued interest receivable	109,515,667	18,529,016	0	128,044,683
(-) Unearned discounted interest and commissions	0	0	0	0
Total portfolio subject to provisions Agreement No. 9-2020	4,759,553,745	631,472,762	10,448,633	5,401,475,140
Provisions				
IFRS 9 provision	160,906,389	58,882,333	929,929	220,718,651
Generic provision (supplement to 1.5%)				0
Regulatory reserve (supplement to 3%)				0
Total provisions and reserves				220,718,651

The IFRS reserve for modified special mention category loans amounts to B/.220,718,651 or 4.09% of the total portfolio subject to provisions, which in excess covers the regulatory requirement to maintain a 3% reserve on these loans, for the sum of B/.162,044,254.

The following table details the modified special mention category loans according to the fulfillment of their letters:

	Stage 1	Stage 2	Stage 3	Total
Modified special mention category loans				
Modified loans	4,650,041,610	612,943,746	10,448,633	5,273,433,989
Persons	3,154,776,508	78,913,699	10,448,633	3,244,138,840
Fulfilled contractual payment	1,211,309,411	24,319,269	4,067,770	1,239,696,450
Deferred	1,943,467,097	54,594,430	6,380,863	2,004,442,390
To Corporate	1,495,265,102	534,030,047	0	2,029,295,149
Fulfilled contractual payment	1,075,723,283	305,138,529	0	1,380,861,812
Deferred	419,541,819	228,891,518	0	648,433,337

Of the total of special mention category loans modified by B/.5,273,433,989 as of December 31, 2020, B/.2,620,558,262 complied with the contractual payment of their installments during the month of December and B/.2,652,875,727 were deferred.

The modified special mention category loans are broken down into the following classifications: normal B/.4,629,393,657 and special mention B/.644,040,332.

The following table presents the composition of the modified special mention category loans and deferred loans to December where the total mortgage-backed product loans are observed:

	Modified	Deferred
Residential mortgages	2,630,578,838	1,743,759,227
Personal, auto and credit cards	616,166,691	262,731,902
Commercial mortgages	1,282,332,235	377,415,079
Lines of credit and commercial loans	368,365,351	85,196,662
Interim financing	375,987,342	183,772,857
Other secured loans and Overdrafts	3,532	0
Total	5,273,433,989	2,652,875,727
Total motgage-backed loans	3,912,911,073	2,121,174,306
% of mortgage-backed loans	74.2%	80.0%

As of March 31, 2020, the Bank granted a grace period to clients affected in their commercial or personal activities by COVID-19, until June 30, 2020. As of that date, and as a result of a signed agreement between the Government of Panama and the Banking Association of Panama, as well as the issuance of Law No.156 of moratorium, the financial relief was extended until December 31, 2020 to those who were affected by COVID-19 and who requested the financial relief and those that were approved by the Bank.

These financial relief measures consist mainly of granting grace periods for principal and interest to clients whose income has been affected by COVID-19.

The Bank's risk management, which considers the impact of COVID-19, is described in Note 32 on Risk Management of Financial Instruments.

The outbreak of the virus known as Covid-19 has spread like a pandemic among the world's population during the year 2020, significantly affecting macroeconomic variables in Panama, impacting our financial position and operating results , which are particularly dependent on our clients' ability to meet their credit obligations. Although its effects continue to materialize, COVID-19 has caused a significant decrease in commercial activity throughout Panama. This decrease in commercial activity may cause our clients (individuals and companies), suppliers and counterparties to be unable to fulfill their payments or other obligations with the Bank.

The following table details the percentage of the value of loans, including interest, classified as modified special mention that as of December 31, 2020 their installments have not been paid as of the last installment payment recorded at the time of the loan modification:

	Up to 90 days	**From 91 to 120 days**	**Form 121 to 180 days**	**From 181 to 270 days**
Consumer loans	40.00%	2.11%	5.76%	52.13%
Corporate loans	100.00%	0.00%	0.00%	0.00%

The following table summarizes the amounts of the loans that were in the subnormal, doubtful or uncollectible category and that benefited from the moratorium of Law No. 156 of June 30, 2020, and that as of December 31, 2020 do not present payment in to their installments as of last payment of the contractual installment:

	From 91 to 120 days	**From 121 to 180 dyas**	**Form 181 to 270 days**	**More than 270 days**
		(in thousands)		
Consumer loans in high risk category under the Law No. 156	626	1,886	8,353	32,920
Corporate loans in high risk category under the Law No. 156	3,433	0	0	186

On September 11, 2020, the Superintendency of Banks issued Agreement No.9-2020 that modifies Agreement No.2-2020 of March 16, 2020, by which it defines that loans classified as standard and special mention, as well such as restructured loans that are not in arrears, may be modified in accordance with the guidelines established in the aforementioned Agreement. On the other hand, these modified loans in standard and special mention categories will be classified in the category “modified special mention” for the purpose of determining the respective provisions. The modified restructured loans that were in the sub-standard, doubtful or uncollectible category will maintain the credit classification they had at the time of their modification with their respective provision.

In accordance with the Agreement mentioned in the previous paragraph, on the modified special mention loan portfolio, the banks will constitute a provision equivalent to the higher value between the provision according to IFRS 9 of the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including accrued interest receivable and capitalized expenses, and those modified loans guaranteed with deposits pledged in the same bank may be excluded from this calculation up to the guaranteed amount. For this, the following scenarios will be considered:

1. In cases where the IFRS 9 provision is equal to or greater than the generic provision of 3% established in this article, the bank will record the corresponding IFRS 9 provision in the results of the year.

2. In the cases in which the IFRS 9 provision is lower than the generic provision of 3% established in this article, the bank will record said IFRS 9 provision in results and the difference must be recorded in results or in a regulatory reserve in equity, considering the following aspects:

   a. When the IFRS 9 provision is equal to or greater than 1.5%, the bank must record said IFRS 9 provision in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

   b. When the IFRS 9 provision is less than 1.5%, the bank must ensure that this percentage is completed and recorded in the income statement. Likewise, the difference to complete the 3% of the generic provision established in this article must be recorded in a regulatory reserve in equity.

On October 21, 2020, the Superintendency of Banks of Panama issued Agreement No.13-2020, which modifies Agreement No.2-2020 where additional, exceptional and temporary measures are established on credit risk and an additional term is established. for financial relief measures.

Banking entities will have until June 30, 2021 to continue evaluating the credits of those debtors whose cash flow and payment capacity have been affected by the COVID-19 situation and who at the original time of its modification presented a delay of up to 90 days.

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:

	2020	2019
Banco General, S. A.	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	4,951,850
Total	152,254,380	152,254,380

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.

Provision of assets for loans in the process of awarding

Article 27 of Agreement No.4-2013, modified by Agreement No.11-2019, establishes mortgage loans and consumer loans and corporate loans with real estate guarantees must be written off in a period not exceeding two years from the date they were classified as unrecoverable; except for mortgage loans and consumer loans, the term of which may be extended for an additional year prior approval of the Superintendent. After the established deadlines, a reserve must be created in the equity account, through the appropriation of its retained earnings to which the net loan value charges of the provisions already constituted will be made, according to the percentages established in the following table:

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

The balance of the equity provision of assets for loans in the process of awarding is of B/.9,188,381 (2019: B/.3,145,657), which will be maintained until the effective adjudication of the assets is made and will not be computed for the purpose of calculating the capital adequacy index.

Foreclosed Assets

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

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

Years	Minimum reserve percentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

Banco General, S. A. holds foreclosed assets held for sale in the amount of B/.24,935,326 (2019: B/.23,882,702) and a provision in the amount of B/.3,740,299 (2019: B/.3,582,405). The regulatory provision was estimated based on Agreements No.1-2000 and No.3-2009 in the amounts of B/.2,791,827 (2019: B/.1,261,931).

Off-Balance Sheet Operations

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

	2020 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	66,655	1,956	1,160	131	0	69,902
Bank guarantees and promissory notes	499,147	13,133	663	0	26	512,969
Total	565,802	15,089	1,823	131	26	582,871
Reserve required	0	1,887	166	105	0	2,158

	2019 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	80,458	1,911	1,365	0	131	83,865
Bank guarantees and promissory notes	647,768	10,641	651	456	0	659,516
Total	728,226	12,552	2,016	456	131	743,381
Reserve required	0	1,891	335	0	40	2,266

Investments

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

Until November 30, 2019, the Bank considered for the classification of its investment portfolio Agreement No.7-2000, which was repealed as of December 1, 2019.

(b) *Banking Law of Costa Rica*

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

(c) *Banking Law of the Cayman Islands*

The operations of Banco General (Overseas), Inc. is regulated by the Bank and Fiduciary Institutions Law of May 15, 1989, which was last revised on October 11, 2013, issued by the Government of the Cayman Islands.

(d) *Financing Companies Law*

The operations of financing companies in the Republic of Panama are regulated by the Office of Financial Entities of the Ministry of Commerce and Industry in accordance with provisions established under Law No.42 of July 23, 2001.

(e) *Finance leases Law*

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

(f) *Insurance and Reinsurance Law*

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

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

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

(h) *Securities Law*

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

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

(i) *Fiduciary Law*

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

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

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

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

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report)

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

Table of Contents

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Banco General, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IABS).

Basis for Opinion

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

Key Audit Matters

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

Allowance for Loan Losses
See Notes 3(h), 8 and 34 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
The allowance for loan losses at amortized cost is considered one of the most significant matters, as it requires management to apply judgments and use assumptions in the construction of the expected credit loss ("ECL") model. The gross loan portfolio at amortized cost represents 65% of the Bank´s total assets as of December 31, 2019. The allowance for loan losses at amortized cost comprises the ECL as a result of the loan rating model and the mechanism used to determine the loans' probability of default according to the impairment stage assigned. The model to estimate the ECL is determined according to the grouping of loans with similar credit risk characteristics, segmented in methodologies for Consumer Banking and Corporate Banking. Both of these methodologies consist on the estimates of probability of default, loss given default, forward-looking assessment and exposure at default. The assessment of whether a loan has presented a significant increase in credit risk since initial recognition entails the application of important judgment on these methodologies. This constitutes a challenge from an audit perspective, due to the complexity in estimating the components used to calculate and apply management's judgment.	Our audit procedures, considering the use of specialists, included: • Evaluating certain key controls on calculation of delinquency, internal credit risk rating of clients, verification of accuracy of clients' information and on the used model and methodologies. • Testing whether contractual cash flows of loans at amortized cost represent SPPI. • For a sample of corporate loans, classified by business activity or industry, and debtors with changes in their credit risk rating based on quantitative and qualitative factors; inspecting the respective loan files, including the debtors' financial information, collateral values as determined by qualified appraisers that support credit operations and other factors that could lead to an event of loss, to determine the reasonableness of the credit risk rating assigned by the Bank's risk officers. • Assessing the Bank's applied methodologies in the estimation model of ECL in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals, and methodologies documented and approved by the Bank's corporate governance. • Performing an independent assessment of the inputs used in the Consumer and Corporate Banking methodologies, and recalculating according to the estimation model of ECL for both methodologies. • Assessing management's applied judgments on assumptions related to the current economic conditions and the considerations on the forward-looking assessment that may change the ECL level, based on our experience and industry knowledge.

Valuation of Investments
See Notes 3(b), 3(h), 7 and 34 to the consolidated financial statements

Key audit matter	How the key matter was addressed in our audit
As of December 31, 2019, investment securities at fair value through profit (FVTPL) or loss and investment securities measured at fair value through other comprehensive income (FVOCI) represent 27% of total assets. The Bank uses external price vendors that provide pricing for most of these investments, and uses internal valuation methodologies for those securities for which pricing is not provided by external price vendors. The fair value of investments determined through internal valuation models involve judgments made by management and the use of some inputs that are not readily available in active markets. Furthermore, the valuation of investments, for which prices are provided by an external price vendors, require additional effort from auditors to assert the reasonableness of their valuation. Judgment involved in estimating an investment's fair value when it includes some unobservable inputs (i.e. investments categorized as Level 3 in the fair value hierarchy), are significant. As of December 31, 2019, investments categorized as level 3 represented 22% of total investments measured at fair value and 6% of total assets.	Our audit procedures, considering the use of specialists, included: • Evaluating certain key controls within the process of identification, measurement, and valuation risk management; and assessing the methodologies, inputs, and assumptions used by the Bank in the determination of fair value. • Testing valuation of instruments categorized as level 1, by comparing the fair value applied by the Bank with public and observable market data. • Assessing the fair value models and inputs used in the valuation of level 2 instruments by comparing observable market inputs with independent sources and external market data available. • For a sample of investments with significant unobservable valuation inputs (level 3), assessing the models used and approved by the Bank's Corporate Governance and independent calculation of prices for such investments. • Obtaining type 2 reports (ISAE 3402) on internal controls of price vendor organizations and assessing complementary controls indicated in those reports for relevance on their Bank's application.

Responsibilities of Management and Those Charged with Governance in relation to the Consolidated Financial Statements

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

In the preparation of the consolidated financial statements, management is responsible for assessing the Bank´s capacity to continue as a going concern, disclosing, as appropriate, issues related to business as a going concern and using the basis of accounting for going concern, unless management has the intention to liquidate the Bank or cease operations, or there is no other realistic alternative.

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

Auditor’s Responsibilities in Relation to the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the consolidated financial statements, due to fraud or error, we design and apply audit procedures to respond to those risks, and we obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that resulting from error, since fraud may imply collusion, forgery, deliberate omissions, intentional erroneous comments, or override of internal control.

- We obtain an understanding of relevant internal control for the audit to design adequate audit procedures to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We conclude on the management’s appropriate use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report about the corresponding disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the group’s audit. We are solely responsible for our audit opinion.

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

We also provided to those charged with corporate governance a declaration of compliance with the relevant ethical requirements regarding independence and we communicated all relations and other matters that we consider may reasonably affect our independence and, when applicable, the corresponding safeguards.

Among the matters communicated to those charged with corporate governance, we determined those that have been the most significant throughout the audit of the consolidated financial statements of the current period and are, consequently, the key audit matters. We describe these matters in our audit report unless legal dispositions or requirements prohibit the public disclosure of the issue, or when extremely infrequent circumstances, we determine that a matter should not be communicated in our report because it could reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of such communication.

The partner in charge of the audit who has prepared this independent auditors' report is Ricardo A. Carvajal V.

KPMG

Panama, Republic of Panama
January 30, 2020

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

Consolidated Statement of Financial Position

December 31, 2019 and 2018

(Expressed in Balboas)

Assets	**Note**	**2019**	**2018**
Cash and cash items	5	206,185,414	202,536,914
Deposits with banks:			
Local demand deposits		141,796,040	130,182,265
Foreign demand deposits		190,730,409	194,761,974
Local time deposits		191,762,241	166,721,311
Accrued interest receivable		2,931,780	2,615,430
Total deposits with banks	5 and 6	527,220,470	494,280,980
Total cash, cash items and deposits with banks		733,405,884	696,817,894
Investments and other financial assets at FVTPL		679,234,360	782,191,195
Investments and other financial assets at FVOCI		4,294,206,345	4,394,859,981
Investments and other financial at amortized cost, net		0	10,948,692
Accrued interest receivable		0	978
Investments and other financial assets, net	7	4,973,440,705	5,188,000,846
Loans	8	12,083,688,894	11,952,384,674
Accrued interest receivable		45,706,607	43,167,150
Less:			
Loan losses allowance		165,158,800	158,531,274
Unearned commissions		43,302,329	41,104,450
Loans, net		11,920,934,372	11,795,916,100
Investments in associates	9	24,881,185	26,034,716
Properties, furniture, equipment and improvements, net of accumulated depreciation and amortization	10	241,433,458	234,404,923
Right-of-Use Assets, net	11	20,173,849	0
Customer liabilities under acceptances		15,956,566	14,959,284
Investments and other financial assets sold pending settlement	12	435,826,300	389,698,425
Deferred tax assets	28	40,356,757	38,107,649
Goodwill and other intangible assets, net	13	57,221,325	59,838,713
Foreclosed assets, net	14	22,260,926	15,003,598
Other assets		237,829,761	245,374,362
Total assets		18,723,721,088	18,704,156,510

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

Liabilities and Equity	**Note**	**2019**	**2018**
Liabilities:			
Deposits:			
Local:			
Demand		2,482,028,648	2,752,026,295
Savings		3,474,838,957	3,283,113,208
Time:			
Customers		5,869,300,607	5,503,234,018
Banks		98,725,592	130,458,385
Foreign:			
Demand		126,234,642	83,905,776
Savings		123,406,270	232,049,923
Time:			
Customers		280,733,231	243,519,425
Accrued interest payable		112,773,741	99,032,395
Total deposits	15	12,568,041,688	12,327,339,425
Financing:			
Securities sold under repurchase agreements	16	403,947,411	0
Borrowings and debt securities issued, net	18	1,914,581,302	2,886,528,342
Perpetual bonds	19	217,680,000	217,680,000
Accrued interest payable		15,523,759	19,147,004
Total financing		2,551,732,472	3,123,355,346
Lease Liabilities	20	20,869,766	0
Acceptances outstanding		15,956,566	14,959,284
Investments and other financial assets purchased pending settlement	12	661,020,353	561,836,021
Reserves of insurance operations	21	19,023,983	17,648,645
Deferred tax liabilities	28	4,174,111	3,469,408
Other liabilities	17	400,163,248	470,525,852
Total liabilities		16,240,982,187	16,519,133,981
Equity:	24		
Common shares		500,000,000	500,000,000
Legal reserves		189,514,475	182,098,343
Capital reserves		90,124,875	4,642,044
Retained earnings		1,703,099,551	1,498,282,142
Total equity		2,482,738,901	2,185,022,529
Commitments and contingencies	29		
Total liabilities and equity		18,723,721,088	18,704,156,510

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

Consolidated Statement of Income

Year ended December 31, 2019 and 2018

(Expressed in Balboas)

	Note	2019	2018
Interest and commission income:			
Interest:			
Loans		841,043,238	781,358,271
Deposits with banks		9,325,903	7,932,023
Investments and other financial assets		189,475,461	168,763,694
Commissions on loans		46,300,912	45,511,659
Total interest and commission income		1,086,145,514	1,003,565,647
Interest expenses:			
Deposits		262,369,392	229,386,783
Borrowings and debt securities issued		124,594,527	123,245,302
Total interest expenses		386,963,919	352,632,085
Net interest and commission income		699,181,595	650,933,562
Provision for loan losses, net	8	41,953,835	41,983,447
Provision for impairment of investments, net		1,141,243	1,937,809
Provision for foreclosed assets, net	14	1,827,973	1,882,475
Net interest and commission income, after provisions		654,258,544	605,129,831
Other income (expenses):			
Fees and other commissions	26 and 31	229,220,594	212,896,602
Insurance premiums, net		33,930,416	29,997,713
Gain (loss) on financial instruments, net	7 and 25	15,347,617	(11,538,237)
Other income, net	26	28,607,715	25,649,325
Commission expenses and other expenses	13 and 20	(94,963,682)	(85,278,007)
Total other income, net		212,142,660	171,727,396
General and administrative expenses:			
Salaries and other personnel expenses	27	178,976,862	173,009,468
Depreciation and amortization	10 and 11	28,600,218	24,983,778
Properties, furniture and equipment expenses		22,315,771	25,306,097
Other expenses		78,281,956	70,667,643
Total general and administrative expenses		308,174,807	293,966,986
Net operating income		558,226,397	482,890,241
Equity participation in associates	9	10,897,963	9,934,441
Net income before tax		569,124,360	492,824,682
Income tax, net	28	64,858,040	58,616,476
Net income		504,266,320	434,208,206

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

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019 and 2018

(Expressed in Balboas)

	2019	**2018**
Net income	504,266,320	434,208,206
Other comprehensive income (expense):		
Items that are or may be reclassified to the consolidated statement of income:		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	74,232,682	(40,688,414)
Transfer to profit or loss for sales of investments at FVOCI	15,218,788	(8,327,395)
Credit risk valuation	1,142,551	1,936,501
Valuation of hedging instruments	(5,111,190)	(2,036,539)
Total other comprehensive income (expense), net	85,482,831	(49,115,847)
Total comprehensive income	589,749,151	385,092,359

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

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2019 and 2018

(Expressed in Balboas)

			Capital reserves					
	Common shares	Legal reserves	Insurance reserve	Valuation of investments and other financial assets	Valuation of hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2017	500,000,000	179,461,247	1,000,000	35,796,615	0	36,796,615	1,329,584,948	2,045,842,810
Changes due to adoption of IFRS 9	0	0	0	16,961,276	0	16,961,276	500,791	17,462,067
Balance as of January 1, 2018	500,000,000	179,461,247	1,000,000	52,757,891	0	53,757,891	1,330,085,739	2,063,304,877
Net income	0	0	0	0	0	0	434,208,206	434,208,206
Other comprehensive income (expense):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	(40,688,414)	0	(40,688,414)	0	(40,688,414)
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	(8,327,395)	0	(8,327,395)	0	(8,327,395)
Credit risk valuation	0	0	0	1,936,501	0	1,936,501	0	1,936,501
Valuation of hedging instruments	0	0	0	0	(2,036,539)	(2,036,539)	0	(2,036,539)
Total other comprehensive expense, net	0	0	0	(47,079,308)	(2,036,539)	(49,115,847)	0	(49,115,847)
Total comprehensive income	0	0	0	(47,079,308)	(2,036,539)	(49,115,847)	434,208,206	385,092,359
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(261,800,000)	(261,800,000)
Complementary tax	0	0	0	0	0	0	(1,574,707)	(1,574,707)
Transfer of retained earnings	0	2,637,096	0	0	0	0	(2,637,096)	0
Total transactions with owner	0	2,637,096	0	0	0	0	(266,011,803)	(263,374,707)
Balance as of December 31, 2018	500,000,000	182,098,343	1,000,000	5,678,583	(2,036,539)	4,642,044	1,498,282,142	2,185,022,529
Net income	0	0	0	0	0	0	504,266,320	504,266,320
Other comprehensive income (expense):								
Items that are or may be reclassified to the consolidated statement of income:								
Valuation of investments and other financial assets:								
Net changes in valuation of investments at FVOCI	0	0	0	74,232,682	0	74,232,682	0	74,232,682
Transfer to profit or loss for sales of investments at FVOCI	0	0	0	15,218,788	0	15,218,788	0	15,218,788
Credit risk valuation	0	0	0	1,142,551	0	1,142,551	0	1,142,551
Valuation of hedging instruments	0	0	0	0	(5,111,190)	(5,111,190)	0	(5,111,190)
Total other comprehensive income (expense), net	0	0	0	90,594,021	(5,111,190)	85,482,831	0	85,482,831
Total comprehensive income	0	0	0	90,594,021	(5,111,190)	85,482,831	504,266,320	589,749,151
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(287,980,000)	(287,980,000)
Dividends tax	0	0	0	0	0	0	(1,308,692)	(1,308,692)
Complementary tax	0	0	0	0	0	0	(2,744,087)	(2,744,087)
Transfer of retained earnings	0	7,416,132	0	0	0	0	(7,416,132)	0
Total transactions with owner	0	7,416,132	0	0	0	0	(299,448,911)	(292,032,779)
Balance as of December 31, 2019	500,000,000	189,514,475	1,000,000	96,272,604	(7,147,729)	90,124,875	1,703,099,551	2,482,738,901

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

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

Consolidated Statement of Cash Flows

Year ended December 31, 2019 and 2018

(Expressed in Balboas)

	Note	2019	2018
Operating activities:			
Net income		504,266,320	434,208,206
Adjustments to reconcile net income and cash			
from operating activities:			
Provision for loan losses, net	8	41,953,835	41,983,447
Provision for valuation of investments, net		1,141,243	1,937,809
Provision for foreclosed assets, net	14	1,827,973	1,882,475
Unrealized loss on investments and other financial assets	25	4,551,921	5,561,507
Unrealized (gain) loss on derivative instruments	25	(5,046,368)	3,046,425
(Gain) loss on sale of investments and other financial assets at FVTPL, net	25	(15,609,839)	2,053,530
(Gain) loss on sale of investments and other financial assets at FVOCI	25	(1,704,461)	7,826,666
Realized loss (gain) on derivative instruments	25	2,461,130	(6,949,891)
Foreign exchange fluctuations, net	26	218,819	1,328,557
Gain on sale of fixed assets, net	26	(261,176)	(319,475)
Deferred income tax, net	28	(1,544,405)	(3,771,875)
Depreciation and amortization	10 and 11	28,600,218	24,983,778
Amortization of intangible assets	13	2,617,388	2,617,387
Equity participation in associates	9	(10,897,963)	(9,934,441)
Interest income		(1,039,844,602)	(958,053,988)
Interest expense		386,963,919	352,632,085
Changes in operating assets and liabilities:			
Time deposits with banks		(25,040,930)	5,932,732
Investments and other financial assets at fair value through profit or loss		114,731,039	(172,564,790)
Loans		(166,630,529)	(475,020,948)
Unearned commissions		2,197,879	2,849,696
Tax credit from preferential interest	8	(46,133,208)	(40,823,558)
Other assets		14,298,736	(53,219,068)
Demand deposits		(227,668,781)	341,547,043
Savings deposits		83,082,096	116,608,212
Time deposits		371,547,602	311,724,689
Reserves of insurance operations		1,375,338	649,353
Other liabilities		113,064,979	66,048,100
Cash provided by operations:			
Interest received		1,040,449,020	951,656,920
Interest paid		(376,881,581)	(343,082,897)
Dividends received	26	2,345,418	5,089,377
Total		296,164,710	184,218,857
Cash flows from operating activities		800,431,030	618,427,063
Investing activities:			
Purchases of investments and other financial assets at FVOCI		(5,061,831,568)	(5,309,796,603)
Sale and redemptions of investments and other financial assets at FVOCI		5,163,845,991	4,664,695,919
Purchases of securities at amortized cost		0	(67,150,000)
Redemptions of securities at amortized cost		10,950,000	56,200,000
Investments in associates		12,051,494	5,975,478
Sale of properties, furniture and equipment		280,099	473,791
Acquisition of properties, furniture and equipment	10	(31,899,165)	(36,342,865)
Cash paid in business acquisitions, net		0	(377,215)
Cash flows from (used) in investing activities		93,396,851	(686,321,495)
Financing activities:			
New borrowings and debt securities issued		162,591,685	801,199,610
Redemption of debt securities issued and cancellation of borrowings		(1,154,050,894)	(565,126,868)
Securities sold under repurchase agreements		403,947,411	(45,814,600)
Payment of lease liabilities	20	(3,052,594)	0
Dividends paid on common shares		(287,980,000)	(261,800,000)
Complementary and dividends tax		(4,052,779)	(5,816,690)
Cash flows used in financing activities		(882,597,171)	(77,358,548)
Net increase (decrease) in cash and cash equivalents		11,230,710	(145,252,980)
Cash and cash equivalents at the beginning of the year		527,481,153	672,734,133
Cash and cash equivalents at the end of the year	5	538,711,863	527,481,153

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

Index of Notes to the Consolidated Financial Statements:

(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, Mexico, El Salvador, Guatemala and Peru.

Grupo Financiero BG, S. A., a 59.97% (2018: 60.07%) subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

Banco General, S. A. owns 100% of the following subsidiaries which form part of the consolidation:

- Finanzas Generales, S. A. and subsidiaries: financial lease and loans in Panama. It in turn has the following subsidiaries:
  - BG Trust, Inc.: trust administration in Panama.
  - Vale General, S. A.: administration and marketing of pretax food and health related contributions in Panama.
- 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.

On July 31, 2018, Finanzas Generales, S. A., through its subsidiary Vale General, S. A., acquired 100% of the shares of Pases Alimenticios, S. A. As of August 1, 2018, income and expenses are presented as an integral part of the consolidated statement of income.

As of September 30, 2018, Vale General, S. A. absorbed by merger the subsidiary Pases Alimenticios, S. A., all assets, liabilities and equity accounts of this company were incorporated into the statement of financial position of the subsidiary Vale General, S. A. as of that date.

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These consolidated financial statements were reviewed by the Board of Directors' Audit Committee and authorized for issuance by the Board of Directors on January 30, 2020.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies detailed as follows have been consistently applied by the Bank to all periods presented in these consolidated financial statements except, where the policies of leases were modified by the adoption of IFRS 16:

(a) Basis of Consolidation

- *Subsidiaries*

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

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

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

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

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

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

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

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

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

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

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

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

(c) Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents include demand deposits and time deposits with banks that have an original maturity of three months or less.

(d) Securities Purchased Under Resale Agreements

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

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

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

(e) Investments and Other Financial Assets

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

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

The business model includes three classification categories for financial assets:

- *Amortized Cost (AC)*
  A financial asset is measured at amortized cost if it complies with both of the following conditions:

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

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

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

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

- *Fair value through profit or loss (FVTPL)*
  All other financial assets are measured at fair value through profit or loss.

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

- The policies and objectives identified for the loan portfolio and operation of those policies including management's strategy to define:

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

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

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other risks on a basic loan agreement and other associated costs, as well as the profit margin.

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

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

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

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

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

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

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

- *Derivative without hedge accounting*
  Derivative instruments that do not qualify for hedge accounting are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the fair value of these derivatives are recognized in the consolidated statement of income.

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

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

(g) *Loans and Interest*

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

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

(h) *Impairment of Financial Instruments*

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

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

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

Impairment losses on equity instruments investments are not recognized.

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

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

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

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

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

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

- Stage 1: The Bank recognizes a credit loss allowance at an amount equivalent to 12-month expected credit losses. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period often the reporting date, assuming that credit risk has not increased significantly since initial recognition.

- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in his stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.

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

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

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

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

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

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

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

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

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

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

Definition of Default
A financial asset is considered in default when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In most cases, the EAD is equivalent to the outstanding balance of the contract; with the exception of credit cards and contingencies. For the credit cards and contingencies the current balance, the available balance and the CCF (credit conversion factor) were included in the EAD, in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

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

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

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

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

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

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

(j) Right-of-Use Assets
First time application
IFRS 16 changes the accounting by lessees, using a unique model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, representing its right to use the underlying assets, and a lease liability, representing its obligation to make future lease payments.

The Bank used the modified retrospective approach, which establishes the cumulative effect of the adoption of IFRS 16 as an adjustment to the initial balance of retained earnings as of January 1, 2019, without presenting comparative information, so the information presented for the year 2018 will not be restated.

The Bank applied the exemption from the standard for lease contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 46, applying the following practical options for contracts in force as of that date:

- Exemption for not recognizing right-of-use assets and lease liabilities for contracts with a term of less than 12 months;
- Leases in which the underlying asset is of low value were excluded;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and

- Reasoning was used in retrospective when determining the lease term, when the contract contained options to extend or terminate the lease.

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

The following is a reconciliation of the balance as of December 31, 2018 with the balance as January 1, 2019, the obligations for operating leases and the lease liabilities according to IFRS 16 are detailed as follows:

Operating lease commitments as of December 31, 2018	29,416,647
Less exception of recognition:	
Short term leases	(67,380)
Low value assets leases	(689,063)
Unrecognized assets leases	(590,967)
Total exceptions	(1,347,410)
Leases commitments under IFRS16	28,069,237
Deductions for applicable discounts rates	(4,702,387)
Lease Leabilities as of January 1, 2019	23,366,850

Lease liabilities and right-for-use assets were recognized, both for B/.23,366,850, which did not show differences affecting the balance of retained earnings as of January 1, 2019.

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

(k) Goodwill and Intangible Assets

Goodwill

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

Intangible Assets

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

(l) Foreclosed Assets

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

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

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

(n) *Securities Sold Under Repurchase Agreements*
Securities sold under repurchase agreements are short-term funding transactions guaranteed with securities, in which the Bank is obligated to repurchase the securities sold at a future date at a specified price. The difference between the selling price and the future purchase price is recognized as interest expense under the effective interest rate method.

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

(o) *Deposits, Borrowings and Debt Securities Issued*
Deposits from customers, borrowings and debt securities issued are initially measured at fair value. Subsequently, they are measured at their amortized cost using the effective interest rate method.

(p) *Financial Liabilities*
The changes in the fair value of liabilities designated as FVTPL are presented as follows:

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

(q) *Other Financial Liabilities at Fair Value*
This category of other liabilities includes financial liabilities, that are presented at fair value; and the changes in fair value are recognized in the consolidated statement of income.

(r) Lease Liabilities
On the beginning date of a lease, the Bank recognizes a lease liability calculated at the present value of the future lease payments.

The Bank discounted the future lease payments using the incremental rate as of January 1, 2019, which was calculated considering a rate equivalent to that which would be used in a loan to acquire an asset with the same conditions, for a similar term to that agreed upon in the lease.

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

(s) *Financial Guarantees*

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

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

(t) *Interest Income and Expenses*

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

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

(u) *Commission Income*

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

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

(v) *Insurance Operations*

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

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

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

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

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

(w) Trust Operations

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

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

(x) Income Tax

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

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

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

(y) Stock Purchase Option Plan and Restricted Stock Plan

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

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

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

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

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

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

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

(ab) *Uniformity in the Presentation of the Consolidated Financial Statements*
The accrued interest receivable and payable of the financial assets and liabilities at amortized cost presented in the consolidated statement of financial position have been reclassified to adapt their presentation to the year 2019.

(ac) *New International Financial Reporting Standars (IFRS) and Interpretations no adopted*
New standards, interpretations and amendments to IFRS have been published, but are not mandatory as of December 31, 2019, and have not been adopted in advance by the Bank.

(4) Balances and Transactions with Related Parties

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

	2019			
	Directors and Management	**Related Companies**	**Affiliated Companies**	**Total**
Assets:				
Investments and other financial assets	0	156,432,533	36,676,666	193,109,199
Loans	7,574,124	122,728,155	16,644,873	146,947,152
Investments in associates	0	24,881,185	0	24,881,185
Liabilities:				
Deposits:				
Demand	902,618	128,087,774	66,041,738	195,032,130
Savings	6,300,605	54,923,011	1,704,654	62,928,270
Time	2,192,803	362,150,975	116,461,538	480,805,316
	9,396,026	545,161,760	184,207,930	738,765,716
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	6,503,627	31,333,000	37,836,627
Interest income:				
Loans	363,566	11,856,792	1,043,972	13,264,330
Investments and other financial assets	0	7,568,528	1,958,177	9,526,705
Interest expenses:				
Deposits	96,551	16,450,378	1,516,961	18,063,890
Borrowings and debt securities issued	0	0	5,850,000	5,850,000
Other income:				
Equity participation in associates	0	10,897,963	0	10,897,963
Received dividends	0	996,173	0	996,173
General and administrative expenses:				
Directors' fees	367,380	0	0	367,380
Benefits to key management personnel	5,996,989	0	0	5,996,989

		2018		
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investments and other financial assets	0	162,067,000	36,580,208	198,647,208
Loans	7,539,015	137,558,553	20,073,177	165,170,745
Investments in associates	0	26,034,716	0	26,034,716
Liabilities:				
Deposits:				
Demand	999,893	368,223,635	76,101,535	445,325,063
Savings	5,415,638	147,513,188	468,719	153,397,545
Time	1,893,345	418,242,277	101,769,231	521,904,853
	8,308,876	933,979,100	178,339,485	1,120,627,461
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	63,730,393	32,552,608	96,283,001
Interest income:				
Loans	361,810	8,660,112	1,177,982	10,199,904
Investments and other financial assets	0	12,314,367	2,238,177	14,552,544
Interest expenses:				
Deposits	79,473	12,978,307	998,643	14,056,423
Borrowings and debt securities issued	0	0	5,951,042	5,951,042
Other income:				
Equity participation in associates	0	9,934,441	0	9,934,441
Received dividends	0	3,671,608	0	3,671,608
General and administrative expenses:				
Directors' fees	275,600	0	0	275,600
Benefits to key management personnel	5,571,852	0	0	5,571,852

The benefits to key management personnel include salaries and other expenses for B/.5,524,595 (2018: B/.5,272,995) and options to purchase shares for B/.472,394 (2018: B/.298,857).

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 consolidated statement of cash flows:

	2019	**2018**
Cash and cash items	206,185,414	202,536,914
Demand deposits with banks	332,526,449	324,944,239
Time deposits with banks	191,762,241	166,721,311
Total deposits with banks	524,288,690	491,665,550
Less: Deposits with banks, with original maturities greater than three months	191,762,241	166,721,311
Cash and cash equivalents in the consolidated statement of cash flows	538,711,863	527,481,153

(6) Deposits with Banks

The deposits with banks are detailed as follows:

	2019	**2018**
Demand deposits with banks	332,526,449	324,944,239
Time deposits with banks	191,762,241	166,721,311
Total deposits with banks	524,288,690	491,665,550
Accrued interest receivable	2,931,780	2,615,430
Total deposits at amortized cost	527,220,470	494,280,980

Demand deposits with banks include cash collateral accounts for B/.38,014,162 (2018: B/.27,475,591) that secure derivative operations, Repos, and the next quarterly payments of principal, interest and expenses of certain obligations.

(7) Investments and Other Financial Assets

Investments and other financial assets are detailed as follows:

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

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

	2019	**2018**
Local Commercial Paper	0	250,000
Local Corporate Bonds and Fixed Income Funds	56,841,449	53,285,932
Bonds of the Republic of Panama	1,564,073	2,361,471
Local Corporate Shares	44,750,679	54,240,959
Foreign Treasury Bills	250,991	249,682
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	428,223,755	324,156,608
Asset Backed Securities	38,113,904	7,489,044
Foreign Fixed Income Funds	109,239,711	340,074,338
Foreign Corporate Shares and Variable Income Mutual Funds	249,798	83,161
Total	679,234,360	782,191,195

The Bank sold from the portfolio of investments and other financial assets at fair value through profit or loss the amount of B/.8,901,685,652 (2018: B/.6,911,060,235). These sales generated a net gain of B/.19,136,176 (2018 net loss: B/.4,026,489), which is presented in the consolidated statement of income as gain (loss) on financial instruments, net.

Investments and Other Financial Assets at Fair Value Through OCI

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

	2019		2018	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Local Commercial Paper and Treasury Bills	13,300,647	13,197,163	9,149,074	9,126,333
Local Corporate Bonds	1,070,031,900	1,026,855,001	1,013,248,627	997,698,229
Bonds of the Republic of Panama	361,359,455	346,972,169	197,174,372	190,128,337
Bonds of the US Government	35,716,813	35,348,203	56,748,859	56,827,087
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	202,365,732	202,343,956	610,837,417	611,256,063
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,451,228,382	1,439,744,542	1,378,068,871	1,393,131,967
Asset Backed Securities (ABS)	163,509,991	162,864,420	86,020,812	85,396,866
Foreign Corporate Bonds	950,874,618	931,706,462	969,737,294	980,138,700
Other Government Bonds	45,818,807	43,921,149	73,874,655	74,515,269
Total	4,294,206,345	4,202,953,065	4,394,859,981	4,398,218,851

The Bank sold investments and other financial assets at fair value through OCI for the amount of B/.2,240,425,864 (2018: B/.1,765,213,407). These sales generated a net gain of B/.1,704,461 (2018 net loss of: B/.7,826,666), which is presented in the consolidated statement of income as gain (loss) on financial instruments, net.

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

	2019				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at the beginning of the year	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-month ECL	0	0	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(35,324)	35,324	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(2,044,900)	(124,510)	3,222,544	(12,093)	1,041,041
New investment securities purchased	2,994,378	0	0	0	2,994,378
Investment securities that have been derecognized	(2,889,078)	(3,606)	0	(184)	(2,892,868)
Balance at the end of the year	4,894,576	701,173	5,272,890	0	10,868,639

	2018				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at the beginning of the year	5,887,002	1,902,585	0	0	7,789,587
Transferred to 12-month ECL	13,705	(13,705)	0	0	0
Transfer of 12-month ECL to lifetime ECL not credit-impaired	(326,873)	326,873	0	0	0
Transfer of 12-month ECL to lifetime ECL credit-impaired	(13,091)	121,307	(108,216)	0	0
Net remeasurement of portfolio	35,260	(1,561,651)	2,158,857	12,416	644,882
New investment securities purchased	2,788,329	70,253	0	0	2,858,582
Investment securities that have been derecognized	(1,514,832)	(51,697)	(295)	(139)	(1,566,963)
Balance at the end of the year	6,869,500	793,965	2,050,346	12,277	9,726,088

Investments at Amortized Cost

At December 31, 2018, the investments portfolio at amortized cost amounted to B/.10,950,000 less a 12-month expected credit loss allowance of B/.1,308.

The movement of the 12-month expected credit loss allowance for investments at amortized cost is as follows:

	2019	2018
Balance at the beginning of the year	1,308	91,361
Changes due to IFRS 9 adoption	0	(91,361)
(Reversal) provision registered to expense	(1,308)	1,308
Balance at the end of the year	0	1,308

At December 31, 2018, the investments at amortized cost are summarized as follows:

	2018
Investments portfolio at amortized cost, net	10,948,692
Accrued interest receivable	978
Total of investments at amortized cost	10,949,670

Foreign securities purchased under resold agreements (Repos) for B/.10,948,692 were guaranteed with foreign securities for B/.11,408,862.

The payment of capital and interest on 99.9% of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 70.7% (2018: 74.7%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 2.94 years and CMOs is of 1.61 years (2018: 2.89 years for MBS and 1.81 years for CMOS).

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

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

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

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

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

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

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

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

	2019	Level 1	Level 2	Level 3
Local Corporate Bonds and Fixed Income Funds	56,841,449	0	0	56,841,449
Bonds of the Republic of Panama	1,564,073	0	1,564,073	0
Local Corporate Shares	44,750,679	4,297	0	44,746,382
Foreign Treasury Bills	250,991	250,991	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	428,223,755	0	428,223,755	0
Asset Backed Securities (ABS)	38,113,904	0	38,113,904	0
Foreign Fixed Income Funds	109,239,711	0	0	109,239,711
Foreign Share capital and Variable Income Mutual Funds	249,798	0	3,615	246,183
Total	679,234,360	255,288	467,905,347	211,073,725

	2018	Level 1	Level 2	Level 3
Local Commercial Paper	250,000	0	0	250,000
Local Corporate Bonds and Fixed Income Funds	53,285,932	0	0	53,285,932
Bonds of the Republic of Panama	2,361,471	0	2,361,471	0
Local Corporate Shares	54,240,959	3,477	0	54,237,482
Foreign Treasury Bills	249,682	249,682	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	324,156,608	0	324,156,608	0
Asset Backed Securities (ABS)	7,489,044	0	7,489,044	0
Foreign Fixed Income Funds	340,074,338	0	241,801,861	98,272,477
Foreign Share capital and Variable Income Mutual Funds	83,161	0	13,519	69,642
Total	782,191,195	253,159	575,822,503	206,115,533

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

	2019	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	13,300,647	0	0	13,300,647
Local Corporate Bonds	1,070,031,900	0	185,453,851	884,578,049
Bonds of the Republic of Panama	361,359,455	0	361,359,455	0
Bonds of the US Government	35,716,813	35,716,813	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	202,365,732	148,368,307	46,980,989	7,016,436
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,451,228,382	0	1,450,514,538	713,844
Asset Backed Securities (ABS)	163,509,991	0	163,509,991	0
Foreign Corporate Bonds	950,874,618	0	950,874,618	0
Bonds of Other Governments	45,818,807	4,039,883	41,778,924	0
Total	4,294,206,345	188,125,003	3,200,472,366	905,608,976

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

	2018	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	9,149,074	0	0	9,149,074
Local Corporate Bonds	1,013,248,627	0	153,437,011	859,811,616
Bonds of the Republic of Panama	197,174,372	0	197,174,372	0
Bonds of the US Government	56,748,859	56,748,859	0	0
Foreign Commercial Paper and Treasury Bills	610,837,417	241,052,103	369,785,314	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,378,068,871	0	1,377,302,241	766,630
Asset Backed Securities (ABS)	86,020,812	0	86,020,812	0
Foreign Corporate Bonds	969,737,294	0	969,737,294	0
Bonds of Other Governments	73,874,655	11,585,500	62,289,155	0
Total	4,394,859,981	309,386,462	3,215,746,199	869,727,320

Changes in Fair Value Measurement of Level 3 hierarchy

	Investments and other financial assets Fair Value through Profit or Loss	Investments and other financial assets Fair Value through OCI	Total
December 31, 2018	**206,115,533**	**869,727,320**	**1,075,842,853**
Loss recognized in income	(3,691,126)	(174,896)	(3,866,022)
Gain recognized in equity	0	8,764,256	8,764,256
Purchases	50,833,752	242,974,034	293,807,786
Amortization, sales and redemptions	(42,184,434)	(215,681,738)	(257,866,172)
December 31, 2019	**211,073,725**	**905,608,976**	**1,116,682,701**
Total (loss) gains related to instruments held as of December, 2019	**(10,450,546)**	**9,509,954**	**(940,592)**
December 31, 2017	**193,746,653**	**947,373,425**	**1,141,120,078**
Changes due to adoption of IFRS 9	518,820	16,303,767	16,822,587
January 1, 2018	**194,265,473**	**963,677,192**	**1,157,942,665**
Gain recognized in income	636,551	34,092	670,643
Loss recognized in equity	0	(10,696,936)	(10,696,936)
Transfers from level 3	0	(13,629,063)	(13,629,063)
Purchases	59,790,867	163,475,966	223,266,833
Amortization, sales and redemptions	(48,577,358)	(233,133,931)	(281,711,289)
December 31, 2018	**206,115,533**	**869,727,320**	**1,075,842,853**
Total (loss) gains related to instruments held as of December, 2018	**724,086**	**(10,472,103)**	**(9,748,017)**

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

During 2018, as a result of changes in the source of fair value level estimation of some bonds of other Governments, non-material transfers were made from Level 3 to Level 1 in the fair value through OCI category.

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

Instruments	Valuation technique	Unobservable inputs used	Range for unobservable inputs 2019	2018	Fair value sensitivity to unobservable inputs
Corporate Shares	Dividend discount model and Discount free cash flow model (DCF)	Equity risk premium	Minimum 5.36% Maximum 8.37%	Minimum 5.80% Maximum 11.16%	If equity risk premiums increase, the price decreases and vice versa
		Growth rate of assets, liabilities, equity, profits and dividends	Minimum (20.23%) Maximum 22.14%	Minimum (36.95%) Maximum 16.51%	If the growth increases the price increases and vice versa
Fixed Income	Discounted cash flow	Credit spreads	Minimum 0.71% Maximum 13.95% Average 2.06%	Minimum 0.55% Maximum 8.31% Average 2.92%	If the credit spreads increase, the price decreases and vice versa

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

Instrument	Valuation technique	Inputs used	Level
Local Fixed Income	Quoted market prices	Observable quoted prices	2-3
	Discounted cash flows	Benchmark interest rate Liquidity risk premiums Credit spreads	
Local Shares	Quoted market prices	Quoted prices in active markets	1-3
	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	Prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	

Instrument	Valuation technique	Inputs used	Level
Agencies' MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2-3
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:

	2019			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	1,478	(1,477)	5,349,346	(5,415,804)
Corporate Shares	4,398,399	(3,607,127)	0	0
Total	4,399,877	(3,608,604)	5,349,346	(5,415,804)

	2018			
	Fair Value Effect in profit or loss		FV OCI Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	1	(2)	7,448,774	(10,623,861)
Corporate Shares	4,709,374	(3,952,971)	0	0
Total	4,709,375	(3,952,973)	7,448,774	(10,623,861)

For investments and other financial assets securing borrowings, see Note 16.

(8) Loans

The composition of the loan portfolio is summarized as follows:

	2019	2018
Local sector:		
Residential mortgages	4,321,903,596	4,091,042,745
Personal, auto and credit cards	1,894,882,198	1,776,981,209
Commercial mortgages	2,020,114,781	1,920,857,554
Lines of credit and commercial loans	1,447,828,168	1,590,811,256
Interim financing	565,399,272	700,899,475
Financial leases, net	100,191,047	108,302,008
Other secured loans	212,990,294	203,744,331
Overdrafts	145,292,387	152,890,905
Total internal sector	10,708,601,743	10,545,529,483
Foreign sector:		
Residential mortgages	223,143,187	249,375,750
Personal, auto and credit cards	15,322,824	16,779,215
Commercial mortgages	208,335,226	259,580,692
Lines of credit and commercial loans	858,508,205	798,964,318
Interim financing	0	3,099,755
Other secured loans	11,209,493	23,238,900
Overdrafts	58,568,216	55,816,561
Total external sector	1,375,087,151	1,406,855,191
Total	12,083,688,894	11,952,384,674

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

	2019			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-month ECL	11,693,528	(8,360,800)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(2,065,593)	3,279,515	(1,213,922)	0
Transferred to lifetime ECL credit-impaired	(1,285,013)	(3,274,520)	4,559,533	0
Net remeasurement of portfolio	(16,064,735)	15,917,937	50,546,694	50,399,896
New Loans	18,209,255	5,722,308	7,092,667	31,024,230
Loans that have been derecognized	(13,489,439)	(7,118,421)	(18,862,431)	(39,470,291)
Recovery of loan write-off	0	0	27,654,274	27,654,274
Loans written-off	0	0	(62,980,583)	(62,980,583)
Balance at the end of year	83,607,552	30,710,807	50,840,441	165,158,800

	2018			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year IAS 39				144,832,305
Changes due to adoption of IFRS 9	0	0	0	412,548
Balance at the beginning of the year IFRS 9	79,103,845	25,839,115	40,301,893	145,244,853
Transferred to 12-month ECL	9,658,365	(7,503,785)	(2,154,580)	0
Transferred to lifetime ECL not credit-impaired	(1,702,386)	3,382,563	(1,680,177)	0
Transferred to lifetime ECL credit-impaired	(1,247,049)	(2,030,918)	3,277,967	0
Net remeasurement of portfolio	(5,909,866)	8,385,170	46,385,775	48,861,079
New Loans	19,810,458	3,110,543	6,128,641	29,049,642
Loans that have been derecognized	(13,103,818)	(6,637,900)	(16,185,556)	(35,927,274)
Recovery of loan write-off	0	0	23,052,680	23,052,680
Loans written-off	0	0	(51,749,706)	(51,749,706)
Balance at the end of year	86,609,549	24,544,788	47,376,937	158,531,274

Loan loss allowance for consumer loans:

	2019			
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	76,707,773	17,801,949	18,978,216	113,487,938
Transferred to 12-month ECL	11,105,225	(7,772,497)	(3,332,728)	0
Transferred to lifetime ECL not credit-impaired	(1,611,638)	2,533,427	(921,789)	0
Transferred to lifetime ECL credit-impaired	(1,209,505)	(1,866,695)	3,076,200	0
Net remeasurement of portfolio	(15,101,091)	12,313,145	34,059,528	31,271,582
New Loans	14,563,741	1,474,677	999,480	17,037,898
Loans that have been derecognized	(9,310,419)	(4,996,157)	(11,919,868)	(26,226,444)
Recovery of loans write-off	0	0	27,309,054	27,309,054
Loans written-off	0	0	(48,504,702)	(48,504,702)
Balance at end of year	75,144,086	19,487,849	19,743,391	114,375,326

	2018			
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	65,727,982	17,973,365	16,360,282	100,061,629
Transferred to 12-month ECL	8,504,175	(6,349,595)	(2,154,580)	0
Transferred to lifetime ECL not credit-impaired	(1,543,345)	2,139,252	(595,907)	0
Transferred to lifetime ECL credit-impaired	(1,234,182)	(1,686,949)	2,921,131	0
Net remeasurement of portfolio	(565,765)	9,868,007	40,948,875	50,251,117
New Loans	15,088,436	1,406,763	1,037,375	17,532,574
Loans that have been derecognized	(9,269,528)	(5,548,894)	(11,458,184)	(26,276,606)
Recovery of loans write-off	0	0	21,691,904	21,691,904
Loans written-off	0	0	(49,772,680)	(49,772,680)
Balance at end of year	76,707,773	17,801,949	18,978,216	113,487,938

Loan loss allowance for corporate loans:

	2019			
	12-month ECL	**Lifetime ECL Not credit - impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at beginning of year	9,901,776	6,742,839	28,398,721	45,043,336
Transferred to 12 months ECL	588,303	(588,303)	0	0
Transferred to lifetime ECL not credit impaired	(453,955)	746,088	(292,133)	0
Transferred to lifetime ECL credit impaired	(75,508)	(1,407,825)	1,483,333	0
Net remeasurement of portfolio	(963,644)	3,604,792	16,487,166	19,128,314
New Loans	3,645,514	4,247,631	6,093,187	13,986,332
Loans that have been derecognized	(4,179,020)	(2,122,264)	(6,942,563)	(13,243,847)
Recovery of loans write-off	0	0	345,220	345,220
Loans written-off	0	0	(14,475,881)	(14,475,881)
Balance at end of year	8,463,466	11,222,958	31,097,050	50,783,474

	2018			
	12-month ECL	**Lifetime ECL Not credit - impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at beginning of year IFRS 9	13,375,863	7,865,750	23,941,611	45,183,224
Transferred to 12 months ECL	1,154,190	(1,154,190)	0	0
Transferred to lifetime ECL not credit impaired	(159,041)	1,243,311	(1,084,270)	0
Transferred to lifetime ECL credit impaired	(12,867)	(343,969)	356,836	0
Net remeasurement of portfolio	(5,344,101)	(1,482,837)	5,436,900	(1,390,038)
New Loans	4,722,022	1,703,780	5,091,266	11,517,068
Loans that have been derecognized	(3,834,290)	(1,089,006)	(4,727,372)	(9,650,668)
Recovery of loans write-off	0	0	1,360,776	1,360,776
Loans written-off	0	0	(1,977,026)	(1,977,026)
Balance at end of year	9,901,776	6,742,839	28,398,721	45,043,336

A 56% (2018: 55%) of the Bank's credit portfolio is constituted by residential and commercial mortgage loans backed by residential units and commercial or industrial buildings.

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

	2019	**2018**
	(in Thousands)	
Mortgages on real estate	7,928,112	7,958,802
Chattel mortgages	666,521	736,775
Deposits	405,549	375,540
Other guaranties	318,784	381,456
Unsecured	2,764,723	2,499,812
Total	12,083,689	11,952,385

For loans pledged to secure borrowings, see Note 18.

The Bank recognized a tax credit in the amount of B/.46,133,208 (2018: B/.40,823,558), originating from the annual benefit awarded on mortgage loans granted with preferential interest rates until the first fifteen (15) years of the loan.

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

Finance Leases, Net

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

	2019	**2018**
Minimum payments up to 1 year	48,210,063	51,738,424
Minimum payments from 1 to 6 years	63,840,430	68,868,979
Total minimum payments	112,050,493	120,607,403
Less unearned interest	11,859,446	12,305,395
Total finance leases, net	100,191,047	108,302,008

(9) Investments in Associates

The investments in associates are detailed as follows:

Associates	**Activity**	**Equity Participation 2019**	**Equity Participation 2018**	**2019**	**2018**
Telered, S. A.	Processing of electronic transactions	40%	40%	13,356,397	10,674,693
Proyectos de Infraestructura, S. A.	Real estate investors	38%	38%	6,453,338	6,028,239
Processing Center, S. A.	Credit card processing	49%	49%	2,459,265	6,704,319
Financial Warehousing of Latin America, Inc.	Administrator of trust funds	38%	38%	2,612,185	2,627,465
				24,881,185	26,034,716

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

2019

Associates	**Financial Information Date**	**Assets**	**Liabilities**	**Equity**	**Income**	**Expenses**	**Net Income**	**Participation recognized in profit or loss**
Telered, S. A.	30-nov-2019	54,415,351	17,218,349	37,197,002	43,810,282	30,752,828	13,057,454	5,450,625
Proyectos de Infraestructura, S. A.	31-dec-2019	16,911,874	0	16,911,874	3,361,951	509	3,361,442	1,285,274
Processing Center, S. A.	30-nov-2019	27,528,274	13,876,652	13,651,622	18,575,038	10,710,845	7,864,193	3,890,064
Financial Warehousing of Latin America, Inc.	31-oct-2019	11,352,397	3,782,322	7,570,075	4,427,384	2,447,176	1,980,208	272,000
Total								10,897,963

2018

Associates	**Financial Information Date**	**Assets**	**Liabilities**	**Equity**	**Income**	**Expenses**	**Net Income**	**Participation recognized in profit or loss**
Telered, S. A.	30-nov-2018	41,358,796	11,986,119	29,372,677	41,522,277	28,524,806	12,997,471	5,603,253
Proyectos de Infraestructura, S. A.	31-dec-2018	15,800,432	0	15,800,432	2,466,516	498	2,466,018	927,334
Processing Center, S. A.	30-nov-2018	19,216,004	6,023,517	13,192,487	17,099,443	11,308,921	5,790,522	2,883,051
Financial Warehousing of Latin America, Inc.	31- oct-2018	8,912,230	2,588,760	6,323,470	3,632,089	1,768,841	1,863,248	520,803
Total								9,934,441

(10) Properties, Furniture, Equipment and Improvements

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

	Land	Buildings	2019 Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	205,000	820,000	16,750,546	11,717,520	2,406,099	31,899,165
Sales and disposals	16,056	0	1,202,848	2,263,782	172,230	3,654,916
At the end of the year	32,336,433	136,146,696	128,773,929	113,627,560	40,978,957	451,863,575
Accumulated depreciation and amortization:						
At the beginning of the year	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the year	0	3,588,416	9,888,299	9,373,466	2,001,526	24,851,707
Sales and disposal	0	0	1,202,848	2,260,915	172,230	3,635,993
At the end of the year	0	33,683,421	73,623,468	73,088,404	30,034,824	210,430,117
Net balance	32,336,433	102,463,275	55,150,461	40,539,156	10,944,133	241,433,458

	Land	Buildings	2018 Licenses and internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At the beginning of the year	32,076,810	130,415,437	87,218,844	115,290,423	36,573,777	401,575,291
Additions	220,679	4,911,259	26,009,959	2,367,990	2,832,978	36,342,865
Sales and disposals	150,000	0	2,572	13,484,591	661,667	14,298,830
At the end of the year	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Accumulated depreciation and amortization:						
At the beginning of the year	0	26,510,195	56,121,288	68,748,375	26,995,281	178,375,139
Expense of the year	0	3,584,810	8,819,301	10,707,753	1,871,914	24,983,778
Sales and disposal	0	0	2,572	13,480,275	661,667	14,144,514
At the end of the year	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Net balance	32,147,489	105,231,691	48,288,214	38,197,969	10,539,560	234,404,923

(11) Right-of-Use Assets

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

	2019
Cost:	
At the beginning of the year	23,366,850
New contracts	555,510
At the end of the year	23,922,360
Accumulated depreciation:	
At the beginning of the year	0
Expense of the year	3,748,511
At the end of the year	3,748,511
Net balance	20,173,849

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

(12) Investments and Other Financial Assets Sold and Purchased Pending Settlement

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

Investments and other financial assets pending settlement amounted to B/.435,826,300 (2018: B/.389,698,425) for sales of investments and other financial assets and B/.661,020,353 (2018: B/.561,836,021) for purchases of investments and other financial assets.

(13) Goodwill and Intangible Assets, Net

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

Company	Date of acquisition	Participation acquired	% of Acquired Participation	Balance
Banco General, S. A. (1)	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A. (1)	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A. (2)	March 2005	Purchase of trust fund businesses	100%	861,615
Banco General, S. A. (1)	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S. A. (1)	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	730,742
Total				**41,822,241**

(1) Banking CGU.
(2) Pension and Retirement Fund.

On July 31, 2018, Finanzas Generales, S. A., through its subsidiary Vale General, S. A., acquired all shares of the company Pases Alimenticios, S. A.

The fair value of the assets and liabilities acquired in this transaction are detailed as follows:

Cash and deposits with banks	372,785
Account receivable, net	132,810
Other assets	9,516
Other liabilities	(495,853)
Total net acquired assets	19,258
Consideration	(750,000)
Goodwill	(730,742)

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

	2019		
	Goodwill	Intangible assets	Total
Cost:			
Balance at the beginning and end of the year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the year	0	29,445,612	29,445,612
Amortization of the year	0	2,617,388	2,617,388
Balance at the end of the year	0	32,063,000	32,063,000
Net balance at the end of the year	41,822,241	15,399,084	57,221,325

	2018		
	Goodwill	Intangible assets	Total
Cost:			
Balance at the beginning of the year	41,091,499	47,462,084	88,553,583
Addition by acquisition	730,742	0	730,742
Net balance at the end of the year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at the beginning of the year	0	26,828,225	26,828,225
Amortization of the year	0	2,617,387	2,617,387
Balance at the end of the year	0	29,445,612	29,445,612
Net balance at the end of the year	41,822,241	18,016,472	59,838,713

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

It is the Bank's policy to conduct an impairment test on an annual basis or more frequently when there is any indication that an asset may be impaired (a trigger event). As of December 31, 2019, and 2018, no impairment losses on goodwill or intangibles assets were recognized. The valuation calculated by discounting the future cash flows generated from the acquisition of assets or businesses resulted in a present value which exceeded their carrying value.

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

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

- To calculate the present value of future cash flows and determine the value of the assets or businesses being evaluated, the Bank’s estimated average cost of capital was used as a discount rate for the periods referred to, when the business unit being assessed is the Bank; when discounting cash flows of assets or units with a profile other than that of the Bank, the applicable cost of capital to that unit is used. The Bank's capital cost is based on the average interest rates of long-term AAA dollar instruments, the country risk premium and return premium applicable for capital investments. The cost of capital used fluctuates between 8.86% and 9.86% and changes over time.

The key assumptions described above may change as economic and market conditions change. The Bank estimates that reasonable possible changes under these assumptions would not result in impairment charges of the business units. No impairment losses on goodwill were recognized during the year ended December 31, 2019 (2018: nil).

The amortization expense is presented in the consolidated statement of income as commissions and other expenses.

(14) Foreclosed Assets, Net

The Bank holds foreclosed assets, amounting to B/.25,852,378 (2018: B/.17,570,968), less a reserve of B/.3,591,452 (2018: B/.2,567,370).

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

	2019	**2018**
Balance at the beginning of the year	2,567,370	1,200,286
Provisions charged to expenses	1,851,036	2,038,159
Reversal of provision	(23,063)	(155,684)
Foreclosed assets sold	(803,891)	(515,391)
Balance at the end of the year	3,591,452	2,567,370

(15) Deposits Received

Deposits received at amortized cost are summarized as follows:

	2019	**2018**
Demand	2,608,263,290	2,835,932,071
Savings	3,598,245,227	3,515,163,131
Time	6,248,759,430	5,877,211,828
Total deposits	12,455,267,947	12,228,307,030
Accrued interest payable	112,773,741	99,032,395
Total deposits at amortized cost	12,568,041,688	12,327,339,425

(16) Securities Sold Under Repurchase Agreements

As of December 31, 2019, the Bank held obligations from securities sold under repurchase agreements for B/.403,947,411 with various maturities until January 2020 at an annual interest rate of 1.97% until 2.45%; the average interest rate of these securities was 2.28%. These securities were guaranteed by investment securities for B/.428,411,465.

Securities sold under repurchase agreements at amortized cost are detailed as follows:

	2019
Securities sold under repurchase agreements	403,947,411
Accrued interest payable	665,833
Securities sold under repurchase agreements at amortized cost	404,613,244

(17) 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:

	Level	**2019**	**2018**
Mortgage Backed Securities (MBS)	2	58,156,179	127,004,276
Total		58,156,179	127,004,276

See the description of the main valuation methods, assumptions and variables used in estimating the fair value of these liabilities and the levels in Note 7.

(18) Borrowings and Debt Securities Issued, Net

The Bank issued bonds and other borrowings, as follows:

	2019	2018
Corporate bonds with maturities in 2019, at an annual interest rate of 2.75%	0	25,000,000
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	550,000,000	550,000,000
Borrowings with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	0	217,015,548
Borrowings with maturity in 2020, at interest rates of 3 and 6 month Libor plus a margin	609,697,952	1,406,725,729
Borrowings with maturity in 2021, at interest rates of 6 month Libor plus a margin	71,203,125	75,703,125
Borrowings with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	250,000,000	290,384,615
Borrowings with maturity in 2023, at interest rates of 3 month Libor plus a margin	0	47,368,422
Borrowings with maturity in 2024, at interest rates of 6 month Libor plus a margin	150,000,000	0
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	3,190,405	3,603,252
Notes with maturities in 2024, at a fixed interest rate	190,000,000	200,000,000
Notes with maturities in 2027, at a fixed interest rate	75,000,000	75,000,000
Subtotal of borrowings and debt securities issued	1,901,846,482	2,893,305,691
Foreign exchange hedge	12,734,820	(6,777,349)
Total borrowings and debt securities issued, net	1,914,581,302	2,886,528,342

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

	2019	2018
Borrowings and debt securities issued, net	1,914,581,302	2,886,528,342
Accrued interest payable	14,229,073	18,518,151
Borrowings and debt securities issued at amortized cost	1,928,810,375	2,905,046,493

The borrowing obtained in 1985 under the USAID Housing Program resulted from the Bank's participation in the Housing Program No.525-HG-013 with the United States of America Agency for International Development (USAID), which involves the financing of low cost housing by foreign investors. These borrowings have a maturity of thirty (30) years, and a grace period of ten (10) years for repayment of principal. These borrowings are guaranteed by USAID. In turn, the Bank must maintain these borrowings secured by mortgage loans pledged on behalf of USAID for B/.3,988,006 (2018: B/.4,504,065), representing 1.25 times the amount of the borrowed funds.

The Bank is the residual beneficiary of the liquid assets of Banco General DPR Funding Limited, a special purpose entity. The following transactions have been executed through this entity: in 2016 a notes for B/.200,000,000; in 2017 a borrowing for B/.50,000,000 and notes for B/.75,000,000; collateralized with future cash flows of remittances received (MT103). The Bank maintains a money market deposit with an amount equivalent to the next quarterly payment of principal, interest and expense, which is presented within the Deposits with banks line. The balance of the borrowing is B/.315,000,000 (2018: B/.372,368,422).

The borrowings and notes detailed above were agreed to the following terms and types of rates: 8 years with capital repayments from the third year and a fixed rate for the notes (2016), 5 years with capital repayments from the second year and an interest rate of 3 month labor plus a margin for the borrowing (2017) and 10 years with capital repayments from the fifth year and a fixed interest rate for notes (2017).

In August 2017, the Bank issued bonds in the international market under the Standard 144A/Reg S for the amount of B/.550,000,000 with a ten-year fixed coupon of 4.125 and a maturity date of August 7, 2027. The bonds have biannual interest payments on the 7th day of February and August of each year, beginning on February 7, 2018. The principal amount will be paid at maturity.

In December 2017, the Bank signed a medium-term syndicated loan agreement for B/.800,000,000, which was then increased in June 2018 for B/.300,000,000 using the "Increase Facility" of that contract. The loans under this contract were syndicated at a variable rate of Libor 3 months plus a margin, between commercial banks in the United States, Europe, Asia, the Middle East and Latin America. The balance of these loansis B/.375,000,000 (2018: B/.1,100,000,000).

In October 2018, the Bank agreed medium-term borrowings for B/.200,000,000, with a variable rate of Libor 3 months plus a margin and payment of quarterly interest and capital at maturity. The loans were syndicated between commercial banks in the United States, Europe and Asia.

In December 2019, the Bank entered into a long-term loan agreement with a multilateral entity for B/.150,000,000 at a variable Libor rate of 6 months plus a margin and payment of six-monthly interest and maturity capital.

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

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

	2019	**2018**
Balance at the beginning of the year	2,886,528,342	2,661,365,208
New borrowings and debt securities issued	162,591,685	801,199,610
Redemption of debt securities issued and cancellation of borrowings	(1,154,050,894)	(565,126,868)
Product of currency exchange fluctuations	0	(4,132,259)
Revaluation coverage	19,512,169	(6,777,349)
Balance at the end of the year	1,914,581,302	2,886,528,342

(19) Perpetual Bonds

Under Resolution No.366-08 of November 24, 2008, issued by the Superintendence of the Securities Markets of the Republic of Panama, Banco General, S. A. is authorized to offer Perpetual Bonds with a face value of up to B/.250,000,000 through public offering. The bonds will be issued in nominative, registered form, with no coupons, in one series, in denominations of B/.10,000 and multiples of B/.1,000, with no specific maturity or redemption date. Also, they can be redeemed by the Issuer, at its discretion either totally or partially, starting on the fifth year after the issuance date and at any interest payment day after that first redemption date. The bonds will earn a 6.5% interest rate and interest will be paid quarterly. The Bank, under certain circumstances, as described in the informative prospectus, may suspend interest payment without being considered in default. The bond's repayment is subordinated to all existing and future preferential borrowings of the issuer, and backed solely by the general credit worthiness of Banco General, S. A.

The balance of perpetual bonds is B/.217,680,000 (2018: B/.217,680,000).

The perpetual bonds at amortized cost are summarized as follows:

	2019	**2018**
Perpetual bonds	217,680,000	217,680,000
Accrued interest payable	628,853	628,853
Perpetual bonds at amortized cost	218,308,853	218,308,853

(20) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	2019
Balance at the beginning of the year	23,366,850
New contracts	555,510
Payments	(3,052,594)
Balance at the end of the year	20,869,766

Interest expense on lease liabilities for B/.1,003,223 is included in the line as of commission expenses and other expenses in the consolidated statement of income.

The Bank held lease liabilities whose contracts range from 1 to 20 years, and were calculated using discount rates between 4.13% and 5.66%.

(21) Reserves of Insurance Operations

Reserves of insurance operations amounted to B/.19,023,983 (2018: B/.17,648,645) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves of insurance operations is summarized as follows:

	2019	2018
Unearned Premiums		
Balance at the beginning of the year	19,652,339	19,043,645
Issued premiums	41,155,073	37,731,101
Earned premiums	(39,421,973)	(37,122,407)
Balance at the end of the year	21,385,439	19,652,339
Reinsurers participation	(4,801,738)	(4,473,403)
Unearned premiums, net	16,583,701	15,178,936
Estimated Insurance Claims Incurred		
Balance at the beginning of the year	3,156,224	2,530,640
Incurred claims	7,652,444	6,883,588
Paid claims	(7,856,342)	(6,258,004)
Balance at the end of the year	2,952,326	3,156,224
Reinsurer participation	(512,044)	(686,515)
Estimated insurance claims incurred, net	2,440,282	2,469,709
Total reserves of insurance operations	19,023,983	17,648,645

(22) Concentration of Financial Assets and Liabilities

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

	2019			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Assets:				
Deposits with banks:				
Demand	59,827,407	82,156,796	190,542,246	332,526,449
Time	191,239,591	522,650	0	191,762,241
Investments and other financial assets at fair value through profit or loss	80,931,490	26,420,902	571,881,968	679,234,360
Investments and other financial assets at FVOCI	1,477,054,111	197,663,021	2,619,489,213	4,294,206,345
Loans	10,708,601,743	1,375,056,811	30,340	12,083,688,894
Total	12,517,654,342	1,681,820,180	3,381,943,767	17,581,418,289
Liabilities:				
Deposits:				
Demand	2,437,656,905	153,155,931	17,450,454	2,608,263,290
Saving	3,516,566,170	71,741,623	9,937,434	3,598,245,227
Time	5,925,948,873	315,965,421	6,845,136	6,248,759,430
Securities sold under repurchase agreements	0	0	403,947,411	403,947,411
Borrowings and debt securities issued, net	55,958,125	62,000,000	1,796,623,177	1,914,581,302
Perpetual bonds	217,680,000	0	0	217,680,000
Lease liabilities	19,077,998	1,791,768	0	20,869,766
Other liabilities/securities sold in short	0	0	58,156,179	58,156,179
Total	12,172,888,071	604,654,743	2,292,959,791	15,070,502,605
Commitments and contingencies	760,800,737	6,399,078	0	767,199,815

	2018			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Assets:				
Deposits with banks:				
Demand	45,413,971	84,935,575	194,594,693	324,944,239
Time	166,240,623	480,688	0	166,721,311
Investments and other financial assets at fair value through profit or loss	81,422,168	29,726,910	671,042,117	782,191,195
Investments and other financial assets at FVOCI	1,251,896,519	229,945,640	2,913,017,822	4,394,859,981
Investments at amortized cost, net	0	0	10,948,692	10,948,692
Loans	10,545,529,483	1,406,825,399	29,792	11,952,384,674
Total	12,090,502,764	1,751,914,212	3,789,633,116	17,632,050,092
Liabilities:				
Deposits:				
Demand	2,703,594,552	114,524,009	17,813,510	2,835,932,071
Saving	3,422,212,563	84,106,486	8,844,082	3,515,163,131
Time	5,548,077,869	321,500,372	7,633,587	5,877,211,828
Borrowings and debt securities issued, net	112,286,250	102,000,000	2,672,242,092	2,886,528,342
Perpetual bonds	217,680,000	0	0	217,680,000
Other liabilities/securities sold in short	0	0	127,004,276	127,004,276
Total	12,003,851,234	622,130,867	2,833,537,547	15,459,519,648
Commitments and contingencies	984,019,123	10,660,351	0	994,679,474

(23) Segment Information

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

Segments	**Operations**
Banking and Financial Activities	Various financial services, mainly corporate, mortgage and consumer banking, finance leases, administration of trusts, administration and marketing of pretax food and health related contributions, 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

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

2019

	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	1,082,065,495	7,247,977	1,254,617	4,422,575	1,086,145,514
Interest and provision expenses	436,312,015	(2,470)	0	4,422,575	431,886,970
Other income, net	177,855,159	27,970,417	13,757,590	7,440,506	212,142,660
General and administrative expenses	271,198,380	2,692,663	5,694,731	11,185	279,574,589
Depreciation and amortization expense	28,040,064	231,579	328,575	0	28,600,218
Equity participation in associates	10,897,963	0	0	0	10,897,963
Net income before income tax	535,268,158	32,296,622	8,988,901	7,429,321	569,124,360
Net Income tax	57,981,320	4,834,125	2,042,595	0	64,858,040
Net income	477,286,838	27,462,497	6,946,306	7,429,321	504,266,320
Total assets	18,584,978,649	278,898,944	38,023,484	178,179,989	18,723,721,088
Total liabilities	16,341,255,834	57,546,350	953,930	158,773,927	16,240,982,187

2018

	Banking and Financial Activities	Insurance and Reinsurance	Pension and retirement Fund	Eliminations	Total
Interest and commission income	999,951,865	5,855,491	981,337	3,223,046	1,003,565,647
Interest and provision expenses	401,661,999	(3,137)	0	3,223,046	398,435,816
Other income, net	134,367,687	24,698,193	12,672,454	10,938	171,727,396
General and administrative expenses	260,697,669	2,764,196	5,532,281	10,938	268,983,208
Depreciation and amortization expense	24,495,777	228,038	259,963	0	24,983,778
Equity participation in associates	9,934,441	0	0	0	9,934,441
Net income before income tax	457,398,548	27,564,587	7,861,547	0	492,824,682
Net Income tax	52,343,275	4,512,070	1,761,131	0	58,616,476
Net income	405,055,273	23,052,517	6,100,416	0	434,208,206
Total assets	18,577,880,273	255,753,937	32,870,144	162,347,844	18,704,156,510
Total liabilities	16,605,763,019	55,694,246	618,498	142,941,782	16,519,133,981

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

	2019			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and equity participation in associates	1,065,060,541	125,625,983	118,499,613	1,309,186,137
Nonfinancial assets	294,446,468	4,208,315	0	298,654,783

	2018			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Interest and commission income, other income, net and equity participation in associates	986,172,868	115,969,725	83,084,891	1,185,227,484
Nonfinancial assets	289,339,541	4,904,095	0	294,243,636

(24) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares with no par value (2018: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (2018: 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:

	2019 Reserves					
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	1,128,759	3,145,657	0	0	138,151,892
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	31,191,204	31,191,204
Banco General (Overseas), Inc.	10,614,993	0	0	0	0	10,614,993
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,794,475	0	6,746,325
Total	152,254,380	1,128,759	3,145,657	1,794,475	31,191,204	189,514,475

	2018 Reserves					
	Dynamic	Foreclosed Assets	Loans in the process of awarding	Legal	Insurance	Total
Banco General, S. A.	133,877,476	757,386	0	0	0	134,634,862
Finanzas Generales, S. A.	2,810,061	0	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	0	29,135,566	29,135,566
Banco General (Overseas), Inc.	9,480,047	0	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	4,951,850	0	0	1,085,957	0	6,037,807
Total	151,119,434	757,386	0	1,085,957	29,135,566	182,098,343
Transfer from retained earnings of the year	1,134,946	371,373	3,145,657	708,518	2,055,638	7,416,132

The Bank, through its subsidiary General de Seguros, S. A., maintains legal reserves and reserves for statistical deviations and 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.

(25) Gain (Loss) on Financial Instruments, Net

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

	2019	2018
Unrealized loss on investments and other financial assets	(4,551,921)	(5,561,507)
Unrealized gain (loss) on derivative instruments	5,046,368	(3,046,425)
Net gain (loss) on sale of investments and other financial assets at FV through profit or loss	15,609,839	(2,053,530)
Net gain (loss) on sale of investments and other financial assets at FVOCI	1,704,461	(7,826,666)
Realized (loss) gain on derivative instruments	(2,461,130)	6,949,891
Net gain (loss) on financial instruments	15,347,617	(11,538,237)

The net gain on the sale of investments and other financial assets at FV through profit or loss includes loss on sale of financial instruments of debt for short sales for B/.3,526,337 (2018: gain for B/.1,972,959).

The detail of net gain (loss) on sale of investments and other financial assets by classification type is presented in Note 7.

(26) Fees and Other Commissions and Other Income, Net

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

	2019	2018
Debit and credit cards banking services	138,303,969	123,717,312
Other banking services	53,142,748	53,226,235
Managing funds and trusts	20,461,913	18,550,229
Securities brokerage	14,030,428	14,511,258
Other commissions	3,281,536	2,891,568
Total fees and other commissions	229,220,594	212,896,602

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

	2019	**2018**
Dividends	2,345,418	5,089,377
Foreign exchange fluctuations, net	(218,819)	(1,328,557)
Various banking services	14,610,175	14,572,075
Gain on sale of fixed assets, net	261,176	319,475
Fiduciary services	144,151	152,641
Other income	11,465,614	6,844,314
Total other income, net	28,607,715	25,649,325

(27) 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 of the options granted by the Bank to participants to purchase shares from Grupo Financiero BG, S. A. is 5,052,135 (2018: 4,940,385). The options balance is 1,792,949 (2018: 2,048,943), which have an average exercise price of B/.66.78 (2018: B/.63.47). The total expense of the options granted to the participants based on their fair value, amounted to B/.2,011,696 (2018: B/.1,523,755). These options may be exercised by the executives until the year 2026.

Restricted Share Plan

On March 2018, the Board of Directors of Grupo Financiero BG, S. A. approved to reserve a total of up to 350,000 common shares of its authorized share capital in order to be awarded under the Restricted Share Plan for participants, which applies for the 2018-2022 period.

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

The shares to be issued to the participants are awarded at the average price of the month preceding the grant quoted in the Stock Exchange of Panama.

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

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

In 2019, 49,240 (2018: 43,807) shares were granted under the restricted share plan and recognized as an expense of B/.4,190,543 (2018: B/.3,444,780). The reconciliation of the balance for these shares is as follows:

	2019	**2018**
Shares at the beginning of the year	306,193	0
Shares approved	0	350,000
Shares issued	(49,240)	(43,807)
Balance at the end of the year	256,953	306,193

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/.100,000 (2018: B/.134,568) and the disbursements to former employees who are covered under the retirement plan amount to B/.174,502 (2018: B/.178,022).

(28) 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 de Valores de Panamá, S. A. and, lastly, securities and loans to the Panamanian Government and its autonomous and semi-autonomous institutions.

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

Country	**Tax rate**
Panama	25%
Costa Rica	30%

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

The income tax is of B/.64,752,353 (2018: B/.60,866,030) on a financial income generated by companies incorporated in the Republic of Panama of B/.482,019,090 (2018: B/.439,273,373) and the average effective estimated income tax rate is 13% (2018: 14%). The income tax rate applicable according to current legislation in the Republic of Panama is 25% (2018: 25%) or based on the alternative calculation, whichever is greater.

Net income tax is detailed as follows:

	2019	2018
Estimated income tax	66,032,357	62,037,804
Prior year income tax adjustments	370,088	350,547
Deferred income tax	(1,544,405)	(3,771,875)
	64,858,040	58,616,476

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

	2019		2018	
	Income tax base	Income tax effect	Income tax base	Income tax effect
Financial income before income tax	482,019,090	120,504,772	439,273,373	109,818,343
Net foreign income, exempt and non-taxable	(350,039,989)	(87,509,997)	(346,144,712)	(86,536,178)
Nondeductible costs and expenses	127,030,311	31,757,578	150,335,460	37,583,865
Fiscal net income	259,009,412	64,752,353	243,464,121	60,866,030

The income tax paid in cash during 2019 was B/.57,101,794 (2018: B/.35,195,942).

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

	2019	2018	Effect in profit or loss
Deferred income tax – asset:			
Loan loss allowance	39,726,216	37,681,165	2,045,051
Allowance for foreclosed assets	630,541	426,484	204,057
Total deferred income tax – asset	40,356,757	38,107,649	2,249,108
Deferred income tax – liability:			
Allowance for uncollectible finance leases	(136,952)	(191,314)	54,362
Allowance for foreclosed assets	(1,452)	(7,218)	5,766
Loan loss allowance	959,409	149,409	810,000
Investment loss allowance	(8,728)	(25,153)	16,425
Financial lease operations	2,964,862	3,076,348	(111,486)
Deferred commissions	424,780	467,336	(42,556)
Other assets/liabilities	(27,808)	0	(27,808)
Total deferred income tax – liability	4,174,111	3,469,408	704,703
Total deferred income tax			1,544,405

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

(29) Commitments and Contingencies

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

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

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

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

		2019	
	0 – 1 Year	**1 – 5 Years**	**Total**
Letters of credit	61,982,780	36,519,531	98,502,311
Financial guarantees	78,040,838	11,019,076	89,059,914
Mortgage disbursement commitment	579,637,590	0	579,637,590
Total	719,661,208	47,538,607	767,199,815

		2018	
	0 – 1 Year	**1 – 5 Years**	**Total**
Letters of credit	166,739,681	43,049,940	209,789,621
Financial guarantees	44,097,699	38,080,124	82,177,823
Mortgage disbursement commitment	702,712,030	0	702,712,030
Total	913,549,410	81,130,064	994,679,474

Credit Quality Analysis of Commitments and Contingencies

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

	2019	**2018**
Maximum exposure		
Carrying amount	767,199,815	994,679,474
Letters of credit		
Grade 1: Standard	95,095,052	201,321,628
Grade 2: Special mention	1,911,097	7,662,059
Grade 3: Sub-standard	1,364,812	805,934
Grade 5: Uncollectible	131,350	0
Gross amount	98,502,311	209,789,621
Financial guarantees		
Grade 1: Standard	79,573,614	81,652,537
Grade 2: Special mention	9,206,281	209,461
Grade 3: Sub-standard	280,019	315,825
Gross amount	89,059,914	82,177,823
Mortgage disbursement commitment		
Grade 1: Standard	577,203,453	697,333,289
Grade 2: Special mention	1,530,565	3,461,992
Grade 3: Sub-standard	447,739	1,075,671
Grade 4: Doubtful	455,833	841,078
Gross amount	579,637,590	702,712,030

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

(30) Investment Entities and Separate Vehicles

The Bank managed trust funds and fiduciary contracts at client's own behalf and risk in the amount of B/.2,762,301,786 (2018: B/.2,491,053,094), and the custody of securities in investment accounts at client's own behalf and risk amounting to B/.11,823,120,976 (2018: B/.10,885,827,104). According to the nature of these services, the Bank's management considers that there are no significant risks attributable to the Bank.

The Bank does not hold assets under discretionary management.

(31) Structured Entities

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

Type of Structured Entity	Nature and Purpose	Interest Held by the Bank
- Investment funds	To offer an alternative to investors through a diversified portfolio while preserving capital	10.66% (2018: 10.66%)

The funds managed at client's own behalf and risk amount to B/.598,208,959 (2018: B/.496,066,082); income fees for administration and custody amount to B/.6,379,075 (2018: B/.5,555,254), and are presented as fees and other commissions in the consolidated statement of income.

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

(32) 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 consolidated statement of financial position at fair value using the fair value hedge or cash flows hedge method, in other assets and other liabilities.

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

Below is the summary of derivative contracts is as follow:

					Over the Counter (OTC)			
	Total		Exchange-Traded		Liquidated in a securities exchange		Other bilateral counterparts	
	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value
2019								
Derivative assets	707,307,544	18,096,649	106,951,920	0	520,824,651	17,271,794	79,530,973	824,855
Derivative liabilities	799,394,730	19,780,525	78,759,700	0	483,034,950	17,288,287	237,600,080	2,492,238
2018								
Derivative assets	559,903,150	4,664,866	144,575,494	0	202,375,840	3,347,904	212,951,816	1,316,962
Derivative liabilities	1,429,091,296	17,142,352	56,400,000	0	758,432,473	13,207,837	614,258,823	3,934,515

The Bank maintains cash and cash equivalents as collateral in institutions that maintain risk ratings between AA and BBB+, which support derivative operations in the amount of B/.14.7MM (2018: B/.21.4MM).

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

Other Derivatives classified by Risk:

	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Other Derivatives				
Credit	1,351,699	1,309,628	914,521	3,031,648
Interest	3,844,541	3,066,570	2,361,220	2,777,732
Currency	365,487	2,145,258	482,971	816,641
Total	5,561,727	6,521,456	3,758,712	6,626,021

The Bank maintained derivatives contracts with a notional value of B/.1,506,702,274 (2018: B/.1,988,994,446), of which B/.811,660,813 (2018: B/.1,287,279,290) were managed by third parties. Of these derivatives managed by third parties, B/.517,380,241 (2018: B/.1,033,987,667) are intended to manage the duration and the interest rate risk on these portfolios.

The net impact of the derivative instruments on the interest expense on borrowings in the consolidated statement of income was B/.1,023,794 (2018: B/.104,283).

The following table presents derivatives hedge for risk management:

Hedge Derivatives for Risk Management:	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest	12,534,922	13,259,069	906,154	10,516,331
Total	12,534,922	13,259,069	906,154	10,516,331

Interest rate risk derivatives hedge

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

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

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

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

Risk Category	Up to 1 month	From 1 to 3 months	2019 Maturity From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	95,000,000	250,000,000
Average interest rate				2.95%	3.55%

Risk Category	Up to 1 month	From 1 to 3 months	2018 Maturity From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					4.08%

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

		2019				
	Notional Value	Book Value Assets	Book Value Liabilities	Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Interest rate derivatives – Bonds Hedge	82,250,000	0	5,953,873	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	345,000,000	12,534,922	0	Other assets (liabilities)	0	0
Total interest rate risk	427,250,000	12,534,922	5,953,873			

Interest rate risk:	Notional Value	Book Value Assets	Book Value Liabilities	Item in the consolidated statement of financial position that includes hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
2018						
Interest rate derivatives – Bonds Hedge	82,250,000	733,434	1,502,543	Other assets (liabilities)	0	0
Interest rate derivatives – Bonds and notes Hedge	350,000,000	0	6,977,248	Other liabilities	0	0
Total interest rate risk	432,250,000	733,434	8,479,791			

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

2019

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item: Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item: Liabilities	Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
Bonds	90,759,034		5,851,281	0	Investment securities FVOCI	0	0
Bonds and notes		345,000,000	0	12,734,820	Borrowing and debt securities issued	0	0

2018

	Book Value Assets	Book Value Liabilities	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item: Assets	Accumulated amount of fair value hedge item adjustments included in the carrying amount of the hedge item: Liabilities	Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
Bonds	85,831,655		1,502,543	836,027	Investment securities FVOCI	0	0
Bonds and notes		350,000,000	6,777,350	0	Borrowing and debt securities issued	0	0

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

2019

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
			Maturity		
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

2018

Risk Category	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
			Maturity		
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.78%	

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

2019

	Notional Value	Book Value – Assets	Book Value – Liabilities	Item in the consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	7,147,729	Other assets (liabilities)	0	0

2018

	Notional Value	Book Value – Assets	Book Value – Liabilities	Item in the consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	2,036,539	Other liabilities	0	0

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	1,351,699	0	1,351,699
Interest	0	3,844,541	0	3,844,541
Currency	0	365,487	0	365,487
Total	0	5,561,727	0	5,561,727
Hedge Derivatives for risk management:				
Interest	0	12,534,922	0	12,534,922
Total	0	12,534,922	0	12,534,922
Total derivatives assets	0	18,096,649	0	18,096,649
Liabilities				
Other derivatives:				
Credit	0	1,309,628	0	1,309,628
Interest	6,125	3,060,445	0	3,066,570
Currency	0	2,145,258	0	2,145,258
Total	6,125	6,515,331	0	6,521,456
Hedge Derivates for risk management:				
Interest	0	13,259,069	0	13,259,069
Total	0	13,259,069	0	13,259,069
Total derivates liabilities	6,125	19,774,400	0	19,780,525

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Other derivatives:				
Credit	0	914,521	0	914,521
Interest	0	2,361,220	0	2,361,220
Currency	0	482,971	0	482,971
Total	0	3,758,712	0	3,758,712
Hedge Derivatives for risk management:				
Interest	0	906,154	0	906,154
Total	0	906,154	0	906,154
Total derivatives assets	0	4,664,866	0	4,664,866
Liabilities				
Other derivatives:				
Credit	0	3,031,648	0	3,031,648
Interest	27,547	2,750,185	0	2,777,732
Currency	0	816,641	0	816,641
Total	27,547	6,598,474	0	6,626,021
Hedge Derivates for risk management:				
Interest	0	10,516,331	0	10,516,331
Total	0	10,516,331	0	10,516,331
Total derivates liabilities	27,547	17,114,805	0	17,142,352

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

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

See Note 7, for the description of these Levels.

(33) Fair Value of Financial Instruments

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

(a) Investments and other financial assets

For investments and others financial assets, the fair value measurement is determined using quoted prices in active markets, prices from a third party pricing vendors, brokers, custodians, investment management companies and banks. In addition, for some cases the Bank uses valuation techniques that are presented in Note 7, to calculate their investments mainly by discounting cash flows at the appropriate discount rate for that instrument.

(b) Loans

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

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

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

(d) Time deposits from customers and banks/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 consolidated statement of financial position:

	2019		2018	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Assets:				
Time deposits with banks	191,762,241	192,443,555	166,721,311	166,404,593
Investments at amortized cost, net	0	0	10,948,692	10,950,000
Loans, net	11,875,227,765	11,821,782,344	11,752,748,950	11,711,853,419
	12,066,990,006	12,014,225,899	11,930,418,953	11,889,208,012
Liabilities:				
Deposits	12,455,267,947	12,486,978,013	12,228,307,030	12,210,533,516
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	2,536,208,713	2,519,252,592	3,104,208,342	3,062,526,236
	14,991,476,660	15,006,230,605	15,332,515,372	15,273,059,752

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

	2019	**Level 1**	**Level 2**	**Level 3**
Assets:				
Time deposits with banks	192,443,555	0	0	192,443,555
Loans, net	11,821,782,344	0	0	11,821,782,344
	12,014,225,899	0	0	12,014,225,899
Liabilities:				
Deposits	12,486,978,013	0	0	12,486,978,013
Securities sold under repurchase agreements, borrowings, debt securities issued and perpetual bonds	2,519,252,592	0	0	2,519,252,592
	15,006,230,605	0	0	15,006,230,605

	2018	**Level 1**	**Level 2**	**Level 3**
Assets:				
Time deposits with banks	166,404,593	0	0	166,404,593
Investments at amortized cost, net	10,950,000	0	10,950,000	0
Loans, net	11,711,853,419	0	0	11,711,853,419
	11,889,208,012	0	10,950,000	11,878,258,012
Liabilities:				
Deposits	12,210,533,516	0	0	12,210,533,516
Borrowings and debt securities issued, perpetual bonds	3,062,526,236	0	0	3,062,526,236
	15,273,059,752	0	0	15,273,059,752

See Note 7, for the description of these levels.

(34) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Risk Management Policy to identify each significant risk the Bank is exposed to. In order to manage and monitor 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 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 polices and limits in order to monitor, 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

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

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

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 (PCE) maintained by the Bank:

	2019 (in thousands)			
	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortized cost				
Grade 1: Standard	11,034,292	53,564	39	11,087,895
Grade 2: Special mention	32,492	541,040	7,940	581,472
Grade 3: Sub-standard	8,083	19,102	173,559	200,744
Grade 4: Doubtful	5,812	4,950	44,577	55,339
Grade 5: Uncollectible	3,947	454	53,647	58,048
Gross amount	11,084,626	619,110	279,762	11,983,498
Allowance for impairment	(83,403)	(30,669)	(50,816)	(164,888)
Net carrying amount	11,001,223	588,441	228,946	11,818,610
Finance leases				
Grade 1: Standard	95,834	469	7	96,310
Grade 2: Special mention	0	2,568	0	2,568
Grade 3: Sub-standard	0	0	1,252	1,252
Grade 4: Doubtful	0	0	39	39
Grade 5: Uncollectible	0	0	22	22
Gross amount	95,834	3,037	1,320	100,191
Allowance for impairment	(205)	(42)	(24)	(271)
Net carrying amount	95,629	2,995	1,296	99,920
Total loans	11,180,460	622,147	281,082	12,083,689
Allowance for impairment	(83,608)	(30,711)	(50,840)	(165,159)
Net carrying amount	11,096,852	591,436	230,242	11,918,530
Renegotiated loans				
Gross amount	3,175	123,125	98,447	224,747
Allowance for impairment	(111)	(3,202)	(20,145)	(23,458)
Net carrying amount	3,064	119,923	78,302	201,289

	2018 (in thousands)			
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans at amortized cost				
Grade 1: Standard	11,167,496	46,963	0	11,214,459
Grade 2: Special mention	22,961	355,905	8,880	387,746
Grade 3: Sub-standard	9,210	18,555	103,890	131,655
Grade 4: Doubtful	5,763	3,974	58,353	68,090
Grade 5: Uncollectible	1,844	1,076	39,213	42,133
Gross amount	11,207,274	426,473	210,336	11,844,083
Allowance for impairment	(86,391)	(24,483)	(47,248)	(158,122)
Net carrying amount	11,120,883	401,990	163,088	11,685,961
Finance leases				
Grade 1: Standard	103,337	3,063	16	106,416
Grade 2: Special mention	0	980	0	980
Grade 3: Sub-standard	0	6	151	157
Grade 4: Doubtful	0	0	29	29
Grade 5: Uncollectible	0	0	720	720
Gross amount	103,337	4,049	916	108,302
Allowance for impairment	(218)	(62)	(129)	(409)
Net carrying amount	103,119	3,987	787	107,893
Total loans	11,310,611	430,522	211,252	11,952,385
Allowance for impairment	(86,609)	(24,545)	(47,377)	(158,531)
Net carrying amount	11,224,002	405,977	163,875	11,793,854
Renegotiated loans				
Gross amount	4,801	43,880	99,626	148,307
Allowance for impairment	(143)	(2,334)	(22,809)	(25,286)
Net carrying amount	4,658	41,546	76,817	123,021

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

	2019		
	Banco General, S. A.	**Subsidiaries**	**Total**
Current	10,619,222,393	976,853,681	11,596,076,074
From 31 to 90 days	325,254,021	8,932,349	334,186,370
More than 90 days (capital or interest)	139,785,766	5,156,381	144,942,147
More than 30 days past due (capital at maturity)	8,482,860	1,443	8,484,303
Total	11,092,745,040	990,943,854	12,083,688,894

	2018		
	Banco General, S. A.	**Subsidiaries**	**Total**
Current	10,530,215,731	1,012,872,019	11,543,087,750
From 31 to 90 days	265,588,078	5,893,552	271,481,630
More than 90 days (capital or interest)	115,856,913	4,908,482	120,765,395
More than 30 days past due (capital at maturity)	17,049,899	0	17,049,899
Total	10,928,710,621	1,023,674,053	11,952,384,674

The following table analyzes 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/.45,000,477 (2018: B/.54,324,120), which are not subject to credit risk:

	2019				
	12-month ECL	**Lifetime ECL Not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
At FVOCI					
Local:					
AA+ to BBB-	973,267,793	0	0	0	973,267,793
Lower than BBB-	432,183,824	25,606,021	13,634,364	0	471,424,209
Local carrying amount	1,405,451,617	25,606,021	13,634,364	0	1,444,692,002
Valuation of credit risk	(1,598,162)	(681,472)	(5,272,890)	0	(7,552,524)
Foreign:					
AAA	1,744,292,256	0	0	0	1,744,292,256
AA+ to BBB-	918,605,432	0	0	0	918,605,432
Lower than BBB-	180,323,944	5,659,420	145,740	487,551	186,616,655
Foreign carrying amount	2,843,221,632	5,659,420	145,740	487,551	2,849,514,343
Valuation of credit risk	(3,296,414)	(19,701)	0	0	(3,316,115)
Total carrying amount	4,248,673,249	31,265,441	13,780,104	487,551	4,294,206,345
At Fair Value through profit or loss					
Local:					
AA+ to BBB-	4,992,935				
Lower than BBB-	53,412,587				
Local carrying amount	58,405,522				
Foreign:					
AAA	397,570,376				
AA+ to BBB-	68,132,407				
Lower than BBB-	107,983,718				
NR	2,141,860				
Foreign carrying amount	575,828,361				
Total carrying amount	634,233,883				

	12-month ECL	Lifetime ECL Not credit-impaired	2018 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
At Amortized Cost					
Foreign:					
AAA	10,950,000	0	0	0	10,950,000
Accumulated allowance	(1,308)	0	0	0	(1,308)
Net carrying amount	10,948,692	0	0	0	10,948,692
At FVOCI					
Local:					
AA+ to BBB-	688,640,137	0	0	0	688,640,137
Lower than BBB-	505,607,540	11,270,755	14,053,641	0	530,931,936
Local carrying amount	1,194,247,677	11,270,755	14,053,641	0	1,219,572,073
Valuation of credit risk	(1,787,390)	(686,244)	(2,050,346)	0	(4,523,980)
Foreign:					
AAA	1,746,979,979	0	0	0	1,746,979,979
AA+ to BBB-	1,222,335,575	0	0	0	1,222,335,575
Lower than BBB-	199,252,974	5,947,361	164,471	607,548	205,972,354
Foreign carrying amount	3,168,568,528	5,947,361	164,471	607,548	3,175,287,908
Valuation of credit risk	(5,082,110)	(107,721)	0	(12,277)	(5,202,108)
Total carrying amount	4,362,816,205	17,218,116	14,218,112	607,548	4,394,859,981
At Fair Value through profit or loss					
Local:					
AA+ to BBB-	2,562,700				
Lower than BBB-	53,334,703				
Local carrying amount	55,897,403				
Foreign:					
AAA	314,820,918				
AA+ to BBB-	249,070,161				
Lower than BBB-	107,868,665				
NR	209,928				
Foreign carrying amount	671,969,672				
Total carrying amount	727,867,075				

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

Time deposits with banks

The time deposits with banks are held with central banks and financial institution counterparties that are rated at least between AAA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to B/.191,239,591 (2018: B/.159,240,623).

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

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

- *Impairment of loans and investments and other financial assets and deposits with banks:*
  Impairment of loans, investments and other financial assets and deposits with banks is determined by comparing the carrying value of the asset to its estimated recoverable amount. At December 31, 2019 and 2018 the Bank has no impaired deposits.

- *Past due but not impaired loans and investments and other financial assets:*
  Loans and investments and other financial assets that hold enough collateral and/or sources of repayment to cover the carrying value of such loans or investments and other financial assets are considered past due but not impaired, i.e., no losses incurred.

- *Restructured loans:*
  Restructured loans are those that due to deterioration in the borrower´s financial position, a significant variation in the original terms (balance, term, payment schedule, rate or guarantees) have been formally documented, due to material difficulties in the payment capacity of the debtor, and the result of the assessment of their current condition does not permit their reclassification to Standard.

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

- *Impairment reserves:*
  The Bank has established reserves for impairment of financial instruments, which are described in Note 3, literal h.

- *Written-off policy:*
  The Bank periodically reviews its impaired corporate loan portfolio to identify credits that are deemed to be written off based on the collectability of the balance and for the amount of its real guarantees. For unsecured consumer loans, write-offs are carried out based on the accrued level of delinquency. In the case of mortgage and consumer loans, write-offs are recognized for the estimated portion of the carrying value that is not covered by loan collateral.

Collateral to Reduce Credit Risk and its Financial Effect

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

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

	% of exposure that is subject to Collateral requirements		Type of Collateral
	2019	**2018**	
Loans	77.12%	79.09%	Cash, Properties, Equipment, and Others
Investments and Other Financial Assets	52.91%	47.94%	Cash, Properties, and Equipment

Residential mortgage loans

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

	2019	**2018**
Residential mortgages loans:		
Less than 50%	755,856,680	705,545,445
51% - 70%	1,212,599,938	1,124,901,767
71% - 90%	2,127,115,621	2,077,412,999
More than 90%	449,474,544	432,558,284
Total	4,545,046,783	4,340,418,495

Concentration of Credit Risk

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

	Loans		Investments and other financial assets	
	2019	2018	2019	2018
	(in thousands)		(in thousands)	
Concentration by Sector:				
Corporate	5,200,377	5,382,515	2,664,213	3,042,510
Consumer	6,457,529	6,136,428	0	0
Government and Government Agencies	0	0	2,309,228	2,145,490
Other Sectors	425,783	433,442	0	0
	12,083,689	11,952,385	4,973,441	5,188,000
Geographical Concentration:				
Panama	10,708,602	10,545,530	1,557,986	1,333,319
Latin America and the Caribbean	1,375,057	1,406,825	224,084	259,672
United States of America and Other	30	30	3,191,371	3,595,009
	12,083,689	11,952,385	4,973,441	5,188,000

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

(b) *Counterparty Risk*

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

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

(c) *Market Risk*

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

Management of market risk:

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

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

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

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

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

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

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

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

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

The table below sets out the Bank´s maximum exposure to foreign currencies. The assets and liabilities are presented at their carrying amount, except derivatives which are presented at their nominal value within other assets/other liabilities.

2019

	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	**1.12**	**570.09**	**1.32**	**108.68**	**18.86**	**6.96**		
Assets								
Cash and cash items	374,302	7,979,697	326,036	1,094,382	40,724	7,660	270,266	10,093,067
Investments and other financial assets	74,257,082	7,064,616	32,845,952	18,109,537	0	0	0	132,277,187
Loans	0	5,891,445	0	0	0	0	0	5,891,445
Other assets	2,990,183	1,329,214	118,009	0	98,489	729,236	11,851,499	17,116,630
	77,621,567	22,264,972	33,289,997	19,203,919	139,213	736,896	12,121,765	165,378,329
Liabilities								
Deposits	0	17,534,017	0	0	0	0	0	17,534,017
Borrowings and debt securities issued	0	1,818,620	0	0	0	0	0	1,818,620
Other liabilities	77,349,064	16,292	33,200,119	19,226,308	98,172	729,236	11,869,200	142,488,391
	77,349,064	19,368,929	33,200,119	19,226,308	98,172	729,236	11,869,200	161,841,028
Net currency positions	272,503	2,896,043	89,878	(22,389)	41,041	7,660	252,565	3,537,301

2018

	Euro, expressed in USD	Costa Rican Colon, expressed in USD	Sterling Pound, expressed in USD	Japanese Yen, expressed in USD	Mexican Peso, expressed in USD	Chinese Yuan, expressed in USD	Other currencies, expressed in USD*	Total
Exchange rate	**1.14**	**604.39**	**1.28**	**110.00**	**19.66**	**6.88**		
Assets								
Cash and cash items	422,387	9,054,986	755,889	8,060,809	43,282	12,407	300,120	18,649,880
Investments and other financial assets	35,925,432	0	37,086,726	0	0	0	0	73,012,158
Loans	0	12,788,715	0	0	0	0	0	12,788,715
Other assets	3,155,060	1,382,411	713,745	829,881	1,704,806	261,927	8,196,108	16,243,938
	39,502,879	23,226,112	38,556,360	8,890,690	1,748,088	274,334	8,496,228	120,694,691
Liabilities								
Deposits	0	17,792,480	0	0	0	0	0	17,792,480
Borrowings and debt securities issued	0	2,080,250	0	0	0	0	0	2,080,250
Other liabilities	41,317,414	90,388	39,432,855	9,067,677	1,704,198	2,099,880	10,176,598	103,889,010
	41,317,414	19,963,118	39,432,855	9,067,677	1,704,198	2,099,880	10,176,598	123,761,740
Net currency positions	(1,814,535)	3,262,994	(876,495)	(176,987)	43,890	(1,825,546)	(1,680,370)	(3,067,049)

* *Other currencies include Australian Dollar, Indonesian Rupiah, Korean Won, Swiss Franc, Taiwanese Dollar, Singapore Dollar, South African Rand, Colombian Peso, Canadian Dollar, Guatemalan Quetzal, Peruvian New Sun, New Zealand Dollar, Turkish Lira, Hong Kong Dollar, Norwegian Krone, Danish Krone, Swedish Krona, Russian Ruble, Brazilian Real and Polish Zloty.*

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

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

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

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

				2019			
	Up to 3 months	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**From 5 to 10 years**	**More than 10 years**	**Total**
Assets:							
Time deposits with banks	48,305,437	26,044,166	117,412,638	0	0	0	191,762,241
Investments and other financial assets	1,458,062,815	197,107,189	349,812,712	1,564,915,151	781,018,651	243,742,651	4,594,659,169
Loans	11,198,426,852	479,886,712	77,762,096	257,634,090	32,400,583	37,578,561	12,083,688,894
Total	12,704,795,104	703,038,067	544,987,446	1,822,549,241	813,419,234	281,321,212	16,870,110,304
Liabilities:							
Deposits	5,829,484,280	767,352,017	1,358,998,946	2,882,846,709	1,183,980	0	10,839,865,932
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	888,564,571	215,309,062	20,225,336	190,931,403	599,550,930	217,680,000	2,132,261,302
Total	7,121,996,262	982,661,079	1,379,224,282	3,073,778,112	600,734,910	217,680,000	13,376,074,645
Total interest sensitivity gap	5,582,798,842	(279,623,012)	(834,236,836)	(1,251,228,871)	212,684,324	63,641,212	3,494,035,659

				2018			
	Up to 3 months	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**From 5 to 10 years**	**More than 10 years**	**Total**
Assets:							
Time deposits with banks	48,811,317	26,000,000	91,909,994	0	0	0	166,721,311
Investments and other financial assets	1,415,280,682	299,538,120	340,325,355	2,012,430,471	568,639,664	217,483,566	4,853,697,858
Loans	11,099,313,685	457,950,545	101,782,065	248,972,193	26,441,598	17,924,588	11,952,384,674
Total	12,563,405,684	783,488,665	534,017,414	2,261,402,664	595,081,262	235,408,154	16,972,803,843
Liabilities:							
Deposits	5,909,126,617	742,921,905	1,308,903,489	2,596,221,840	2,482,194	0	10,559,656,045
Borrowings, debt securities issued and perpetual bonds	1,724,893,051	340,012,187	10,210,048	184,474,524	626,938,532	217,680,000	3,104,208,342
Total	7,634,019,668	1,082,934,092	1,319,113,537	2,780,696,364	629,420,726	217,680,000	13,663,864,387
Total interest sensitivity gap	4,929,386,016	(299,445,427)	(785,096,123)	(519,293,700)	(34,339,464)	17,728,154	3,308,939,456

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

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

	Sensitivity of the net interest income			
	100bp increase		100bp decrease	
	2019	2018	2019	2018
At the end of the year	14,457,446	7,263,613	(14,148,014)	(6,012,619)
Average for the year	12,339,745	9,112,707	(11,716,187)	(7,920,295)
Maximum for the year	14,457,446	10,476,966	(14,148,014)	(9,010,227)
Minimum for the year	11,327,138	7,263,613	(9,885,060)	(6,012,619)

	Sensitivity in profit or loss for investments at fair value			
	100pb increase		100pb decrease	
	2019	2018	2019	2018
At the end of the year	(20,335,902)	(17,351,278)	16,816,565	15,751,013
Average for the year	(18,748,582)	(17,696,295)	14,513,437	16,469,499
Maximum for the year	(20,417,858)	(18,483,354)	16,816,565	17,462,692
Minimum for the year	(16,198,011)	(17,172,855)	13,032,899	15,655,956

	Sensitivity of other comprehensive income			
	100pb increase		100pb decrease	
	2019	2018	2019	2018
At the end of the year	(112,739,656)	(102,520,017)	114,205,754	101,985,268
Average for the year	(102,352,776)	(102,476,287)	103,986,909	102,319,747
Maximum for the year	(112,739,656)	(104,537,931)	114,205,754	103,443,771
Minimum for the year	(96,908,698)	(101,159,105)	99,535,353	101,911,794

(d) Liquidity and Financing Risk

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

Liquidity Risk Management:

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

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

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

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

	2019							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	206,185,414	0	0	0	0	0	0	206,185,414
Deposits with banks	334,933,791	30,487,805	128,683,244	30,183,850	0	0	0	524,288,690
Investments and other financial assets, net	438,371,584	175,825,553	420,883,387	2,276,724,764	1,096,372,595	520,262,343	69,881,664	4,998,321,890
Loans, net	1,075,792,073	1,136,417,393	1,471,864,677	7,085,008,198	861,523,593	244,621,831	0	11,875,227,765
Accrued interest receivable	1,304,577	223,594	47,110,216	0	0	0	0	48,638,387
Other assets	475,666,212	1,440,113	118,983,382	16,614,944	5,159,244	608,390	452,586,657	1,071,058,942
Total	2,532,253,651	1,344,394,458	2,187,524,906	9,408,531,756	1,963,055,432	765,492,564	522,468,321	18,723,721,088
Liabilities:								
Deposits	7,442,671,043	767,352,019	1,359,814,889	2,884,246,016	1,183,980	0	0	12,455,267,947
Securities sold under repurchase agreements	403,947,411	0	0	0	0	0	0	403,947,411
Borrowings, debt securities issued and perpetual bonds	44,782,228	106,809,062	550,401,117	610,357,965	602,230,930	0	217,680,000	2,132,261,302
Lease Liabilities	826,485	789,901	1,572,402	10,914,470	6,020,687	745,821	0	20,869,766
Accrued interest payable	15,713	0	128,281,787	0	0	0	0	128,297,500
Other liabilities	850,853,905	2,777,012	47,457,016	1,413,573	0	0	197,836,755	1,100,338,261
Total	8,743,096,785	877,727,994	2,087,527,211	3,506,932,024	609,435,597	745,821	415,516,755	16,240,982,187
Net position	(6,210,843,134)	466,666,464	99,997,695	5,901,599,732	1,353,619,835	764,746,743	106,951,566	2,482,738,901

	2018							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Total
Assets:								
Cash and cash items	202,536,914	0	0	0	0	0	0	202,536,914
Deposits with banks	373,755,556	26,000,000	91,909,994	0	0	0	0	491,665,550
Investments and other financial assets, net	453,892,236	299,358,948	399,635,436	2,628,955,286	884,576,805	467,257,037	80,358,836	5,214,034,584
Loans, net	1,308,636,553	1,118,712,909	1,254,483,664	7,088,931,436	732,640,173	249,344,215	0	11,752,748,950
Accrued interest receivable	1,355,872	504,187	43,923,499	0	0	0	0	45,783,558
Other assets	422,125,030	6,215,023	152,605,499	27,465	61,346	0	416,352,591	997,386,954
Total	2,762,302,161	1,450,791,067	1,942,558,092	9,717,914,187	1,617,278,324	716,601,252	496,711,427	18,704,156,510
Liabilities:								
Deposits	7,573,072,025	742,921,905	1,312,220,839	2,597,610,067	2,482,194	0	0	12,228,307,030
Borrowings, debt securities issued and perpetual bonds	85,601,074	173,804,175	74,365,701	1,923,138,860	629,618,532	0	217,680,000	3,104,208,342
Accrued interest payable	15,713	0	118,163,686	0	0	0	0	118,179,399
Other liabilities	812,883,118	40,947,419	5,360,004	1,285,998	0	0	207,962,671	1,068,439,210
Total	8,471,571,930	957,673,499	1,510,110,230	4,522,034,925	632,100,726	0	425,642,671	16,519,133,981
Net position	(5,709,269,769)	493,117,568	432,447,862	5,195,879,262	985,177,598	716,601,252	71,068,756	2,185,022,529

Management estimates that the Bank's investment portfolio consists of highly liquid investments and other financial assets (with ratings from AAA to BBB-) for B/.3,289,215,105 (2018: B/.3,609,522,257), which can be readily convertible to cash, in a period of less than a week.

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

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

	2019	**2018**
At the end of the year	27.29%	28.16%
Average for the year	27.62%	26.18%
Maximum for the year	28.53%	28.16%
Minimum for the year	26.16%	25.38%

(e) *Operational Risk*
Operational risk is the risk that losses may occur due to failure or insufficiency of processes, personnel, internal systems or external events. This definition includes the legal risk associated with these factors.

The Bank has designed an operational risk management model under a decentralized management structure through risk managers within functional areas.

The Operational Risk Management model, addresses within its key functions the following:

- Definition of strategies and implementation of Business Continuity Plans for the Bank's critical processes
- Identification and assessment of risks
- Reporting of incidents and loss events
- Evaluation and follow-up of risk mitigating actions
- Assessment of operational risks in new initiatives
- Periodic training with the areas staff.

In addition to the Operational Risk Unit, the following areas manage operational risk intrinsically within its functions:

- Operational Risk Unit
- Risk Management of Information Technology
- Information Security
- Prevention and Fraud Control
- Corporate Security.

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

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

(f) *Capital Management*

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

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

	2019	2018
Ordinary Primary Capital (Tier 1)		
Common shares	500,000,000	500,000,000
Legal reserve	186,240,059	182,340,957
Other items of comprehensive income	89,124,875	3,642,044
Retained earnings	1,703,099,551	1,498,282,142
Less: regulatory adjustments	50,073,596	57,802,174
Total	2,428,390,889	2,126,462,969
Additional Primary Capital (Tier 1)		
Subordinated debt – perpetual bonds	217,680,000	217,680,000
Total	217,680,000	217,680,000
Total primary capital	2,646,070,889	2,344,142,969
Total capital	2,646,070,889	2,344,142,969
Credit risk-weighted assets	11,931,119,738	12,053,459,676
Market risk-weighted assets	422,022,914	0
Operative risk-weighted assets	630,171,927	0
Total Risk-weighted assets	12,983,314,579	12,053,459,676
Capital ratios		
Total capital	20.38%	19.45%
Total primary capital	20.38%	19.45%

The determination of the assets weighted by operational risk and market risk, respectively, were established through Agreements No.11-2018 and No.6-2019, which begin on December 31, 2019.

(35) Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

(a) *Impairment losses on loans:*

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

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

(b) *Fair value of derivative instruments:*

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

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

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

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

(d) *Goodwill impairment:*

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

(36) Main Applicable Laws and Regulations

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

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

Liquidity Ratio

The liquidity ratio reported by Banco General S. A. to the regulator, based on the parameters established in the Agreement No.4-2008, was 38.21% (2018: 42.65%).

Capital Adequacy

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

The Bank has a ratio of consolidated regulatory capital to its risk-weighted assets of 20.38% (2018: 19.45%) in accordance with Agreements No.1-2015, No.3-2016, No.11-2018 and No.6-2019 issued by the Superintendence of Banks of Panama.

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

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.

Loans and Loan Allowances

Specific provisions

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

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

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

The following table summarizes the classification of the loan portfolio and loan loss allowance of Banco General, S. A., based on Agreement No.4-2013:

	2019 (in thousands)					
	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	4,202,740	446,476	152,338	17,416	22,638	4,841,608
Consumer loans	6,120,631	133,733	47,958	35,695	32,321	6,370,338
Total	10,323,371	580,209	200,296	53,111	54,959	11,211,946
Specific Reserve	0	21,308	33,606	19,897	9,702	84,513

	2018 (in thousands)					
	Standard	Special mention	Sub-standard	Doubtful	Uncollectible	Total
Corporate loans	4,674,684	256,358	83,869	39,296	14,554	5,068,761
Consumer loans	5,770,353	126,726	44,683	28,108	25,080	5,994,950
Total	10,445,037	383,084	128,552	67,404	39,634	11,063,711
Specific Reserve	0	17,800	23,720	32,940	8,966	83,426

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

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

	2019 (in thousands)			
	Current	Past Due	Delinquent	Total
Corporate loans	4,715,562	89,817	36,229	4,841,608
Consumer loans	6,022,678	235,430	112,230	6,370,338
Total	10,738,240	325,247	148,459	11,211,946

	2018 (in thousands)			
	Current	Past Due	Delinquent	Total
Corporate loans	5,002,251	31,227	35,283	5,068,761
Consumer loans	5,663,314	234,341	97,295	5,994,950
Total	10,665,565	265,568	132,578	11,063,711

The following table presents the balance of the loan portfolio by maturity of Banco General, S.A. based on the Agreement No.4-2013, including contagion:

	2019 (in thousands)			
	Current	Past Due	Delinquent	Total
Corporate loans	4,665,578	136,967	39,063	4,841,608
Consumer loans	5,995,480	244,518	130,340	6,370,338
Total	10,661,058	381,485	169,403	11,211,946

	2018 (in thousands)			
	Current	**Past Due**	**Delinquent**	**Total**
Corporate loans	4,988,428	42,811	37,522	5,068,761
Consumer loans	5,637,925	241,624	115,401	5,994,950
Total	10,626,353	284,435	152,923	11,063,711

Furthermore, based on Agreement No.8-2014, recognition of interest income on the basis of days in arrears in the payment of principal and/or interest and the type of credit operations is suspended as per the following:

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

Total loans of Banco General, S. A. in non-accrual status of interest amount to B/.115,035,743 (2018: B/.109,085,756). Total interest income not recognized on these loans is of B/.8,034,444 (2018: B/.6,641,407).

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:

	2019	**2018**
Banco General, S. A.	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061
Banco General (Overseas), Inc.	10,614,993	9,480,047
Banco General (Costa Rica), S. A.	4,951,850	4,951,850
Total	152,254,380	151,119,434

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.

Provision of assets for loans in the process of awarding

Article 27 of Agreement No. 4-2013, modified by Agreement No. 11-2019, establishes mortgage loans and consumer loans and corporate loans with real estate guarantees must be written off in a period not exceeding two years from the date they were classified as unrecoverable; except for mortgage loans and consumer loans, the term of which may be extended for an additional year prior approval of the Superintendent. After the established deadlines, a reserve must be created in the equity account, through the appropriation of its retained earnings to which the net loan value charges of the provisions already constituted will be made, according to the percentages established in the following table:

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

The Bank maintains this regulatory reserve for the amount of B/.3,145,657, which will be maintained until the effective adjudication of the assets is made and will not be computed for the purpose of calculating the capital adequacy index.

Foreclosed Assets

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

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

Years	Minimum reserve percentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

Banco General, S. A. holds foreclosed assets held for sale in the amount of B/.23,882,702 (2018: B/.15,933,339) and a provision in the amount of B/.3,582,405 (2018: B/.2,463,322). The provision was estimated based on Agreements No.1-2000 and No.3-2009 in the amounts of B/.1,261,931 (2018: B/.890,558).

Off-Balance Sheet Operations

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

	2019 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	80,458	1,911	1,365	0	131	83,865
Bank guarantees and promissory notes	647,768	10,641	651	456	0	659,516
Total	728,226	12,552	2,016	456	131	743,381
Reserve required	0	0	0	0	0	0

	2018 (in thousands)					
	Standard	Special Mention	Sub-Standard	Doubtful	Uncollectible	Total
Letters of credit	185,018	7,662	806	0	0	193,486
Bank guarantees and promissory notes	767,169	3,607	1,076	841	0	772,693
Total	952,187	11,269	1,882	841	0	966,179
Reserve required	0	0	0	0	0	0

Investments

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

Until November 30, 2019, the Bank considered for the classification of its investment portfolio Agreement No.7-2000, which was repealed as of December 1, 2019.

(b) *Banking Law of Costa Rica*

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

(c) *Banking Law of the Cayman Islands*

The operations of Banco General (Overseas), Inc. is regulated by the Bank and Fiduciary Institutions Law of May 15, 1989, which was last revised on October 11, 2013, issued by the Government of the Cayman Islands.

(d) *Financing Companies Law*

The operations of financing companies in the Republic of Panama are regulated by the Office of Financial Entities of the Ministry of Commerce and Industry in accordance with provisions established under Law No.42 of July 23, 2001.

(e) *Finance leases Law*

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

(f) *Insurance and Reinsurance Law*

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

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

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

(h) *Securities Law*

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

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

(i) *Fiduciary Law*

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

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

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

U.S.$
% Perpetual Non-Cumulative Fixed-to-Fixed Subordinated Notes

Banco General

Preliminary Offering Memorandum

Global Coordinators and Book-Running Managers

BofA Securities **J.P. Morgan**

Active Book-Running Manager

Goldman Sachs & Co. LLC

, 2021