

Consolidated Financial Statements of  
**BANCO GENERAL (OVERSEAS), INC.**

December 31, 2023



# BANCO GENERAL (OVERSEAS), INC.

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## **Independent Auditors' Report to the Directors**

### ***Opinion***

We have audited the consolidated financial statements of Banco General (Overseas), Inc. (the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

We draw attention to Notes 1 and 6 in the consolidated financial statements, which describe that the Bank's operations include extensive transactions and balances with related parties. Accordingly, the Bank is economically dependent on the related parties. Our opinion is not modified in respect of this matter.

### ***Other Matter***

We draw attention to the fact that the supplementary information included in Appendix 1, Appendix 2 and Appendix 3 does not form part of the audited consolidated financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

### ***Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements***

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

As of 1 October 2023, KPMG, which was constituted as a general partnership under the laws of the Cayman Islands, converted to a limited liability partnership registered in the Cayman Islands as KPMG LLP.

KPMG LLP, a Cayman Islands limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



## **Independent Auditors' Report to the Directors (continued)**

### ***Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements (continued)***

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

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

### ***Auditors' Responsibilities for the Audit of the consolidated Financial Statements***

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

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

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

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

**KPMG LLP**

March 28, 2024

**BANCO GENERAL (OVERSEAS), INC.**

## Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
Due from banks:	6		
Demand deposits		65,923,926	29,221,589
Time deposits		171,766,230	171,766,230
Accrued interest receivable		580,548	415,822
<b>Total due from banks</b>		238,270,704	201,403,641
Investment and other financial assets, net	4	1,237,515,060	1,536,790,533
Loans	5 & 6	575,806,205	499,038,391
Accrued interest receivable		4,291,338	2,616,923
Less:			
loan losses allowance		1,129,280	1,129,280
<b>Loans, net</b>		578,968,263	500,526,034
Investments and other financial assets sold pending settlement	7	91,206,479	54,900,382
Derivative instruments - assets	13	16,818,254	18,684,331
Other assets	6	33,051,906	23,971,929
<b>Total assets</b>	US\$	2,195,830,666	2,336,276,850
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to depositors:	6		
Demand		6,627	6,627
Savings		75,989,222	120,161,006
Time deposits		1,027,580,209	1,166,795,959
Accrued interest payable		5,219,483	2,828,268
<b>Total due to depositors</b>		1,108,795,541	1,289,791,860
Securities sold under repurchase agreements	8	-	50,424,418
Accrued interest payable		-	345,469
Total securities sold under repurchase agreements		-	50,769,887
Investments and other financial assets purchased pending settlement	7	69,606,391	113,196,592
Derivative instruments - liabilities	13	12,674,277	10,695,327
Other financial liabilities at fair value	9	84,069,803	38,498,676
Other liabilities	6	26,549,119	24,163,487
<b>Total liabilities</b>		1,301,695,131	1,527,115,829
<b>Equity</b>			
Common share capital	10	119,158,140	119,158,140
Preferred share capital	10	65,000,000	65,000,000
Additional paid-in capital		15,841,860	15,841,860
Valuation reserve		(33,430,589)	(76,955,411)
Retained earnings		727,566,124	686,116,432
<b>Total equity</b>		894,135,535	809,161,021
<b>Total liabilities and equity</b>	US\$	2,195,830,666	2,336,276,850

*See accompanying notes to consolidated financial statements.***Approved on behalf of the Board on March 28, 2024**JUAN RAÚL HUMBERT      **Director**RAUL ALEMAN ZUBIETA      **Director**

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Income

Year ended December 31, 2023

*(Stated in United States dollars)*

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Operating income</b>			
Interest on investments and other financial assets	6	68,951,594	54,814,383
Interest on deposits with banks	6	6,380,777	7,429,333
Interest on loans	6	39,798,584	23,183,987
Reversal (provision) for impairment of investments	4	3,223,478	(3,668,393)
Net realized loss on sale of investments and other financial assets		(29,181,383)	(52,114,006)
Net unrealized gain (loss) on investments and other financial assets		13,361,919	(20,097,961)
Net (loss) gain on derivative instruments		(2,637,902)	2,339,152
Dividends received		52,485	60,089
Other income		218,617	413,893
<b>Total operating income, net</b>		100,168,169	12,360,477
<b>Operating expenses</b>			
Interest on deposits and financing	6	54,642,170	20,683,857
General and administrative expenses:			
Professional services		55,240	57,768
Management fees and other bank charges		2,999,755	3,908,543
License fee		140,346	136,505
Other expenses		268,671	361,932
<b>Total operating expenses</b>		58,106,182	25,148,605
<b>Net income (loss) before tax</b>		42,061,987	(12,788,128)
<b>Income tax, estimated</b>	11	612,295	-
<b>Net income (loss)</b>	US\$	41,449,692	(12,788,128)

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

*(Stated in United States dollars)*

	<u>2023</u>	<u>2022</u>
Net income (loss)	41,449,692	(12,788,128)
<b>Other comprehensive income (expense)</b>		
<b>Items that are or may be reclassified to the consolidated statement of income:</b>		
Valuation of investments and other financial assets:		
Net changes in valuation of investments at FVOCI	82,597,109	(76,078,745)
Transfer to profit or loss for sales of investments at FVOCI	(35,848,809)	(20,194,584)
Valuation of investments credit risk at FVOCI	(3,223,478)	3,674,903
<b>Total other comprehensive income (expense), net</b>	<b>43,524,822</b>	<b>(92,598,426)</b>
<b>Total comprehensive income (expense)</b>	<b>US\$ 84,974,514</b>	<b>(105,386,554)</b>

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

Consolidated Statement of Changes in Equity

Year ended December 31, 2023

*(Stated in United States dollars)*

	Common share capital	Preferred share capital	Additional paid- in capital	Valuation reserve	Retained earnings	Total equity
<b>Balance at December 31, 2021</b>	119,158,140	65,000,000	15,841,860	15,643,015	698,904,560	914,547,575
Net loss	-	-	-	-	(12,788,128)	(12,788,128)
<b>Other comprehensive (expense) income</b>						
<b>Items that are or may be reclassified to the statement of income:</b>						
Valuation of investments and other financial assets:						
Changes net in valuation of investments FVOCI	-	-	-	(76,078,745)	-	(76,078,745)
Transfer to profit or loss for sales of investments FVOCI	-	-	-	(20,194,584)	-	(20,194,584)
Valuation of investments credit risk at FVOCI	-	-	-	3,674,903	-	3,674,903
<b>Total other comprehensive expense, net</b>	-	-	-	(92,598,426)	-	(92,598,426)
<b>Total comprehensive expense</b>	-	-	-	(92,598,426)	(12,788,128)	(105,386,554)
<b>Balance at December 31, 2022</b>	US\$ 119,158,140	65,000,000	15,841,860	(76,955,411)	686,116,432	809,161,021
Net income	-	-	-	-	41,449,692	41,449,692
<b>Other comprehensive income (expense)</b>						
<b>Items that are or may be reclassified to the statement of income:</b>						
Valuation of investments and other financial assets:						
Changes net in valuation of investments FVOCI	-	-	-	82,597,109	-	82,597,109
Transfer to profit or loss for sales of investments FVOCI	-	-	-	(35,848,809)	-	(35,848,809)
Valuation of investments credit risk at FVOCI	-	-	-	(3,223,478)	-	(3,223,478)
<b>Total other comprehensive income, net</b>	-	-	-	43,524,822	-	43,524,822
<b>Total comprehensive income</b>	-	-	-	43,524,822	41,449,692	84,974,514
<b>Balance at December 31, 2023</b>	US\$ 119,158,140	65,000,000	15,841,860	(33,430,589)	727,566,124	894,135,535

*See accompanying notes to consolidated financial statements.*



**BANCO GENERAL (OVERSEAS), INC.**

## Consolidated Statement of Cash Flows

Year ended December 31, 2023

*(Stated in United States dollars)*

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Cash provided by/(applied in):</b>			
<b>Operating activities:</b>			
Net income (loss)		41,449,692	(12,788,128)
Adjustments for:			
(Reversal) provision for impairment of investments	4	(3,223,478)	3,668,393
Net realized loss on sale of investments and other financial assets		29,181,383	52,114,006
Net unrealized (gain) loss on investments and other financial assets		(13,361,919)	20,097,961
Net loss (gain) on derivative instruments		2,637,902	(2,339,152)
Income tax	11	612,295	-
Interest income		(115,130,955)	(85,427,703)
Interest expense		54,642,170	20,683,857
Changes in operating assets and liabilities:			
Investments and other financial assets at FVTPL		50,042,627	196,390,687
Loans		(76,767,814)	(53,722,113)
Investments and other financial assets sold pending settlement		(36,306,097)	10,377,335
Derivative instruments - assets		228,085	4,899,801
Other assets		(8,843,792)	(994,632)
Due to depositors		(183,387,534)	23,978,982
Securities sold under repurchase agreements		(50,424,418)	50,424,418
Investments and other financial assets purchased pending settlement		(43,590,201)	(28,455,114)
Other financial liabilities at fair value and derivative instruments - liabilities		45,088,827	(3,592,965)
Other liabilities		1,773,337	3,443,568
Cash provided by operating activities:			
Interest received		113,105,629	81,754,061
Interest paid		(52,596,424)	(18,723,000)
Dividends received		52,485	60,089
Net cash flows from operating activities		(244,818,200)	261,850,351
<b>Investing activities:</b>			
Purchases of investments and other financial assets at FVOCI		(492,509,647)	(1,171,820,395)
Sale and redemptions of investments and other financial assets at FVOCI		773,948,130	802,383,299
Purchases of investments at amortized cost		-	(173,200,000)
Redemptions of investments at amortized cost		82,054	281,779,429
Net cash flows from investing activities		281,520,537	(260,857,667)
<b>Movement in cash and cash equivalents</b>		36,702,337	992,684
Cash and cash equivalents at the beginning of the year		29,221,589	28,228,905
<b>Cash and cash equivalents at the end of the year</b>	US\$	65,923,926	29,221,589

*See accompanying notes to consolidated financial statements.*

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to the Consolidated Financial Statements*

December 31, 2023

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# BANCO GENERAL (OVERSEAS), INC.

## *Notes to the Consolidated Financial Statements*

December 31, 2023

*(Stated in United States dollars)*

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### **1. General Information**

Banco General (Overseas), Inc. was incorporated under the Companies Act of the Cayman Islands on February 15, 1985. The Bank is a wholly-owned subsidiary of Overseas Capital Markets, Inc., a company incorporated in the Cayman Islands, a wholly owned subsidiary of Banco General, S. A., whose parent company is Grupo Financiero BG, S. A. and the ultimate parent is Empresa General de Inversiones, S. A., both of which are incorporated in Panama. Banco General (Overseas), Inc. and its special purpose vehicle will be referred to as "the Bank".

The Bank has been granted a category 'B' unrestricted banking license by the Cayman Islands Government under the Banks and Trust Companies Act, to enable it to carry on banking from within the Cayman Islands. A substantial portion of the Bank's business is with related parties. Accordingly, the Bank is economically dependent on these related parties (see note 6).

As of December 31, 2023 and 2022, the Bank is the 100% owner and settlor of an investment trust whose purpose is to acquire financial assets, mainly portfolio of consumer loans. BG Trust, Inc. FID (0109-INV-22) investment trust, is administered in Panama and is presented as part of the consolidation of the Bank.

The registered office of the Bank is at Cainvest Bank and Trust Limited, P.O. 1353, 5<sup>th</sup> Floor, 103 South Church Street, George Town, Grand Cayman KY1-1108, Cayman Islands. The reporting currency of the consolidated financial statements is United States dollars which is the currency in which the Bank conducts its business, and is a more widely recognized reporting currency than that of the Cayman Islands.

### **2. Basis of Preparation**

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

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

The Bank's Audit Committee reviewed the consolidated financial statements and the Board of Directors authorized their issuance on March 28, 2024.

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

The financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

The consolidated financial statements have been prepared on a historical cost basis except for the assets and liabilities at fair value, securities measured at fair value through other comprehensive income and derivative financial instruments, which are measured at fair value.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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The Bank initially recognizes loans, accounts receivable and deposits on the date on which they are originated. All other financial instruments (including the assets designated at fair value through profit or loss) are recognized on the trade date initially, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

*(c) Functional and Presentation Currency*

These consolidated financial statements are presented in United States dollar, which is the Bank's functional currency.

### **3. Summary of Material Accounting Policies**

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

In addition, the Bank adopted *Disclosures of Accounting Policies (Amendments to IAS 1)* from January 1, 2023. These amendments require the disclosure of "material" rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies previously established by the Bank.

*a) Basis of Consolidation*

*- Special purpose vehicle*

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

*- Balances and Transactions Eliminated in Consolidation*

The consolidated financial statements include the assets, liabilities, equity, income and expenses of the Bank and its wholly owned special purpose vehicle as detailed in Note 1. Intercompany balances and transactions have been eliminated in the consolidation.

*b) Fair Value Measurement*

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

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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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. In limited circumstances, for equity securities whose more recent available information is insufficient to measure their fair value, cost may be an appropriate estimate of fair value.

*c) Financial Instruments*

*(i) Classification and measurement*

Investments and other financial assets are classified at their trade date, and are initially measured at fair value plus, in the case of investment not recorded at fair value through profit or loss, direct transaction costs attributable to their acquisition.

The classification and measurement of financial assets are based on the business model in which they are managed and their contractual cash flows.

The business model includes the following 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 collect contractual cash flows; and
- The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

- Fair value with changes in other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions, 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 the financial assets; and
- The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

During the initial recognition of investments in equity instruments not held for trading, the Bank may irrevocably elect to record the 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.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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### *Evaluation of the business model*

The evaluation at the level of the portfolios and the objective of the business model that applies to financial instruments of said portfolios includes the following:

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

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because its business model objective is to obtain profit from short term fluctuations in their market value.

### *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 the consideration of the time value of money and the credit risk associated with the amount of principal outstanding for a particular period of time and other basic risks of a 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, the following characteristics:

- 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

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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### *(ii) Impairment*

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 impairment model is applicable to the following assets that are not measured at FVTPL:

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

Impairment losses on investments in equity instruments 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.

The Bank measured loss allowances at an amount equal to 12-month ECL for the following:

- Debt investment 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 financial assets, loss allowances are measured to amount equal to lifetime ECL.

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 standard introduces 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 equal to 12-month ECL. This represents the portion of lifetime expected credit losses from default events that are possible within 12-month period after the reporting date, assuming that credit risk has not increased significantly since initial recognition.
- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon in comparison with 12 months in stage 1.
- Stage 3: The Bank recognizes a loss allowance at an amount equal to the expected credit losses, during the total lifetime of the assets, based on a probability of default (PD) of 100% over the asset's recoverable cash flows.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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### *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, 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 model is applied over several periods to evaluate its 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, Standard and Poor's or Moody's and associated changes to the ratings were used to establish whether there was a significant increase in risk and in the calculation of the Probability of Default (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 the time of 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 a significant increase in credit risk*

The Bank determines a significant increase in an exposure to credit risk has occurred since its initial recognition if, based on credit risk rating models and / or days of delinquency, a significant impairment has occurred.

In certain instances, based on expert judgment and, to the extent possible, relevant historical experience, the Bank determines an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers 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*

The Bank considers a financial asset to be in default when:

- It is probable that a debtor will not fully pay its credit obligations to the Bank in full, without recourse to actions such as realizing collateral, if available; or



## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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- The debtor has more than 90 days delinquency in all credit obligations, with the except for residential mortgages loans in this case more than 120 days.

In assessing whether a debtor is in default, the Bank considers the following indicators:

- Quantitative – past due status and non-payment of another obligations 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 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)

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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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 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 contingencies. For contingencies the current balance, the available balance and the CCF (credit conversion factor) are 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.

Overdraft 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.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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### *(iii) Derivative Financial Instruments*

Derivatives are accounted for at their fair value in the consolidated statement of financial position, with transaction costs recognized in profit or loss when incurred, and subsequently accounted as fair value hedge or cash flows hedge, when held for risk management purposes, or as trading when the instrument does not qualify for hedge accounting.

#### *- Fair value hedges*

Derivative instruments under the fair value method are instruments that hedge the exposure to change in the fair value of: (a) assets or liabilities or an identified portion of the value of assets or liabilities recognized in the consolidated statement of financial position, (b) a firm commitment or a forecasted transaction which is almost certain to occur. Changes in the value of these instruments using the fair value method are recognized in the consolidated statement of income.

If a hedged asset is classified as FVOCI, changes in its fair value are recognized in an equity reserve. Starting on the date that the FVOCI asset becomes a hedged item, the changes in fair value should be recorded through the consolidated statement of income and the revaluation balance registered in the equity reserve should remain recorded until these assets are 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.

#### *- Derivatives 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.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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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.

### *(iv) Specific Instruments*

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include unrestricted demand deposits and time deposits with banks that have an original maturity of three months or less.

#### Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in a short term. Loans are initially measured at fair value plus incremental direct transaction costs, if any, and subsequently measured at amortized cost using the effective interest method.

#### Deposits from Customers

Deposits from customers, which include demand, savings and time deposits, are classified as liabilities not at fair value through profit or loss.

#### Financial Liabilities

Changes in fair value of liabilities designated as FVTPL are presented as follows:

- The amount of 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.

### *Derecognition*

A financial asset is derecognized when the Bank no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are transferred. The Bank uses the weighted average method to determine realized gains and losses on derecognition.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

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d) *Securities sold under repurchase agreements*

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

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

e) *Interest Income and Expenses*

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, to the net carrying amount of the financial asset or financial liability. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate.

f) *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.

g) *Foreign Currency Transactions*

Assets and liabilities denominated in foreign currencies at the reporting date are translated into United States dollars at the foreign exchange rate ruling at that date. Foreign currency transactions during the period are translated at the foreign exchange rate ruling at the date of the transaction. Income or loss from foreign exchange differences is recognized in other income or other expenses accounts, respectively.

h) *New IFRS Accounting Standards and Interpretations Not Yet Adopted*

New standards, interpretations and amendments to IFRS Accounting Standards have been published, but are not mandatory as of December 31, 2023, and have not been adopted in advance by the Bank.

The following amendments to IFRS Accounting Standards are not expected to have a significant impact on the Bank's financial statements:

<u>Amendments</u>	<u>Effective for annual reporting periods beginning:</u>
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	January 1, 2024
Amendments to IAS 1: <i>Non-current Liabilities with Covenants</i>	January 1, 2024
Amendments to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024
Amendments to IAS 7 and IFRS 7: <i>Supplier Finance Arrangements</i>	January 1, 2025

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

**4. Investments and Other Financial Assets**

As of December 31, 2023, the summary of investments and other financial assets is as follows:

	2023	2022
Investments and other financial assets at fair value through profit or loss	220,182,913	269,258,387
Investments and other financial assets at FVOCI	1,004,043,122	1,254,161,067
Investments at amortized cost	13,289,025	13,371,079
<b>Total</b>	<b>US\$ 1,237,515,060</b>	<b>1,536,790,533</b>

**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 amounted to US\$220,182,913 (2022: US\$269,258,387) is summarized as follows:

	2023	2022
Corporate Shares	655,047	724,749
Fixed Income Funds	144,526,406	149,716,135
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	71,472,789	109,921,672
Asset Backed Securities (ABS)	3,528,671	8,895,831
<b>Total</b>	<b>US\$ 220,182,913</b>	<b>269,258,387</b>

During the year ended December 31, 2023, sales of investments and other financial assets at fair value through profit or loss amounted to US\$1,781,080,005 (2022: US\$3,562,708,069). The sales generated a net loss of US\$7,653,027 (2022: US\$35,853,641).

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

**Investments and Other Financial Assets at Fair Value Through OCI**

The portfolio of investments and other financial assets at FVOCI amounted to US\$1,004,043,122 (2022: US\$1,254,161,067), is summarized as follows:

	2023		2022	
	Fair value	Amortized cost	Fair value	Amortized cost
Commercial Papers and Treasury Bills	2,956,246	2,955,734	59,392,554	59,364,233
Corporate Bonds	391,761,848	404,580,396	511,097,389	549,011,971
Bonds of the US Government	69,268,681	71,164,805	11,405,431	12,541,848
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	529,181,178	551,500,802	630,027,616	674,400,534
Asset Backed Securities (ABS)	10,804,169	10,805,304	42,161,769	43,000,843
Other Government Bonds	71,000	115,690	76,308	113,023
<b>Total</b>	<b>US\$ 1,004,043,122</b>	<b>1,041,122,731</b>	<b>1,254,161,067</b>	<b>1,338,432,452</b>

During the year ended December 31, 2023, sales of investments and other financial assets at FVOCI amounted to US\$553,307,603 (2022: US\$495,277,172). The sales generated a net loss of US\$22,635,939 (2022: US\$21,864,352).

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:

	2023				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
<b>Balance at the beginning of the year</b>	3,261,393	507,053	1,894,827	99,661	5,762,934
Transferred to 12 month ECL	0	0	0	0	0
Transfer of 12 month ECL to lifetime ECL not credit-impaired	0	0	0	0	0
Transfer of 12 month ECL to lifetime ECL credit-impaired	0	0	0	0	0
Net remeasurement of portfolio	(72,919)	36,000	0	18,666	(18,253)
New investments purchased	681,441	0	0	0	681,441
Investments that have been derecognized	(1,849,782)	(75,053)	(1,894,827)	(67,004)	(3,886,666)
<b>Balance at the end of the year</b>	<b>US\$ 2,020,133</b>	<b>468,000</b>	<b>0</b>	<b>51,323</b>	<b>2,539,456</b>

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

	2022					Total
	12-month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit-impaired	Purchased credit-impaired		
<b>Balance at the beginning of the year</b>	2,075,761	11,313	957	0		2,088,031
Transferred to 12 month ECL	0	0	0	0		0
Transfer of 12 month ECL to lifetime ECL not credit-impaired	(12,999)	12,999	0	0		0
Transfer of 12 month ECL to lifetime ECL credit-impaired	(25,931)	0	25,931	0		0
Net remeasurement of portfolio	644,087	496,607	1,868,012	67,004		3,075,710
New investments purchased	1,379,832	0	0	32,657		1,412,489
Investments that have been derecognized	(799,357)	(13,866)	(73)	0		(813,296)
<b>Balance at the end of the year</b>	<b>US\$ 3,261,393</b>	<b>507,053</b>	<b>1,894,827</b>	<b>99,661</b>		<b>5,762,934</b>

**Investments At Amortized Cost**

The portfolio of investments at amortized cost amounted to US\$13,078,105 (2022: US\$13,160,159).

	2023		2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Corporate Bonds	13,078,105	12,000,041	13,160,159	12,143,850
Total	US\$ 13,078,105	12,000,041	13,160,159	12,143,850

The investments at amortized cost are summarized as follows:

	2023	2022
Investments at amortized cost	13,078,105	13,160,159
Accrued interest receivable	210,920	210,920
Total investments at amortized cost	US\$ 13,289,025	13,371,079

The payment of capital and interest on 100% (2022: 100%) of the Bank's MBS portfolio is 100% guaranteed by the following agencies: the Government National Mortgage Association (GNMA), which is an agency of the Federal Government of the United States and counts on the explicit guarantee of the Federal Government, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Association (FHLMC), who rely on AAA ratings provided by Moody's and Fitch, on its counterparty debt. The guarantee and primary source of payment of the MBS guaranteed by the aforementioned agencies is a set of residential mortgages on houses that must fulfill credit policies that are required by these programs. Similarly, 76% (2022: 74%) of the CMO portfolio of the Bank is 100% guaranteed by GNMA, FNMA or FHLMC.

The average life of the portfolio of MBS is 4.29 years and CMOs is 1.43 years (2022: 4.58 years for MBS and 1.53 years for CMOs).



## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

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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.

<b>Fair Value Measurement of Investments and Other Financial Assets at Fair Value through Profit or Loss</b>				
	<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Corporate Shares	655,047	0	0	655,047
Fixed Income Funds	144,526,406	0	0	144,526,406
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	71,472,789	0	71,472,789	0
Asset Backed Securities (ABS)	3,528,671	0	3,528,671	0
<b>Total</b>	<b>US\$ 220,182,913</b>	<b>0</b>	<b>75,001,460</b>	<b>145,181,453</b>

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

<b>Fair Value Measurement of Investments and Other Financial Assets at Fair Value through Profit or Loss</b>				
	<b>2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Corporate Shares	724,749	0	0	724,749
Fixed Income Funds	149,716,135	0	0	149,716,135
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	109,921,672	0	109,921,672	0
Asset Backed Securities (ABS)	8,895,831	0	8,895,831	0
<b>Total</b>	<b>US\$ 269,258,387</b>	<b>0</b>	<b>118,817,503</b>	<b>150,440,884</b>

<b>Fair Value Measurement of Investments and Other Financial Assets at FVOCI</b>				
	<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Commercial Paper and Treasury Bills	2,956,246	2,265,063	691,183	0
Corporate Bonds	391,761,848	0	391,761,848	0
Bonds of the US Government	69,268,681	69,268,681	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	529,181,178	0	529,181,178	0
Asset Backed Securities (ABS)	10,804,169	0	10,804,169	0
Other Government Bonds	71,000	0	71,000	0
<b>Total</b>	<b>US\$ 1,004,043,122</b>	<b>71,533,744</b>	<b>932,509,378</b>	<b>0</b>

	<b>2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Treasury Bills	59,392,554	59,392,554	0	0
Corporate Bonds	511,097,389	0	511,097,389	0
Bonds of the US Government	11,405,431	11,405,431	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	630,027,616	0	630,027,616	0
Asset Backed Securities (ABS)	42,161,769	0	42,161,769	0
Other Government Bonds	76,308	0	76,308	0
<b>Total</b>	<b>US\$ 1,254,161,067</b>	<b>70,797,985</b>	<b>1,183,363,082</b>	<b>0</b>

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

<b>Changes in Fair Value Measurement of the Level 3 hierarchy</b>		
<b>Investments and other financial assets</b>		
		<b>Fair Value Through Profit or Loss</b>
<b>December 31, 2022</b>		150,440,884
Gain recognized in income		1,487,402
Purchases		12,636,337
Amortization, sales and redemptions		(19,383,170)
<b>December 31, 2023</b>	<b>US\$</b>	<b>145,181,453</b>
<b>Total gain related to instruments held as of December 31, 2023</b>		
	<b>US\$</b>	<b>4,061,114</b>
<b>December 31, 2021</b>		156,721,819
Loss recognized in income		(15,524,001)
Purchases		12,286,832
Amortization, sales and redemptions		(3,043,766)
<b>December 31, 2022</b>	<b>US\$</b>	<b>150,440,884</b>
<b>Total loss related to instruments held as of December 31, 2022</b>		
	<b>US\$</b>	<b>(15,034,384)</b>

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

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

<b>Instruments</b>	<b>Valuation technique</b>	<b>Unobservable inputs used</b>	<b>Range for unobservable input</b>		<b>Fair value sensitivity to unobservable inputs</b>
			<b>2023</b>	<b>2022</b>	
<b>Corporate shares</b>	Dividend discount model	Equity risk premium	Minimum 5.90% Maximum 9.11%	Minimum 5.90% Maximum 7.68%	If equity risk premiums increase, the price decreases and vice versa
	Discount free cash flows model (DCF)	Growth rate of assets, liabilities, equity, profits and dividends	Minimum (35.64%) Maximum 80.56%	Minimum (34.48%) Maximum 54.70%	If the growth increases, the price increases and vice versa

## BANCO GENERAL (OVERSEAS), INC.

### Notes to Consolidated Financial Statements (continued)

December 31, 2023

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

Instruments	Valuation techniques	Inputs used	Level
Fixed Income	Quoted market prices	Quoted prices in active markets	1-2
	Quoted observable market prices for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Buying/Selling prices from a broker	
	Discounted cash flows	Credit spreads Benchmark interest rate Liquidity risk premiums	
Agencies MBS / CMOs	Discounted cash flows	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2
Private MBS / CMOs and ABS	Discounted cash flows	Features of collateral Treasury yield Yield curves Expected cash flows and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
Corporate Shares	Quoted market prices	Quoted prices in active markets	3
	Dividend discount model Discount free cash flows model (DFC), 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	
Investment Vehicles	Net asset value	Net asset value	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 consolidated statement of income, as described below:

	<b>Fair Value Effect in Profit or Loss</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Favorable</b>	<b>(Unfavorable)</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
Corporate shares	8,215	(7,923)	10,084	(9,643)
Total	US\$ 8,215	(7,923)	10,084	(9,643)

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

**5. Loans**

The composition of the loan portfolio is summarized as follows:

	<b>2023</b>	<b>2022</b>
Advance on deposits	3,755,882	9,889,021
Overdrafts	28,020,212	28,840,633
Personal and auto	32,339,748	30,096,567
Lines of credit and commercial loans	463,480,942	371,737,533
Commercial mortgages	48,209,421	58,474,637
<b>Total</b>	US\$ 575,806,205	499,038,391

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

	<b>2023</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL not credit – impaired</b>	<b>Lifetime ECL credit – impaired</b>	<b>Total</b>
<b>Balance at beginning of the year</b>	1,124,114	5,166	0	1,129,280
Transferred to 12-month ECL	5,162	(5,162)	0	0
Transferred to lifetime ECL not credit-impaired	(1,019)	1,019	0	0
Transferred to lifetime ECL credit impaired	0	0	0	0
Net remeasurement of portfolio	(395,063)	15,524	0	(379,539)
New loans	808,636	0	0	808,636
Loans that have been derecognized	(429,097)	0	0	(429,097)
<b>Balance at the end of the year</b>	US\$ 1,112,733	16,547	0	1,129,280

  

	<b>2022</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL not credit – impaired</b>	<b>Lifetime ECL credit – impaired</b>	<b>Total</b>
<b>Balance at beginning of the year</b>	806,983	44,388	0	851,371
Transferred to 12-month ECL	11,281	(11,281)	0	0
Transferred to lifetime ECL not credit-impaired	(162)	162	0	0
Transferred to lifetime ECL credit impaired	0	0	0	0
Net remeasurement of portfolio	(172,843)	(27,599)	0	(200,442)
New loans	554,086	0	0	554,086
Loans that have been derecognized	(353,140)	(504)	0	(353,644)
Purchase loans	277,909	0	0	277,909
<b>Balance at the end of the year</b>	US\$ 1,124,114	5,166	0	1,129,280

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

The loan portfolio classification by type of collateral is shown as follows:

	2023	2022
Time deposits	3,755,882	9,889,021
Mortgage	48,209,421	58,474,637
Other collateral held by a related party	463,480,942	371,737,533
Other collateral	33,304,592	32,763,401
Unsecured	27,055,368	26,173,799
Total	US\$ 575,806,205	499,038,391

**6. 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 as of December 31, 2023 and 2022, as follows:

	2023			
	Directors and Management Personnel	Parent and ultimate controlling	Affiliates	Related Companies Others
<b>Assets:</b>				
Due from banks:				
Demand deposits	0	11,072,324	0	0
Time deposits	0	171,766,230	0	0
	US\$	0	182,838,554	0
Investment and other financial assets	US\$	0	13,078,105	0
Loans	US\$	2,987,567	0	5,363,717
Accrued interest receivable:				
On time deposits	0	580,548	0	0
On investment	0	210,920	0	0
On loans	0	0	0	276
	US\$	0	791,468	276
Other assets – accounts receivable and derivatives	US\$	0	17,679,267	0
<b>Liabilities:</b>				
Due to depositors:				
Demand	0	6,627	0	0
Savings	1,097,364	683,161	4,405,869	21,897,454
Time deposits	0	1,002,100,000	1,500,000	9,645,496
	US\$	1,097,364	1,002,789,788	5,905,869
Accrued interest payable	US\$	0	4,973,237	13,854
Other liabilities – accounts payable and derivatives	US\$	0	10,411,650	0
Commitments and contingencies	US\$	0	0	1,766,230
<b>Interest income and expenses:</b>				
Interest income on deposits with banks	US\$	0	5,752,081	0
Interest income on loans	US\$	109,289	0	107,116
Interest income on investment	US\$	0	445,244	0
Interest expense on deposits due to depositors	US\$	18,451	50,693,076	146,497
		978,883		

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

	2022			
	Directors and Management Personnel	Parent and ultimate controlling	Affiliates	Related Companies Others
<b>Assets:</b>				
Due from banks:				
Demand deposits	0	9,117,455	0	0
Time deposits	0	171,766,230	0	0
	US\$	0	180,883,685	0
Investment and other financial assets	US\$	0	13,160,159	0
Loans	US\$	1,812,710	0	4,972,713
Accrued interest receivable:				
On time deposits	0	415,822	0	0
On investment	0	210,920	0	0
On loans	0	0	0	2,680
	US\$	0	626,742	2,680
Other assets – accounts receivable and derivatives	US\$	0	11,658,928	0
<b>Liabilities:</b>				
Due to depositors:				
Demand	0	6,627	0	0
Savings	1,122,890	7,743,282	4,077,420	35,504,132
Time deposits	0	1,131,008,529	9,500,000	13,226,883
	US\$	1,122,890	1,138,758,438	48,731,015
Accrued interest payable	US\$	0	2,575,744	92,353
Other liabilities – accounts payable and derivatives	US\$	0	8,382,219	0
Commitments and contingencies	US\$	0	0	1,766,230
<b>Interest income and expenses:</b>				
Interest income on deposits with banks	US\$	0	7,168,252	0
Interest income on loans	US\$	107,059	0	333,457
Interest income on investment	US\$	0	447,870	0
Interest expense on deposits due to depositors	US\$	4,676	16,807,926	365,530
				1,046,752

Transactions originate as a result of the relationship with directors, companies that are part of the economic group (parent company, controlling company and affiliates), as well as with other companies where there are common directors.

The transactions with related parties form part of the Bank's day-to-day operations and are processed in the same way as third party transactions. The Bank paid interest of 1.00% to 5.39% on its interest bearing liabilities to related parties and earned interest income of 3.28% to 5.00% from its deposits placed with related parties.

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

The different items presented in the table above represent the types of transactions that have been negotiated with related parties and these operations are not guaranteeing other types of transactions. The Bank has neither provided any security against its liabilities to related parties nor received any security from related parties for desposits or investments made.

Financial instruments on transactions with related parties that have credit risk are classified as Stage 1 in the ECL model.

As of December 31, 2022, BG Trust, Inc. FID (0109-INV-22) purchased financial assets to Banco General, S. A., mainly portfolio of consumer loans, this transaction doesn't generated profit or loss. This portfolio is presented as part of the consolidation of the Bank.

### 7. 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 working 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 in the market when negotiation occurred.

Investments and other financial assets pending settlement amounted to US\$91,206,479 (2022: US\$54,900,382) for sales of investments and US\$69,606,391 (2022: US\$113,196,592) for purchases of investments and other financial assets.

### 8. Securities Sold Under Repurchase Agreements

As of December 31, 2022, the Bank maintained obligations resulting from securities sold under repurchase agreements amounting to US\$50,424,418 with various maturities until February 2023 and annual interest rates of 4.90% to 4.93%; the weighted average interest rate of these securities was 4.93%. These values were guaranteed with investment values for US\$51,785,285.

### 9. 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	2023	2022
Bonds of the US Government	1	3,374,894	3,284,758
Mortgage Backed Securities (MBS)	2	80,694,909	35,213,918
		US\$ 84,069,803	38,498,676

See the description of the main valuation methods, assumptions and variables used in estimating the fair value of the Bank's financial instruments, including these liabilities and the levels in Note 4.



## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

### 10. Share Capital

	2023		2022	
	Number	US\$	Number	US\$
<b>Common Shares</b>				
Authorized shares with par value of US\$10 each	20,000,000	200,000,000	20,000,000	200,000,000
Issued and fully paid:				
Balance at the beginning and end of the year	11,915,814	119,158,140	11,915,814	119,158,140
<b>Preferred Shares – Class “A”</b>				
Authorized shares with par value of US\$10 each	30,000,000	300,000,000	30,000,000	300,000,000
Issued and fully paid:				
Balance at the beginning and end of the year	6,500,000	65,000,000	6,500,000	65,000,000

Upon approval of the Board of Directors, Preferred share Class “A” holders are entitled to receive dividends payable in cash at 8% or Class A preferred shares at the option of the issuer. Preferred shares do not carry the right to vote and are redeemable at option of the issuer at any given date of dividend payment subject to Cayman Islands Monetary Authority approval.

As of December 31, 2023, Overseas Capital Markets, Inc. is the owner of 100% (2022: 100%) of the Bank’s issued and outstanding common and preferred shares.

Under the Banks and Trust Companies Act of the Cayman Islands, the Bank has externally imposed capital requirements of US\$500,000. The Bank maintained compliance with externally imposed capital requirements as at and for the years ending 2023 and 2022.

### 11. Income Tax

Under current laws of the Cayman Islands, there are no income, estate, transfer, sales or other Cayman Islands taxes payable by Banco General (Overseas), Inc. Accordingly, no provision for Cayman Islands income taxes is included in these consolidated financial statements.

However, as result of the consolidation of the special purpose vehicle, BG Trust, Inc. FID 0109-INV-22, and in accordance with the tax legislation of the Republic of Panama, the income tax rate applicable to the financial income taxable according to current legislation is 25%, for which the Bank presents an income tax of US\$612,295 in the consolidated statement of income.

### 12. 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.

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

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 the opinion of the Bank's management, no losses will result from these commitments on behalf of customers.

Off balance sheet contingencies, by maturity are summarized as follows:

		2023		
		0 – 1	1 – 5	Total
		Year	Years	
Letters of credit	US\$	1,766,230	350,000	2,116,230

  

		2022		
		0 – 1	1 – 5	Total
		Year	Years	
Letters of credit	US\$	0	12,554,596	12,554,596

### Credit Quality Analysis of Contingencies

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

		2023	2022
<u>Maximum exposure</u>			
Carrying amount	US\$	2,116,230	12,554,596
<u>Letters of credit</u>			
Grade 1: Standard	US\$	2,116,230	12,554,596

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 financial performance.

### 13. Derivative Financial Instruments

The Bank uses interest rate swaps contracts to reduce interest rate risk of both financial assets and financial liabilities. The Bank reduces the credit risk of these contracts by using reputable financial institutions as counterparties. These contracts are recorded in the consolidated statement of financial position at fair value within assets and liabilities, as applicable.

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

Below is the summary of derivative contracts is as follow:

	<b>Total</b>		<b>Exchange-Traded</b>		<b>Over the Counter (OTC)</b>			
					<b>Liquidated in a securities exchange</b>		<b>Other bilateral counterparties</b>	
	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>	<b>Notional Value</b>	<b>Book Value</b>
<b>2023</b>								
Derivative assets	US\$ 326,445,933	16,818,254	17,251,800	0	265,114,462	16,617,878	44,079,671	200,376
Derivative liabilities	US\$ 400,629,835	12,674,277	38,320,640	0	192,425,570	3,204,015	169,883,625	9,470,262
<b>2022</b>								
Derivative assets	US\$ 333,016,391	18,684,331	25,118,295	0	260,051,796	17,923,331	47,846,300	761,000
Derivative liabilities	US\$ 425,270,428	10,695,327	163,432,401	0	16,817,970	471,762	245,020,057	10,223,565

The Bank maintains cash equivalents as collateral in institutions that maintain risk ratings between AA- to A- (2022: A+ to A-), which support derivative operations in the amount of US\$9.9MM (2022: US\$11.8MM).

Below is the following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	<b>2023</b>		<b>2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Other derivatives:				
Credit	687,374	2,251,210	530,597	320,387
Interest	13,720,608	10,270,331	14,783,925	7,859,108
<b>Total</b>	<b>US\$ 14,407,982</b>	<b>12,521,541</b>	<b>15,314,522</b>	<b>8,179,495</b>

As of December 31, 2023, the Bank has derivative contracts in books for a notional value of US\$727,075,768 (2022: US\$758,286,819), of which US\$446,256,425 (2022: US\$496,494,567) were managed by third parties. Of these derivatives managed by third parties US\$360,850,390 (2022: US\$345,350,695) are utilized to manage the duration and the interest rates risk of these portfolios.

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

Hedge Derivatives for Risk Management:

	<b>2023</b>		<b>2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Exposure to risk:</b>				
<b>Interest rate</b>				
Fair value hedge	2,392,998	0	3,294,193	0
<b>Total Interest Rate</b>	<b>2,392,998</b>	<b>0</b>	<b>3,294,193</b>	<b>0</b>
<b>Currency</b>				
Others	17,274	152,736	75,616	2,515,832
<b>Total Currency</b>	<b>17,274</b>	<b>152,736</b>	<b>75,616</b>	<b>2,515,832</b>
<b>Total derivatives for risk exposure</b>	<b>2,410,272</b>	<b>152,736</b>	<b>3,369,809</b>	<b>2,515,832</b>

**BANCO GENERAL (OVERSEAS), INC.**

Notes to Consolidated Financial Statements (continued)

December 31, 2023

Interest rate risk derivatives hedge

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

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

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

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

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

<u>Risk Category</u>	<u>2022</u> <u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
<b>Interest rate risk</b>					
<b>Hedging of Bonds</b>					
Notional Value	0	0	0	20,000,000	20,000,000
Average interest rate				1.66%	5.25%

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

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the consolidated statement of financial position that includes hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
<b>Interest rate risk:</b>						
Interest rate derivatives – Bonds				Other assets		
Hedge	40,000,000	2,392,998	0	(liabilities)	0	0
<b>Total interest rate risk</b>	<u>40,000,000</u>	<u>2,392,998</u>	<u>0</u>			

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

	<u>2022</u>					
	Notional <u>Value</u>	<u>Book Value</u>		Item in the consolidated statement of financial position that includes <u>hedge instruments</u>	Change in fair value used for calculating hedge <u>ineffectiveness</u>	Ineffectiveness recognized in <u>profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
<b>Interest rate risk:</b>						
Interest rate derivatives – Bonds				Other assets		
Hedge	40,000,000	3,294,193	0	(liabilities)	0	0
<b>Total interest rate risk</b>	<u>40,000,000</u>	<u>3,294,193</u>	<u>0</u>			

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

	<u>2023</u>					Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging <u>gains and losses</u>
	<u>Book Value</u>		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the <u>hedge item</u>		Item in the statement of financial position in which the hedge item <u>is included</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	36,280,500	0	0	1,109,564	Investment securities FVOCI	0

	<u>2022</u>					Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging <u>gains and losses</u>
	<u>Book Value</u>		Accumulated amount of fair value hedge item adjustments included in the carrying amount of the <u>hedge item</u>		Item in the statement of financial position in which the hedge item <u>is included</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	35,751,700	0	0	1,553,039	Investment securities FVOCI	0

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

The Bank's derivatives are classified as following in the fair value hierarchy as detailed in note 4:

		<u>2023</u>			
		Level 1	Level 2	Level 3	Total
<b><u>Assets</u></b>					
Other derivatives:					
Credit		0	687,374	0	687,374
Interest		0	13,720,608	0	13,720,608
<b>Total</b>		<b>0</b>	<b>14,407,982</b>	<b>0</b>	<b>14,407,982</b>
Hedge derivatives for risk management:					
Interest rate		0	2,392,998	0	2,392,998
Currency		0	17,274	0	17,274
<b>Total</b>		<b>0</b>	<b>2,410,272</b>	<b>0</b>	<b>2,410,272</b>
<b>Total derivatives assets</b>	<b>US\$</b>	<b>0</b>	<b>16,818,254</b>	<b>0</b>	<b>16,818,254</b>
<b><u>Liabilities</u></b>					
Other derivatives:					
Credit		0	2,251,210	0	2,251,210
Interest		0	10,270,331	0	10,270,331
<b>Total</b>		<b>0</b>	<b>12,521,541</b>	<b>0</b>	<b>12,521,541</b>
Hedge derivatives for risk management:					
Currency		0	152,736	0	152,736
<b>Total</b>		<b>0</b>	<b>152,736</b>	<b>0</b>	<b>152,736</b>
<b>Total derivatives liabilities</b>	<b>US\$</b>	<b>0</b>	<b>12,674,277</b>	<b>0</b>	<b>12,674,277</b>
<b><u>2022</u></b>					
		Level 1	Level 2	Level 3	Total
<b><u>Assets</u></b>					
Other derivatives:					
Credit		0	530,597	0	530,597
Interest		0	14,783,925	0	14,783,925
<b>Total</b>		<b>0</b>	<b>15,314,522</b>	<b>0</b>	<b>15,314,522</b>
Hedge derivatives for risk management:					
Interest rate		0	3,294,193	0	3,294,193
Currency		0	75,616	0	75,616
<b>Total</b>		<b>0</b>	<b>3,369,809</b>	<b>0</b>	<b>3,369,809</b>
<b>Total derivatives assets</b>	<b>US\$</b>	<b>0</b>	<b>18,684,331</b>	<b>0</b>	<b>18,684,331</b>
<b><u>Liabilities</u></b>					
Other derivatives:					
Credit		0	320,387	0	320,387
Interest		0	7,859,108	0	7,859,108
<b>Total</b>		<b>0</b>	<b>8,179,495</b>	<b>0</b>	<b>8,179,495</b>
Hedge derivatives for risk management:					
Currency		0	2,515,832	0	2,515,832
<b>Total</b>		<b>0</b>	<b>2,515,832</b>	<b>0</b>	<b>2,515,832</b>
<b>Total derivatives liabilities</b>	<b>US\$</b>	<b>0</b>	<b>10,695,327</b>	<b>0</b>	<b>10,695,327</b>

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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 flows	Yield curves Yield foreign exchange Credit spreads Assumed recovery Volatility	2

See Note 4, for the description of these Levels within the fair value hierarchy.

**14. Concentration of Financial Assets and Liabilities**

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

	<u>2023</u>			
	United States of America and Others	Panama	Latin America and the Caribbean	Total
<b>Assets:</b>				
Due from banks	54,851,602	182,838,554	0	237,690,156
Investments and other financial assets at fair value through profit or loss	219,527,867	638,579	16,467	220,182,913
Investments and other financial assets at FVOCI	852,488,659	53,926,957	97,627,506	1,004,043,122
Investments and other financial assets at amortized cost	0	13,078,105	0	13,078,105
Loans, gross	0	34,725,630	541,080,575	575,806,205
<b>Total</b>	US\$ 1,126,868,128	285,207,825	638,724,548	2,050,800,501
<b>Liabilities:</b>				
Due to depositors	0	1,078,206,642	25,369,416	1,103,576,058
Other liabilities at fair value	84,069,803	0	0	84,069,803
<b>Total</b>	US\$ 84,069,803	1,078,206,642	25,369,416	1,187,645,861
Commitments and contingencies	US\$ 0	2,116,230	0	2,116,230

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

		<u>2022</u>		
	United States of America and Others	Panama	Latin America and the Caribbean	Total
<b>Assets:</b>				
Due from banks	20,104,134	180,883,685	0	200,987,819
Investments and other financial assets at fair value through profit or loss	268,533,638	709,384	15,365	269,258,387
Investments and other financial assets at FVOCI	1,105,489,641	74,026,785	74,644,641	1,254,161,067
Investments and other financial assets at amortized cost	0	13,160,159	0	13,160,159
Loans, gross	0	32,358,593	466,679,798	499,038,391
<b>Total</b>	US\$ 1,394,127,413	301,138,606	541,339,804	2,236,605,823
<b>Liabilities:</b>				
Due to depositors	0	1,252,899,881	34,063,711	1,286,963,592
Securities sold under repurchase agreements	50,424,418	0	0	50,424,418
Other liabilities at fair value	38,498,676	0	0	38,498,676
<b>Total</b>	US\$ 88,923,094	1,252,899,881	34,063,711	1,375,886,686
Commitments and contingencies	US\$ 0	12,554,596	0	12,554,596

**15. Fair Value of Financial Instruments**

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

(a) *Deposits due from banks/acrued interest receivable/other assets/demand deposits from customers/savings deposits from customers/acrued interest payable/securities sold under repurchase agreements.*

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

(b) *Investment 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 4, to calculate their investments mainly by discounting cash flows at the appropriate discount rate for that instrument.

(c) *Loans*

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 payments in the loan portfolio.



**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

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*(d) Time deposits due from banks/ time deposits from customers*

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 represents 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 financial assets and liabilities not measured at fair value on the Bank's consolidated statement of financial position:

	<u>2023</u>		<u>2022</u>		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>	
<b><u>Assets:</u></b>					
Due from banks	238,270,704	234,462,575	201,403,641	194,280,985	
Investments at amortized cost	13,289,025	12,210,961	13,371,079	12,354,770	
Loans, net	578,968,263	574,862,170	500,526,034	502,621,052	
Other financial assets	91,206,479	91,206,479	54,900,382	54,900,382	
	US\$	921,734,471	912,742,185	770,201,136	764,157,189
<b><u>Liabilities:</u></b>					
Due to depositors	1,108,795,541	1,108,664,193	1,289,791,860	1,289,660,512	
Securities sold under repurchase agreements	0	0	50,769,887	51,026,149	
Other financial liabilities	69,606,391	69,606,391	113,196,592	113,196,592	
	US\$	1,178,401,932	1,178,270,584	1,453,758,339	1,453,883,253

The following table analyzes the fair value of the financial instruments not measured at fair value, according to the fair value hierarchy level:

	<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b><u>Assets:</u></b>					
Due from banks	234,462,575	0	0	234,462,575	
Investments at amortized cost	12,210,961	0	12,210,961	0	
Loans	574,862,170	0	0	574,862,170	
Other financial assets	91,206,479	0	0	91,206,479	
	US\$	912,742,185	0	12,210,961	900,531,224
<b><u>Liabilities:</u></b>					
Due to depositors	1,108,664,193	0	0	1,108,664,193	
Other financial liabilities	69,606,391	0	0	69,606,391	
	US\$	1,178,270,584	0	0	1,178,270,584

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Notes to Consolidated Financial Statements (continued)

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	2022	Level 1	Level 2	Level 3
<b>Assets:</b>				
Due from banks	194,280,985	0	0	194,280,985
Investments at amortized cost	12,354,770	0	12,354,770	0
Loans	502,621,052	0	0	502,621,052
Other financial assets	54,900,382	0	0	54,900,382
	US\$ 764,157,189	0	12,354,770	751,802,419
<b>Liabilities:</b>				
Due to depositors	1,289,660,512	0	0	1,289,660,512
Securities sold under repurchase agreements	51,026,149	0	0	51,026,149
Other financial liabilities	113,196,592	0	0	113,196,592
	US\$ 1,453,883,253	0	0	1,453,883,253

See Note 4, for the description of these Levels.

### 16. Financial Instrument Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity. 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 Board of Directors of the Controller of the parent company 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 of the Controller of the parent company has created the Credit Risk Committee of the Board of Directors, to oversee the credit, liquidity, market, interest rate, exchange rate and counterparty risks. Likewise, the Board of Directors of the Controller of the parent company has established executive Committees, which are composed of key executives that monitor several risks faced by the Bank. These committees have established policies and limits in order to control and manage these risks. There is also an Audit Committee, composed of members of the of the Controller of the parent company 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 payment, in conformity with terms and conditions agreed upon when the financial asset was acquired or originated by the Bank.

To mitigate the credit risk, risk management policies establish limits by country, industry, and debtor.

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

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At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position.

<b>2023</b>				
<b>(in thousands)</b>				
	12-months ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	Total
<b>Loans at amortized cost</b>				
Grade 1: Standard	574,608	1,198	0	575,806
Gross amount	574,608	1,198	0	575,806
Loan losses allowance	(1,112)	(17)	0	(1,129)
<b>Net carrying amount</b>	US\$ <b>573,496</b>	<b>1,181</b>	<b>0</b>	<b>574,677</b>

<b>2022</b>				
<b>(in thousands)</b>				
	12-months ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	Total
<b>Loans at amortized cost</b>				
Grade 1: Standard	498,664	374	0	499,038
Gross amount	498,664	374	0	499,038
Loan losses allowance	(1,124)	(5)	0	(1,129)
<b>Net carrying amount</b>	US\$ <b>497,540</b>	<b>369</b>	<b>0</b>	<b>497,909</b>

At the reporting date there were no loans or investments on a watch list or for which terms have been renegotiated. At December 31, 2023 and 2022, the Bank has no impaired deposits due from banks.

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

	<b>2023</b>	<b>2022</b>
Current	554,367,620	499,027,473
From 31 to 90 days	21,430,762	0
More than 30 days past due (capital at maturity)	7,823	10,918
<b>Total</b>	<b>575,806,205</b>	<b>499,038,391</b>

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Notes to Consolidated Financial Statements (continued)

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The following table presents the credit quality of the investments and other financial assets and impairment reserves held by the Bank, excluding share capital amounting to US\$655,047 (2022: US\$724,749), which are not subject to credit risk:

		<b>2023</b>				
		12-months ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>At Amortized Cost</b>						
AA+ to BBB-		13,078,105	0	0	0	13,078,105
<b>Total carrying amount</b>	<b>US\$</b>	<b>13,078,105</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,078,105</b>
<b>At FVOCI</b>						
AAA		537,096,875	0	0	0	537,096,875
AA+ to BBB-		273,273,198	0	0	0	273,273,198
Lower than BBB-		193,477,681	124,368	0	71,000	193,673,049
<b>Total carrying amount</b>	<b>US\$</b>	<b>1,003,847,754</b>	<b>124,368</b>	<b>0</b>	<b>71,000</b>	<b>1,004,043,122</b>
Valuation of credit risk	US\$	(2,020,133)	(468,000)	0	(51,323)	(2,539,456)
<b>At Fair Value through profit or loss</b>						
AAA		73,054,110				
AA+ to BBB-		146,403,099				
Lower than BBB-		70,657				
<b>Total carrying amount</b>	<b>US\$</b>	<b>219,527,866</b>				
<b>2022</b>						
		12-months ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>At Amortized Cost</b>						
AA+ to BBB-		13,160,159	0	0	0	13,160,159
<b>Total carrying amount</b>	<b>US\$</b>	<b>13,160,159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,160,159</b>
<b>At FVOCI</b>						
AAA		728,351,591	0	0	0	728,351,591
AA+ to BBB-		305,441,423	0	0	0	305,441,423
Lower than BBB-		212,547,597	6,672,181	755,523	392,752	220,368,053
<b>Total carrying amount</b>	<b>US\$</b>	<b>1,246,340,611</b>	<b>6,672,181</b>	<b>755,523</b>	<b>392,752</b>	<b>1,254,161,067</b>
Valuation of credit risk	US\$	(3,261,393)	(507,053)	(1,894,827)	(99,661)	(5,762,934)
<b>At Fair Value through profit or loss</b>						
AAA		104,871,491				
AA+ to BBB-		154,553,486				
Lower than BBB-		9,108,661				
<b>Total carrying amount</b>	<b>US\$</b>	<b>268,533,638</b>				

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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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.

### **Deposits with banks**

The deposits with banks are held with financial institution counterparties that are rated at least between AA to BBB-, based on ratings by Standard & Poor's, Moody's and Fitch Ratings Inc., amount to US\$237,690,156 (2022: US\$200,987,819).

### *(b) Counterparty Risk*

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

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

### *(c) Market Risk*

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

Risk management policies provide for compliance limits by type of financial instrument, limits related to maximum loss amounts that trigger the settlement of positions that caused such loss; and the requirement that, except upon approval of the Board of Directors, substantially all assets and liabilities are denominated in US Dollars.

The composition and analysis of the market risks are described 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. At December 31, 2023 and 2022, the Bank does not hold significant positions in foreign currencies.

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

## BANCO GENERAL (OVERSEAS), INC.

### Notes to Consolidated Financial Statements (continued)

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The table below sets out the Bank's maximum exposure limits to foreign currency. The assets and liabilities are presented at their carrying amount, except derivatives which are presented at their nominal value within other assets/other liabilities.

2023						
	Euros, expressed in USD	Sterling Pounds, expressed in USD	Japanese Yen, expressed in USD	Canadian Dollar, expressed in USD	Other currencies, expressed in USD*	Total
<b>Exchange rate</b>	1.10	1.27	141.03	1.32		
<b>Assets</b>						
Due from banks	178,192	20,341	23,095	130,497	2,025	354,150
Investments and other financial assets	29,647,009	16,607,192	0	352,714	0	46,606,915
Other assets	299,743	5,396,946	0	0	0	5,696,689
	<b>US\$</b> 30,124,944	22,024,479	23,095	483,211	2,025	52,657,754
<b>Liabilities</b>						
Other liabilities	13,256,455	10,159,107	51,128	0	14,680	23,481,370
	<b>US\$</b> 13,256,455	10,159,107	51,128	0	14,680	23,481,370
<b>Net currency position</b>	<b>US\$</b> 16,868,489	11,865,372	(28,033)	483,211	(12,655)	29,176,384
2022						
	Euros, expressed in USD	Sterling Pounds, expressed in USD	Japanese Yen, expressed in USD	Canadian Dollar, expressed in USD	Other currencies, expressed in USD*	Total
<b>Exchange rate</b>	1.07	1.21	131.07	1.35		
<b>Assets</b>						
Due from banks	595,315	1,411,376	323,540	127,587	2,228	2,460,046
Investments and other financial assets	76,242,275	17,963,727	0	0	0	94,206,002
Other assets	8,904,357	2,369,700	0	0	0	11,274,057
	<b>US\$</b> 85,741,947	21,744,803	323,540	127,587	2,228	107,940,105
<b>Liabilities</b>						
Other liabilities	86,513,765	21,534,251	203,996	0	0	108,252,012
	<b>US\$</b> 86,513,765	21,534,251	203,996	0	0	108,252,012
<b>Net currency position</b>	<b>US\$</b> (771,818)	210,552	119,544	127,587	2,228	(311,907)

\*Other currencies include Australian Dollar, Turkish Lira, Singapore Dollar, South African Rand, Mexican Peso, Polish Zloty and Swiss Franc.

## BANCO GENERAL (OVERSEAS), INC.

### Notes to Consolidated Financial Statements (continued)

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#### - Interest Rate Risk of the Cash flows and the 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 interest-bearing financial assets and liabilities:

		2023						
		Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
<b>Assets:</b>								
Time deposits		1,766,230	0	0	170,000,000	0	0	171,766,230
Investments and other financial assets		262,876,195	21,323,345	33,060,068	550,600,125	221,767,969	84,064,853	1,173,692,555
Loans, gross		475,515,031	97,052,088	1,534,325	1,704,761	0	0	575,806,205
Total	US\$	740,157,456	118,375,433	34,594,393	722,304,886	221,767,969	84,064,853	1,921,264,990
<b>Liabilities:</b>								
Time and savings deposits		1,085,425,814	9,721,332	2,422,285	6,000,000	0	0	1,103,569,431
Total	US\$	1,085,425,814	9,721,332	2,422,285	6,000,000	0	0	1,103,569,431
Total interest sensitivity gap	US\$	(345,268,358)	108,654,101	32,172,108	716,304,886	221,767,969	84,064,853	817,695,559
		2022						
		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
<b>Assets:</b>								
Time deposits		0	0	0	171,766,230	0	0	171,766,230
Investments and other financial assets		408,978,186	57,328,056	49,668,350	615,412,084	218,466,561	92,547,659	1,442,400,896
Loans, gross		446,635,763	47,946,500	2,262,627	2,193,501	0	0	499,038,391
Total	US\$	855,613,949	105,274,556	51,930,977	789,371,815	218,466,561	92,547,659	2,113,205,517
<b>Liabilities:</b>								
Time and savings deposits		687,049,821	463,110,289	129,530,625	7,266,230	0	0	1,286,956,965
Securities sold under repurchase agreements		50,424,418	0	0	0	0	0	50,424,418
Total	US\$	737,474,239	463,110,289	129,530,625	7,266,230	0	0	1,337,381,383
Total interest sensitivity gap	US\$	118,139,710	(357,835,733)	(77,599,648)	782,105,585	218,466,561	92,547,659	775,824,134

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

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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.

Management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Bank's sensitivity to an (increase) or decrease in market interest rates is as follows:

	<b>Sensitivity of the net interest income</b>			
	<b>100bp increase</b>		<b>100bp decrease</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
At the end of the year	(4,943,254)	(2,175,570)	5,013,481	2,231,340
Average for the year	(2,783,453)	(3,418,222)	2,844,480	2,603,515
Maximum for the year	(4,943,254)	(3,996,130)	5,013,481	4,094,658
Minimum for the year	(1,550,404)	(2,175,570)	1,611,371	336,006

  

	<b>Sensitivity in profit or loss for investments at fair value</b>			
	<b>100bp increase</b>		<b>100bp decrease</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
At the end of the year	(4,211,969)	(6,873,264)	5,700,546	6,565,966
Average for the year	(7,123,819)	(7,292,303)	7,458,061	6,894,863
Maximum for the year	(8,421,922)	(8,393,837)	8,449,765	8,052,866
Minimum for the year	(4,211,969)	(5,654,905)	5,700,546	5,020,847

  

	<b>Sensitivity of other comprehensive income</b>			
	<b>100bp increase</b>		<b>100bp decrease</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
At the end of the year	(33,922,423)	(37,479,528)	32,840,950	37,845,106
Average for the year	(32,802,412)	(35,801,005)	32,849,545	35,828,213
Maximum for the year	(34,193,948)	(37,479,528)	34,384,201	37,845,106
Minimum for the year	(31,309,585)	(34,274,279)	31,984,744	32,615,617

Overall non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.



## BANCO GENERAL (OVERSEAS), INC.

### Notes to Consolidated Financial Statements (continued)

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#### (d) Liquidity and Financing Risk

Liquidity and financing risk is the risk that the Bank cannot comply with all its obligations for, among other reasons, an unexpected withdrawal of funds by depositors, the deterioration of the quality of the loan portfolio, impairment of securities, the excessive concentration of liabilities from one particular source, a gap between assets and liabilities, a shortage of asset liquidity, or the mismatch of long-term asset financing with short-term liabilities.

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 duration limits.

The table below summarizes the Bank's assets and liabilities grouped by their residual maturities with respect to the contractual maturity date, except investments and other financial assets, net which are based on their liquidity (possible sale date):

	2023							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	With no maturity	Carrying amount
<b>Assets:</b>								
Due from banks	67,690,156	0	0	170,000,000	0	0	0	237,690,156
Investment and others								
financial assets, net	1,176,746,560	1,054,182	43,360,907	15,487,444	0	0	655,047	1,237,304,140
Loans, net	69,142,340	99,401,428	69,691,713	232,322,820	104,118,624	0	0	574,676,925
Accrued interest receivable	0	0	14,239,266	0	0	0	0	14,239,266
Other assets	91,543,974	0	0	40,376,205	0	0	0	131,920,179
Total	US\$ 1,405,123,030	100,455,610	127,291,886	458,186,469	104,118,624	0	655,047	2,195,830,666
<b>Liabilities:</b>								
Due to depositors	1,085,432,441	9,721,332	2,422,285	6,000,000	0	0	0	1,103,576,058
Accrued interest payable	0	0	5,220,057	0	0	0	0	5,220,057
Other liabilities	166,350,471	0	0	26,548,545	0	0	0	192,899,016
Total	US\$ 1,251,782,912	9,721,332	7,642,342	32,548,545	0	0	0	1,301,695,131
Net liquidity gap	US\$ 153,340,118	90,734,278	119,649,544	425,637,924	104,118,624	0	655,047	894,135,535
	2022							
	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	Carrying amount
<b>Assets:</b>								
Due from banks	29,221,589	0	0	171,766,230	0	0	0	200,987,819
Investment and others								
financial assets, net	1,463,009,754	3,429,230	62,524,133	6,891,747	0	0	724,749	1,536,579,613
Loans, net	61,668,116	50,433,694	41,219,795	202,530,430	137,634,133	4,422,943	0	497,909,111
Accrued interest receivable	0	0	12,213,941	0	0	0	0	12,213,941
Other assets	55,203,582	0	0	33,382,784	0	0	0	88,586,366
Total	US\$ 1,609,103,041	53,862,924	115,957,869	414,571,191	137,634,133	4,422,943	724,749	2,336,276,850
<b>Liabilities:</b>								
Due to depositors	687,056,447	463,110,289	129,530,626	7,266,230	0	0	0	1,286,963,592
Securities sold under								
repurchase agreements	50,424,418	0	0	0	0	0	0	50,424,418
Accrued interest payable	0	0	3,174,170	0	0	0	0	3,174,170
Other liabilities	161,304,409	0	0	25,249,240	0	0	0	186,553,649
Total	US\$ 898,785,274	463,110,289	132,704,796	32,515,470	0	0	0	1,527,115,829
Net liquidity gap	US\$ 710,317,767	(409,247,365)	(16,746,927)	382,055,721	137,634,133	4,422,943	724,749	809,161,021

## BANCO GENERAL (OVERSEAS), INC.

Notes to Consolidated Financial Statements (continued)

December 31, 2023

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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:

	2023	2022
At the end of the year	98.41%	95.58%
Average for the year	99.16%	100.72%
Maximum for the year	103.18%	103.87%
Minimum for the year	96.27%	95.58%

(e) *Operational Risk*

Operational risk is the possibility that losses may occur due to the inadequate, failure or deficiencies in the processes, of personnel, internal systems or external events. The definition includes the legal risk associated with those factors.

The Controller of the parent company has designed a decentralized operational risk management model in the Bank which has gradually been implemented.

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
- Corporative 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.

## BANCO GENERAL (OVERSEAS), INC.

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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The Bank has the majority of its investment portfolio under custody with the Bank of New York Mellon, which has an international rating of A1 by Moody's, A from Standard and Poor's and is regulated by the Federal Reserve System of the United States of America, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

*(f) Capital Management*

The Bank's regulatory capital consists of the following elements:

- Tier 1 capital, which includes common share capital, preferred share capital, additional paid-in capital, valuation reserve, retained earnings, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, and certain allowances for loan losses that are presently unidentified on an individual basis, and elements of the fair value reserve relating to gains (losses) on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The amount of qualifying tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying subordinated term loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of the loan loss allowance that may be included as part of tier 2 capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between higher returns that might be achievable with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes to the Bank's capital management during the year.

In addition to risk-based capital requirements, the Basel III reforms introduced a simpler, non risk-based Leverage ratio requirement to act as a supplementary measure to its risk-based capital requirements. The Leverage ratio is defined as a ratio of Basel III Tier 1 capital to a leverage exposure measure which includes on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

Effective 1 December 2019, CIMA implemented the Basel III Leverage Ratio Liquidity Risk Management Rules and Guidelines, which outline the application and disclosure of the Basel III Leverage ratio in the Cayman Islands. The minimum ratio of 3% is applicable to all banks, except in specific cases where the Authority, in its sole discretion, decides that difference leverage ratio requirements should be set.

**BANCO GENERAL (OVERSEAS), INC.***Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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The Bank's regulatory capital position at December 31 was as follows:

	<b>2023</b>	<b>2022</b>
	(in thousands)	
<b>Tier 1 capital</b>		
Common shares	119,158	119,158
Preferred shares	65,000	65,000
Additional paid-in capital	15,842	15,842
Valuation reserve	(33,430)	(76,955)
Retained earnings	725,708	686,116
<b>Total</b>	US\$ 892,278	809,161
<b>Risk-weighted assets</b>	US\$ 1,538,500	1,551,127
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk-weighted assets	58.00%	52.17%

**17. 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 portfolios at the reporting date to determine whether there is objective evidence of impairment on a loan or loan portfolio that should be recognized in the profit or loss of the year.

The assessment of whether the credit risk of a loan has increased significantly is one of the critical judgements in the impairment model. Loss allowances are measured either at amounts equal to 12-month ECL or at lifetime ECL. See note 3 for a more detailed description of impairment losses on loans.

*(b) Impairment of investment and other financial assets:*

The Bank assesses its investment and other financial assets at the reporting date to determine whether there is objective evidence of impairment. The Bank considers investment and other financial assets to be impaired when there has been a significant increase in credit risk evidenced by a downgrade in risk ratings from initial recognition, default in payments, debt restructuring, and other similar events.

**BANCO GENERAL (OVERSEAS), INC.**

*Notes to Consolidated Financial Statements (continued)*

December 31, 2023

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*(c) 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.

**BANCO GENERAL (OVERSEAS), INC.****Appendix 1**

Consolidated appendix information on the Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

	<b>BANCO GENERAL (OVERSEAS), INC.</b>	<b>BG TRUST, INC. FID (0109-INV-22)</b>	<b>SUB- TOTAL</b>	<b>ELIMINATIONS</b>	<b>TOTAL CONSOLIDATED</b>
<b>Assets</b>					
Due from banks:					
Demand deposits	63,066,038	2,857,888	65,923,926	-	65,923,926
Time deposits	171,766,230	-	171,766,230	-	171,766,230
Accrued interest receivable	580,548	-	580,548	-	580,548
<b>Total due from banks</b>	<b>235,412,816</b>	<b>2,857,888</b>	<b>238,270,704</b>	<b>-</b>	<b>238,270,704</b>
Investment and other financial assets, net	1,237,515,060	-	1,237,515,060	-	1,237,515,060
Loans	541,080,575	34,725,630	575,806,205	-	575,806,205
Accrued interest receivable	4,137,687	153,651	4,291,338	-	4,291,338
Less:					
loan losses allowance	851,371	277,909	1,129,280	-	1,129,280
<b>Loans, net</b>	<b>544,366,891</b>	<b>34,601,372</b>	<b>578,968,263</b>	<b>-</b>	<b>578,968,263</b>
Investments in special purpose vehicle	35,000,000	-	35,000,000	35,000,000	-
Investments and other financial assets sold pending settlement	91,206,479	-	91,206,479	-	91,206,479
Derivative instruments - assets	16,818,254	-	16,818,254	-	16,818,254
Other assets	33,008,959	42,947	33,051,906	-	33,051,906
<b>Total assets</b>	<b>US\$ 2,193,328,459</b>	<b>37,502,207</b>	<b>2,230,830,666</b>	<b>35,000,000</b>	<b>2,195,830,666</b>

*See the report of the Independent Auditors.*

**BANCO GENERAL (OVERSEAS), INC.****Appendix 1**

Consolidated appendix information on the Consolidated Statement of Financial Position

December 31, 2023

*(Stated in United States dollars)*

	<b>BANCO GENERAL (OVERSEAS), INC.</b>	<b>BG TRUST, INC. FID (0109-INV-22)</b>	<b>SUB- TOTAL</b>	<b>ELIMINATIONS</b>	<b>TOTAL CONSOLIDATED</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Due to depositors:					
Demand	6,627	-	6,627	-	6,627
Savings	75,989,222	-	75,989,222	-	75,989,222
Time deposits	1,027,580,209	-	1,027,580,209	-	1,027,580,209
Accrued interest payable	5,219,483	-	5,219,483	-	5,219,483
<b>Total due to depositors</b>	<b>1,108,795,541</b>	<b>-</b>	<b>1,108,795,541</b>	<b>-</b>	<b>1,108,795,541</b>
Investments and other financial assets purchased pending settlement	69,606,391	-	69,606,391	-	69,606,391
Derivative instruments - liabilities	12,674,277	-	12,674,277	-	12,674,277
Other financial liabilities at fair value	84,069,803	-	84,069,803	-	84,069,803
Other liabilities	25,904,748	644,371	26,549,119	-	26,549,119
<b>Total liabilities</b>	<b>1,301,050,760</b>	<b>644,371</b>	<b>1,301,695,131</b>	<b>-</b>	<b>1,301,695,131</b>
<b>Equity</b>					
Common share capital	119,158,140	35,000,000	154,158,140	35,000,000	119,158,140
Preferred share capital	65,000,000	0	65,000,000	-	65,000,000
Additional paid-in capital	15,841,860	0	15,841,860	-	15,841,860
Valuation reserve	(33,430,589)	0	(33,430,589)	-	(33,430,589)
Retained earnings	725,708,288	1,857,836	727,566,124	-	727,566,124
<b>Total equity</b>	<b>892,277,699</b>	<b>36,857,836</b>	<b>929,135,535</b>	<b>35,000,000</b>	<b>894,135,535</b>
<b>Total liabilities and equity</b>	<b>US\$ 2,193,328,459</b>	<b>37,502,207</b>	<b>2,230,830,666</b>	<b>35,000,000</b>	<b>2,195,830,666</b>

**BANCO GENERAL (OVERSEAS), INC.****Appendix 2**

Consolidated appendix information on the Consolidated Statement of Income and Retained Earnings

Year ended December 31, 2023

*(Stated in United States dollars)*

	<b>BANCO GENERAL (OVERSEAS), INC.</b>	<b>BG TRUST, INC. FID (0109-INV-22)</b>	<b>SUB- TOTAL</b>	<b>ELIMINATIONS</b>	<b>TOTAL CONSOLIDATED</b>
<b>Operating income</b>					
Interest on investments and other financial assets	68,951,594	-	68,951,594	-	68,951,594
Interest on deposits with banks	6,360,297	20,480	6,380,777	-	6,380,777
Interest on loans	37,349,034	2,449,550	39,798,584	-	39,798,584
Reversal provision for impairment of investments	3,223,478	-	3,223,478	-	3,223,478
Net realized loss on sale of investments and other financial assets	(29,181,383)	-	(29,181,383)	-	(29,181,383)
Net unrealized gain on investments and other financial assets	13,361,919	-	13,361,919	-	13,361,919
Net loss on derivative instruments	(2,637,902)	-	(2,637,902)	-	(2,637,902)
Dividends received	52,485	-	52,485	-	52,485
Other income	218,617	-	218,617	-	218,617
<b>Total operating income, net</b>	<b>97,698,139</b>	<b>2,470,030</b>	<b>100,168,169</b>	<b>-</b>	<b>100,168,169</b>
<b>Operating expenses</b>					
Interest on deposits and financing	54,642,170	-	54,642,170	-	54,642,170
General and administrative expenses:					
Professional services	55,240	-	55,240	-	55,240
Management fees and other bank charges	2,999,755	-	2,999,755	-	2,999,755
License fee	140,346	-	140,346	-	140,346
Other expenses	268,272	399	268,671	-	268,671
<b>Total operating expenses</b>	<b>58,105,783</b>	<b>399</b>	<b>58,106,182</b>	<b>-</b>	<b>58,106,182</b>
<b>Net income before tax</b>	<b>39,592,356</b>	<b>2,469,631</b>	<b>42,061,987</b>	<b>-</b>	<b>42,061,987</b>
<b>Income tax</b>	<b>-</b>	<b>612,295</b>	<b>612,295</b>	<b>-</b>	<b>612,295</b>
<b>Net income</b>	<b>39,592,356</b>	<b>1,857,336</b>	<b>41,449,692</b>	<b>-</b>	<b>41,449,692</b>
<b>Retained earnings at the beginning of the year</b>	<b>686,115,932</b>	<b>500</b>	<b>686,116,432</b>	<b>-</b>	<b>686,116,432</b>
<b>Retained earnings at the end of the year</b>	<b>US\$ 725,708,288</b>	<b>1,857,836</b>	<b>727,566,124</b>	<b>-</b>	<b>727,566,124</b>

*See the report of the Independent Auditors.*



**BANCO GENERAL (OVERSEAS), INC.****Appendix 3**

Consolidated appendix information on the Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

*(Stated in United States dollars)*

	<b>BANCO GENERAL (OVERSEAS), INC.</b>	<b>BG TRUST, INC. FID (0109-INV-22)</b>	<b>SUB- TOTAL</b>	<b>ELIMINATIONS</b>	<b>TOTAL CONSOLIDATED</b>
Net income	39,592,356	1,857,336	41,449,692	-	41,449,692
<b>Other comprehensive income (expense)</b>					
<b>Items that are or may be reclassified to the consolidated statement of income:</b>					
Valuation of investments and other financial assets:					
Net changes in valuation of investments at FVOCI	82,597,109	-	82,597,109	-	82,597,109
Transfer to profit or loss for sales of investments at FVOCI	(35,848,809)	-	(35,848,809)	-	(35,848,809)
Valuation of investments credit risk at FVOCI	(3,223,478)	-	(3,223,478)	-	(3,223,478)
<b>Total other comprehensive income, net</b>	<b>43,524,822</b>	<b>-</b>	<b>43,524,822</b>	<b>-</b>	<b>43,524,822</b>
<b>Total comprehensive income</b>	<b>US\$ 83,117,178</b>	<b>1,857,336</b>	<b>84,974,514</b>	<b>-</b>	<b>84,974,514</b>

*See the report of the Independent Auditors.*