

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

**Condensed Consolidated Interim
Financial Information**

March 31, 2019

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

Condensed Consolidated Statement of Financial Position

March 31, 2019, December 31, 2018 and March 31, 2018

(Expressed in Balboas)

Assets	Note	(Unaudited) March 2019	(Audited) December 2018	(Unaudited) March 2018
Cash	5	270,038,991	202,536,914	189,233,592
Deposits with banks:				
Demand deposits		284,092,578	324,944,239	328,004,312
Time deposits		206,215,719	166,721,311	211,213,108
Total deposits with banks	5	490,308,297	491,665,550	539,217,420
Total cash and deposits with banks		760,347,288	694,202,464	728,451,012
Investment securities and other financial assets at FVTPL		743,540,882	782,191,195	736,700,062
Investment securities and other financial assets at FVOCI		4,207,875,305	4,394,859,981	3,751,912,640
Investment securities and other financial assets at AC, net		0	10,948,692	28,396,592
Total investment securities and other financial assets, net		4,951,416,187	5,187,999,868	4,517,009,294
Loans	6	12,040,008,852	11,952,384,674	11,612,336,358
Less:				
Allowance for loan losses		164,096,266	158,531,274	149,297,349
Unearned commissions		41,639,237	41,104,450	38,752,043
Loans, net		11,834,273,349	11,752,748,950	11,424,286,966
Investments in associates		28,655,058	26,034,716	23,157,545
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	233,437,786	234,404,923	223,662,374
Securities and other financial assets sold pending settlement		295,853,471	389,698,425	319,144,652
Accrued interest receivable		83,640,589	74,034,604	73,651,253
Deferred tax assets		39,418,667	38,107,649	35,755,865
Goodwill and other intangible assets, net	8	59,184,366	59,838,713	61,071,011
Other assets		271,980,806	247,086,198	270,720,996
Total assets		18,558,207,567	18,704,156,510	17,676,910,968

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

Liabilities and Equity	Note	(Unaudited) March 2019	(Audited) December 2018	(Unaudited) March 2018
Liabilities:				
Deposits:				
Demand		2,498,036,230	2,835,932,071	2,392,582,204
Savings		3,580,443,249	3,515,163,131	3,429,292,321
Time:				
Customers		5,990,078,858	5,746,753,443	5,591,278,952
Banks		41,688,344	130,458,385	126,432,126
Total deposits		<u>12,110,246,681</u>	<u>12,228,307,030</u>	<u>11,539,585,603</u>
Securities sold under repurchase agreements		0	0	156,270,600
Borrowings and debt securities issued, net	10	2,813,281,345	2,886,528,342	2,584,680,715
Perpetual bonds		217,680,000	217,680,000	217,680,000
Securities and other financial assets purchased pending settlement		441,997,946	561,836,021	454,521,191
Accrued interest payable		115,024,884	118,282,025	101,451,541
Liabilities from insurance operations	11	18,080,734	17,648,645	17,596,964
Deferred tax liabilities		3,147,808	3,469,408	3,752,353
Other liabilities	9	548,309,617	485,382,510	519,556,160
Total liabilities		<u>16,267,769,015</u>	<u>16,519,133,981</u>	<u>15,595,095,127</u>
Equity:	13			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserve		182,630,576	182,098,343	179,927,112
Capital reserves		52,820,334	4,642,044	22,983,093
Retained earnings		1,554,987,642	1,498,282,142	1,378,905,636
Total equity		<u>2,290,438,552</u>	<u>2,185,022,529</u>	<u>2,081,815,841</u>
Total liabilities and equity		<u>18,558,207,567</u>	<u>18,704,156,510</u>	<u>17,676,910,968</u>

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

Condensed Consolidated Statement of Income

For the three months ended March 31, 2019 and 2018

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2019	March 2018
Interest and commission income:			
Interest:			
Loans		204,986,504	185,789,439
Deposits with banks		1,988,582	1,911,644
Securities and other financial assets		47,172,869	39,048,605
Commissions on loans		10,914,354	11,015,734
Total interest and commission income		265,062,309	237,765,422
Interest expenses:			
Deposits		61,632,237	54,388,816
Borrowings and debt securities issued		34,447,565	26,745,090
Total interest expenses		96,079,802	81,133,906
Net interest and commission income		168,982,507	156,631,516
Provision for loan losses, net	6	11,992,600	11,640,051
Provision for impairment of securities		1,571,301	601,640
Provision for foreclosed assets, net		328,784	358,568
Net interest and commission income, after provisions		155,089,822	144,031,257
Other income (expenses):			
Fees and other commissions		52,924,134	51,486,026
Insurance premiums, net		8,023,946	7,018,327
Gain (loss) on financial instruments, net		2,940,207	(2,614,856)
Other income, net		7,000,600	4,993,463
Commission expenses and other expenses		(23,331,111)	(20,827,543)
Total other income, net		47,557,776	40,055,417
General and administrative expenses:			
Salaries and other employee expenses		43,827,789	42,378,377
Depreciation and amortization	7	6,426,478	5,824,304
Premises and equipment expenses		6,771,677	6,627,811
Other expenses		17,549,697	17,278,702
Total general and administrative expenses		74,575,641	72,109,194
Operational net income		128,071,957	111,977,480
Equity participation in associates		2,692,163	2,300,486
Net income before income tax		130,764,120	114,277,966
Income tax, net	15	14,181,448	13,151,897
Net income		116,582,672	101,126,069

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

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

Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2019 and 2018

(Expressed in Balboas)

	(Unaudited)	
	March 2019	March 2018
Net income	<u>116,582,672</u>	<u>101,126,069</u>
Other comprehensive income (expense):		
Items that are or may be reclassified to profit or loss:		
Valuation of securities and other financial assets:		
Changes net in valuation of securities at FVOCI	49,979,291	(27,469,173)
Transfer to profit or loss for sales of securities at FVOCI	(781,681)	(3,903,857)
Credit risk valuation	1,572,609	598,232
Change in fair value of hedging instruments	<u>(2,591,929)</u>	<u>0</u>
Total other comprehensive income (expense), net	<u>48,178,290</u>	<u>(30,774,798)</u>
Total comprehensive income	<u><u>164,760,962</u></u>	<u><u>70,351,271</u></u>

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

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

Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Balboas)

	Capital reserves							
	Common shares	Legal reserve	Insurance reserve	Valuation of securities and other financial assets	Valuation for hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2018 (Audited)	500,000,000	182,098,343	1,000,000	5,678,583	(2,036,539)	4,642,044	1,498,282,142	2,185,022,529
Net income	0	0	0	0	0	0	116,582,672	116,582,672
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes net in valuation of securities at FVOCI	0	0	0	49,979,291	0	49,979,291	0	49,979,291
Transfer to profit or loss for sales of securities at FVOCI	0	0	0	(781,681)	0	(781,681)	0	(781,681)
Credit risk valuation	0	0	0	1,572,609	0	1,572,609	0	1,572,609
Changes in fair value of hedging instruments	0	0	0	0	(2,591,929)	(2,591,929)	0	(2,591,929)
Total other comprehensive income (expense), net	0	0	0	50,770,219	(2,591,929)	48,178,290	0	48,178,290
Total comprehensive income	0	0	0	50,770,219	(2,591,929)	48,178,290	116,582,672	164,760,962
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(55,292,160)	(55,292,160)
Dividends tax	0	0	0	0	0	0	(1,308,692)	(1,308,692)
Complementary tax	0	0	0	0	0	0	(2,744,087)	(2,744,087)
Transfer from retained earnings	0	532,233	0	0	0	0	(532,233)	0
Total transactions with owner	0	532,233	0	0	0	0	(59,877,172)	(59,344,939)
Balance as of March 31, 2019 (Unaudited)	<u>500,000,000</u>	<u>182,630,576</u>	<u>1,000,000</u>	<u>56,448,802</u>	<u>(4,628,468)</u>	<u>52,820,334</u>	<u>1,554,987,642</u>	<u>2,290,438,552</u>
Balance as of December 31, 2017 (Audited)	500,000,000	179,461,247	1,000,000	35,796,615	0	36,796,615	1,329,584,948	2,045,842,810
Changes due to adoption of IFRS 9	0	0	0	16,961,276	0	16,961,276	500,791	17,462,067
Balance as of January 1, 2018	500,000,000	179,461,247	1,000,000	52,757,891	0	53,757,891	1,330,085,739	2,063,304,877
Net income	0	0	0	0	0	0	101,126,069	101,126,069
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes net in valuation of securities at FVOCI	0	0	0	(27,469,173)	0	(27,469,173)	0	(27,469,173)
Transfer to profit or loss for sales of securities at FVOCI	0	0	0	(3,903,857)	0	(3,903,857)	0	(3,903,857)
Credit risk valuation	0	0	0	598,232	0	598,232	0	598,232
Total other comprehensive expenses, net	0	0	0	(30,774,798)	0	(30,774,798)	0	(30,774,798)
Total comprehensive income	0	0	0	(30,774,798)	0	(30,774,798)	101,126,069	70,351,271
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(50,265,600)	(50,265,600)
Complementary tax	0	0	0	0	0	0	(1,574,707)	(1,574,707)
Transfer from retained earnings	0	465,865	0	0	0	0	(465,865)	0
Total transactions with owner	0	465,865	0	0	0	0	(52,306,172)	(51,840,307)
Balance as of March 31, 2018 (Unaudited)	<u>500,000,000</u>	<u>179,927,112</u>	<u>1,000,000</u>	<u>21,983,093</u>	<u>0</u>	<u>22,983,093</u>	<u>1,378,905,636</u>	<u>2,081,815,841</u>

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

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

Condensed Consolidated Statement of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2019	March 2018
Operating activities:			
Net income		116,582,672	101,126,069
Adjustments to reconcile net income to net cash provided from operation activities:			
Provision for loan losses, net	6	11,992,600	11,640,051
Provision for impairment of securities		1,571,301	601,640
Provision for impairment of foreclosed assets, net		328,784	358,568
Loss (gain) unrealized on securities and other financial assets		626,682	(1,599,170)
Gain unrealized on derivative instruments		(1,634,746)	(4,060,507)
(Gain) loss on sale of securities and other financial assets at FVTPL, net		(2,322,374)	1,038,020
(Gain) loss on sale of securities and other financial assets at FVOCI, net		(45,796)	813,528
Loss realized on derivative instruments		436,027	6,422,985
Foreign exchange fluctuations, net		233,560	430,785
Gain on sale of fixed assets, net		(24,560)	(60,182)
Deferred income tax, net		(1,632,618)	(1,114,647)
Depreciation and amortization	7	6,426,478	5,824,304
Amortization of intangible assets	8	654,347	654,347
Equity participation in associates		(2,692,163)	(2,300,486)
Interest income		(254,147,955)	(226,749,688)
Interest expense		96,079,802	81,133,906
Changes in operating assets and liabilities:			
Time deposits with banks		505,592	12,931,529
Securities and other financial assets at fair value through profit or loss		42,175,122	(127,341,914)
Loans		(94,051,786)	(113,863,161)
Unearned commissions		534,787	497,289
Tax credit from preferential interest loans		(11,074,798)	(9,547,708)
Other assets		82,509,094	7,117,697
Demand deposits		(337,895,841)	(101,802,824)
Savings accounts		65,280,118	30,737,402
Time deposits		154,555,374	152,223,939
Liabilities under insurance operations		432,089	597,672
Other liabilities		(5,624,617)	(43,711,074)
Cash provided by operating activities:			
Interest received		244,541,970	220,735,971
Interest paid		(99,336,943)	(88,415,202)
Dividends received		454,578	414,425
Total		(101,145,892)	(186,392,505)
Cash flows from (used) from operating activities		15,436,780	(85,266,436)
Investing activities:			
Purchases of securities and other financial assets at FVOCI		(1,015,513,342)	(1,703,731,950)
Sale and redemptions of securities and other financial assets at FVOCI		1,202,124,092	1,739,846,867
Purchases of securities to amortized cost		0	(28,400,000)
Redemptions of securities to amortized cost		10,950,000	0
Investments in associates		71,821	1,218,694
Sale of property, furniture, equipment and improvements		26,812	60,189
Purchases of property, furniture, equipment and improvements	7	(5,461,593)	(6,286,533)
Cash flows from in investing activities		192,197,790	2,707,267
Financing activities:			
News borrowings and debt securities issued		3,961,858	4,000,000
Redemption of debt securities in issue and cancellation of borrowings		(85,601,073)	(84,062,159)
Securities sold under agreements to repurchase		0	110,456,000
Dividends paid on common shares		(55,292,160)	(50,265,600)
Complementary tax		(4,052,779)	(1,574,707)
Cash flows used in financing activities		(140,984,154)	(21,446,466)
Net increase (decrease) in cash and cash equivalents		66,650,416	(104,055,635)
Cash and cash equivalents at beginning of period		527,481,153	672,734,133
Cash and cash equivalents at end of period	5	594,131,569	568,678,498

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2019

(Expressed in Balboas)

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BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2019

(Expressed in Balboas)

(1) General Information

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

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

The Bank has representation offices in Colombia, Mexico, El Salvador, Guatemala and Peru.

Grupo Financiero BG, S. A., a 60.08% (December 31, 2018: 60.07%) owned subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

Banco General, S. A. owns 100% of the following subsidiaries which form part of its consolidation:

- Finanzas Generales, S. A. and subsidiaries: financial leases and loans in Panama. Finanzas Generales, S. A. owns the following subsidiaries:
 - BG Trust, Inc.: trust management in Panama.
 - Vale General, S. A.: administration and marketing of pretax food and health related contributions in Panama.
- BG Investment Co., Inc.: securities brokerage, asset management and brokerage company in Panama.
- General de Seguros, S. A.: insurance and reinsurance in Panama.
- Overseas Capital Markets, Inc. and subsidiaries: holding company in the Cayman Islands. Overseas Capital Markets, Inc. owns the following subsidiaries:
 - Banco General (Overseas), Inc.: international banking business in the Cayman Islands.
 - Commercial Re. Overseas, Ltd.: international reinsurance in the British Virgin Islands.
- BG Valores, S. A.: securities brokerage, asset management and brokerage company in Panama.
- Banco General (Costa Rica), S. A.: banking business in Costa Rica.
- ProFuturo Administradora de Fondos de Pensiones y Cesantía, S. A.: management of pension and retirement, severance and investment funds in Panama.

On July 31, 2018, Finanzas Generales, S.A., through its subsidiary Vale General, S.A., acquired 100% of the shares of company Pases Alimenticios, S.A.. As of August 1, 2018, incomes and expenses are presented as part of the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

As of September 30, 2018, Vale General, S.A. absorbed by merger the subsidiary Pases Alimenticios, S.A., all assets, liabilities and equity accounts of this company were incorporated into the statement of financial position of the subsidiary Vale General, S.A. as of that date.

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management for issue on April 29, 2019.

(b) Basis of Measurement

The condensed consolidated interim financial information have been prepared on a historical cost basis except for the assets and liabilities at fair value, with changes in other comprehensive income and derivative financial instruments, which are measured at fair value; and foreclosed assets, which are measured at the lower of their carrying value or fair value less costs to sell.

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2018.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	March 31, 2019			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investment securities and other financial assets	<u>0</u>	<u>166,673,968</u>	<u>36,677,191</u>	<u>203,351,159</u>
Loans	<u>7,526,424</u>	<u>193,985,224</u>	<u>19,872,456</u>	<u>221,384,104</u>
Investments in associates	<u>0</u>	<u>28,655,058</u>	<u>0</u>	<u>28,655,058</u>
<u>Liabilities:</u>				
Deposits:				
Demand	952,601	75,157,154	53,607,882	129,717,637
Savings	4,823,940	94,058,514	584,309	99,466,763
Time	<u>2,062,724</u>	<u>391,866,122</u>	<u>110,724,669</u>	<u>504,653,515</u>
	<u>7,839,265</u>	<u>561,081,790</u>	<u>164,916,860</u>	<u>733,837,915</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>57,592,650</u>	<u>31,410,915</u>	<u>89,003,565</u>
<u>Interest income:</u>				
Loans	<u>87,209</u>	<u>2,662,948</u>	<u>285,851</u>	<u>3,036,008</u>
Investment securities and other financial assets	<u>0</u>	<u>1,874,901</u>	<u>501,520</u>	<u>2,376,421</u>
<u>Interest expense:</u>				
Deposits	<u>21,418</u>	<u>4,014,837</u>	<u>312,922</u>	<u>4,349,177</u>
Borrowings and debt in securities in issue	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>2,692,163</u>	<u>0</u>	<u>2,692,163</u>
Dividends	<u>0</u>	<u>204,414</u>	<u>0</u>	<u>204,414</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>45,400</u>	<u>0</u>	<u>0</u>	<u>45,400</u>
Benefits to key management personnel	<u>654,882</u>	<u>0</u>	<u>0</u>	<u>654,882</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investment securities and other financial assets	<u>0</u>	<u>162,067,000</u>	<u>36,580,208</u>	<u>198,647,208</u>
Loans	<u>7,539,015</u>	<u>137,558,553</u>	<u>20,073,177</u>	<u>165,170,745</u>
Investments in associates	<u>0</u>	<u>26,034,716</u>	<u>0</u>	<u>26,034,716</u>
<u>Liabilities:</u>				
Deposits:				
Demand	999,893	368,223,635	76,101,535	445,325,063
Savings	5,415,638	147,513,188	468,719	153,397,545
Time	<u>1,893,345</u>	<u>418,242,277</u>	<u>101,769,231</u>	<u>521,904,853</u>
	<u>8,308,876</u>	<u>933,979,100</u>	<u>178,339,485</u>	<u>1,120,627,461</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>63,730,393</u>	<u>32,552,608</u>	<u>96,283,001</u>
	March 31, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investment securities and other financial assets	<u>0</u>	<u>257,156,665</u>	<u>49,430,402</u>	<u>306,587,067</u>
Loans	<u>7,654,935</u>	<u>151,183,717</u>	<u>22,641,687</u>	<u>181,480,339</u>
Investments in associates	<u>0</u>	<u>23,157,545</u>	<u>0</u>	<u>23,157,545</u>
<u>Liabilities:</u>				
Deposits:				
Demand	1,025,557	91,913,569	71,112,537	164,051,663
Savings	5,907,929	79,278,547	45,479	85,231,955
Time	<u>1,824,116</u>	<u>285,700,822</u>	<u>64,032,361</u>	<u>351,557,299</u>
	<u>8,757,602</u>	<u>456,892,938</u>	<u>135,190,377</u>	<u>600,840,917</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>88,677,723</u>	<u>24,828,400</u>	<u>113,506,123</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	March 31, 2018			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Interest income:</u>				
Loans	<u>89,537</u>	<u>1,828,521</u>	<u>287,710</u>	<u>2,205,768</u>
Investment securities and other financial assets	<u>0</u>	<u>3,116,942</u>	<u>620,750</u>	<u>3,737,692</u>
<u>Interest expense:</u>				
Deposits	<u>19,638</u>	<u>2,772,278</u>	<u>211,802</u>	<u>3,003,718</u>
Borrowings and debt securities issued	<u>0</u>	<u>0</u>	<u>1,462,500</u>	<u>1,462,500</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>2,300,486</u>	<u>0</u>	<u>2,300,486</u>
Dividends	<u>0</u>	<u>180,230</u>	<u>0</u>	<u>180,230</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>37,000</u>	<u>0</u>	<u>0</u>	<u>37,000</u>
Benefits to key management personnel	<u>559,210</u>	<u>0</u>	<u>0</u>	<u>559,210</u>

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

(5) Cash and Cash Equivalents

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

	March 31	
	<u>2019</u>	<u>2018</u>
Cash	270,038,991	189,233,592
Demand deposits with banks	284,092,578	328,004,312
Time deposits with banks	<u>206,215,719</u>	<u>211,213,108</u>
Total deposits with banks	<u>490,308,297</u>	<u>539,217,420</u>
Less: time deposits with original maturities of more than three months	<u>166,215,719</u>	<u>159,722,514</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>594,131,569</u>	<u>568,728,498</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.25,509,892 (2018: B/.45,199,738) that secure derivative operations and repos, in addition to the next quarterly payments of principal, interest and expenses of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

The composition of the loan portfolio is summarized as follows:

	March 31 2019	December 31 2018	March 31 2018
Local loans:			
Residential mortgages	4,128,697,657	4,091,042,745	3,876,511,301
Personal, auto and credit cards	1,805,863,649	1,776,981,209	1,667,433,721
Commercial mortgages	1,924,726,759	1,920,857,554	1,832,345,365
Lines of credit and commercial loans	1,701,072,429	1,590,811,256	1,636,504,362
Interim financing	685,316,221	700,899,475	805,012,358
Financial leases, net of unearned interest	101,059,254	108,302,008	116,331,907
Other secured loans	216,786,619	203,744,331	188,778,445
Overdrafts	148,360,135	152,890,905	162,576,531
Total local loans	<u>10,711,882,723</u>	<u>10,545,529,483</u>	<u>10,285,493,990</u>
Foreign loans:			
Residential mortgages	242,907,177	249,375,750	254,016,989
Personal, auto and credit cards	16,321,665	16,779,215	16,775,461
Commercial mortgages	256,742,512	259,580,692	247,097,243
Lines of credit and commercial loans	751,827,761	798,964,318	712,246,948
Interim financing	3,799,696	3,099,755	1,000,000
Other secured loans	10,247,530	23,238,900	32,064,389
Overdrafts	46,279,788	55,816,561	63,641,338
Total foreign loans	<u>1,328,126,129</u>	<u>1,406,855,191</u>	<u>1,326,842,368</u>
Total	<u>12,040,008,852</u>	<u>11,952,384,674</u>	<u>11,612,336,358</u>

The movement of the allowance for loan losses is summarized as follows:

	March 31, 2019			
	12-month ECL	Lifetime ECL No credit- impaired	Lifetime ECL credit - impaired	Total
Balance at beginning of period	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-months ECL	7,818,631	(5,837,906)	(1,980,725)	0
Transferred to lifetime ECL not credit-impaired	(2,402,988)	3,691,929	(1,288,941)	0
Transferred to lifetime ECL credit-impaired	(1,164,358)	(5,820,629)	6,984,987	0
Net remeasurement of portfolio	(5,592,076)	10,264,223	14,906,851	19,578,998
New Loans	5,628,018	514,567	2,211,885	8,354,470
Loans paid down	(3,878,509)	(1,499,574)	(10,562,785)	(15,940,868)
Recovery of loans charged-off	0	0	5,516,611	5,516,611
Loans charged-off	0	0	(11,944,219)	(11,944,219)
Balance at the end of period	<u>87,018,267</u>	<u>25,857,398</u>	<u>51,220,601</u>	<u>164,096,266</u>

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Notes to the Condensed Consolidated Interim Financial Information

(6) Loans, continued

	<u>December 31, 2018</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL No credit- Impaired</u>	<u>Lifetime ECL credit - Impaired</u>	<u>Total</u>
Balance at beginning of year IAS 39				144,832,305
Changes due to adoption of IFRS 9	<u>0</u>	<u>0</u>	<u>0</u>	<u>412,548</u>
Balance at beginning of year IFRS 9	79,103,845	25,839,115	40,301,893	145,244,853
Transferred to 12-months ECL	9,658,365	(7,503,785)	(2,154,580)	0
Transferred to lifetime ECL not credit-impaired	(1,702,386)	3,382,563	(1,680,177)	0
Transferred to lifetime ECL credit-impaired	(1,247,049)	(2,030,918)	3,277,967	0
Net remeasurement of portfolio	(5,909,866)	8,385,170	46,385,775	48,861,079
New Loans	19,810,458	3,110,543	6,128,641	29,049,642
Loans paid down	(13,103,818)	(6,637,900)	(16,185,556)	(35,927,274)
Recovery of loans charged-off	0	0	23,052,680	23,052,680
Loans charged-off	<u>0</u>	<u>0</u>	<u>(51,749,706)</u>	<u>(51,749,706)</u>
Balance at the end of year	<u>86,609,549</u>	<u>24,544,788</u>	<u>47,376,937</u>	<u>158,531,274</u>

	<u>March 31, 2018</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL No credit- Impaired</u>	<u>Lifetime ECL credit - Impaired</u>	<u>Total</u>
Balance at beginning of period IAS 39				144,832,305
Changes due to adoption of IFRS 9	<u>0</u>	<u>0</u>	<u>0</u>	<u>412,548</u>
Balance at beginning of period IFRS 9	79,103,845	25,839,115	40,301,893	145,244,853
Transferred to 12-months ECL	6,350,551	(5,147,110)	(1,203,441)	0
Transferred to lifetime ECL not credit-impaired	(2,512,812)	4,439,872	(1,927,060)	0
Transferred to lifetime ECL credit-impaired	(1,218,022)	(5,270,015)	6,488,037	0
Net remeasurement of portfolio	(1,588,044)	8,397,870	2,301,850	9,111,676
New Loans	5,523,193	638,745	2,324,902	8,486,840
Loans paid down	(3,299,914)	(701,345)	(1,957,206)	(5,958,465)
Recovery of loans charged-off	0	0	4,461,078	4,461,078
Loans charged-off	<u>0</u>	<u>0</u>	<u>(12,048,633)</u>	<u>(12,048,633)</u>
Balance at the end of period	<u>82,358,797</u>	<u>28,197,132</u>	<u>38,741,420</u>	<u>149,297,349</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

March 31, 2019						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of period	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	0	0	2,548,282	2,490,955	422,356	5,461,593
Sales and disposals	0	0	0	390,321	0	390,321
At end of period	<u>32,147,489</u>	<u>135,326,696</u>	<u>115,774,513</u>	<u>106,274,456</u>	<u>39,167,444</u>	<u>428,690,598</u>
Accumulated depreciation and amortization:						
At beginning of period	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the period	0	899,044	2,598,562	2,431,468	497,404	6,426,478
Sales and disposals	0	0	0	388,069	0	388,069
At end of period	<u>0</u>	<u>30,994,049</u>	<u>67,536,579</u>	<u>68,019,252</u>	<u>28,702,932</u>	<u>195,252,812</u>
Net balance	<u>32,147,489</u>	<u>104,332,647</u>	<u>48,237,934</u>	<u>38,255,204</u>	<u>10,464,512</u>	<u>233,437,786</u>
December 31, 2018						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of year	32,076,810	130,415,437	87,218,844	115,290,423	36,573,777	401,575,291
Additions	220,679	4,911,259	26,009,959	2,367,990	2,832,978	36,342,865
Sales and disposals	<u>150,000</u>	<u>0</u>	<u>2,572</u>	<u>13,484,591</u>	<u>661,667</u>	<u>14,298,830</u>
At end of year	<u>32,147,489</u>	<u>135,326,696</u>	<u>113,226,231</u>	<u>104,173,822</u>	<u>38,745,088</u>	<u>423,619,326</u>
Accumulated depreciation and amortization:						
At beginning of year	0	26,510,195	56,121,288	68,748,375	26,995,281	178,375,139
Expense of the year	0	3,584,810	8,819,301	10,707,753	1,871,914	24,983,778
Sales and disposals	<u>0</u>	<u>0</u>	<u>2,572</u>	<u>13,480,275</u>	<u>661,667</u>	<u>14,144,514</u>
At end of year	<u>0</u>	<u>30,095,005</u>	<u>64,938,017</u>	<u>65,975,853</u>	<u>28,205,528</u>	<u>189,214,403</u>
Net balance	<u>32,147,489</u>	<u>105,231,691</u>	<u>48,288,214</u>	<u>38,197,969</u>	<u>10,539,560</u>	<u>234,404,923</u>
March 31, 2018						
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of period	32,076,810	130,415,437	87,218,844	115,290,423	36,573,777	401,575,291
Additions	0	1,145,760	3,941,440	681,992	517,341	6,286,533
Sales and disposals	<u>0</u>	<u>0</u>	<u>539</u>	<u>789,274</u>	<u>0</u>	<u>789,813</u>
At end of period	<u>32,076,810</u>	<u>131,561,197</u>	<u>91,159,745</u>	<u>115,183,141</u>	<u>37,091,118</u>	<u>407,072,011</u>
Accumulated depreciation and amortization:						
At beginning of period	0	26,510,195	56,121,288	68,748,375	26,995,281	178,375,139
Expense of the period	0	886,703	1,875,220	2,609,007	453,374	5,824,304
Sales and disposal	<u>0</u>	<u>0</u>	<u>539</u>	<u>789,267</u>	<u>0</u>	<u>789,806</u>
At end of period	<u>0</u>	<u>27,396,898</u>	<u>57,995,969</u>	<u>70,568,115</u>	<u>27,448,655</u>	<u>183,409,637</u>
Net balance	<u>32,076,810</u>	<u>104,164,299</u>	<u>33,163,776</u>	<u>44,615,026</u>	<u>9,642,463</u>	<u>223,662,374</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(8) Goodwill and Intangible Assets, net**

The following table summarizes the goodwill generated from the acquisition of the following entities:

<u>Company</u>	<u>Date of acquisition</u>	<u>Equity</u>	<u>% Acquisition</u>	<u>Balance</u>
Banco General, S. A.	March 2004	ProFuturo-Administradora de Fondos de Pensiones y Cesantías, S. A.	17%	679,018
Banco General, S. A.	March 2005	BankBoston, N.A. – Panama (banking operations)	100%	12,056,144
ProFuturo - Administradora de Fondos de Pensiones y Cesantías, S. A.	March 2005	Purchase of trust fund	100%	861,615
Banco General, S. A.	March 2007	Banco Continental de Panama, S. A. and subsidiaries (banking and fiduciary activities)	100%	27,494,722
Vale General, S.A.	July 2018	Pases Alimenticios, S. A. (administration and marketing of food vouchers)	100%	730,742
Total				<u>41,822,241</u>

On July 31, 2018, Finanzas Generales, S.A., through its subsidiary Vale General, S.A., acquired all shares of company Pases Alimenticios, S.A.

The fair value of the assets and liabilities acquired in this transaction are detailed as follows:

Cash and deposits in bank	372,785
Account receivable, net	132,810
Other assets	9,516
Other liabilities	<u>(495,853)</u>
Total net assets acquired	19,258
Consideration effectively transferred	<u>(750,000)</u>
Goodwill	<u>(730,742)</u>

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

	<u>March 31, 2019</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of period	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at beginning of period	0	29,445,612	29,445,612
Expense of the period	<u>0</u>	<u>654,347</u>	<u>654,347</u>
Balance at the end of period	<u>0</u>	<u>30,099,959</u>	<u>30,099,959</u>
Net balance at the end of period	<u>41,822,241</u>	<u>17,362,125</u>	<u>59,184,366</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(8) Goodwill and Intangible Assets, net, continued**

	<u>December 31, 2018</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of year	41,091,499	47,462,084	88,553,583
Addition by acquisition	<u>730,742</u>	<u>0</u>	<u>730,742</u>
Net balance at the end of year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at beginning of year	0	26,828,225	26,828,225
Expense of the year	<u>0</u>	<u>2,617,387</u>	<u>2,617,387</u>
Balance at the end of year	<u>0</u>	<u>29,445,612</u>	<u>29,445,612</u>
Net balance at the end of year	<u>41,822,241</u>	<u>18,016,472</u>	<u>59,838,713</u>
	<u>March 31, 2018</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of period	41,091,499	47,462,084	88,553,583
Accumulated amortization:			
Balance at beginning of period	0	26,828,225	26,828,225
Expense of the period	<u>0</u>	<u>654,347</u>	<u>654,347</u>
Balance at the end of period	<u>0</u>	<u>27,482,572</u>	<u>27,482,572</u>
Net balance at the end of period	<u>41,091,499</u>	<u>19,979,512</u>	<u>61,071,011</u>

It is the Bank's policy to conduct an impairment test on an annual basis or when there is evidence of impairment. As of March 31, 2019, no evaluation was necessary.

(9) Other Financial Liabilities at Fair Value

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

	<u>Level</u>	<u>March 31 2019</u>	<u>December 31 2018</u>	<u>March 31 2018</u>
"Mortgage Backed Securities" (MBS)	2	95,307,592	127,004,276	96,897,089
Bonds issued by the US Government	1	<u>1,142,878</u>	<u>0</u>	<u>15,038,344</u>
Total		<u>96,450,470</u>	<u>127,004,276</u>	<u>111,935,433</u>

See the description of the Levels in Note 17.

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(10) Borrowings and Debt Securities Issued, net**

The Bank issued bonds payable and other borrowings, as follows:

	March 31 2019	December 31 2018	March 31 2018
Corporate bonds with maturities in 2018, at an annual interest rate of 1.625%, issued in CHF 180MM	0	0	188,087,774
Corporate bonds with maturities in 2018, at an annual interest rate of 2.50%	0	0	5,200,000
Corporate bonds with maturities in 2019, at an annual interest rate of 2.75%	25,000,000	25,000,000	25,000,000
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	550,000,000	550,000,000	550,000,000
Borrowings with maturity in 2018, at interest rates of 3 and 6 month Libor plus a margin	0	0	219,238,863
Borrowings with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	144,868,829	217,015,548	261,890,625
Borrowings with maturity in 2020, at interest rates of 6 month Libor plus a margin	1,405,586,840	1,406,725,729	907,555,556
Borrowings with maturity in 2021, at interest rates of 6 month Libor plus a margin	75,703,125	75,703,125	0
Borrowings with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	284,615,385	290,384,615	96,153,846
Borrowings with maturity in 2023, at interest rates of 3 month Libor plus a margin	44,736,843	47,368,422	50,000,000
Borrowings under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	3,400,454	3,603,252	3,799,051
Notes with maturities in 2024, at a fixed interest rate	200,000,000	200,000,000	200,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Subtotal borrowings and debt securities issued	2,811,666,476	2,893,305,691	2,584,680,715
Less: Accumulated revaluations of borrowings and debt securities issued under hedge accounting	<u>1,614,869</u>	<u>(6,777,349)</u>	<u>0</u>
Total borrowings and debt securities issued, net	<u>2,813,281,345</u>	<u>2,886,528,342</u>	<u>2,584,680,715</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(10) Borrowing and Debt Securities Issued, continued**

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

	March 31 2019	December 31 2018	March 31 2018
Balance at beginning of period	2,886,528,342	2,661,365,208	2,661,365,208
News borrowings and debt securities issued	3,961,858	801,199,610	4,000,000
Redemption of debt securities issued and cancellation of borrowings	(85,601,073)	(565,126,868)	(84,062,159)
Product of currency exchange fluctuations	0	(4,132,259)	3,377,666
Revaluations of borrowings and debt securities issued under hedge accounting during the period	8,392,218	(6,777,349)	0
Balance at end of period	<u>2,813,281,345</u>	<u>2,886,528,342</u>	<u>2,584,680,715</u>

(11) Liabilities from Insurance Operations

Liabilities from insurance operations amounted to B/.18,080,734 (December 31, 2018: B/.17,648,645) and (March 31, 2018 B/. 17,596,964) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves for insurance operations is summarized as follows:

	March 31 2019	December 31 2018	March 31 2018
Unearned Premiums			
Balance at beginning of period	19,652,339	19,043,645	19,043,645
Issued premiums	9,565,680	37,731,101	9,479,939
Earned premiums	<u>(9,630,386)</u>	<u>(37,122,407)</u>	<u>(9,263,877)</u>
Balance at end of period	19,587,633	19,652,339	19,259,707
Reinsurers participation	<u>(4,185,691)</u>	<u>(4,473,403)</u>	<u>(4,151,552)</u>
Unearned premiums, net	<u>15,401,942</u>	<u>15,178,936</u>	<u>15,108,155</u>
Insurance Claims Incurred, Estimated			
Balance at beginning of period	3,156,224	2,530,640	2,530,640
Incurred claims	1,825,739	6,883,588	1,639,909
Paid claims	<u>(1,640,131)</u>	<u>(6,258,004)</u>	<u>(1,384,970)</u>
Balance at end of period	3,341,832	3,156,224	2,785,579
Reinsurer participation	<u>(663,040)</u>	<u>(686,515)</u>	<u>(296,770)</u>
Insurance claims incurred, net estimated	<u>2,678,792</u>	<u>2,469,709</u>	<u>2,488,809</u>
Total liabilities from insurance operations	<u>18,080,734</u>	<u>17,648,645</u>	<u>17,596,964</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(12) Segment Information**

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

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

Various financial services, mainly corporate, mortgage and consumer banking, financial leases, administration of trusts, administration and marketing of pretax food and health related contributions and securities brokerage

Insurance and Reinsurance

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

Pension and Retirement Fund Management

Administration of pension and retirement, severance and investment funds

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

	<u>Banking and financial activities</u>	<u>Insurance and reinsurance</u>	<u>March 31, 2019 Pension and retirement fund management</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	264,108,408	1,669,686	263,702	979,487	265,062,309
Interest and provision expenses	110,954,876	(2,902)	0	979,487	109,972,487
Other income, net	37,694,861	6,518,845	3,347,101	3,031	47,557,776
General and administrative expenses	66,187,205	666,179	1,298,810	3,031	68,149,163
Depreciation and amortization expense	6,300,128	56,876	64,474	0	6,426,478
Equity participation in associates	<u>2,692,163</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,692,163</u>
Net income before income tax	121,053,223	7,468,378	2,242,519	0	130,764,120
Net Income tax	<u>12,355,033</u>	<u>1,317,363</u>	<u>509,052</u>	<u>0</u>	<u>14,181,448</u>
Net income	<u>108,698,190</u>	<u>6,151,015</u>	<u>1,733,467</u>	<u>0</u>	<u>116,582,672</u>
Total assets	<u>18,430,912,146</u>	<u>261,499,611</u>	<u>34,919,878</u>	<u>169,124,068</u>	<u>18,558,207,567</u>
Total liabilities	<u>16,352,945,096</u>	<u>61,478,762</u>	<u>3,063,163</u>	<u>149,718,006</u>	<u>16,267,769,015</u>

	<u>Banking and financial activities</u>	<u>Insurance and reinsurance</u>	<u>March 31, 2018 Pension and retirement fund management</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	236,870,447	1,357,856	215,246	678,127	237,765,422
Interest and provision expenses	94,414,896	(2,604)	0	678,127	93,734,165
Other income, net	31,236,125	5,771,427	3,050,804	2,939	40,055,417
General and administrative expenses	64,327,830	697,584	1,262,415	2,939	66,284,890
Depreciation and amortization expense	5,702,994	57,147	64,163	0	5,824,304
Equity participation in associates	<u>2,300,486</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,300,486</u>
Net income before income tax	105,961,338	6,377,156	1,939,472	0	114,277,966
Net Income tax	<u>11,863,625</u>	<u>852,666</u>	<u>435,606</u>	<u>0</u>	<u>13,151,897</u>
Net income	<u>94,097,713</u>	<u>5,524,490</u>	<u>1,503,866</u>	<u>0</u>	<u>101,126,069</u>
Total assets	<u>17,561,385,031</u>	<u>235,331,795</u>	<u>28,980,969</u>	<u>148,786,827</u>	<u>17,676,910,968</u>
Total liabilities	<u>15,670,343,681</u>	<u>52,806,338</u>	<u>1,325,873</u>	<u>129,380,765</u>	<u>15,595,095,127</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(12) Segment Information, continued**

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

	March 31, 2019			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>252,923,442</u>	<u>31,679,944</u>	<u>30,708,862</u>	<u>315,312,248</u>
Non financial assets	<u>287,917,010</u>	<u>4,705,142</u>	<u>0</u>	<u>292,622,152</u>

	March 31, 2018			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>246,538,704</u>	<u>17,276,594</u>	<u>16,306,027</u>	<u>280,121,325</u>
Non financial assets	<u>279,358,815</u>	<u>5,374,570</u>	<u>0</u>	<u>284,733,385</u>

(13) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares without par value (December 31, 2018: 10,000,000 common shares); of which there are 9,787,108 common shares issued and outstanding (December 31, 2018: 9,787,108 common shares).

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

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

	March 31, 2019				
	Reserves				
	Dynamic	Foreclosed Assets	Legal	Insurance	Total
Banco General, S. A.	133,877,476	806,284	0	0	134,683,760
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	29,618,901	29,618,901
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>1,085,957</u>	<u>0</u>	<u>6,037,807</u>
Total	<u>151,119,434</u>	<u>806,284</u>	<u>1,085,957</u>	<u>29,618,901</u>	<u>182,630,576</u>

	December 31, 2018				
	Reserves				
	Dynamic	Foreclosed Assets	Legal	Insurance	Total
Banco General, S. A.	133,877,476	757,386	0	0	134,634,862
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	29,135,566	29,135,566
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>1,085,957</u>	<u>0</u>	<u>6,037,807</u>
Total	<u>151,119,434</u>	<u>757,386</u>	<u>1,085,957</u>	<u>29,135,566</u>	<u>182,098,343</u>
Transfer from retained earnings of period	<u>0</u>	<u>48,898</u>	<u>0</u>	<u>483,303</u>	<u>532,233</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(13) Equity, continued

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

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

(14) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.511,921 (2018: B/.339,267). This plan will be in effect up to the year 2026.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended March 31, 2019 and 2018.

Retirement Plan

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

The contributions to the retirement plan were B/.25,000 (2018: B/.33,642) and the disbursements to former employees who are covered under the retirement plan amounted to B/.43,866 (2018: B/.44,506).

(15) Income Tax

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

In accordance with current tax regulations, companies incorporated in Panama are exempt from income taxes on the following: profits derived from foreign operations, interest earned on deposits with local banks, securities issued by the Government of Panama, securities listed with the Superintendence of the Securities Markets and the Panama stock exchange and, lastly, securities and loans to the Panamanian government and its autonomous and semi-autonomous institutions.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(15) Income Tax, continued**

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

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

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

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

Income tax, net is detailed as follows:

	<u>March 31</u>	<u>2018</u>
	<u>2019</u>	
Estimated income tax	15,809,750	14,231,069
Prior year income tax adjustments	4,316	35,475
Deferred income tax	<u>(1,632,618)</u>	<u>(1,114,647)</u>
	<u>14,181,448</u>	<u>13,151,897</u>

(16) Derivative Financial Instruments

Summary of derivative contracts is as follow:

	<u>Over the Counter (OTC)</u>							
	<u>Total</u>		<u>Exchange-Traded</u>		<u>Liquidated in a securities exchange</u>		<u>Other bilateral counterparts</u>	
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</u>
<u>March 2019</u>								
Derivative assets	680,140,336	5,042,972	145,757,320	0	337,201,852	2,925,066	197,181,164	2,117,906
Derivative liabilities	897,997,678	12,624,037	90,091,230	0	554,656,729	10,679,297	253,249,719	1,944,740
<u>December 2018</u>								
Derivative assets	559,903,150	4,664,866	144,575,494	0	202,375,840	3,347,904	212,951,816	1,316,962
Derivative liabilities	1,429,091,296	17,142,352	56,400,000	0	758,432,473	13,207,837	614,258,823	3,934,515
<u>March 2018</u>								
Derivative assets	932,907,308	5,598,729	388,100,000	0	183,135,160	3,069,095	361,672,148	2,529,634
Derivative liabilities	1,373,208,419	37,542,953	373,100,000	0	437,671,637	10,953,163	562,436,782	26,589,790

The Bank held cash and cash equivalents as collateral in institutions that maintain risk ratings between AA- and BBB +, which support derivative operations in the amount of B/.19.4MM (December 31, 2018: B/.21.4 MM) and (March 31, 2018: B/.41.2 MM).

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Derivative Financial Instruments, continued

The following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	975,717	1,672,138	914,521	3,031,648	1,117,473	972,120
Interest rate	560,087	2,369,994	2,361,220	2,777,732	975,700	1,086,425
Foreign exchange	1,801,698	842,443	482,971	816,641	2,012,665	1,143,076
Others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,351</u>
Total	<u>3,337,502</u>	<u>4,884,575</u>	<u>3,758,712</u>	<u>6,626,021</u>	<u>3,758,712</u>	<u>6,626,021</u>

Hedge Derivatives at Fair Value:

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Hedge derivatives for risk management:						
Interest rate	1,705,470	7,739,462	906,154	10,516,331	1,492,891	10,098,658
Foreign exchange	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,233,323</u>
Total	<u>1,705,470</u>	<u>7,739,462</u>	<u>906,154</u>	<u>10,516,331</u>	<u>1,492,891</u>	<u>34,331,981</u>

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

<u>Risk Category</u>	<u>March 31, 2019</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					4.20%

<u>Risk Category</u>	<u>December 31, 2018</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					4.08%

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>March 31, 2018</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>Maturity From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	7,250,000	70,000,000
Average interest rate				7.06%	1.83%
Hedging of Bonds and Borrowings					
Notional Value	0	0	0	0	350,000,000
Average interest rate					3.29%
Exchange Rate Risk					
Hedging of Bonds					
Notional Value	0	213,598,444	0	0	0
Average interest rate		0.9505			

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 condensed Consolidated statement of financial position that include 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>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	82,250,000	14,542	2,865,813	Other assets (liabilities)	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>1,660,152</u>	<u>245,181</u>	Other liabilities	0	0
Total interest rate risk	432,250,000	1,674,694	3,110,994			
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include 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>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	82,250,000	733,434	1,502,543	Other assets (liabilities)	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>0</u>	<u>6,977,248</u>	Other liabilities	0	0
Total interest rate risk	432,250,000	733,434	8,479,791			

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Derivative Financial Instruments, continued

		<u>Book Value</u>		<u>March 31, 2018</u> Item in the condensed Consolidated statement of financial position that include <u>hedge instruments</u>	Change in fair value used for calculating hedge <u>ineffectiveness</u>	Ineffectiveness recognized in <u>profit or loss</u>
	<u>Notional Value</u>	<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	77,250,000	1,268,098	0	Other assets (liabilities)	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>224,793</u>	<u>10,098,658</u>	Other liabilities	0	0
Total interest rate risk	427,250,000	1,492,891	10,098,658			
Exchange rate risk:						
Forward – Borrowings Hedged	<u>213,598,444</u>	<u>0</u>	<u>24,233,323</u>	Other liabilities	0	0
Total exchange rate risk	<u>213,598,444</u>	<u>0</u>	<u>24,233,323</u>			
Total	<u>640,848,444</u>	<u>1,492,891</u>	<u>34,331,981</u>			

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

<u>March 31, 2019</u>							
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>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 <u>hedging gains</u> and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	88,771,967		2,763,876	15,197	Investment securities FVOCI	0	0
Bonds and notes		<u>350,000,000</u>	<u>45,283</u>	<u>1,660,152</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>
<u>December 31, 2018</u>							
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>	<u>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 <u>hedging gains</u> and losses</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>			
Bonds	85,831,655		1,502,543	836,027	Investment securities FVOCI	0	0
Bonds and notes		<u>350,000,000</u>	<u>6,777,350</u>	<u>0</u>	Borrowing and debt securities issued	<u>0</u>	<u>0</u>

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Notes to the Condensed Consolidated Interim Financial Information

(16) Derivative Financial Instruments, continued

<u>March 31, 2018</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		<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 <u>hedging gains and losses</u></u>
Bonds	85,831,655		1,502,543	836,027	Investment securities FVOCI	0
Bonds and notes		350,000,000	6,777,350	0	Borrowing and debt securities issued	0

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

<u>March 31, 2019</u>					
<u>Risk Category</u>	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.73%	

<u>December 31, 2018</u>					
<u>Risk Category</u>	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.78%	

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

<u>March 31, 2019</u>						
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include 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>			
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	4,628,468	Other liabilities	0	0
<u>December 31, 2019</u>						
	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include 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>			
Interest rate risk:						
Derivatives of interest rate – Borrowings Hedge	250,000,000	0	2,036,539	Other liabilities	0	0

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(16) Derivative Financial Instruments, continued**

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

		<u>March 31, 2019</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>					
Other derivatives:					
Credit	0	975,717	0	975,717	
Interest rate	0	560,087	0	560,087	
Foreign exchange	0	1,801,698	0	1,801,698	
Total	0	3,337,502	0	3,337,502	
Hedge Derivatives for risk management:					
Interest rate	0	1,705,470	0	1,705,470	
Total	0	1,705,470	0	1,705,470	
Total Derivatives assets	0	5,042,972	0	5,042,972	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,672,138	0	1,672,138	
Interest rate	73,312	2,296,682	0	2,369,994	
Foreign exchange	0	842,443	0	842,443	
Total	73,312	4,811,263	0	4,884,575	
Hedge Derivates for risk management:					
Interest rate	0	7,739,462	0	7,739,462	
Total	0	7,739,462	0	7,739,462	
Total Derivates liabilities	73,312	12,550,725	0	12,624,037	

		<u>December 31, 2018</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>					
Other derivatives:					
Credit	0	914,521	0	914,521	
Interest rate	0	2,361,220	0	2,361,220	
Foreign exchange	0	482,971	0	482,971	
Total	0	3,758,712	0	3,758,712	
Hedge Derivatives for risk management:					
Interest rate	0	906,154	0	906,154	
Total	0	906,154	0	906,154	
Total Derivatives assets	0	4,664,866	0	4,664,866	
<u>Liabilities</u>					
Other derivatives:					
Credit	0	3,031,648	0	3,031,648	
Interest rate	27,547	2,750,185	0	2,777,732	
Foreign exchange	0	816,641	0	816,641	
Total	27,547	6,598,474	0	6,626,021	
Hedge Derivates for risk management:					
Interest rate	0	10,516,331	0	10,516,331	
Total	0	10,516,331	0	10,516,331	
Total Derivates liabilities	27,547	17,114,805	0	17,142,352	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments**

	March 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	1,117,473	0	1,117,473
Interest rate	0	975,700	0	975,700
Foreign exchange	0	2,012,665	0	2,012,665
Total	0	4,105,838	0	4,105,838
Hedge Derivatives for risk management:				
Interest rate	0	1,492,891	0	1,492,891
Total	0	1,492,891	0	1,492,891
Total Derivatives Assets	0	5,598,729	0	5,598,729
<u>Liabilities</u>				
Other derivatives:				
Credit	0	972,120	0	972,120
Interest rate	0	1,086,425	0	1,086,425
Foreign exchange	0	1,143,076	0	1,143,076
Other	0	9,351	0	9,351
Total	0	3,210,972	0	3,210,972
Hedge Derivates for risk management:				
Interest rate	0	10,098,658	0	10,098,658
Foreign exchange	0	24,233,323	0	24,233,323
Total	0	34,331,981	0	34,331,981
Total Derivates Liabilities	0	37,542,953	0	37,542,953

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(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(17) Fair Value of Financial Instruments

The Bank has in place a documented procedure to determine fair value and the responsibilities of the areas involved in this process. This process 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 department of Operations and validated by the area of Management and Control of the Treasury and 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 area of Management and Control of the Treasury department 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 value of financial assets and financial liabilities at their valuation date. The three levels are defined as follows:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets accessible to the Bank, for identical instruments.

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 inputs 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 inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category 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 on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The relevance of a variable should be evaluated with respect to the entire fair value measurement.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments, continued****Fair Value Measurement of Securities and Other Financial Assets at FVTPL**

	March 31	Level 1	Level 2	Level 3
	2019			
Local Commercial Paper	251,882	0	0	251,882
Local Corporate Bonds and Fixed Income Funds	53,237,735	0	0	53,237,735
Bonds issued by the Republic of Panama	1,823,777	0	1,823,777	0
Local Corporate Shares	50,940,558	4,004	0	50,936,554
Foreign Treasury Bills	249,886	249,886	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	302,958,213	0	302,958,213	0
Asset Backed Securities (ABS)	8,316,798	0	8,316,798	0
Foreign Corporate Bonds and Fixed Income Funds	325,688,776	0	225,620,852	100,067,924
Foreign Corporate Shares and Variable Income Mutual Funds	73,257	0	3,615	69,642
Total	743,540,882	253,890	538,723,255	204,563,737

	December 31	Level 1	Level 2	Level 3
	2018			
Local Commercial Paper	250,000	0	0	250,000
Local Corporate Bonds and Fixed Income Funds	53,285,932	0	0	53,285,932
Bonds issued by the Republic of Panama	2,361,471	0	2,361,471	0
Local Corporate Shares	54,240,959	3,477	0	54,237,482
Foreign Treasury Bills	249,682	249,682	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	324,156,608	0	324,156,608	0
Asset Backed Securities (ABS)	7,489,044	0	7,489,044	0
Foreign Fixed Income Funds	340,074,338	0	241,801,861	98,272,477
Foreign Corporate Shares and Variable Income Mutual Funds	83,161	0	13,519	69,642
Total	782,191,195	253,159	575,822,503	206,115,533

	March 31	Level 1	Level 2	Level 3
	2018			
Local Corporate Bonds and Fixed Income Funds	53,327,056	0	0	53,327,056
Bonds issued by the Republic of Panama	2,902,238	0	2,902,238	0
Local Corporate Shares	52,271,295	5,616	0	52,265,679
Foreign Commercial Paper, Treasury Bills and Mutual Funds	245,825	245,825	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	279,232,133	0	279,232,133	0
Asset Backed Securities (ABS)	9,519,656	0	9,519,656	0
Foreign Fixed Income Funds	339,104,905	0	247,858,397	91,246,508
Foreign Variable Income Mutual Funds	96,954	0	21,877	75,077
Total	736,700,062	251,441	539,534,301	196,914,320

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments, continued****Fair Value Measurement of Securities and Other Financial Assets FVOCI**

	<u>March 31</u>			
	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	7,832,814	0	0	7,832,814
Local Corporate Bonds	1,062,690,764	0	164,126,672	898,564,092
Bonds issued by the Republic of Panama	249,427,744	0	249,427,744	0
Bonds issued by US Government	47,922,144	47,922,144	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	359,290,717	116,890,845	236,744,003	5,655,869
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,357,843,520	0	1,357,093,510	750,010
Asset Backed Securities (ABS)	114,644,946	0	114,644,946	0
Foreign Corporate Bonds	964,314,819	198,889	964,115,930	0
Bonds issued by Other Governments	43,907,837	11,714,950	32,192,887	0
Total	<u>4,207,875,305</u>	<u>176,726,828</u>	<u>3,118,345,692</u>	<u>912,802,785</u>

	<u>December 31</u>			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	9,149,074	0	0	9,149,074
Local Corporate Bonds	1,013,248,627	0	153,437,011	859,811,616
Bonds issued by the Republic of Panama	197,174,372	0	197,174,372	0
Bonds issued by US Government	56,748,859	56,748,859	0	0
Foreign Commercial Paper and Treasury Bills	610,837,417	241,052,103	369,785,314	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,378,068,871	0	1,377,302,241	766,630
Asset Backed Securities (ABS)	86,020,812	0	86,020,812	0
Foreign Corporate Bonds	969,737,294	0	969,737,294	0
Bonds issued by Other Governments	73,874,655	11,585,500	62,289,155	0
Total	<u>4,394,859,981</u>	<u>309,386,462</u>	<u>3,215,746,199</u>	<u>869,727,320</u>

	<u>March 31</u>			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	5,725,497	0	0	5,725,497
Local Corporate Bonds and Fixed Income Funds	990,862,906	0	130,162,142	860,700,764
Other local securities	49,540,713	0	0	49,540,713
Bonds issued by the Republic of Panama	182,925,272	0	182,925,272	0
Bonds issued by the US Government and Agencies	38,763,938	38,763,938	0	0
Foreign Commercial Paper and Treasury Bills	228,945,273	71,117,925	157,827,348	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,335,249,711	0	1,334,453,783	795,928
Asset Backed Securities (ABS)	97,802,997	0	97,802,997	0
Foreign Corporate Bonds and Fixed Income Funds	768,499,157	0	768,499,157	0
Bonds issued by Other Governments	53,597,176	0	39,913,112	13,684,064
Total	<u>3,751,912,640</u>	<u>109,881,863</u>	<u>2,711,583,811</u>	<u>930,446,966</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments, continued**

<u>Changes in the Fair Value Measurement of the Level 3 hierarchy</u>			
	<u>Investment Securities and Other Financial Assets</u>		
	<u>Fair Value through Profit or Loss</u>	<u>Fair Value OCI</u>	<u>Total</u>
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(2,979,074)	0	(2,979,074)
Gain recognized in equity	0	12,182,542	12,182,542
Purchases	7,879,582	68,692,171	76,571,753
Amortization, sales and redemptions	(6,452,304)	(37,799,248)	(44,251,552)
March 31, 2019	<u>204,563,737</u>	<u>912,802,785</u>	<u>1,117,366,522</u>
Total gains (loss) related to instruments held at March 31, 2019	<u>(3,018,505)</u>	<u>12,181,478</u>	<u>9,162,973</u>
December 31, 2017	193,746,653	947,373,425	1,141,120,078
Changes due to adoption of IFRS 9	518,820	16,303,767	16,822,587
January 1, 2018	194,265,473	963,677,192	1,157,942,665
Gain recognized in income	636,551	34,092	670,643
Loss recognized in equity	0	(10,696,936)	(10,696,936)
Transfer from level 3	0	(13,629,063)	(13,629,063)
Purchases	59,790,867	163,475,966	223,266,833
Amortization, sales and redemptions	(48,577,358)	(233,133,931)	(281,711,289)
December 31, 2018	<u>206,115,533</u>	<u>869,727,320</u>	<u>1,075,842,853</u>
Total (loss) gains related to instruments held at December 31, 2018	<u>724,086</u>	<u>(10,472,103)</u>	<u>(9,748,017)</u>
December 31, 2017	193,746,653	947,373,425	1,141,120,078
Changes due to adoption of IFRS 9	518,820	16,303,767	16,822,587
January 1, 2018	194,265,473	963,677,192	1,157,942,665
Gain recognized in income	2,015,437	0	2,015,437
Loss recognized in equity	0	(4,491,263)	(4,491,263)
Purchases	7,338,491	1,300,208	8,638,699
Amortization, sales and redemptions	(6,705,081)	(30,039,171)	(36,744,252)
March 31, 2018	<u>196,914,320</u>	<u>930,446,966</u>	<u>1,127,361,286</u>
Total (loss) gains related to instruments held at March 31, 2018	<u>1,999,152</u>	<u>(4,472,367)</u>	<u>(2,473,215)</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(17) Fair Value of Financial Instruments, continued

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting year in which the change has occurred.

During 2018, because of changes in the source of fair value prices of bonds for other Governments insignificant transfers were made from the level 3 to the category level 1 in FVOCI.

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

Type of financial instruments	Valuation technique	Significant unobservable input	Range of estimates for unobservable input			Fair value measurement sensitivity to unobservable inputs
			March 31 2019	December 31 2018	March 31 2018	
Corporate Shares	Dividend discount model and	Equity risk premium	Min 5.80% Max 11.16%	Min 5.80% Max 11.16%	Min 5.51% Max 9.86%	If equity risk premiums increase the price decreases and vice versa
	Dividend model free cash flow model (DCF)	Growth rate of assets, liabilities, equity, profits and dividends	Min (36.95%) Max 16.51%	Min (36.95%) Max 16.51%	Min (20.50%) Max 29.32%	If the growth rate increases the price increases and vice versa
Fixed Income	Discounted cash flows model	Credit spreads	Min 0.74% Max 7.19% Ave 2.13%	Min 0.55% Max 8.31% Ave 2.92%	Min 0.37% Max 5.09% Ave 2.76%	If the credit spreads increase the price decreases and vice versa

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

Instrument	Valuation technique	Inputs	Level
Local Fixed Income	Quoted prices in active markets	Observable quoted prices	2-3
	Discounted cash flows model	Benchmark interest rate Liquidity risk premiums Credit spreads	
Local Shares	Quoted prices in active markets	Quoted prices in active markets	1-3
	Dividend discount model Discount free cash flows model, which are compared with the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
	Carrying amount model	Equity Common shares issued and outstanding	
Foreign Fixed Income	Quoted prices in active markets	Quoted prices in active markets	1-2
	Quoted prices in active markets for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(17) Fair Value of Financial Instruments, continued

<u>Instrument</u>	<u>Valuation technique</u>	<u>Inputs</u>	<u>Level</u>
Agency MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speed Market analysis	2 - 3
Private MBS / CMOs and ABS	Discounted cash flows model	Features of collateral Treasury yield Yield curves Expected cash flow and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
Foreign Shares	Carrying amount model	Carrying amount of the shares of the company	3
Investment vehicles	Net asset value	Net asset value	2 - 3

The Bank considers that its methodologies for valuation of investment securities classified as Level 3 are appropriate; however, the use of different estimates of the unobservable variable could lead to different measurements of fair value. For investment securities classified in Level 3, adjustments in 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 condensed consolidated statement of income and in the consolidated equity, as describe below:

	<u>March 31, 2019</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect on profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	2,099	(2,433)	6,197,153	(6,863,115)
Corporate Shares	<u>4,354,360</u>	<u>(3,668,136)</u>	<u>0</u>	<u>0</u>
Total	<u>4,356,459</u>	<u>(3,670,569)</u>	<u>6,197,153</u>	<u>(6,863,115)</u>

	<u>December 31, 2018</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect on profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	1	(2)	7,448,774	(10,623,861)
Corporate Shares	<u>4,709,374</u>	<u>(3,952,971)</u>	<u>0</u>	<u>0</u>
Total	<u>4,709,375</u>	<u>(3,952,973)</u>	<u>7,448,774</u>	<u>(10,623,861)</u>

	<u>March 31, 2018</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect of profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	0	0	8,764,970	(10,408,443)
Corporate Shares	<u>4,574,415</u>	<u>(3,822,255)</u>	<u>0</u>	<u>0</u>
Total	<u>4,574,415</u>	<u>(3,822,255)</u>	<u>8,764,970</u>	<u>(10,408,443)</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments, continued**

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

(a) Securities and other financial assets

For securities and other financial assets, the fair value measurement is determined using quoted prices in active markets, prices from third party pricing vendors, brokers, custodians, investment management companies and banks. In addition, in some cases the fair value measurement is determined using valuation techniques mainly by discounting cash flows at the appropriate discount rate for that instrument.

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

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

(c) Loans

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

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

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

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

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

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Assets:						
Time deposits	206,215,719	206,189,343	166,721,311	166,404,593	211,213,108	210,891,123
Securities at amortized cost, net	0	0	10,948,692	10,950,000	28,396,592	28,400,000
Loans, net	<u>11,834,273,349</u>	<u>11,811,944,679</u>	<u>11,752,748,950</u>	<u>11,711,853,419</u>	<u>11,424,286,966</u>	<u>11,400,850,795</u>
	<u>12,040,489,068</u>	<u>12,018,134,022</u>	<u>11,930,418,953</u>	<u>11,889,208,012</u>	<u>11,663,896,666</u>	<u>11,640,141,918</u>
Liabilities:						
Deposits	12,110,246,681	12,096,881,017	12,228,307,030	12,210,533,516	11,539,585,603	11,557,273,613
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>3,030,961,345</u>	<u>2,970,713,489</u>	<u>3,104,208,342</u>	<u>3,062,526,236</u>	<u>2,958,631,315</u>	<u>2,929,055,950</u>
	<u>15,141,208,026</u>	<u>15,067,594,506</u>	<u>15,332,515,372</u>	<u>15,273,059,752</u>	<u>14,498,216,918</u>	<u>14,486,329,563</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Fair Value of Financial Instruments, continued**

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

	March 31 2019	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	206,189,343	0	0	206,189,343
Loans, net	<u>11,811,944,679</u>	<u>0</u>	<u>0</u>	<u>11,811,944,679</u>
	<u>12,018,134,022</u>	<u>0</u>	<u>0</u>	<u>12,018,134,022</u>
<u>Liabilities:</u>				
Deposits	12,096,881,017	0	0	12,096,881,017
Borrowings, debt securities in issued and perpetual bonds	<u>2,970,713,489</u>	<u>0</u>	<u>0</u>	<u>2,970,713,489</u>
	<u>15,067,594,506</u>	<u>0</u>	<u>0</u>	<u>15,067,594,506</u>
	December 31 2018	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	166,404,593	0	0	166,404,593
Securities at amortized cost, net	10,950,000	0	10,950,000	0
Loans, net	<u>11,711,853,419</u>	<u>0</u>	<u>0</u>	<u>11,711,853,419</u>
	<u>11,889,208,012</u>	<u>0</u>	<u>10,950,000</u>	<u>11,878,258,012</u>
<u>Liabilities:</u>				
Deposits	12,210,533,516	0	0	12,210,533,516
Borrowings, debt securities in issued and perpetual bonds	<u>3,062,526,236</u>	<u>0</u>	<u>0</u>	<u>3,062,526,236</u>
	<u>15,273,059,752</u>	<u>0</u>	<u>0</u>	<u>15,273,059,752</u>
	March 31 2018	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	210,891,123	0	0	210,891,123
Securities at amortized cost, net	28,400,000	0	28,400,000	0
Loans, net	<u>11,400,850,795</u>	<u>0</u>	<u>0</u>	<u>11,400,850,795</u>
	<u>11,640,141,918</u>	<u>0</u>	<u>28,400,000</u>	<u>11,611,741,918</u>
<u>Liabilities:</u>				
Deposits	11,557,273,613	0	0	11,557,273,613
Securities sold under repurchase agreements, borrowings debt securities in issued and perpetual bonds	<u>2,929,055,950</u>	<u>0</u>	<u>0</u>	<u>2,929,055,950</u>
	<u>14,486,329,563</u>	<u>0</u>	<u>0</u>	<u>14,486,329,563</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information

(18) Financial Instruments Risk Management

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

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

(18) Financial Instruments Risk Management, continued

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

(a) Credit Risk

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

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Notes to the Condensed Consolidated Interim Financial Information**(18) Financial Instruments Risk Management, continued***Credit Quality Analysis*

The table below sets out information about the credit quality of the loan portfolio and the allowance for impairment loss held by the Bank against those assets:

	March 31, 2019 (in thousand)			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,196,797	43,748	0	11,240,545
Grade 2: Special mention	28,563	386,518	8,016	423,097
Grade 3: Sub-standard	9,287	20,248	114,364	143,899
Grade 4: Doubtful	6,784	5,934	64,510	77,228
Grade 5: Loss	<u>3,239</u>	<u>2,443</u>	<u>48,499</u>	<u>54,181</u>
Gross amount	11,244,670	458,891	235,389	11,938,950
Allowance for impairment	<u>(86,811)</u>	<u>(25,813)</u>	<u>(51,107)</u>	<u>(163,731)</u>
Net carrying amount	<u>11,157,859</u>	<u>433,078</u>	<u>184,282</u>	<u>11,775,219</u>
<u>Financial leases</u>				
Grade 1: Standard	96,848	2,293	27	99,168
Grade 2: Special mention	0	1,086	0	1,086
Grade 3: Sub-standard	0	0	66	66
Grade 4: Doubtful	0	8	104	112
Grade 5: Loss	<u>0</u>	<u>0</u>	<u>627</u>	<u>627</u>
Gross amount	96,848	3,387	824	101,059
Allowance for impairment	<u>(207)</u>	<u>(44)</u>	<u>(114)</u>	<u>(365)</u>
Net carrying amount	<u>96,641</u>	<u>3,343</u>	<u>710</u>	<u>100,694</u>
Total loans	<u>11,341,518</u>	<u>462,278</u>	<u>236,213</u>	<u>12,040,009</u>
Allowance for impairment	<u>(87,018)</u>	<u>(25,857)</u>	<u>(51,221)</u>	<u>(164,096)</u>
Net carrying amount	<u>11,254,500</u>	<u>436,421</u>	<u>184,992</u>	<u>11,875,913</u>
<u>Renegotiated loans</u>				
Gross amount	4,609	83,665	105,739	194,013
Allowance for impairment	<u>(248)</u>	<u>(907)</u>	<u>(25,233)</u>	<u>(26,388)</u>
Net carrying amount	<u>4,361</u>	<u>82,758</u>	<u>80,506</u>	<u>167,625</u>

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

		December 31, 2018 (in thousand)		
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,167,496	46,963	0	11,214,459
Grade 2: Special mention	22,961	355,905	8,880	387,746
Grade 3: Sub-standard	9,210	18,555	103,890	131,655
Grade 4: Doubtful	5,763	3,974	58,353	68,090
Grade 5: Loss	1,844	1,076	39,213	42,133
Gross amount	11,207,274	426,473	210,336	11,844,083
Allowance for impairment	(86,391)	(24,483)	(47,248)	(158,122)
Net carrying amount	<u>11,120,883</u>	<u>401,990</u>	<u>163,088</u>	<u>11,685,961</u>
<u>Financial leases</u>				
Grade 1: Standard	103,337	3,063	16	106,416
Grade 2: Special mention	0	980	0	980
Grade 3: Sub-standard	0	6	151	157
Grade 4: Doubtful	0	0	29	29
Grade 5: Loss	0	0	720	720
Gross amount	103,337	4,049	916	108,302
Allowance for impairment	(218)	(62)	(129)	(409)
Net carrying amount	<u>103,119</u>	<u>3,987</u>	<u>787</u>	<u>107,893</u>
Total loans	<u>11,310,611</u>	<u>430,522</u>	<u>211,252</u>	<u>11,952,385</u>
Allowance for impairment	(86,609)	(24,545)	(47,377)	(158,531)
Net carrying amount	<u>11,224,002</u>	<u>405,977</u>	<u>163,875</u>	<u>11,793,854</u>
<u>Renegotiated loans</u>				
Gross amount	4,801	43,880	99,626	148,307
Allowance for impairment	(143)	(2,334)	(22,809)	(25,286)
Net carrying amount	<u>4,658</u>	<u>41,546</u>	<u>76,817</u>	<u>123,021</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

			March 31, 2018 (in thousand)	
	12-month ECL	Lifetime ECL No credit – Impaired	Lifetime ECL credit- Impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	10,867,836	62,398	0	10,930,234
Grade 2: Special mention	30,150	280,323	5,072	315,545
Grade 3: Sub-standard	9,751	21,631	99,289	130,661
Grade 4: Doubtful	6,489	3,190	60,305	69,984
Grade 5: Loss	<u>2,181</u>	<u>670</u>	<u>46,729</u>	<u>49,580</u>
Gross amount	10,916,407	368,212	211,385	11,496,004
Allowance for impairment	<u>(82,152)</u>	<u>(28,071)</u>	<u>(38,548)</u>	<u>(148,771)</u>
Net carrying amount	<u>10,834,255</u>	<u>340,141</u>	<u>172,837</u>	<u>11,347,233</u>
<u>Financial leases</u>				
Grade 1: Standard	109,657	3,971	0	113,628
Grade 2: Special mention	0	1,539	0	1,539
Grade 3: Sub-standard	0	56	180	236
Grade 4: Doubtful	0	0	123	123
Grade 5: Loss	<u>0</u>	<u>0</u>	<u>806</u>	<u>806</u>
Gross amount	109,657	5,566	1,109	116,332
Allowance for impairment	<u>(207)</u>	<u>(126)</u>	<u>(193)</u>	<u>(526)</u>
Net carrying amount	<u>109,450</u>	<u>5,440</u>	<u>916</u>	<u>115,806</u>
Total loans	<u>11,026,064</u>	<u>373,778</u>	<u>212,494</u>	<u>11,612,336</u>
Allowance for impairment	<u>(82,359)</u>	<u>(28,197)</u>	<u>(38,741)</u>	<u>(149,297)</u>
Net carrying amount	<u>10,943,705</u>	<u>345,581</u>	<u>173,753</u>	<u>11,463,039</u>
<u>Renegotiated loans</u>				
Gross amount	4,070	46,214	98,363	148,647
Allowance for impairment	<u>(227)</u>	<u>(1,523)</u>	<u>(19,888)</u>	<u>(21,638)</u>
Total, net	<u>3,843</u>	<u>44,691</u>	<u>78,475</u>	<u>127,009</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

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

	<u>March 31, 2019</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,642,003,362	970,986,786	11,612,990,148
From 31 to 90 days	264,144,741	8,380,234	272,524,975
More than 90 days (principal or interest)	128,623,170	5,291,966	133,915,136
More than 30 days past due (principal)	<u>20,578,593</u>	<u>0</u>	<u>20,578,593</u>
Total	<u>11,055,349,866</u>	<u>984,658,986</u>	<u>12,040,008,852</u>

	<u>December 31, 2018</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,530,215,731	1,012,872,019	11,543,087,750
From 31 to 90 days	265,588,078	5,893,552	271,481,630
More than 90 days (principal or interest)	115,856,913	4,908,482	120,765,395
More than 30 days past due (principal)	<u>17,049,899</u>	<u>0</u>	<u>17,049,899</u>
Total	<u>10,928,710,621</u>	<u>1,023,674,053</u>	<u>11,952,384,674</u>

	<u>March 31, 2018</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,206,504,516	1,006,853,587	11,213,358,103
From 31 to 90 days	267,465,278	4,387,648	271,852,926
More than 90 days (principal or interest)	110,647,652	4,250,451	114,898,103
More than 30 days past due (principal)	<u>12,124,068</u>	<u>103,158</u>	<u>12,227,226</u>
Total	<u>10,596,741,514</u>	<u>1,015,594,844</u>	<u>11,612,336,358</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

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

The following table analyzes the credit quality of investments and other financial assets and impairment reserves held by the Bank, excluding corporate shares and mutual funds amounting to B/.51,013,815 (December 31, 2018: B/.54,324,120) and (March 31, 2018 B/.52,368,249) which are not subject to credit risk:

			March 31, 2019		
	12-month ECL	Lifetime ECL Not credit – Impaired	Lifetime ECL credit- Impaired	Purchased credit- Impaired	Total
<u>At Fair Value OCI</u>					
<i>Local:</i>					
AA+ to BBB-	751,480,214	0	0	0	751,480,214
Lower than BBB-	<u>542,384,323</u>	<u>11,687,539</u>	<u>14,399,246</u>	<u>0</u>	<u>568,471,108</u>
Local carrying amount	<u>1,293,864,537</u>	<u>11,687,539</u>	<u>14,399,246</u>	<u>0</u>	<u>1,319,951,322</u>
Valuation of credit risk	<u>(1,776,215)</u>	<u>(671,594)</u>	<u>(4,480,559)</u>	<u>0</u>	<u>(6,928,368)</u>
<i>Foreign:</i>					
AAA	1,615,718,581	0	0	0	1,615,718,581
AA+ to BBB-	1,063,613,785	0	0	0	1,063,613,785
Lower than BBB-	<u>201,940,905</u>	<u>5,895,250</u>	<u>158,861</u>	<u>596,601</u>	<u>208,591,617</u>
Foreign carrying amount	<u>2,881,273,271</u>	<u>5,895,250</u>	<u>158,861</u>	<u>596,601</u>	<u>2,887,923,983</u>
Valuation of credit risk	<u>(4,339,415)</u>	<u>(30,914)</u>	<u>0</u>	<u>0</u>	<u>(4,370,329)</u>
Total carrying amount	<u>4,175,137,808</u>	<u>17,582,789</u>	<u>14,558,107</u>	<u>596,601</u>	<u>4,207,875,305</u>
<u>A Fair Value effect on profit or loss</u>					
<i>Local:</i>					
AA+ to BBB-	2,028,322				
Lower than BBB-	<u>53,285,072</u>				
Local carrying amount	<u>55,313,394</u>				
<i>Foreign:</i>					
AAA	292,148,925				
AA+ to BBB-	234,622,748				
Lower than BBB-	110,239,274				
NR	<u>202,726</u>				
Foreign carrying amount	<u>637,213,673</u>				
Total carrying amount	<u>692,527,067</u>				

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Notes to the Condensed Consolidated Interim Financial Information

(18) Financial Instruments Risk Management, continued

		December 31, 2018			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Purchased credit- Impaired</u>	<u>Total</u>
<u>At Amortized Cost</u>					
<i>Foreign:</i>					
AAA	10,950,000	0	0	0	10,950,000
Accumulated allowance	(1,308)	0	0	0	(1,308)
Net carrying amount	<u>10,948,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,948,692</u>
<u>At Fair Value OCI</u>					
<i>Local:</i>					
AA+ to BBB-	688,640,137	0	0	0	688,640,137
Lower than BBB-	505,607,540	11,270,755	14,053,641	0	530,931,936
Local carrying amount	<u>1,194,247,677</u>	<u>11,270,755</u>	<u>14,053,641</u>	<u>0</u>	<u>1,219,572,073</u>
Valuation of credit risk	<u>(1,787,390)</u>	<u>(686,244)</u>	<u>(2,050,346)</u>	<u>0</u>	<u>(4,523,980)</u>
<i>Foreign:</i>					
AAA	1,746,979,979	0	0	0	1,746,979,979
AA+ to BBB-	1,222,335,575	0	0	0	1,222,335,575
Lower than BBB-	199,252,974	5,947,361	164,471	607,548	205,972,354
Foreign carrying amount	<u>3,168,568,528</u>	<u>5,947,361</u>	<u>164,471</u>	<u>607,548</u>	<u>3,175,287,908</u>
Valuation of credit risk	<u>(5,082,110)</u>	<u>(107,721)</u>	<u>0</u>	<u>(12,277)</u>	<u>(5,202,108)</u>
Total carrying amount	<u>4,362,816,205</u>	<u>17,218,116</u>	<u>14,218,112</u>	<u>607,548</u>	<u>4,394,859,981</u>
<u>A Fair Value effect on profit or loss</u>					
<i>Local:</i>					
AA+ to BBB-	2,562,700				
Lower than BBB-	53,334,703				
Local carrying amount	<u>55,897,403</u>				
<i>Foreign:</i>					
AAA	314,820,918				
AA+ to BBB-	249,070,161				
Lower than BBB-	107,868,665				
NR	209,928				
Foreign carrying amount	<u>671,969,672</u>				
Total carrying amount	<u>727,867,075</u>				

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

			March 31, 2018		
	12-month ECL	Lifetime ECL Not credit – Impaired	Lifetime ECL credit- Impaired	Purchased credit- Impaired	Total
<u>At amortized cost</u>					
<i>Foreign:</i>					
AAA	28,400,000	0	0	0	28,400,000
Accumulated allowance	(3,408)	0	0	0	(3,408)
Net carrying amount	<u>28,396,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,396,592</u>
<u>At Fair Value OCI</u>					
<i>Local:</i>					
AA+ to BBB-	651,007,507	0	0	0	651,007,507
Lower than BBB-	547,489,942	30,556,938	0	0	578,046,880
Local carrying amount	1,198,497,449	30,556,938	0	0	1,229,054,387
Valuation of credit risk	(1,616,997)	(1,890,272)	0	0	(3,507,269)
<i>Foreign:</i>					
AAA	1,557,595,073	0	0	0	1,557,595,073
AA+ to BBB-	800,926,158	0	0	0	800,926,158
Lower than BBB-	162,598,300	1,121,037	0	617,685	164,337,022
Foreign carrying amount	2,521,119,531	1,121,037	0	617,685	2,522,858,253
Valuation of credit risk	(4,690,028)	(190,523)	0	0	(4,880,551)
Total carrying amount	<u>3,719,616,980</u>	<u>31,677,975</u>	<u>0</u>	<u>617,685</u>	<u>3,751,912,640</u>
<u>A Fair Value effect on profit or loss</u>					
<i>Local:</i>					
AA+ to BBB-	2,902,628				
Lower than BBB-	53,326,666				
Local carrying amount	56,229,294				
<i>Foreign:</i>					
AAA	268,219,319				
AA+ to BBB-	257,359,342				
Lower than BBB-	102,390,118				
NR	133,740				
Foreign carrying amount	628,102,519				
Total carrying amount	<u>684,331,813</u>				

The analysis has been based on the highest ratings assigned 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 assigns an internal rating, which is consistent with international risk ratings.

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Notes to the Condensed Consolidated Interim Financial Information

(18) Financial Instruments Risk Management, continued

The following table shows the reconciliation between the initial balance and the end of the value correction for expected credit losses by the type of reserve model:

March 31, 2019					
	12-month ECL	Lifetime ECL No credit- Impaired	Lifetime ECL credit - Impaired	Lifetime ECL credit - Impaired	Total
Balance at beginning of period	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-months ECL	0	0	0	0	0
Transferred to lifetime ECL not credit- impaired	0	0	0	0	0
Transferred to lifetime ECL credit- impaired	0	0	0	0	0
Net remeasurement of portfolio	(872,356)	(89,467)	2,430,213	(12,093)	1,456,297
New investment securities purchased	820,122	0	0	0	820,122
Investment securities that have been derecognized	<u>(701,636)</u>	<u>(1,990)</u>	<u>0</u>	<u>(184)</u>	<u>(703,810)</u>
Balance at the end of period	<u>6,115,630</u>	<u>702,508</u>	<u>4,480,559</u>	<u>0</u>	<u>11,298,697</u>

December 31, 2018					
	12-month ECL	Lifetime ECL No credit- Impaired	Lifetime ECL credit - Impaired	Lifetime ECL credit - Impaired	Total
Balance January 1, 2018	5,887,002	1,902,585	0	0	7,789,587
Transferred to 12-months ECL	13,705	(13,705)	0	0	0
Transferred to lifetime ECL not credit- impaired	(326,873)	326,873	0	0	0
Transferred to lifetime ECL credit- impaired	(13,091)	121,307	(108,216)	0	0
Net remeasurement of portfolio	35,260	(1,561,651)	2,158,857	12,416	644,882
New investment securities purchased	2,788,329	70,253	0	0	2,858,582
Investment securities that have been derecognized	<u>(1,514,832)</u>	<u>(51,697)</u>	<u>(295)</u>	<u>(139)</u>	<u>(1,566,963)</u>
Balance at the end of year	<u>6,869,500</u>	<u>793,965</u>	<u>2,050,346</u>	<u>12,277</u>	<u>9,726,088</u>

March 31, 2018					
	12-month ECL	Lifetime ECL No credit- Impaired	Lifetime ECL credit - Impaired	Lifetime ECL credit - Impaired	Total
Balance at beginning of period	6,071,812	1,717,775	0	0	7,789,587
Transferred to 12-months ECL	12,313	(12,313)	0	0	0
Transferred to lifetime ECL not credit- impaired	(46,629)	46,629	0	0	0
Transferred to lifetime ECL credit- impaired	(13,091)	0	13,091	0	0
Net remeasurement of portfolio	529,196	146,369	(12,796)	0	662,769
New investment securities purchased	488,647	0	0	0	488,647
Investment securities that have been derecognized	<u>(550,413)</u>	<u>(2,476)</u>	<u>(295)</u>	<u>0</u>	<u>(553,184)</u>
Balance at the end of period	<u>6,491,835</u>	<u>1,895,984</u>	<u>0</u>	<u>0</u>	<u>8,387,819</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Main Applicable Laws and Regulations

As of March 31, 2019, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2018.

The following are the main regulations affecting the bank:

Regulatory Allowances

The accounting treatment for the recognition of losses on loans, investment securities and other real estate owned in conformity with prudential standards enacted by the Superintendence of Banks of Panama, differs in some aspects from the accounting treatment established by International Financial Reporting Standards, specifically IFRS 9 (until December 31, 2017 IAS 39) and IFRS 5. The Superintendence of Banks of Panama mandates that general license banks apply these prudential standards.

Dynamic Provision

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

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

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

	March 31 2019	December 31 2018	March 31 2018
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061	2,810,061
Banco General (Overseas), Inc.	9,480,047	9,480,047	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>4,951,850</u>	<u>4,580,865</u>
Total	<u>151,119,434</u>	<u>151,119,434</u>	<u>150,748,449</u>

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