

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

**Condensed Consolidated Interim
Financial Information**

March 31, 2018

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Table of Contents

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

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

Condensed Consolidated Statement of Financial Position

March 31, 2018, December 31, 2017 and March 31, 2017

(Expressed in Balboas)

<u>Assets</u>	<u>Note</u>	(Unaudited) March 2018	(Audited) December 2017	(Unaudited) March 2017
Cash		189,233,592	283,199,967	215,907,723
Deposits with banks:				
Demand deposits		287,999,273	255,502,567	215,441,373
Time deposits		251,218,147	306,685,642	269,890,705
Total deposits with banks		539,217,420	562,188,209	485,332,078
Total cash and deposits with banks		728,451,012	845,388,176	701,239,801
Investment securities and other financial assets, net		4,517,009,294	4,414,783,855	4,289,824,541
Loans	6	11,612,336,358	11,506,060,752	10,910,361,100
Less:				
Allowance for loan losses	6	149,297,349	144,832,305	133,492,963
Unearned commissions		38,752,043	38,254,754	36,118,306
Loans, net		11,424,286,966	11,322,973,693	10,740,749,831
Investments in associates		23,157,545	22,075,753	20,459,619
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	223,662,374	223,200,152	204,787,803
Securities and other financial assets sold pending settlement		319,144,652	350,981,692	357,854,097
Accrued interest receivable		73,651,253	67,637,536	62,665,264
Deferred tax assets		35,755,865	33,756,441	31,224,125
Goodwill and other intangible assets, net	8	61,071,011	61,725,358	63,688,402
Other assets		270,720,996	229,399,292	256,015,640
Total assets		17,676,910,968	17,571,921,948	16,728,509,123

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

		(Unaudited) March 2018	(Audited) December 2017	(Unaudited) March 2017
<u>Liabilities and Equity</u>	<u>Note</u>			
Liabilities:				
Deposits:				
Demand		2,392,582,204	2,494,385,028	2,497,660,540
Savings		3,429,292,321	3,398,554,919	3,245,971,677
Time:				
Customers		5,591,278,952	5,474,415,838	5,314,271,762
Banks		126,432,126	91,071,301	168,722,275
Total deposits		11,539,585,603	11,458,427,086	11,226,626,254
Securities sold under repurchase agreements		156,270,600	45,814,600	305,411,435
Borrowings and debt securities issued	10	2,584,680,715	2,661,365,208	1,892,142,291
Perpetual bonds		217,680,000	217,680,000	217,680,000
Securities and other financial assets purchased pending settlement		454,521,191	405,771,013	484,688,587
Accrued interest payable		101,451,541	108,732,837	89,925,953
Liabilities from insurance operations	11	17,596,964	16,999,292	15,922,005
Deferred tax liabilities		3,752,353	3,539,569	3,551,440
Other liabilities	9	519,556,160	607,749,533	603,274,303
Total liabilities		15,595,095,127	15,526,079,138	14,839,222,268
Equity:	13			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserve		179,927,112	179,461,247	178,119,421
Capital reserves		22,983,093	36,796,615	33,792,627
Retained earnings		1,378,905,636	1,329,584,948	1,177,374,807
Total equity		2,081,815,841	2,045,842,810	1,889,286,855
Total liabilities and equity		17,676,910,968	17,571,921,948	16,728,509,123

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

Condensed Consolidated Statement of Income

For three months ended March 31, 2018 and 2017

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2018	March 2017
Interest and commission income:			
Interest:			
Loans		185,789,439	168,314,321
Deposits with banks		1,911,644	1,387,713
Securities and other financial assets		39,048,605	31,790,992
Commissions on loans		11,015,734	10,550,263
Total interest and commission income		<u>237,765,422</u>	<u>212,043,289</u>
Interest expenses:			
Deposits		54,388,816	49,401,089
Borrowings and debt securities issued		26,745,090	18,209,716
Total interest expenses		<u>81,133,906</u>	<u>67,610,805</u>
Net interest and commission income		<u>156,631,516</u>	<u>144,432,484</u>
Provision for loan losses, net	6	11,640,051	11,382,396
Provision for impairment of securities		601,640	212
Provision (reversal) for foreclosed assets, net		358,568	(326,362)
Net interest and commission income, after provisions		<u>144,031,257</u>	<u>133,376,238</u>
Other income (expenses):			
Fees and other commissions		51,486,026	47,254,693
Insurance premiums, net		7,018,327	6,214,485
(Loss) gain on financial instruments, net		(2,614,856)	3,628,769
Other income, net		4,993,463	4,751,167
Commission expenses and other expenses		(20,827,543)	(19,129,879)
Total other income, net		<u>40,055,417</u>	<u>42,719,235</u>
General and administrative expenses:			
Salaries and other employee expenses		42,378,377	40,341,078
Depreciation and amortization	7	5,824,304	4,587,412
Premises and equipment expenses		6,627,811	6,036,378
Other expenses		17,278,702	16,834,591
Total general and administrative expenses		<u>72,109,194</u>	<u>67,799,459</u>
Operational net income		<u>111,977,480</u>	<u>108,296,014</u>
Equity participation in associates		2,300,486	1,916,938
Net income before income tax		<u>114,277,966</u>	<u>110,212,952</u>
Income tax, net	15	13,151,897	12,708,409
Net income		<u>101,126,069</u>	<u>97,504,543</u>

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 three months ended March 31, 2018 and 2017

(Expressed in Balboas)

	(Unaudited)	
	March <u>2018</u>	March <u>2017</u>
Net income	<u>101,126,069</u>	<u>97,504,543</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 FVOCI	(27,469,173)	0
Transfer to profit or loss for sales of securities FVOCI	(3,903,857)	0
Credit risk valuation	598,232	0
Changes in fair value of securities available for sale	0	(41,700)
Transfer to profit or loss for sales of securities available for sale	0	532,440
Change in fair value of hedging instruments	0	15,075
Total other comprehensive income, net	<u>(30,774,798)</u>	<u>505,815</u>
Total comprehensive income	<u><u>70,351,271</u></u>	<u><u>98,010,358</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 three months ended March 31, 2018 and 2017

(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, 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 (Unaudited)	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 FVOCI	0	0	0	(27,469,173)	0	(27,469,173)	0	(27,469,173)
Transfer to profit or loss for sales of securities 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		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)	500,000,000	179,927,112	1,000,000	21,983,093	0	22,983,093	1,378,905,636	2,081,815,841
Balance as of December 31, 2016 (Audited)	500,000,000	177,719,221	1,000,000	31,609,732	677,080	33,286,812	1,121,179,809	1,832,185,842
Net income	0	0	0	0	0	0	97,504,543	97,504,543
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes in fair value of securities available for sale	0	0	0	(41,700)	0	(41,700)	0	(41,700)
Transfer to profit or loss for sales of securities available for sale	0	0	0	532,440	0	532,440	0	532,440
Changes in fair value of hedging instruments	0	0	0	0	15,075	15,075	0	15,075
Total other comprehensive income, net	0	0	0	490,740	15,075	505,815	0	505,815
Total comprehensive income	0	0	0	490,740	15,075	505,815	97,504,543	98,010,358
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(41,310,057)	(41,310,057)
Complementary tax	0	0	0	0	0	0	400,712	400,712
Transfer from retained earnings	0	400,200	0	0	0	0	(400,200)	0
Total transactions with owner	0	400,200	0	0	0	0	(41,309,545)	(40,909,345)
Balance as of March 31, 2017 (Unaudited)	500,000,000	178,119,421	1,000,000	32,100,472	692,155	33,792,627	1,177,374,807	1,889,286,855

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 three months ended March 31, 2018 and 2017

(Expressed in Balboas)

		(Unaudited)	
	Note	March 2018	March 2017
Operating activities:			
Net income		101,126,069	97,504,543
Adjustments to reconcile net income to net cash provided from operation activities:			
Provision for loan losses, net	6	11,640,051	11,382,396
Provision for impairment of securities		601,640	212
Provision (reversal) for impairment of foreclosed assets, net		358,568	(326,362)
Gain unrealized on securities and other financial assets		(1,599,170)	(11,928,044)
(Gain) loss unrealized on derivative instruments		(4,060,507)	8,998,428
Loss (gain) on sale of securities and other financial assets fair value		1,038,020	(858,168)
Loss on sale of securities and other financial assets FVOCI (2017: Loss on sale available for sale)		813,528	3,460,128
Loss (gain) realized on derivative instruments		6,422,985	(3,301,113)
Foreign exchange fluctuations, net		430,785	870,099
(Gain) loss on sale of fixed assets, net		(60,182)	3
Deferred income tax		(1,114,647)	(986,076)
Depreciation and amortization	7	5,824,304	4,587,412
Amortization of intangible assets	8	654,347	654,348
Equity participation in associates		(2,300,486)	(1,916,938)
Interest income		(226,749,688)	(201,493,026)
Interest expense		81,133,906	67,610,805
Changes in operating assets and liabilities:			
Time deposits with banks		12,931,529	(520,659)
Securities and other financial assets at fair value through profit or loss		(127,341,914)	(63,043,433)
Loans		(113,863,161)	(148,157,622)
Unearned commissions		497,289	607,221
Tax credit from preferential interest loans		(9,547,708)	(8,919,415)
Other assets		7,117,697	(51,421,411)
Demand deposits		(101,802,824)	(141,949,646)
Savings accounts		30,737,402	(34,056,321)
Time deposits		152,223,939	329,946,517
Liabilities under insurance operations		597,672	965,163
Other liabilities		(43,711,074)	130,715,882
Cash provided by operating activities:			
Interest received		220,735,971	197,399,370
Interest paid		(88,415,202)	(67,402,986)
Dividends received		414,425	396,341
Total		(186,392,505)	21,313,105
Cash flows (used) from operating activities		(85,266,436)	118,817,648
Investing activities:			
Purchases of securities and other financial assets FVOCI (2017: available for sale)		(1,703,731,950)	(1,165,065,951)
Sale and redemptions of securities and other financial assets FVOCI (2017: available for sale)		1,739,846,867	1,031,940,496
Purchases of securities to amortized cost (2017: held to maturity)		(1,068,900,000)	0
Redemptions of securities to amortized cost (2017: held to maturity)		1,040,500,000	2,416,917
Investments in associates		1,218,694	47,880
Sale of property, furniture, equipment and improvements		60,189	1,090
Purchases of property, furniture, equipment and improvements	7	(6,286,533)	(13,834,413)
Cash flows from (used) in investing activities		2,707,267	(144,493,981)
Financing activities:			
Proceeds from borrowings and debt securities issued		4,000,000	52,500,000
Repayment and redemptions of bonds and other obligations		(84,062,159)	(113,802,127)
Securities sold under agreements to repurchase		110,456,000	32,111,457
Dividends paid on common shares		(50,265,600)	(41,310,057)
Complementary tax		(1,574,707)	400,712
Cash flows used in financing activities		(21,446,466)	(70,100,015)
Net decrease in cash and cash equivalents		(104,005,635)	(95,776,348)
Cash and cash equivalents at beginning of period		672,734,133	634,130,053
Cash and cash equivalents at end of period	5	568,728,498	538,353,705

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, 2018

(Expressed in Balboas)

Index of Notes to the Condensed Consolidated Interim Financial Information:

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

March 31, 2018

(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, management of investments and 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, 2017: 60.12%) 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: finance 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.

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(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 26, 2018.

(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, available for sale securities 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, 2017; except, where the policies of financial instruments were modified by the adoption of IFRS 9. The modified policies are detailed as follows:

(a) Investment Securities and Other Financial Assets *Accounting policies used as of January 1, 2018:*

Classification and measurement - Financial assets under IFRS 9

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

The model includes three classification categories for financial assets, namely:

- *Amortized Cost (AC)*

A financial asset is measured at amortized cost if it complies with both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

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

A debt instrument is measured at FVOCI only if it meets with the following conditions, and has not been designated at Fair value through profit or loss (FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows and sell the financial assets; and
- The contractual terms of the financial asset establish specific dates for the receipt of cash flows derived solely from payments of principal and interest on the principal amount outstanding.

During the initial recognition of investments in equity instruments not held for trading, the Bank may irrevocably elect to record the subsequent changes in fair value as part of other comprehensive income. This choice must be made on an instrument-by-instrument basis.

- *Fair value through profit or loss (FVTPL)*

All other financial assets are measured at fair value through profit or loss.

Evaluation of the business model

The evaluation at the level of the portfolios and the objective of the business model that applies to financial instruments of said portfolios documenting how they are managed, includes the following:

- The policies and objectives identified for the loan portfolio and the operation of these policies including management's strategy to define:
 - (i) the collection of contractual interest income
 - (ii) maintain a defined performance profile of interest
 - (iii) maintain a specific duration period
 - (iv) be able to sell at any time due to liquidity needs or in order to optimize the risk / return profile of a portfolio based on interest rates, risk margins, current duration and defined objective

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

- The way in which the behavior of different portfolios is reported to the senior management;
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which those risks are managed;
- The frequency and value of sales in previous periods, the reasons for those sales and expectations regarding future sales activities.

Financial assets that are held for trading purposes and whose performance is evaluated solely based on changes in their fair value are measured at fair value through profit or loss as they are neither held to collect contractual cash flows nor both to collect contractual cash flows and to sell the financial assets.

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)

For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration of the time value of money and the credit risk associated with the amount of principal outstanding for a particular period of time and other basic risks of a loan agreement and other associated costs, as well as the profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank focused on the instrument's contractual terms.

This assessment considered the following characteristics, among others:

- Contingent events that could change the amount and / or timing of cash flows
- Leverage conditions
- Prepayment and extension terms
- Terms that limit the Bank's ability to collect cash flows from specific assets
- Features that modify considerations for the time value of money

(b) *Derivative Financial Instruments*

As of January 1, 2018, hedging relationships that meet the requirements of hedge accounting were incorporated in accordance with IAS 39, which also meet the requirements of hedge accounting in accordance with the criteria of IFRS 9, after taking into account any new rebalancing of the coverage relationship at the time of transition, they are considered as a continuation of the coverage relationships.

At the initial application of hedge accounting under IFRS 9, the coverage ratio in accordance with IAS 39 was considered as the starting point to rebalance the coverage ratio of a continuing hedging relationship. Any gain or loss on this rebalancing will be recognized in profit or loss of the period.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

The hedge accounting is discontinued prospectively only when the relationship or part of the coverage no longer satisfies the rating criteria after any rebalancing. This includes cases when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect the coverage ratio in its entirety or in part, maintaining the coverage ratio for the remainder.

The Bank may choose to designate one or more hedging relationship(s) between a hedging instrument and a hedged item with one or more external entities, as well as opting for hedges between its subsidiaries.

(c) *Impairment of Financial Assets*

Accounting policies used as of January 1, 2018:

Under IFRS 9, the impairment of financial assets, replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model.

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

- Debt instruments;
- Leases receivable;
- Financial guarantee contracts issued; and
- Loan commitments issued

Impairment losses on investments in equity instruments are not recognized.

The assessment of whether the credit risk of a financial asset has increased significantly is one of the critical judgments implemented in the impairment model.

Loss allowances are recognized for the amount equivalent to the 12-month ECL in the following cases:

- Investments in debt instruments that are determined to reflect low credit risk at the reporting date; and
- Other financial instruments over which the credit risk has not increased significantly since its initial recognition.

For all other cases, allowances are recognized at an amount equal to the assets' lifetime ECL.

The 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are possible within a 12-month period after the reporting date.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

The standard introduces three stages of impairment for financial assets that are applied from the date of origin or acquisition. These stages are summarized below:

- Stage 1: The Bank recognizes a credit loss allowance at an amount equal to the 12-month ECL. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.
- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) which represents the probability of default occurring over the remaining lifetime of the Financial Asset. The allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered as compared to 12-months in Stage 1.
- Stage 3: The Bank recognizes a loss allowance at an amount equal to the lifetime expected credit losses, based on a Probability of Default (PD) of 100% of the recoverable cash flows of the asset.

Significant Increase in Credit Risk

The determination of whether the credit risk of a financial asset has increased significantly since its initial recognition, considers reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including information and analysis of a quantitative and qualitative nature based on historical experience and the expert evaluation of credit including future projections.

Variables that are considered to be the main indicators of a significant increase in credit risk include; change in days of delinquency, the collection score and credit risk rating.

Credit Risk Rating

The Bank assigns a credit risk rating to each financial asset based on a model that incorporates a series of predictive data on the incurrence of losses. The models were developed and applied over several periods to evaluate their reasonableness. Risk ratings are used to identify significant increases in credit risk.

Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower. Regarding foreign investments and bank deposits, the international risk ratings of Fitch, Standard and Poor's or Moody's and associated changes to the ratings were used to establish whether there was a significant increase in risk and in the calculation of the Probability of Default (PD).

Credit risk ratings are defined and calibrated such that the risk of loss increases exponentially as the credit risk deteriorates.

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

Each exposure will be assigned a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures will be subject to continuous monitoring, which may result in an exposure being moved to a different credit risk rating.

Determine if the credit risk has increased significantly

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

In certain instances, based on expert judgment and where possible, relevant historical experience, the Bank determines an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers relevant and whose effect would not be fully reflected otherwise.

As a rule, and as required by IFRS 9, a significant increase in credit risk occurs when an asset shows delinquency of more than 30 days, except for residential mortgages and personal loans, which are measured at more than 60 days. The Bank determines the delinquency period by counting the number of days since the last payment.

The effectiveness of the criteria used to identify significant increases in credit risk is monitored through regular reviews.

Definition of loss

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

- It is likely that a debtor will not fully pay its credit obligations to the Bank without taking actions to repossess collateral (if available); or
- The debtor has more than 90 days delinquency in all credit obligations, except for overdrafts that are measured at more than 30 days and residential mortgage at more than 120 days.

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

- Quantitative – past due status and non-payment of other obligations of the same
- Qualitative – breach of contract or legal situation

The inputs used in the assessment of whether financial instruments are in default are specific to the type of portfolio, and their importance may vary over time to reflect changes in circumstances and trends.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

Measurement of the ECL

The ECL is a probability-weighted estimate of credit loss which is measured according to the following items:

- Financial assets that are not credit-impaired at the reporting date
- Financial assets that are impaired at the reporting date
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank in the event that the commitment is drawn down and the cash flows the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount the Bank expects to recover.

Generating the term structure of the PD

The days of delinquency is the main input to determine the term structure of the PD for exposures in the consumer loan portfolio. For the corporate loan portfolio, the following factors are taken as primary inputs: risk classification, days of delinquency, restructurings, indicators of non-compliance and materiality thresholds. The Bank seeks to obtain performance and loss information on exposures to credit risk in order to complete the analysis on days of delinquency, segment, type of product and debtor as well as credit risk rating.

The Bank designed and evaluated statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of credit exposures, and how they are expected to change over time.

The PD of foreign investments and placed deposits was estimated using liquid market proxies (Credit Default Swaps "CDS") based on international risk ratings and the industry relating to the investment or deposit.

Inputs in the measurement of the ECL

The key inputs in the measurement of ECL are the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD estimates are calculated at a specific date, using statistical rating models and tools adapted to the different categories of counterparties and exposure. Statistical models were acquired from internationally recognized firms or developed internally based on historical data. These models incorporate quantitative factors, and can also consider qualitative factors. If an exposure migrates between rating categories, then this may lead to a change in the estimate of the associated PD. The PD is estimated considering contractual maturities and estimated prepayment rates. In the case of foreign investments and placed deposits, the ECL is obtained from the probability of default implicit in the CDS used as proxies for each bond or deposit based on its international credit rating and industry.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(3) Summary of Significant Accounting Policies, continued

The levels of LGD are estimated based on a historical recovery rates:

- Observed: corresponding to the portion of EAD in default that is effectively recovered
- Estimated: corresponding to the portion of EAD in default estimated to be recoverable.

The LGD model considers the financial asset, related collateral and recovery costs of any collateral. The Bank can calibrate the LGD estimate for different economic scenarios. The Bank used the LGD implicit in the CDS for foreign investments and placed deposits.

In most cases, the EAD is equivalent to the outstanding balance of the contract; with the exception of credit cards and contingencies, which consider variables such as the current balance, available balance and the CCF (credit conversion factor), in order to estimate the exposure at the time of default on existing operations. The EAD is determined on current exposures to the counterparty and the potential changes to the current amount permitted under the contract, including any amortization.

Overdrafts and credit card facilities are products that include both the loan and undrawn commitment component. These facilities do not have a fixed term or repayment structure and are managed on a collective basis; the Bank can cancel them unilaterally at any time.

Forward-looking information

The Bank could incorporate forward-looking information in its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and ECL measurement.

External information may include economic data and projections published by government entities and monetary authorities in the countries in which the Bank operates, supranational organizations such as the OECD and the International Monetary Fund, as well as academic and private sector projections.

(d) Financial Liabilities

IFRS 9 largely preserves the existing requirements of IAS 39 for the classification of financial liabilities.

However, under IAS 39 all changes in the fair value of liabilities designated as a FVTPL are recognized in income, whereas under IFRS 9 these changes in fair value are presented as follows:

- The amount of the change in fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of the change in fair value is presented in profit or loss.

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, 2018			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<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>
<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 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>2,300,486</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>

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, 2017			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investment securities and other financial assets	<u>0</u>	<u>262,034,590</u>	<u>49,628,440</u>	<u>311,663,030</u>
Loans	<u>6,349,512</u>	<u>111,478,360</u>	<u>22,651,923</u>	<u>140,479,795</u>
Investments in associates	<u>0</u>	<u>22,075,753</u>	<u>0</u>	<u>22,075,753</u>
<u>Liabilities:</u>				
Deposits:				
Demand	3,826,289	93,656,587	72,428,215	169,911,091
Savings	5,355,607	82,626,254	45,479	88,027,340
Time	<u>1,565,061</u>	<u>291,534,192</u>	<u>62,000,000</u>	<u>355,099,253</u>
	<u>10,746,957</u>	<u>467,817,033</u>	<u>134,473,694</u>	<u>613,037,684</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
<u>Commitments and contingencies</u>	<u>0</u>	<u>84,554,833</u>	<u>24,828,400</u>	<u>109,383,233</u>
	March 31, 2017			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Assets:</u>				
Investment securities and other financial assets	<u>0</u>	<u>258,758,975</u>	<u>49,605,940</u>	<u>308,364,915</u>
Loans	<u>6,582,940</u>	<u>117,290,598</u>	<u>681,318</u>	<u>124,554,856</u>
Investments in associates	<u>0</u>	<u>20,459,619</u>	<u>0</u>	<u>20,459,619</u>
<u>Liabilities:</u>				
Deposits:				
Demand	962,501	70,659,285	80,892,615	152,514,401
Savings	4,527,665	76,658,799	45,479	81,231,943
Time	<u>1,146,716</u>	<u>264,231,182</u>	<u>68,000,000</u>	<u>333,377,898</u>
	<u>6,636,882</u>	<u>411,549,266</u>	<u>148,938,094</u>	<u>567,124,242</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
<u>Commitments</u>	<u>725,525</u>	<u>106,136,807</u>	<u>23,378,809</u>	<u>130,241,141</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, 2017			
	<u>Directors and Management</u>	<u>Related Companies</u>	<u>Affiliated Companies</u>	<u>Total</u>
<u>Interest income:</u>				
Loans	<u>74,359</u>	<u>1,467,579</u>	<u>12,459</u>	<u>1,554,397</u>
Investment securities and other financial assets	<u>0</u>	<u>3,201,236</u>	<u>620,750</u>	<u>3,821,986</u>
<u>Interest expense:</u>				
Deposits	<u>14,223</u>	<u>2,223,085</u>	<u>180,462</u>	<u>2,417,770</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>1,916,938</u>	<u>0</u>	<u>1,916,938</u>
Dividends	<u>0</u>	<u>205,628</u>	<u>0</u>	<u>205,628</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>472,362</u>	<u>0</u>	<u>0</u>	<u>472,362</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:

	<u>2018</u>	<u>March 31</u> <u>2017</u>
Cash	189,233,592	215,907,723
Demand deposits with banks	287,999,273	215,441,373
Time deposits with banks	<u>251,218,147</u>	<u>269,890,705</u>
Total cash and deposits	<u>539,217,420</u>	<u>485,332,078</u>
Less: time deposits with original maturities of more than three months	<u>159,722,514</u>	<u>162,886,096</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>568,728,498</u>	<u>538,353,705</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.45.2 million (2017: B/.35.3 million) that secure derivative operations and repos, in addition to the next quarterly payments of principal, interest and expenses of certain obligations. In March 31, 2017, these collateral accounts were presented within investments and other financial assets.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	March 31 2018	December 31 2017	March 31 2017
Local loans:			
Residential mortgages	3,876,511,301	3,798,892,418	3,497,471,090
Personal, auto and credit cards	1,667,433,721	1,652,578,497	1,539,821,217
Commercial mortgages	1,832,345,365	1,789,765,115	1,673,182,212
Lines of credit and commercial loans	1,636,504,362	1,673,245,046	1,580,674,609
Interim financing	805,012,358	807,677,587	803,980,882
Financial leases, net of unearned interest	0	0	123,421,513
Factoring operations, net	116,331,907	120,390,513	732,061
Other secured loans	188,778,445	185,068,481	176,638,612
Overdrafts	<u>162,576,531</u>	<u>148,591,673</u>	<u>154,228,954</u>
Total local loans	<u>10,285,493,990</u>	<u>10,176,209,330</u>	<u>9,550,151,150</u>
Foreign loans:			
Residential mortgages	254,016,989	254,472,419	251,355,353
Personal, auto and credit cards	16,775,461	17,033,882	15,162,175
Commercial mortgages	247,097,243	259,841,921	271,424,054
Lines of credit and commercial loans	712,246,948	700,260,919	733,498,607
Interim financing	1,000,000	0	0
Other secured loans	32,064,389	31,972,343	27,051,030
Overdrafts	<u>63,641,338</u>	<u>66,269,938</u>	<u>61,718,731</u>
Total foreign loans	<u>1,326,842,368</u>	<u>1,329,851,422</u>	<u>1,360,209,950</u>
Total	<u>11,612,336,358</u>	<u>11,506,060,752</u>	<u>10,910,361,100</u>

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31 2017	March 31 2017
Balance at beginning of period	128,917,367	128,917,367
Provision charged to expenses, net	44,484,763	11,382,396
Recovery of loans charged-off	21,367,866	4,672,835
Loans charged-off	<u>(49,937,691)</u>	<u>(11,479,635)</u>
Balance at end of period	<u>144,832,305</u>	<u>133,492,963</u>

(7) Property, Furniture, Equipment and Improvements

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

	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>

	December 31, 2017					
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of year	36,142,044	128,747,027	71,575,101	89,350,561	36,583,555	362,398,288
Additions	0	7,599,962	16,729,142	29,350,825	2,942,572	56,622,501
Sales and disposals	<u>4,065,234</u>	<u>5,931,552</u>	<u>1,085,399</u>	<u>3,410,963</u>	<u>2,952,350</u>	<u>17,445,498</u>
At end of year	<u>32,076,810</u>	<u>130,415,437</u>	<u>87,218,844</u>	<u>115,290,423</u>	<u>36,573,777</u>	<u>401,575,291</u>
Accumulated depreciation and amortization:						
At beginning of year	0	27,277,540	48,584,123	62,698,862	28,295,868	166,856,393
Expense of the year	0	2,641,014	8,621,730	9,328,071	1,623,629	22,214,444
Sales and disposal	<u>0</u>	<u>3,408,359</u>	<u>1,084,565</u>	<u>3,278,558</u>	<u>2,924,216</u>	<u>10,695,698</u>
At end of year	<u>0</u>	<u>26,510,195</u>	<u>56,121,288</u>	<u>68,748,375</u>	<u>26,995,281</u>	<u>178,375,139</u>
Net balance	<u>32,076,810</u>	<u>103,905,242</u>	<u>31,097,556</u>	<u>46,542,048</u>	<u>9,578,496</u>	<u>223,200,152</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, continued

	<u>March 31, 2017</u>					
	<u>Land</u>	<u>Buildings</u>	<u>Licenses and Internally developed projects</u>	<u>Furniture and Equipment</u>	<u>Improvements</u>	<u>Total</u>
Cost:						
At beginning of period	36,142,044	128,747,027	71,575,101	89,350,561	36,583,555	362,398,288
Additions	0	5,271,460	2,419,824	6,124,106	19,023	13,834,413
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,110</u>	<u>400,186</u>	<u>0</u>	<u>401,296</u>
At end of period	<u>36,142,044</u>	<u>134,018,487</u>	<u>73,993,815</u>	<u>95,074,481</u>	<u>36,602,578</u>	<u>375,831,405</u>
Accumulated depreciation and amortization:						
At beginning of period	0	27,277,540	48,584,123	62,698,862	28,295,868	166,856,393
Expense of the period	0	454,115	1,673,486	2,054,004	405,807	4,587,412
Sales and disposal	<u>0</u>	<u>0</u>	<u>24</u>	<u>400,179</u>	<u>0</u>	<u>400,203</u>
At end of period	<u>0</u>	<u>27,731,655</u>	<u>50,257,585</u>	<u>64,352,687</u>	<u>28,701,675</u>	<u>171,043,602</u>
Net balance	<u>36,142,044</u>	<u>106,286,832</u>	<u>23,736,230</u>	<u>30,721,794</u>	<u>7,900,903</u>	<u>204,787,803</u>

(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%	<u>27,494,722</u> <u>41,091,499</u>

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

	<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>

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, 2017</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
Accumulated amortization:				
Balance at beginning of year		0	24,210,833	24,210,833
Expense of the year		<u>0</u>	<u>2,617,392</u>	<u>2,617,392</u>
Balance at the end of year		<u>0</u>	<u>26,828,225</u>	<u>26,828,225</u>
Net balance at the end of year		<u>41,091,499</u>	<u>20,633,859</u>	<u>61,725,358</u>
		<u>March 31, 2017</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	24,210,833	24,210,833
Expense of the period		<u>0</u>	<u>654,348</u>	<u>654,348</u>
Balance at the end of period		<u>0</u>	<u>24,865,181</u>	<u>24,865,181</u>
Net balance at the end of period		<u>41,091,499</u>	<u>22,596,903</u>	<u>63,688,402</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, 2018, no evaluation was necessary.

(9) Other Financial Liabilities at Fair Value

The Bank holds, within 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 2018</u>	<u>December 31 2017</u>	<u>March 31 2017</u>
"Mortgage Backed Securities" (MBS)	2	96,897,089	124,725,921	122,949,210
Bonds issued by the US Government	1	<u>15,038,344</u>	<u>13,541,088</u>	<u>14,407,110</u>
Total		<u>111,935,433</u>	<u>138,267,009</u>	<u>137,356,320</u>

See the description of the Levels in Note 17.

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

Notes to the Condensed Consolidated Interim Financial Information

(10) Borrowings and Debt Securities Issued

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

	March 31 2018	December 31 2017	March 31 2017
Corporate bonds with maturities in 2018, at an annual interest rate of 1.625%, issued in CHF 180MM	188,087,774	184,710,108	179,533,214
Corporate bonds with maturities in 2018, at an annual interest rate of 2.50%	5,200,000	5,200,000	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	0
Borrowing with maturity in 2017, at interest rates of 3, 6 and 12 month Libor plus a margin	0	0	123,042,830
Borrowing with maturity in 2018, at interest rates of 3 and 6 month Libor plus a margin	219,238,863	290,828,863	827,289,999
Borrowing with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	261,890,625	267,515,625	312,125,000
Borrowing with maturity in 2020, at interest rates of 6 month Libor plus a margin	907,555,556	904,444,444	105,333,333
Borrowing with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	96,153,846	101,923,077	57,692,308
Borrowing with maturity in 2023, at interest rates of 3 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	3,799,051	3,988,091	4,170,607
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>0</u>
Total borrowings and debt securities issued	<u>2,584,680,715</u>	<u>2,661,365,208</u>	<u>1,892,142,291</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

(Panama, Republic of Panama)

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

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

	March 31 2018	December 31 2017
Balance at beginning of period	2,661,365,208	1,950,624,340
Product of borrowings and debt securities in issue	4,000,000	1,538,668,863
Redemption of debt securities in issue and cancellation of borrowings	(84,062,159)	(835,924,967)
Product of currency exchange fluctuations	<u>3,377,666</u>	<u>7,996,972</u>
Balance at end of period	<u>2,584,680,715</u>	<u>2,661,365,208</u>

(11) Liabilities from Insurance Operations

Liabilities from insurance operations amounted to B/.17,596,964 (December 31, 2017: B/.16,999,292) and (March 31, 2017: B/.15,922,005) 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 2018	December 31 2017	March 31 2017
Unearned Premiums			
Balance at beginning of period	19,043,645	18,137,706	18,137,706
Issued premiums	9,479,939	36,703,164	7,563,459
Earned premiums	<u>(9,263,877)</u>	<u>(35,797,225)</u>	<u>(7,569,480)</u>
Balance at end of period	19,259,707	19,043,645	18,131,685
Reinsurers participation	<u>(4,151,552)</u>	<u>(4,379,851)</u>	<u>(4,064,817)</u>
Unearned premiums, net	<u>15,108,155</u>	<u>14,663,794</u>	<u>14,066,868</u>
Insurance Claims Incurred, Estimated			
Balance at beginning of period	2,530,640	1,868,969	1,868,969
Incurred claims	1,639,909	6,930,692	1,749,641
Paid claims	<u>(1,384,970)</u>	<u>(6,269,021)</u>	<u>(1,660,474)</u>
Balance at end of period	2,785,579	2,530,640	1,958,136
Reinsurer participation	<u>(296,770)</u>	<u>(195,142)</u>	<u>(102,999)</u>
Insurance claims incurred, net estimated	<u>2,488,809</u>	<u>2,335,498</u>	<u>1,855,137</u>
Total insurance claim reserves	<u>17,596,964</u>	<u>16,999,292</u>	<u>15,922,005</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, 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	2,300,486	0	0	0	2,300,486
Net income before income tax	105,961,338	6,377,156	1,939,472	0	114,277,966
Net Income tax	11,863,625	852,666	435,606	0	13,151,897
Net income	94,097,713	5,524,490	1,503,866	0	101,126,069
Total assets	17,561,385,031	235,331,795	28,980,969	148,786,827	17,676,910,968
Total liabilities	15,670,343,681	52,806,338	1,325,873	129,380,765	15,595,095,127

	<u>Banking and financial activities</u>	<u>Insurance and reinsurance</u>	<u>March 31, 2017 Pension and retirement fund management</u>	<u>Eliminations</u>	<u>Total</u>
Interest and commission income	211,201,137	1,166,076	168,658	492,582	212,043,289
Interest and provision expenses	79,159,633	0	0	492,582	78,667,051
Other income, net	34,697,038	5,148,122	2,876,980	2,905	42,719,235
General and administrative expenses	61,368,836	639,522	1,206,594	2,905	63,212,047
Depreciation and amortization expense	4,476,594	56,157	54,661	0	4,587,412
Equity participation in associates	1,916,938	0	0	0	1,916,938
Net income before income tax	102,810,050	5,618,519	1,784,383	0	110,212,952
Net Income tax	11,437,188	848,857	422,364	0	12,708,409
Net income	91,372,862	4,769,662	1,362,019	0	97,504,543
Total assets	16,594,277,711	212,509,168	23,439,826	101,717,582	16,728,509,123
Total liabilities	14,870,551,434	51,020,108	1,262,246	83,611,520	14,839,222,268

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:

	<u>March 31, 2018</u>			<u>Total</u>
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	
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>

	<u>March 31, 2017</u>			<u>Total</u>
	<u>Panama</u>	<u>Latin America and the Caribbean</u>	<u>United States of America and Others</u>	
Total income, net	<u>213,524,041</u>	<u>25,720,524</u>	<u>17,434,897</u>	<u>256,679,462</u>
Non financial assets	<u>262,197,724</u>	<u>6,278,481</u>	<u>0</u>	<u>268,476,205</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, 2017: 10,000,000 common shares); of which there are 9,787,108 shares issued and outstanding (December 31, 2017: 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:

	<u>March 31, 2018</u>				
	<u>Reserves</u>				
		<u>Foreclosed</u>			
	<u>Dynamic</u>	<u>Assets</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	411,543	0	0	134,289,019
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	27,764,222	27,764,222
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	<u>4,580,865</u>	<u>0</u>	<u>1,002,898</u>	<u>0</u>	<u>5,583,763</u>
Total	<u>150,748,449</u>	<u>411,543</u>	<u>1,002,898</u>	<u>27,764,222</u>	<u>179,927,112</u>

	<u>December 31, 2017</u>				
	<u>Reserves</u>				
		<u>Foreclosed</u>			
	<u>Dynamic</u>	<u>Assets</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	381,637	0	0	134,259,113
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	27,328,263	27,328,263
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	<u>4,580,865</u>	<u>0</u>	<u>1,002,898</u>	<u>0</u>	<u>5,583,763</u>
Total	<u>150,748,449</u>	<u>381,637</u>	<u>1,002,898</u>	<u>27,328,263</u>	<u>179,461,247</u>

Transfer from retained earnings of period	<u>0</u>	<u>29,906</u>	<u>0</u>	<u>435,959</u>	<u>465,865</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 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 the options granted to the participants for the purchase of shares of the controlling company, Grupo Financiero BG, S. A., based on their fair value, amounted to B/.3,373 (2017: B/.3,373). This plan will be in effect up to the year 2021.

The total expense relating to the options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A., based on their fair value, amounted to B/.339,267 (2017: B/.379,130). This plan will be in effect up to the year 2022.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended March 31, 2018 and 2017.

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/.33,642 (2017: B/.33,642) and the disbursements to former employees who are covered under the retirement plan amounted to B/.44,506 (2017: 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 period 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 period's effective rate.

Income tax, net is detailed as follows:

	<u>March 31</u>	
	<u>2018</u>	<u>2017</u>
Estimated income tax	14,231,069	13,658,679
Prior year income tax adjustments	35,475	35,806
Deferred income tax	<u>(1,114,647)</u>	<u>(986,076)</u>
	<u>13,151,897</u>	<u>12,708,409</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 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
<u>December 2017</u>								
Derivative assets	769,712,558	2,713,916	438,500,000	0	112,592,374	2,045,700	218,620,184	668,216
Derivative liabilities	1,560,856,702	32,682,895	360,400,000	0	443,932,810	3,216,998	756,523,892	29,465,897

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/.41.2MM (December 31, 2017: B/.38.1 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, 2018</u>		<u>December 31, 2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Derivatives – Others:				
Credit	1,117,473	972,120	1,896,547	1,188,420
Interest rate	975,700	1,086,425	632,110	3,567,728
Foreign exchange	2,012,665	1,143,076	174,633	27,926,747
Others	0	9,351	10,626	0
Total	<u>4,105,838</u>	<u>3,210,972</u>	<u>2,713,916</u>	<u>32,682,895</u>

Hedge Derivatives at Fair Value:

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Hedge derivatives for risk management:				
Interest rate	1,492,891	10,098,658	0	0
Foreign exchange	0	24,233,323	0	0
Total	<u>1,492,891</u>	<u>34,331,981</u>	<u>0</u>	<u>0</u>

As of March 31, 2018, 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 hedged instruments</u>
		<u>Assets</u>	<u>Liabilities</u>	
Interest rate risk:				
Derivatives of interest rate – Bonds				
Hedged	77,250,000	1,268,098	0	Other assets
Derivatives of interest rate – Borrowings				
Hedged	350,000,000	224,793	10,098,658	Other assets (liabilities)
Total interest rate risk	427,250,000	1,492,891	10,098,658	
Exchange rate risk:				
Forward – Borrowings Hedged	213,598,444	0	24,233,323	Other liabilities
Total exchange rate risk	213,598,444	0	24,233,323	
Total	<u>640,848,444</u>	<u>1,492,891</u>	<u>34,331,981</u>	

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

As of March 31, 2018 the Bank held the following interest rate derivatives as fair value hedges for risk management.

<u>Risk Category</u>	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>Maturity</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	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 three levels of fair value that were categorized for derivatives are as follows:

	<u>Level 1</u>	<u>March 31, 2018</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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

		<u>December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Assets</u>					
Trading Derivatives:					
Credit	0	1,896,547	0	1,896,547	
Interest rate	0	632,110	0	632,110	
Foreign exchange	0	174,633	0	174,633	
Other	0	10,626	0	10,626	
Total	0	2,713,916	0	2,713,916	
Total Derivatives Assets	0	2,713,916	0	2,713,916	
<u>Liabilities</u>					
Trading Derivatives:					
Credit	0	1,188,420	0	1,188,420	
Interest rate	0	3,567,728	0	3,567,728	
Foreign exchange	0	27,926,747	0	27,926,747	
Total	0	32,682,895	0	32,682,895	
Total Derivates Liabilities	0	32,682,895	0	32,682,895	

(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.

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**

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.

Fair Value Measurement of Securities and Other Financial Assets at Fair Value through Profit or Loss

	March 31			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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 Corporate Bonds and 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	<u>736,700,062</u>	<u>251,441</u>	<u>539,534,301</u>	<u>196,914,320</u>
	December 31			
	<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Corporate Bonds and Fixed Income Funds	65,977,634	0	0	65,977,634
Bonds issued by the Republic of Panama	2,778,813	0	2,778,813	0
Local Corporate Shares	37,792,019	0	0	37,792,019
Bonds issued by the US Government	8,225,780	8,225,780	0	0
Foreign Commercial Paper, Treasury Bills and Mutual Funds	68,076,805	246,283	67,830,522	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	710,114,094	0	709,298,574	815,520
Asset Backed Securities (ABS)	28,089,707	0	28,089,707	0
Foreign Corporate Bonds and Fixed Income Funds	239,178,089	0	150,027,467	89,150,622
Foreign Variable Income Mutual Funds	11,344	0	486	10,858
Total	<u>1,160,244,285</u>	<u>8,472,063</u>	<u>958,025,569</u>	<u>193,746,653</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**

	March 31	Level 1	Level 2	Level 3
	<u>2017</u>			
Local Treasury Bills	47,962,740	0	0	47,962,740
Local Corporate Bonds and Fixed Income Funds	66,425,626	0	0	66,425,626
Bonds issued by the Republic of Panama	2,274,866	0	2,274,866	0
Local Corporate Shares	32,353,981	0	0	32,353,981
Bonds issued by US Government and Agencies	8,297,099	8,297,099	0	0
Foreign Commercial Paper, Treasury Bills and Mutual Funds	287,622,237	35,603,348	252,018,889	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	648,150,865	0	647,244,657	906,208
Asset Backed Securities (ABS)	22,582,547	0	22,582,547	0
Foreign Fixed Income Funds	52,810,282	0	0	52,810,282
Foreign Variable Income Mutual Funds	267,067	0	1,215	265,852
Total	<u>1,168,747,310</u>	<u>43,900,447</u>	<u>924,122,174</u>	<u>200,724,689</u>

Fair Value Measurement of Securities and Other Financial Assets Fair Value OCI

	March 31	Level 1	Level 2	Level 3
	<u>2018</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>

Fair Value Measurement of Securities and Other Financial Assets Available for Sale

	December 31	Level 1	Level 2	Level 3
	<u>2017</u>			
Local Commercial Paper and Treasury Bills	7,355,857	0	0	7,355,857
Local Corporate Bonds and Fixed Income Funds	1,005,898,732	0	132,997,971	872,900,761
Other local securities	49,512,563	0	0	49,512,563
Bonds issued by the Republic of Panama	136,569,675	0	136,569,675	0
Local Corporate Shares	3,784,212	5,461	0	3,778,751
Bonds issued by US Government and Agencies	30,787,360	30,787,360	0	0
Foreign Commercial Paper and Treasury Bills	196,445,930	29,878,452	166,567,478	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	891,556,118	0	891,556,118	0
Asset Backed Securities (ABS)	78,948,933	0	78,948,933	0
Foreign Corporate Bonds and Fixed Income Funds	743,362,727	0	743,352,210	10,517
Bonds issued by Other Governments	58,130,917	0	44,315,941	13,814,976
Foreign Variable Income Mutual Funds	21,407	0	21,407	0
Total	<u>3,202,374,431</u>	<u>60,671,273</u>	<u>2,194,329,733</u>	<u>947,373,425</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****Fair Value Measurement of Securities and Other Financial Assets Available for Sale**

	<u>March 31</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2017</u>			
Local Commercial Paper and Treasury Bills	14,110,022	0	0	14,110,022
Local Corporate Bonds and Fixed Income Funds	946,587,553	0	132,775,589	813,811,964
Other local securities	44,516,056	0	0	44,516,056
Bonds issued by the Republic of Panama	108,982,252	0	108,982,252	0
Local Corporate Shares	3,659,868	5,576	0	3,654,292
Bonds issued by US Government and Agencies	38,156,539	36,043,654	2,112,885	0
Foreign Securities Purchased under Resale Agreements	14,000,000	0	14,000,000	0
Foreign Commercial Paper and Treasury Bills	240,560,635	24,445,723	216,114,912	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	938,401,876	0	938,401,876	0
Asset Backed Securities (ABS)	89,354,088	0	89,354,088	0
Foreign Corporate Bonds and Fixed Income Funds	602,787,756	0	602,778,362	9,394
Bonds issued by Other Governments	56,108,308	0	44,189,556	11,918,752
Foreign Variable Income Mutual Funds	<u>32,251</u>	<u>0</u>	<u>32,251</u>	<u>0</u>
Total	<u>3,097,257,204</u>	<u>60,494,953</u>	<u>2,148,741,771</u>	<u>888,020,480</u>

Changes in the Fair Value Measurement of the Level 3 hierarchy

	<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, 2017	193,746,653	947,373,425	1,141,120,078
Changes due to adoption of IFRS 9	<u>518,820</u>	<u>16,303,767</u>	<u>16,822,587</u>
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	<u>(6,705,081)</u>	<u>(30,039,171)</u>	<u>(36,744,252)</u>
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**

	<u>Changes in the Fair Value Measurement of the Level 3 hierarchy</u>		
	<u>Investment Securities and Other Financial Assets</u>		<u>Total</u>
	<u>Fair Value through Profit or Loss</u>	<u>Available for Sale</u>	
December 31, 2016	203,837,018	906,324,607	1,110,161,625
Gain recognized in income/equity	8,006,852	304,214	8,311,066
Loss recognized in equity	0	(721,310)	(721,310)
Purchases	100,601,967	333,978,366	434,580,333
Amortization, sales and redemptions	<u>(118,699,184)</u>	<u>(292,512,452)</u>	<u>(411,211,636)</u>
December 31, 2017	<u>193,746,653</u>	<u>947,373,425</u>	<u>1,141,120,078</u>
Total gains related to instruments held at December 31, 2017	<u>7,705,032</u>	<u>823,956</u>	<u>8,528,988</u>
December 31, 2016	203,837,018	906,324,607	1,110,161,625
Gain recognized in income/equity	537,493	300,800	838,293
Loss recognized in equity	0	(5,556,553)	(5,556,553)
Purchases	25,956,050	30,521,120	56,477,170
Amortization, sales and redemptions	<u>(29,605,872)</u>	<u>(43,569,494)</u>	<u>(73,175,366)</u>
March 31, 2017	<u>200,724,689</u>	<u>888,020,480</u>	<u>1,088,745,169</u>
Total (loss) gains related to instruments held at March 31, 2017	<u>412,896</u>	<u>(5,169,772)</u>	<u>(4,756,876)</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 period in which the change has occurred.

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 2018		December 31 2017		March 31 2017			
Corporate Shares	Dividend discount model and Dividend model free cash flow model (DCF)	Equity risk premium	Min	5.51%	Min	5.51%	Min	6.10%	If equity risk premiums increase the price decreases and vice versa	
			Max	9.86%	Max	9.86%	Max	8.35%		
		Growth rate of assets, liabilities, equity, profits and dividends	Min	(20.50%)	Min	(20.50%)	Min	(6.70%)		If the growth increases the Price increases and vice versa
			Max	29.32%	Max	29.32%	Max	25.95%		
Fixed Income	Discounted cash flows model	Credit spreads	Min	0.37%	Min	0.37%	Min	0.53%	If the credit spreads increase the price decreases and vice versa	
			Max	5.09%	Max	5.87%	Max	6.64%		
			Ave	2.76%	Ave	2.73%	Ave	2.91%		

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

<u>Instrument</u>	<u>Valuation technique</u>	<u>Inputs</u>	<u>Level</u>
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 Corporate 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	
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	
Agency MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment speeds Market analysis	2 - 3
Private MBS / CMOs and ABS	Discounted cash flows model	Features of collateral Treasury yield Yield curves Expected cash flow and losses Market assumptions related to discount rates, prepayments, losses and recoveries	2
Foreign Corporate Shares	Quoted prices in active markets	Quoted prices in active markets	1
Investment vehicles	Net asset value	Net asset value	2-3

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 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, 2018</u>			
	<u>Fair Value</u>		<u>FV OCI</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>

	<u>December 31, 2017</u>			
	<u>Fair Value</u>		<u>Available for sale</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	153,440	(150,633)	8,459,331	(10,166,208)
Corporate Shares	<u>3,310,175</u>	<u>(2,662,145)</u>	<u>68,001</u>	<u>(65,906)</u>
Total	<u>3,463,615</u>	<u>(2,812,778)</u>	<u>8,527,332</u>	<u>(10,232,114)</u>

	<u>March 31, 2017</u>			
	<u>Fair Value</u>		<u>Available for sale</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	207,091	(203,024)	11,131,252	(13,229,616)
Corporate Shares	<u>2,233,425</u>	<u>(1,858,554)</u>	<u>65,253</u>	<u>(62,807)</u>
Total	<u>2,440,516</u>	<u>(2,061,578)</u>	<u>11,196,505</u>	<u>(13,292,423)</u>

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 vendor, broker, custodian, 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.

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****(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 significant financial assets and liabilities not measured at fair value in the Bank's condensed consolidated statement of financial position:

	March 31, 2018		December 31, 2017		March 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets:						
Time deposits	251,218,147	250,896,162	306,685,642	306,934,362	269,890,705	270,397,893
Securities held to maturity, net	28,396,592	28,400,000	49,982,822	61,425,701	56,951,252	68,106,450
Loans, net	<u>11,424,286,966</u>	<u>11,400,850,795</u>	<u>11,322,973,693</u>	<u>11,295,615,060</u>	<u>10,740,749,831</u>	<u>10,717,578,363</u>
	<u>11,703,901,705</u>	<u>11,680,146,957</u>	<u>11,679,642,157</u>	<u>11,663,975,123</u>	<u>11,067,591,788</u>	<u>11,056,082,706</u>
Liabilities:						
Deposits	11,539,585,603	11,557,273,613	11,458,427,086	11,474,663,716	11,226,626,254	11,239,425,569
Securities sold under repurchase agreements, borrowings and debt securities in issue	<u>2,958,631,315</u>	<u>2,929,055,950</u>	<u>2,924,859,808</u>	<u>2,871,051,545</u>	<u>2,415,233,726</u>	<u>2,376,318,380</u>
	<u>14,498,216,918</u>	<u>14,486,329,563</u>	<u>14,383,286,894</u>	<u>14,345,715,261</u>	<u>13,641,859,980</u>	<u>13,615,743,949</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 2018	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	250,896,162	0	0	250,896,162
Securities at amortized cost	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>11,608,146,957</u>	<u>0</u>	<u>28,400,000</u>	<u>11,651,746,957</u>
<u>Liabilities:</u>				
Deposits	11,557,273,613	0	0	11,557,273,613
Securities sold under repurchase agreements, borrowings and debt securities in issue	<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>
	December 31 2017	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	306,934,362	0	0	306,934,362
Securities held to maturity, net	61,425,701	0	52,545,138	8,880,563
Loans, net	<u>11,295,615,060</u>	<u>0</u>	<u>0</u>	<u>11,295,615,060</u>
	<u>11,663,975,123</u>	<u>0</u>	<u>52,545,138</u>	<u>11,611,429,985</u>
<u>Liabilities:</u>				
Deposits	11,474,663,716	0	0	11,474,663,716
Securities sold under repurchase agreements, borrowings and debt securities in issue	<u>2,871,051,545</u>	<u>0</u>	<u>0</u>	<u>2,871,051,545</u>
	<u>14,345,715,261</u>	<u>0</u>	<u>0</u>	<u>14,345,715,261</u>
	March 31 2017	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	270,397,893	0	0	270,397,893
Securities held to maturity, net	68,106,450	0	57,747,171	10,359,279
Loans, net	<u>10,717,578,363</u>	<u>0</u>	<u>0</u>	<u>10,717,578,363</u>
	<u>11,056,082,706</u>	<u>0</u>	<u>57,747,171</u>	<u>10,998,335,535</u>
<u>Liabilities:</u>				
Deposits	11,239,425,569	0	0	11,239,425,569
Securities sold under repurchase agreements, borrowings and debt securities in issue	<u>2,376,318,380</u>	<u>0</u>	<u>0</u>	<u>2,376,318,380</u>
	<u>13,615,743,949</u>	<u>0</u>	<u>0</u>	<u>13,615,743,949</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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.

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.

Allowance for Loan Losses

At the condensed consolidated statement of financial position date, it is assessed whether there is objective evidence that a loan or portfolio of loans is impaired. The allowance method is used to account for impairment. The amount of loan losses determined during the period is recognized as a provision expense in the results of operations and is credited to the allowance for loan losses.

The allowance is presented as a deduction from gross loans receivable in the condensed consolidated statement of financial position. The Bank periodically reviews its impaired portfolio to identify those loans that require to be charged-off against the allowance for loan losses. Recoveries of loans previously charged-off as non-recoverable, are credited to the allowance.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Notes to the Condensed Consolidated Interim Financial Information

(18) Financial Instruments Risk Management, continued

	December 2017	March 2017
	(in thousands)	
<u>Loans</u>		
<u>Maximum exposure</u>		
Carrying amount	<u>11,506,061</u>	<u>10,910,361</u>
<u>At amortized cost</u>		
Grade 1: Standard	10,968,299	10,401,946
Grade 2: Special mention	324,854	310,964
Grade 3: Sub-standard	99,966	113,756
Grade 4: Doubtful	61,448	35,284
Grade 5: Loss	<u>51,494</u>	<u>48,411</u>
Gross amount	11,506,061	10,910,361
Allowance for impairment	144,832	133,493
Unearned commissions	<u>38,255</u>	<u>36,118</u>
Net carrying amount	<u>11,322,974</u>	<u>10,740,750</u>
<u>Loans with renegotiated terms</u>		
Gross carrying amount	148,250	103,906
Impaired amount	148,250	103,906
Allowance for impairment	<u>24,375</u>	<u>9,833</u>
Net carrying amount	<u>123,875</u>	<u>94,073</u>
<u>Neither past due nor impaired</u>		
Grade 1	<u>10,811,611</u>	<u>10,401,946</u>
Total	<u>10,811,611</u>	<u>10,401,946</u>
<u>Past due but not impaired</u>		
31 – 60 days	<u>156,688</u>	<u>0</u>
Total	<u>156,688</u>	<u>0</u>
<u>Individually impaired</u>		
Grade 2	118,404	101,754
Grade 3	67,659	64,758
Grade 4	35,823	7,464
Grade 5	<u>25,709</u>	<u>23,333</u>
Total	<u>247,595</u>	<u>197,309</u>
<u>Allowance for impairment</u>		
Individual	29,750	14,415
Collective	<u>115,082</u>	<u>119,078</u>
Total	<u>144,832</u>	<u>133,493</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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, 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>

<u>December 31, 2017</u>			
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,132,782,826	994,115,440	11,126,898,266
From 31 to 90 days	255,148,953	5,917,684	261,066,637
More than 90 days (principal or interest)	101,577,594	4,481,197	106,058,791
More than 30 days past due (principal)	<u>11,933,900</u>	<u>103,158</u>	<u>12,037,058</u>
Total	<u>10,501,443,273</u>	<u>1,004,617,479</u>	<u>11,506,060,752</u>

<u>March 31, 2017</u>			
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	9,551,325,186	992,004,376	10,543,329,562
From 31 to 90 days	242,871,011	5,333,084	248,204,095
More than 90 days (principal or interest)	108,134,318	2,943,592	111,077,910
More than 30 days past due (principal)	<u>7,749,533</u>	<u>0</u>	<u>7,749,533</u>
Total	<u>9,910,080,048</u>	<u>1,000,281,052</u>	<u>10,910,361,100</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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/.52,368,249 (December 31, 2017: B/.43,791,299), and (March 31, 2017: B/.38,357,140) which are not subject to credit risk:

			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	<u>1,198,497,449</u>	<u>30,556,938</u>	<u>0</u>	<u>0</u>	<u>1,229,054,387</u>
Valuation of credit risk	<u>(1,616,997)</u>	<u>(1,890,272)</u>	<u>0</u>	<u>0</u>	<u>(3,507,269)</u>
<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	<u>2,521,119,531</u>	<u>1,121,037</u>	<u>0</u>	<u>617,685</u>	<u>2,522,858,253</u>
Valuation of credit risk	<u>(4,690,028)</u>	<u>(190,523)</u>	<u>0</u>	<u>0</u>	<u>(4,880,551)</u>
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	<u>56,229,294</u>				
<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	<u>628,102,519</u>				
Total carrying amount	<u>684,331,813</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	Investment and Other Financial Assets	
	<u>December</u>	<u>March</u>
	<u>2017</u>	<u>2017</u>
<u>Maximum exposure</u>		
Carrying amount	<u>4,371,083,917</u>	<u>4,286,733,232</u>
<u>At amortized cost</u>		
AAA	14,313,126	19,594,456
AA+ to A	15,217	77,511
BBB+ to BBB-	28,212,674	28,743,434
BB to B-	7,405,448	8,495,879
NR	<u>127,718</u>	<u>130,605</u>
Gross amount	50,074,183	57,041,885
Impairment amount	<u>91,361</u>	<u>90,633</u>
Net carrying amount	<u>49,982,822</u>	<u>56,951,252</u>
<u>Available for sale</u>		
AAA	1,046,247,857	1,092,982,948
AA+ to A	516,005,602	510,526,450
A-	61,338,711	73,604,214
BBB+ to BBB-	703,928,713	591,914,415
BB+	134,297,700	171,529,553
BB to B-	732,815,797	651,074,964
Less than B-	48,756	63,714
NR	<u>3,885,676</u>	<u>1,868,827</u>
Carrying amount	<u>3,198,568,812</u>	<u>3,093,565,085</u>
<u>At fair value through profit or loss</u>		
AAA	770,283,975	845,357,176
AA+ to A	165,382,953	37,543,910
A-	182,824	57,699,660
BBB+ to BBB-	14,078,969	61,591,458
BB+	0	1,730,127
BB to B-	97,049,755	64,718,865
Less than B-	71,424,859	65,620,134
NR	<u>4,037,587</u>	<u>1,864,932</u>
Carrying amount	<u>1,122,440,922</u>	<u>1,136,126,262</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 uses an internal rating, which is consistent with international risk ratings.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(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:

	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
Balance January 1, 2018	6,071,812	1,717,775	0	0	7,789,587
Transferred to 12 month ECL	12,313	(12,313)	0	0	0
Transfer of 12 month ECL to lifetime ECL not credit-impaired	(46,629)	46,629	0	0	0
Transfer of 12 month ECL to lifetime ECL credit-impaired	(13,091)	0	13,091	0	0
Update of reserve	529,196	146,369	(12,796)	0	662,769
New purchased	488,647	0	0	0	488,647
Securities that have been derecognized	(550,413)	(2,476)	(295)	0	(553,184)
Balance March 31, 2018	<u>6,491,835</u>	<u>1,895,984</u>	<u>0</u>	<u>0</u>	<u>8,387,819</u>

(19) Adoption of IFRS 9 Financial Instruments

The adoption of IFRS 9 requires the reclassification and remeasurement of the Bank's financial assets based on established business models, and on the characteristics of the contractual cash flow of the financial asset.

The main objective of the Bank's business model for investment securities is to receive contractual capital and interest flows and be able to sell at any time due to liquidity needs or in order to optimize the risk/return profile of a portfolio based on the interest rate, the risk margins, the current duration and the defined purpose.

As of January 1, 2018, the classification and measurement of financial instruments held as of December 31, 2017, are as follows:

- Investments in securities held to maturity, measured at amortized cost under IAS 39, were classified as FVOCI under IFRS 9.
- Loans and bank deposits that are classified as loans and deposits and measured at amortized cost under IAS 39 maintain this measurement under IFRS 9.
- Debt instruments classified as available for sale under IAS 39 were classified as FVOCI under IFRS 9, unless their contractual flows are not only principal and interest payments in which case they are classified as FVTPL.
- Instruments in securities measured at FVTPL under IAS 39 were mostly classified to FVOCI under IFRS 9 unless their flows are not only principal and interest payments or are part of the portfolios of BG Valores, S. A.
- Derivatives held to manage risks that are classified as FVTPL under IAS 39 maintain this measurement under IFRS 9.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Adoption of IFRS 9 Financial Instruments, continued

The following table shows the original measurement categories under IAS 39 for the Bank's financial assets and liabilities as of December 31, 2017 and its new classification and value under IFRS 9 as of January 1, 2018:

	Original classification IAS 39	New Classification IFRS 9	Original carrying amount IAS 39	New carrying amount NIIF 9
Financial Assets:				
Cash and cash equivalents	Amortized cost	Amortized cost	283,199,967	283,199,967
Deposits in banks	Held to maturity	Amortized cost	562,188,209	562,188,209
Loans	Amortized cost	Amortized cost	11,322,973,693	11,322,561,145
Investment securities – debt	Fair value	FVTPL (Mandatory)	514,528,917	514,528,917
Investment securities – debt	Available for sale	FVTPL (Mandatory)	50,180,977	50,180,977
Investment securities – debt	Held to maturity	FVTPL (Mandatory)	88,243	143,561
Investment securities – equity	Fair value	FVTPL (Mandatory)	37,803,363	37,803,363
Investment securities – equity	Available for sale	FVTPL (Mandatory)	5,987,936	11,747,641
Investment securities – debt	Fair value	FVOCI	607,912,005	607,912,005
Investment securities – debt	Available for sale	FVOCI	3,148,387,835	3,148,387,835
Investment securities – debt	Held to maturity	FVOCI	49,894,579	61,282,140
Derivatives for administration risk	N/A	FVTPL (Mandatory)	0	50,577
Other derivatives	Fair value	FVTPL (Mandatory)	2,713,913	2,663,336
Total Financial Assets			16,585,859,637	16,602,649,673
Financial Liabilities:				
Demand deposits	Amortized cost	Amortized cost	2,494,385,028	2,494,385,028
Savings deposits	Amortized cost	Amortized cost	3,398,554,919	3,398,554,919
Customer time deposits	Amortized cost	Amortized cost	5,474,415,838	5,474,415,838
Bank time deposits	Amortized cost	Amortized cost	91,071,301	91,071,301
Securities sold under repurchase agreements	Amortized cost	Amortized cost	45,814,600	45,814,600
Borrowings and debt securities issued	Amortized cost	Amortized cost	2,661,365,208	2,661,365,208
Perpetual bonds	Amortized cost	Amortized cost	217,680,000	217,680,000
Derivatives for administration risk	N/A	FVTPL (Mandatory)	0	29,413,264
Other derivatives	Fair value	FVTPL (Mandatory)	32,682,894	3,269,630
Other liabilities / Investments short sales	Fair value	FVTPL (Mandatory)	138,267,009	138,267,009
Other liabilities / collateral accounts	Amortized cost	Amortized cost	456,293	456,293
Total Financial Liabilities			14,554,693,090	14,554,693,090

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Adoption of IFRS 9 Financial Instruments, continued

The following table reconciles the book value under IAS 39 to the book value under IFRS 9 on January 1, 2018:

<u>Financial Instruments</u>	<u>Book Value IAS 39 December 31, 2017</u>	<u>Reclassification</u>	<u>Remeasurement</u>	<u>Book Value IFRS 9 January 1, 2018</u>
<u>Financial Assets</u>				
<u>Amortized cost:</u>				
Cash and cash equivalents	283,199,967	0	0	283,199,967
Deposits in banks	562,188,209	0	0	562,188,209
<u>Investment securities:</u>				
Opening balance	49,982,822			
To fair value OCI		(49,894,579)	0	
To fair value through profit or loss		<u>(88,243)</u>	<u>0</u>	
Closing balance				<u>0</u>
<u>Loans, net:</u>				
Opening balance	11,322,973,693			
Remeasurement		<u>0</u>	<u>(412,548)</u>	
Closing balance				<u>11,322,561,145</u>
Total amortized cost	<u>12,218,344,691</u>	<u>(49,982,822)</u>	<u>(412,548)</u>	<u>12,167,949,321</u>
<u>Available for sale:</u>				
<u>Investment securities:</u>				
Opening balance	3,204,556,748			
To fair value through profit or loss		(56,168,913)	0	
To fair value OCI		<u>(3,148,387,835)</u>	<u>0</u>	
Closing balance				<u>0</u>
Total available for sale	<u>3,204,556,748</u>	<u>(3,204,556,748)</u>	<u>0</u>	<u>0</u>
<u>Fair value OCI:</u>				
<u>Investment securities:</u>				
Opening balance	0			
To available for sale		3,148,387,835	0	
To held to maturity		49,894,579	11,387,561	
To fair value through profit or loss		<u>607,912,005</u>	<u>0</u>	
Closing balance				<u>3,817,581,980</u>
Total fair value OCI	<u>0</u>	<u>3,806,194,419</u>	<u>11,387,561</u>	<u>3,817,581,980</u>
<u>Fair value through profit or loss:</u>				
<u>Investment securities:</u>				
Opening balance	1,160,244,285			
To fair value OCI		(607,912,005)	0	
To available for sale		56,168,913	5,759,705	
To held to maturity		<u>88,243</u>	<u>55,318</u>	
Closing balance				<u>614,404,459</u>
Derivatives for administration risk	0	50,577	0	50,577
Other derivatives	<u>2,713,913</u>	<u>(50,577)</u>	<u>0</u>	<u>2,663,336</u>
Total fair value through profit or loss	<u>1,162,958,198</u>	<u>(551,654,849)</u>	<u>5,815,023</u>	<u>617,118,372</u>
Total financial assets	<u>16,585,859,637</u>	<u>0</u>	<u>16,790,036</u>	<u>16,602,649,673</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Adoption of IFRS 9 Financial Instruments, continued

<u>Financial Instruments</u>	<u>Book Value IAS 39 December 31, 2017</u>	<u>Reclassification</u>	<u>Remeasurement</u>	<u>Book Value IFRS 9 January 1, 2018</u>
Financial liabilities				
Amortized cost:				
Deposits from customer	11,458,427,086	0	0	11,458,427,086
Securities sold under repurchase agreements	45,814,600	0	0	45,814,600
Borrowings and debt securities issued	2,661,365,208	0	0	2,661,365,208
Perpetual bonds	217,680,000	0	0	217,680,000
Other liabilities / collateral accounts	456,293	0	0	456,293
Total amortized cost	14,383,743,187	0	0	14,383,743,187
Fair value through profit or loss:				
Derivatives for administration risk	0	29,413,264	0	29,413,264
Other derivatives	32,682,894	(29,413,264)	0	3,269,630
Other liabilities / Investments short sales	138,267,009	0	0	138,267,009
Total Fair value through profit or loss	170,949,903	0	0	170,949,903
Total financial liabilities	14,554,693,090	0	0	14,554,693,090

Impact on capital planning

The main impact on the Bank's regulatory capital arises from the new impairment requirements under IFRS 9.

The following table summarizes the changes in equity items that were modified as a result of the adoption of IFRS 9 as of January 1, 2018:

	Impact of adoption of IFRS 9 in the opening balance
Reserve for valuation of investment securities and other financial assets:	
Balance at December 31, 2017	35,796,615
Recognition of expected credit losses for investment securities Fair Value OCI	7,789,587
Reclassification of investment securities available for sale to Fair Value through Profit or Loss	(2,688,416)
Reclassification of investment securities to Fair Value through Profit or Loss to Fair Value OCI	461,265
Reclassification of investment securities held to maturity to Fair Value OCI	11,398,840
Changes due to adoption of IFRS 9	16,961,276
Balance at January 1, 2018	52,757,891
Retained earnings:	
Balance at December 31, 2017	1,329,584,948
Adjustment for reclassification of investments	8,030,933
Recognition of expected credit losses for investment securities Fair Value OCI	(7,789,587)
Recognition of expected credit losses for loans	(412,548)
Deferred tax related	671,993
Changes due to adoption of IFRS 9	500,791
Balance at January 1, 2018	1,330,085,739

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Main Applicable Laws and Regulations

As of March 31, 2018, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2017.

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 <u>2018</u>	December 31 <u>2017</u>	March 31 <u>2017</u>
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>4,580,865</u>	<u>4,580,865</u>	<u>4,580,865</u>
Total	<u>150,748,449</u>	<u>150,748,449</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.