

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

**Condensed Consolidated Interim
Financial Information**

June 30, 2019

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

June 30, 2019, December 31, 2018 and June 30, 2018

(Expressed in Balboas)

Assets	Note	(Unaudited) June 2019	(Audited) December 2018	(Unaudited) June 2018
Cash	5	312,272,617	202,536,914	261,156,362
Deposits with banks:				
Demand deposits		313,123,847	324,944,239	313,402,028
Time deposits		206,220,487	166,721,311	195,725,491
Total deposits with banks	5	519,344,334	491,665,550	509,127,519
Total cash and deposits with banks		831,616,951	694,202,464	770,283,881
Investment securities and other financial assets at FVTPL		790,915,963	782,191,195	739,175,273
Investment securities and other financial assets at FVOCI		4,139,943,646	4,394,859,981	3,914,322,294
Investment securities and other financial assets at AC, net		0	10,948,692	47,397,156
Total investment securities and other financial assets, net		4,930,859,609	5,187,999,868	4,700,894,723
Loans	6	11,970,971,327	11,952,384,674	11,792,722,014
Less:				
Allowance for loan losses		156,171,768	158,531,274	152,879,708
Unearned commissions		42,302,911	41,104,450	39,589,430
Loans, net		11,772,496,648	11,752,748,950	11,600,252,876
Investments in associates		30,742,398	26,034,716	24,702,246
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	234,951,513	234,404,923	228,318,261
Right-of-use assets, net	8	21,274,917	0	0
Securities and other financial assets sold pending settlement		466,116,346	389,698,425	417,557,466
Accrued interest receivable		77,034,900	74,034,604	72,082,169
Deferred tax assets		37,390,121	38,107,649	36,549,046
Goodwill and other intangible assets, net	9	58,530,019	59,838,713	60,416,664
Other assets		314,436,405	247,086,198	264,278,668
Total assets		18,775,449,827	18,704,156,510	18,175,336,000

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.

<u>Liabilities and Equity</u>	<u>Note</u>	(Unaudited) June 2019	(Audited) December 2018	(Unaudited) June 2018
Liabilities:				
Deposits:				
Demand		2,500,114,048	2,835,932,071	2,439,562,653
Savings		3,475,046,850	3,515,163,131	3,383,001,703
Time:				
Customers		6,121,297,559	5,746,753,443	5,628,036,507
Banks		55,771,247	130,458,385	82,404,578
Total deposits		<u>12,152,229,704</u>	<u>12,228,307,030</u>	<u>11,533,005,441</u>
Securities sold under repurchase agreements		0	0	199,063,000
Borrowings and debt securities issued, net	11	2,623,395,650	2,886,528,342	2,792,187,847
Perpetual bonds		217,680,000	217,680,000	217,680,000
Lease liabilities	12	21,625,081	0	0
Securities and other financial assets purchased pending settlement		731,368,048	561,836,021	577,300,254
Accrued interest payable		122,609,601	118,282,025	108,311,571
Liabilities from insurance operations	13	18,806,640	17,648,645	18,214,901
Deferred tax liabilities		3,372,490	3,469,408	3,616,027
Other liabilities	10	490,218,488	485,382,510	593,887,921
Total liabilities		<u>16,381,305,702</u>	<u>16,519,133,981</u>	<u>16,043,266,962</u>
Equity:				
Common shares	15	500,000,000	500,000,000	500,000,000
Legal reserve		183,354,718	182,098,343	180,491,511
Capital reserves		83,057,303	4,642,044	19,495,959
Retained earnings		1,627,732,104	1,498,282,142	1,432,081,568
Total equity		<u>2,394,144,125</u>	<u>2,185,022,529</u>	<u>2,132,069,038</u>
Total liabilities and equity		<u><u>18,775,449,827</u></u>	<u><u>18,704,156,510</u></u>	<u><u>18,175,336,000</u></u>

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

Condensed Consolidated Statement of Income

For the six months ended June 30, 2019 and 2018

(Expressed in Balboas)

		(Unaudited) (2th Quarter)		(Unaudited) (Accumulated)	
	Note	June 2019	June 2018	June 2019	June 2018
Interest and commission income:					
Interest:					
Loans		210,930,377	193,618,636	415,916,881	379,408,075
Deposits with banks		2,467,037	2,003,671	4,455,619	3,915,315
Securities and other financial assets		48,251,257	40,861,978	95,424,126	79,910,583
Commissions on loans		11,311,959	10,961,051	22,226,313	21,976,785
Total interest and commission income		272,960,630	247,445,336	538,022,939	485,210,758
Interest expenses:					
Deposits		64,950,036	56,136,833	126,582,273	110,525,649
Borrowings and debt securities issued		32,281,279	30,171,043	66,728,844	56,916,133
Total interest expenses		97,231,315	86,307,876	193,311,117	167,441,782
Net interest and commission income		175,729,315	161,137,460	344,711,822	317,768,976
Provision for loan losses, net	6	10,383,186	10,077,229	22,375,786	21,717,280
Provision for impairment of securities, net		357,679	(78,913)	1,928,980	522,727
Provision for foreclosed assets, net		35,621	49,006	364,405	407,574
Net interest and commission income after provisions		164,952,829	151,090,138	320,042,651	295,121,395
Other income (expenses):					
Fees and other commissions		55,783,616	51,611,889	108,707,750	103,097,915
Insurance premiums, net		7,733,086	7,219,261	15,757,032	14,237,588
Gain (loss) on financial instruments, net		6,003,461	(5,531,243)	8,943,668	(8,146,099)
Other income, net		6,994,111	5,272,734	13,994,711	10,266,197
Commission expenses and other expenses	12	(23,302,519)	(20,809,234)	(46,633,630)	(41,636,777)
Total other income, net		53,211,755	37,763,407	100,769,531	77,818,824
General and administrative expenses:					
Salaries and other employee expenses	16	44,551,376	42,811,131	88,379,165	85,189,508
Depreciation and amortization	7 & 8	8,086,055	5,951,453	14,512,533	11,775,757
Premises and equipment expenses		4,452,184	6,579,830	11,223,861	13,207,641
Other expenses		18,721,640	17,636,538	36,271,337	34,915,240
Total general and administrative expenses		75,811,255	72,978,952	150,386,896	145,088,146
Operational net income		142,353,329	115,874,593	270,425,286	227,852,073
Equity participation in associates		3,019,334	2,452,756	5,711,497	4,753,242
Net income before income tax		145,372,663	118,327,349	276,136,783	232,605,315
Income tax, net	17	16,611,899	14,321,418	30,793,347	27,473,315
Net income		128,760,764	104,005,931	245,343,436	205,132,000

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2019 and 2018

(Expressed in Balboas)

	(Unaudited)	
	<u>June</u>	<u>June</u>
	<u>2019</u>	<u>2018</u>
Net income	<u>245,343,436</u>	<u>205,132,000</u>
Other comprehensive income (expense):		
Items that are or may be reclassified to profit or loss:		
Valuation of securities and other financial assets:		
Changes net in valuation of securities at FVOCI	82,544,864	(29,401,959)
Transfer to profit or loss for sales of securities at FVOCI	33,913	(5,379,856)
Credit risk valuation	1,930,288	519,883
Change in fair value of hedging instruments	<u>(6,093,806)</u>	<u>0</u>
Total other comprehensive income (expense), net	<u>78,415,259</u>	<u>(34,261,932)</u>
Total comprehensive income	<u><u>323,758,695</u></u>	<u><u>170,870,068</u></u>

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Balboas)

	Capital reserves							
	Common shares	Legal reserve	Insurance reserve	Valuation of securities and other financial assets	Valuation for hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2018 (Audited)	500,000,000	182,098,343	1,000,000	5,678,583	(2,036,539)	4,642,044	1,498,282,142	2,185,022,529
Net income	0	0	0	0	0	0	245,343,436	245,343,436
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes net in valuation of securities at FVOCI	0	0	0	82,544,864	0	82,544,864	0	82,544,864
Transfer to profit or loss for sales of securities at FVOCI	0	0	0	33,913	0	33,913	0	33,913
Credit risk valuation	0	0	0	1,930,288	0	1,930,288	0	1,930,288
Changes in fair value of hedging instruments	0	0	0	0	(6,093,806)	(6,093,806)	0	(6,093,806)
Total other comprehensive income (expense), net	0	0	0	84,509,065	(6,093,806)	78,415,259	0	78,415,259
Total comprehensive income	0	0	0	84,509,065	(6,093,806)	78,415,259	245,343,436	323,758,695
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(110,584,320)	(110,584,320)
Dividends tax	0	0	0	0	0	0	(1,308,692)	(1,308,692)
Complementary tax	0	0	0	0	0	0	(2,744,087)	(2,744,087)
Transfer from retained earnings	0	1,256,375	0	0	0	0	(1,256,375)	0
Total transactions with owner	0	1,256,375	0	0	0	0	(115,893,474)	(114,637,099)
Balance as of June 30, 2019 (Unaudited)	<u>500,000,000</u>	<u>183,354,718</u>	<u>1,000,000</u>	<u>90,187,648</u>	<u>(8,130,345)</u>	<u>83,057,303</u>	<u>1,627,732,104</u>	<u>2,394,144,125</u>
Balance as of December 31, 2017 (Audited)	<u>500,000,000</u>	<u>179,461,247</u>	<u>1,000,000</u>	<u>35,796,615</u>	<u>0</u>	<u>36,796,615</u>	<u>1,329,584,948</u>	<u>2,045,842,810</u>
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 (Audited)	<u>500,000,000</u>	<u>179,461,247</u>	<u>1,000,000</u>	<u>52,757,891</u>	<u>0</u>	<u>53,757,891</u>	<u>1,330,085,739</u>	<u>2,063,304,877</u>
Net income	0	0	0	0	0	0	205,132,000	205,132,000
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes net in valuation of securities at FVOCI	0	0	0	(29,401,959)	0	(29,401,959)	0	(29,401,959)
Transfer to profit or loss for sales of securities at FVOCI	0	0	0	(5,379,856)	0	(5,379,856)	0	(5,379,856)
Credit risk valuation	0	0	0	519,883	0	519,883	0	519,883
Total other comprehensive expenses, net	0	0	0	(34,261,932)	0	(34,261,932)	0	(34,261,932)
Total comprehensive income	0	0	0	(34,261,932)	0	(34,261,932)	205,132,000	170,870,068
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(100,531,200)	(100,531,200)
Complementary tax	0	0	0	0	0	0	(1,574,707)	(1,574,707)
Transfer from retained earnings	0	1,030,264	0	0	0	0	(1,030,264)	0
Total transactions with owner	0	1,030,264	0	0	0	0	(103,136,171)	(102,105,907)
Balance as of June 30, 2018 (Unaudited)	<u>500,000,000</u>	<u>180,491,511</u>	<u>1,000,000</u>	<u>18,495,959</u>	<u>0</u>	<u>19,495,959</u>	<u>1,432,081,568</u>	<u>2,132,069,038</u>

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Balboas)

		(Unaudited)	
	Note	June 2019	June 2018
Operating activities:			
Net income		245,343,436	205,132,000
Adjustments to reconcile net income to net cash provided from operation activities:			
Provision for loan losses, net	6	22,375,786	21,717,280
Provision for impairment of securities		1,928,980	522,727
Provision for impairment of foreclosed assets, net		364,405	407,574
Loss unrealized on securities and other financial assets		379,730	5,419,626
Gain unrealized on derivative instruments		(286,425)	(2,827,464)
(Gain) loss on sale of securities and other financial assets at FVTPL, net		(8,006,683)	288,045
Loss on sale of securities and other financial assets at FVOCI, net		149,565	4,953,338
(Gain) loss realized on derivative instruments		(1,179,855)	312,554
Foreign exchange fluctuations, net		233,675	1,689,534
Gain on sale of fixed assets, net		(55,924)	(265,368)
Deferred income tax, net		644,187	(2,044,154)
Depreciation and amortization	7 & 8	14,512,533	11,775,757
Amortization of intangible assets	9	1,308,694	1,308,694
Equity participation in associates		(5,711,497)	(4,753,242)
Interest income		(515,796,626)	(463,233,973)
Interest expense		193,311,117	167,441,782
Changes in operating assets and liabilities:			
Time deposits with banks		500,824	16,928,552
Securities and other financial assets at fair value through profit or loss		770,160	(130,995,412)
Loans		(43,321,945)	(300,743,687)
Unearned commissions		1,198,461	1,334,676
Tax credit from preferential interest loans		(22,627,036)	(19,793,845)
Other assets		(110,876,696)	(113,795,529)
Demand deposits		(335,818,023)	(54,822,375)
Savings accounts		(40,116,281)	(15,553,216)
Time deposits		299,856,978	144,953,946
Liabilities under insurance operations		1,157,995	1,215,609
Other liabilities		257,642,691	175,946,720
Cash provided by operating activities:			
Interest received		512,796,330	458,789,340
Interest paid		(188,983,541)	(167,863,048)
Dividends received		859,155	900,789
Total		37,210,734	(260,784,770)
Cash flows from (used) from operating activities		282,554,170	(55,652,770)
Investing activities:			
Purchases of securities and other financial assets at FVOCI		(2,389,289,180)	(2,825,268,372)
Sale and redemptions of securities and other financial assets at FVOCI		2,643,800,203	2,685,626,501
Purchases of securities to amortized cost		0	(47,400,000)
Redemptions of securities to amortized cost		10,950,000	0
Investments in associates		1,003,815	2,126,749
Sale of property, furniture, equipment and improvements		58,784	544,243
Purchases of property, furniture, equipment and improvements	7	(13,187,409)	(17,172,741)
Cash flows from in investing activities		253,336,213	(201,543,620)
Financing activities:			
News borrowings and debt securities issued		12,591,686	473,809,064
Redemption of debt securities in issue and cancellation of borrowings		(294,405,249)	(325,930,910)
Securities sold under agreements to repurchase		0	153,248,400
Lease liability payments		(1,524,410)	0
Dividends paid on common shares		(110,584,320)	(100,531,200)
Complementary and dividends tax		(4,052,779)	(1,574,707)
Cash flows used in financing activities		(397,975,072)	199,020,647
Net increase (decrease) in cash and cash equivalents		137,915,311	(58,175,743)
Cash and cash equivalents at beginning of period		527,481,153	672,734,133
Cash and cash equivalents at end of period	5	665,396,464	614,558,390

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

June 30, 2019

(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. Properties, Furniture, Equipment, and Improvements
8. Right-of-use assets
9. Goodwill and Intangible Assets, Net
10. Other Financial Liabilities at Fair Value
11. Borrowings and Debt Securities Issued, net
12. Lease liabilities
13. Liabilities from Insurance Operations
14. Segment Information
15. Equity
16. Personnel Benefits
17. Income Tax
18. Derivative Financial Instruments
19. Fair Value of Financial Instruments
20. Financial Instruments Risk Management
21. Main Applicable Laws and Regulations

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(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, investment, insurance, reinsurance, wealth management of investments, pensions, retirement and severance funds.

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

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

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

(2) Basis of Preparation

(a) Statement of Compliance

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

These condensed consolidated interim financial information were authorized by management for issue on July 26, 2019.

(b) Basis of Measurement

These condensed consolidated interim financial information have been prepared on a historical cost basis or amortized cost except for financial assets and liabilities at fair value, through other comprehensive income and derivative financial instruments, which are measured at fair value; and foreclosed assets, which are measured at the lower of their carrying value or estimated value of realization.

The Bank initially recognizes loans and account receivables and deposits on the date on which they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date initially, which is the date on which the Bank compromises to buy or sell an instrument

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2018, except, for the application of leasing policies based on the adoption of IFRS 16. The new policies are detailed as follows:

(a) Right-of-use assets

Accounting policies used as of January 1, 2019:

IFRS 16 changes the accounting by lessees, using a unique model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, representing its right-of-use the underlying assets, and a lease liability, representing its obligation to make future lease payments.

The Bank used the modified retrospective approach, which establishes the cumulative effect of the adoption of IFRS 16 as an adjustment to the initial balance of retained earnings as of January 1, 2019, without presenting comparative information, so the information presented for the year 2018 will not be restated.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

The Bank applied the exemption from the standard for lease contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 46, applying the following practical options for contracts in force as of that date:

- Exemption for not recognizing right-of-use assets and lease liabilities for contracts with a term of less than 12 months;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Reasoning was used in retrospective when determining the lease term, if the contract contained options to extend or terminate the lease.

Right-for-use assets and lease liabilities were recognized, both for B/.22,593,981, which did not show differences affecting the balance of retained earnings as of January 1, 2019.

The Bank measures its right-of-use asset at cost less accumulated depreciation and depreciates it according to the term of the lease.

The right-of-use asset includes:

- Lease payments made before or after the commencement date, less lease incentives received;
- Initial direct costs incurred; and
- An estimate of the costs to be incurred for dismantling and / or restoration.

Right-of-use assets will not be recognized in the following cases:

- Leases whose term is less than 12 months; and
- Leases in which the underlying asset is of low value. These exemptions to recognition and their respective payments will be recorded as rental expenses in the results of the period.

(b) Leases Liabilities

On the start date of a lease, the Bank recognizes a lease liability calculated at the present value of remaining cash flows of the lease.

The Bank discounted the future lease payments using the incremental rate as of January 1, 2019, which was calculated considering a rate equivalent to that which would be used in financing to acquire an asset with the same conditions, for a similar term to that agreed upon in the lease.

Lease payments are divided between debt reduction and interest, which is recognized 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:

	June 30, 2019			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investment securities and other financial assets, net	<u>0</u>	<u>166,882,898</u>	<u>36,757,324</u>	<u>203,640,222</u>
Loans	<u>8,049,515</u>	<u>218,399,143</u>	<u>19,359,627</u>	<u>244,808,285</u>
Investments in associates	<u>0</u>	<u>30,742,398</u>	<u>0</u>	<u>30,742,398</u>
Liabilities:				
Deposits:				
Demand	1,494,817	91,769,732	48,462,123	141,726,672
Savings	5,212,131	61,854,504	725,291	67,818,926
Time	<u>1,880,518</u>	<u>388,256,078</u>	<u>106,615,385</u>	<u>496,751,981</u>
	<u>8,587,466</u>	<u>541,880,314</u>	<u>155,829,799</u>	<u>706,297,579</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>57,354,719</u>	<u>30,886,962</u>	<u>88,241,681</u>
Interest income:				
Loans	<u>182,367</u>	<u>5,824,211</u>	<u>564,055</u>	<u>6,570,633</u>
Investment securities and other financial assets	<u>0</u>	<u>3,820,142</u>	<u>1,004,402</u>	<u>4,824,544</u>
Interest expenses:				
Deposits	<u>43,555</u>	<u>8,061,271</u>	<u>656,305</u>	<u>8,761,131</u>
Borrowings and debt in securities in issue	<u>0</u>	<u>0</u>	<u>2,925,000</u>	<u>2,925,000</u>
Other income:				
Equity participation in associates	<u>0</u>	<u>5,711,497</u>	<u>0</u>	<u>5,711,497</u>
Dividends	<u>0</u>	<u>386,609</u>	<u>0</u>	<u>386,609</u>
General and administrative expenses:				
Directors' fees	<u>173,900</u>	<u>0</u>	<u>0</u>	<u>173,900</u>
Benefits to key management personnel	<u>1,353,333</u>	<u>0</u>	<u>0</u>	<u>1,353,333</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	December 31, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investment securities and other financial assets, net	<u>0</u>	<u>162,067,000</u>	<u>36,580,208</u>	<u>198,647,208</u>
Loans	<u>7,539,015</u>	<u>137,558,553</u>	<u>20,073,177</u>	<u>165,170,745</u>
Investments in associates	<u>0</u>	<u>26,034,716</u>	<u>0</u>	<u>26,034,716</u>
<u>Liabilities:</u>				
Deposits:				
Demand	999,893	368,223,635	76,101,535	445,325,063
Savings	5,415,638	147,513,188	468,719	153,397,545
Time	<u>1,893,345</u>	<u>418,242,277</u>	<u>101,769,231</u>	<u>521,904,853</u>
	<u>8,308,876</u>	<u>933,979,100</u>	<u>178,339,485</u>	<u>1,120,627,461</u>
Perpetual bonds	<u>0</u>	<u>0</u>	<u>90,000,000</u>	<u>90,000,000</u>
Commitments and contingencies	<u>0</u>	<u>63,730,393</u>	<u>32,552,608</u>	<u>96,283,001</u>
	June 30, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Assets:</u>				
Investment securities and other financial assets, net	<u>0</u>	<u>257,142,539</u>	<u>46,747,904</u>	<u>303,890,443</u>
Loans	<u>7,598,777</u>	<u>158,535,108</u>	<u>21,785,350</u>	<u>187,919,235</u>
Investments in associates	<u>0</u>	<u>24,702,246</u>	<u>0</u>	<u>24,702,246</u>
<u>Liabilities:</u>				
Deposits:				
Demand	631,052	75,346,167	80,358,135	156,335,354
Savings	4,579,702	66,051,497	45,498	70,676,697
Time	<u>1,741,294</u>	<u>285,615,544</u>	<u>63,951,687</u>	<u>351,308,525</u>
	<u>6,952,048</u>	<u>427,013,208</u>	<u>144,355,320</u>	<u>578,320,576</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>64,592,365</u>	<u>25,978,400</u>	<u>90,570,765</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**

	June 30, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
<u>Interest income:</u>				
Loans	<u>177,714</u>	<u>4,284,829</u>	<u>581,656</u>	<u>5,044,199</u>
Investment securities and other financial assets	<u>0</u>	<u>6,257,710</u>	<u>1,219,528</u>	<u>7,477,238</u>
<u>Interest expenses:</u>				
Deposits	<u>39,826</u>	<u>5,630,254</u>	<u>496,420</u>	<u>6,166,500</u>
Borrowings and debt securities issued	<u>0</u>	<u>0</u>	<u>2,925,000</u>	<u>2,925,000</u>
<u>Other income:</u>				
Equity participation in associates	<u>0</u>	<u>4,753,242</u>	<u>0</u>	<u>4,753,242</u>
Dividends	<u>0</u>	<u>493,477</u>	<u>0</u>	<u>493,477</u>
<u>General and administrative expenses:</u>				
Directors' fees	<u>133,600</u>	<u>0</u>	<u>0</u>	<u>133,600</u>
Benefits to key management personnel	<u>1,194,306</u>	<u>0</u>	<u>0</u>	<u>1,194,306</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>2019</u>	<u>June 30</u> <u>2018</u>
Cash	312,272,617	261,156,362
Demand deposits with banks	313,123,847	313,402,028
Time deposits with banks	<u>206,220,487</u>	<u>195,725,491</u>
Total deposits with banks	<u>519,344,334</u>	<u>509,127,519</u>
Less: time deposits with original maturities of more than three months	<u>166,220,487</u>	<u>155,725,491</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>665,396,464</u>	<u>614,558,390</u>

Demand deposits with banks include cash collateral accounts in the amount of B/.20,182,630 (December 31, 2018: B/.27,475,591) that secure derivative operations, in addition to the next quarterly payments of principal, interest and expenses of certain obligations.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The composition of the loan portfolio is summarized as follows:

	June 30 2019	December 31 2018	June 30 2018
Local loans:			
Residential mortgages	4,187,703,179	4,091,042,745	3,949,660,743
Personal, auto and credit cards	1,835,584,674	1,776,981,209	1,694,890,382
Commercial mortgages	1,918,989,686	1,920,857,554	1,855,115,759
Lines of credit and commercial loans	1,616,162,991	1,590,811,256	1,692,861,034
Interim financing	660,332,337	700,899,475	794,911,709
Financial leases, net of unearned interest	101,928,552	108,302,008	112,683,446
Other secured loans	227,741,140	203,744,331	196,582,668
Overdrafts	148,829,956	152,890,905	146,410,441
Total local loans	<u>10,697,272,515</u>	<u>10,545,529,483</u>	<u>10,443,116,182</u>
Foreign loans:			
Residential mortgages	235,531,765	249,375,750	255,865,126
Personal, auto and credit cards	17,291,806	16,779,215	17,104,271
Commercial mortgages	251,771,103	259,580,692	247,989,043
Lines of credit and commercial loans	703,190,517	798,964,318	740,250,874
Interim financing	0	3,099,755	3,099,940
Other secured loans	10,938,957	23,238,900	23,970,303
Overdrafts	54,974,664	55,816,561	61,326,275
Total foreign loans	<u>1,273,698,812</u>	<u>1,406,855,191</u>	<u>1,349,605,832</u>
Total	<u>11,970,971,327</u>	<u>11,952,384,674</u>	<u>11,792,722,014</u>

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

	June 30, 2019			
	12-month ECL	Lifetime ECL No credit- impaired	Lifetime ECL credit - impaired	Total
Balance at beginning of period	86,609,549	24,544,788	47,376,937	158,531,274
Transferred to 12-months ECL	10,051,094	(7,118,160)	(2,932,934)	0
Transferred to lifetime ECL not credit-impaired	(2,209,488)	3,484,785	(1,275,297)	0
Transferred to lifetime ECL credit-impaired	(1,560,375)	(3,635,883)	5,196,258	0
Net remeasurement of portfolio	(11,220,145)	12,042,371	31,207,167	32,029,393
New Loans	10,936,093	3,299,649	3,824,937	18,060,679
Loans paid down	(7,330,207)	(5,322,417)	(15,061,662)	(27,714,286)
Recovery of loans charged-off	0	0	12,499,986	12,499,986
Loans charged-off	0	0	(37,235,278)	(37,235,278)
Balance at the end of period	<u>85,276,521</u>	<u>27,295,133</u>	<u>43,600,114</u>	<u>156,171,768</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(6) Loans, continued

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

	<u>June 30, 2018</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL No credit- Impaired</u>	<u>Lifetime ECL credit - Impaired</u>	<u>Total</u>
Balance at beginning of period IAS 39				144,832,305
Changes due to adoption of IFRS 9	<u>0</u>	<u>0</u>	<u>0</u>	<u>412,548</u>
Balance at beginning of period IFRS 9	79,103,845	25,839,115	40,301,893	145,244,853
Transferred to 12-months ECL	7,702,417	(6,141,167)	(1,561,250)	0
Transferred to lifetime ECL not credit-impaired	(2,400,485)	3,384,911	(1,284,426)	0
Transferred to lifetime ECL credit-impaired	(1,952,193)	(3,184,988)	5,137,181	0
Net remeasurement of portfolio	(14,777,013)	6,509,554	24,404,385	16,136,926
New Loans	10,969,713	1,395,000	3,738,157	16,102,870
Loans paid down	(5,929,973)	(1,309,420)	(3,283,123)	(10,522,516)
Recovery of loans charged-off	0	0	10,480,936	10,480,936
Loans charged-off	<u>0</u>	<u>0</u>	<u>(24,563,361)</u>	<u>(24,563,361)</u>
Balance at the end of period	<u>72,716,311</u>	<u>26,793,005</u>	<u>53,370,392</u>	<u>152,879,708</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2019					
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of period	32,147,489	135,326,696	113,226,231	104,173,822	38,745,088	423,619,326
Additions	205,000	820,000	6,097,620	5,630,981	433,808	13,187,409
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>697,999</u>	<u>0</u>	<u>1,900,847</u>
At end of period	<u>32,352,489</u>	<u>136,146,696</u>	<u>118,121,003</u>	<u>109,106,804</u>	<u>39,178,896</u>	<u>434,905,888</u>
Accumulated depreciation and amortization:						
At beginning of period	0	30,095,005	64,938,017	65,975,853	28,205,528	189,214,403
Expense of the period	0	1,795,102	5,085,121	4,762,830	994,906	12,637,959
Sales and disposals	<u>0</u>	<u>0</u>	<u>1,202,848</u>	<u>695,139</u>	<u>0</u>	<u>1,897,987</u>
At end of period	<u>0</u>	<u>31,890,107</u>	<u>68,820,290</u>	<u>70,043,544</u>	<u>29,200,434</u>	<u>199,954,375</u>
Net balance	<u>32,352,489</u>	<u>104,256,589</u>	<u>49,300,713</u>	<u>39,063,260</u>	<u>9,978,462</u>	<u>234,951,513</u>

	December 31, 2018					
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of year	32,076,810	130,415,437	87,218,844	115,290,423	36,573,777	401,575,291
Additions	220,679	4,911,259	26,009,959	2,367,990	2,832,978	36,342,865
Sales and disposals	<u>150,000</u>	<u>0</u>	<u>2,572</u>	<u>13,484,591</u>	<u>661,667</u>	<u>14,298,830</u>
At end of year	<u>32,147,489</u>	<u>135,326,696</u>	<u>113,226,231</u>	<u>104,173,822</u>	<u>38,745,088</u>	<u>423,619,326</u>
Accumulated depreciation and amortization:						
At beginning of year	0	26,510,195	56,121,288	68,748,375	26,995,281	178,375,139
Expense of the year	0	3,584,810	8,819,301	10,707,753	1,871,914	24,983,778
Sales and disposals	<u>0</u>	<u>0</u>	<u>2,572</u>	<u>13,480,275</u>	<u>661,667</u>	<u>14,144,514</u>
At end of year	<u>0</u>	<u>30,095,005</u>	<u>64,938,017</u>	<u>65,975,853</u>	<u>28,205,528</u>	<u>189,214,403</u>
Net balance	<u>32,147,489</u>	<u>105,231,691</u>	<u>48,288,214</u>	<u>38,197,969</u>	<u>10,539,560</u>	<u>234,404,923</u>

	June 30, 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	3,930,978	11,079,682	915,871	1,246,210	17,172,741
Sales and disposals	<u>150,000</u>	<u>0</u>	<u>539</u>	<u>1,488,465</u>	<u>661,667</u>	<u>2,300,671</u>
At end of period	<u>31,926,810</u>	<u>134,346,415</u>	<u>98,297,987</u>	<u>114,717,829</u>	<u>37,158,320</u>	<u>416,447,361</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	1,780,354	3,885,147	5,181,192	929,064	11,775,757
Sales and disposals	<u>0</u>	<u>0</u>	<u>539</u>	<u>1,359,590</u>	<u>661,667</u>	<u>2,021,796</u>
At end of period	<u>0</u>	<u>28,290,549</u>	<u>60,005,896</u>	<u>72,569,977</u>	<u>27,262,678</u>	<u>188,129,100</u>
Net balance	<u>31,926,810</u>	<u>106,055,866</u>	<u>38,292,091</u>	<u>42,147,852</u>	<u>9,895,642</u>	<u>228,318,261</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 2019
Cost:	
At the beginning of period	22,593,981
New contracts	<u>555,510</u>
At the end of period	<u>23,149,491</u>
Accumulated depreciation:	
At the beginning of period	0
Expense of the period	<u>1,874,574</u>
At the end of period	<u>1,874,574</u>
Net balance	<u>21,274,917</u>

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

(9) Goodwill and Intangible Assets, net

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

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(9) Goodwill and Intangible Assets, net, continued**

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

	<u>June 30, 2019</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of period	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at beginning of period	0	29,445,612	29,445,612
Expense of the period	0	1,308,694	1,308,694
Balance at the end of period	0	30,754,306	30,754,306
Net balance at the end of period	<u>41,822,241</u>	<u>16,707,778</u>	<u>58,530,019</u>
	<u>December 31, 2018</u>		
	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Total</u>
Cost:			
Balance at the beginning and end of year	41,091,499	47,462,084	88,553,583
Addition by acquisition	730,742	0	730,742
Net balance at the end of year	41,822,241	47,462,084	89,284,325
Accumulated amortization:			
Balance at beginning of year	0	26,828,225	26,828,225
Expense of the year	0	2,617,387	2,617,387
Balance at the end of year	0	29,445,612	29,445,612
Net balance at the end of year	<u>41,822,241</u>	<u>18,016,472</u>	<u>59,838,713</u>
	<u>June 30, 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	0	1,308,694	1,308,694
Balance at the end of period	0	28,136,919	28,136,919
Net balance at the end of period	<u>41,091,499</u>	<u>19,325,165</u>	<u>60,416,664</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 June 30, 2019, no evaluation was necessary.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(10) Other Financial Liabilities at Fair Value

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

	<u>Level</u>	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018</u>	<u>June 30</u> <u>2018</u>
"Mortgage Backed Securities" (MBS)	2	<u>36,390,738</u>	<u>127,004,276</u>	<u>113,878,857</u>
Total		<u>36,390,738</u>	<u>127,004,276</u>	<u>113,878,857</u>

See the description of the Levels in Note 20.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 2019	December 31 2018	June 30 2018
Corporate bonds with maturities in 2019, at an annual interest rate of 2.75%	0	25,000,000	25,000,000
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	550,000,000	550,000,000	550,000,000
Borrowings with maturity in 2018, at interest rates of 3 and 6 month Libor plus a margin	0	0	168,038,863
Borrowings with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	29,326,060	217,015,548	256,421,875
Borrowings with maturity in 2020, at interest rates of 6 month Libor plus a margin	1,360,586,840	1,406,725,729	1,347,364,619
Borrowings with maturity in 2021, at interest rates of 6 month Libor plus a margin	78,703,125	75,703,125	30,000,000
Borrowings with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	284,615,385	290,384,615	96,153,846
Borrowings with maturity in 2023, at interest rates of 3 month Libor plus a margin	27,105,264	47,368,422	50,000,000
Borrowings under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	3,400,454	3,603,252	3,799,051
Notes with maturities in 2024, at a fixed interest rate	200,000,000	200,000,000	200,000,000
Notes with maturities in 2027, at a fixed interest rate	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Subtotal of borrowings and debt securities issued	2,611,492,128	2,893,305,691	2,804,533,254
Less: Revaluations coverage	<u>11,903,522</u>	<u>(6,777,349)</u>	<u>12,345,407</u>
Total borrowings and debt securities issued, net	<u>2,623,395,650</u>	<u>2,886,528,342</u>	<u>2,792,187,847</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**(11) Borrowing and Debt Securities Issued, continued**

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

	June 30 2019	December 31 2018	June 30 2018
Balance at beginning of period	2,886,528,342	2,661,365,208	2,661,365,208
New borrowings and debt securities issued	12,591,686	801,199,610	473,809,064
Redemption of debt securities issued and cancellation of borrowings	(294,405,249)	(565,126,868)	(325,930,910)
Product of currency exchange fluctuations	0	(4,132,259)	(4,710,108)
Revaluations coverage	<u>18,680,871</u>	<u>(6,777,349)</u>	<u>(12,345,407)</u>
Balance at end of period	<u><u>2,623,395,650</u></u>	<u><u>2,886,528,342</u></u>	<u><u>2,792,187,847</u></u>

(12) Lease Liabilities

The movement of lease liabilities is detailed as follows:

	June 30 2019
Balance at the beginning of period	22,593,981
New contracts	555,510
Payments	<u>(1,524,410)</u>
Balance at the end of period	<u><u>21,625,081</u></u>

Interest expense on lease liabilities for B/.492,913 is included in the line of other income (expenses) line as of commission expenses and other expenses in the condensed consolidated statement of income.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(13) Liabilities from Insurance Operations**

Liabilities from insurance operations amounted to B/.18,806,640 (December 31, 2018: B/.17,648,645) and (June 30, 2018 B/. 18,214,901) and are comprised of unearned premiums and estimated insurance claims incurred. The movement of the reserves for insurance operations is summarized as follows:

	June 30 2019	December 31 2018	June 30 2018
Unearned Premiums			
Balance at beginning of period	19,652,339	19,043,645	19,043,645
Issued premiums	20,561,606	37,731,101	19,069,939
Earned premiums	<u>(19,406,483)</u>	<u>(37,122,407)</u>	<u>(17,751,788)</u>
Balance at end of period	20,807,462	19,652,339	20,361,796
Reinsurers participation	<u>(4,563,190)</u>	<u>(4,473,403)</u>	<u>(4,594,632)</u>
Unearned premiums, net	<u>16,244,272</u>	<u>15,178,936</u>	<u>15,767,164</u>
Insurance Claims Incurred, Estimated			
Balance at beginning of period	3,156,224	2,530,640	2,530,640
Incurred claims	4,342,203	6,883,588	3,661,229
Paid claims	<u>(4,512,939)</u>	<u>(6,258,004)</u>	<u>(3,375,591)</u>
Balance at end of period	2,985,488	3,156,224	2,816,278
Reinsurer participation	<u>(423,120)</u>	<u>(686,515)</u>	<u>(368,541)</u>
Insurance claims incurred, net estimated	<u>2,562,368</u>	<u>2,469,709</u>	<u>2,447,737</u>
Total liabilities from insurance operations	<u>18,806,640</u>	<u>17,648,645</u>	<u>18,214,901</u>

(14) Segment Information

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

<u>Segments</u>	<u>Operations</u>
Banking and Financial Activities	Various financial services, mainly corporate, mortgage and consumer banking, 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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(14) Segment Information, continued

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

	Banking and financial activities	Insurance and reinsurance	June 30, 2019 Pension and retirement fund management	Eliminations	Total
Interest and commission income	536,044,484	3,455,142	570,623	2,047,310	538,022,939
Interest and provision expenses	220,514,410	2,301	3,799	2,047,310	218,473,200
Other income, net	81,804,705	12,755,873	6,707,545	5,680	101,262,443
General and administrative expenses	131,890,183	1,331,679	2,658,181	5,680	135,874,363
Depreciation and amortization expense	14,232,940	114,325	165,268	0	14,512,533
Equity participation in associates	<u>5,711,497</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,711,497</u>
Net income before income tax	256,923,153	14,762,710	4,450,920	0	276,136,783
Net Income tax	<u>27,208,397</u>	<u>2,574,110</u>	<u>1,010,840</u>	<u>0</u>	<u>30,793,347</u>
Net income	<u>229,714,756</u>	<u>12,188,600</u>	<u>3,440,080</u>	<u>0</u>	<u>245,343,436</u>
Total assets	<u>18,646,774,959</u>	<u>269,381,966</u>	<u>37,510,911</u>	<u>178,218,009</u>	<u>18,775,449,827</u>
Total liabilities	<u>16,472,877,957</u>	<u>63,292,109</u>	<u>3,947,583</u>	<u>158,811,947</u>	<u>16,381,305,702</u>

	Banking and financial activities	Insurance and reinsurance	June 30, 2018 Pension and retirement fund management	Eliminations	Total
Interest and commission income	483,484,794	2,772,723	451,816	1,498,575	485,210,758
Interest and provision expenses	191,589,587	(1,649)	0	1,498,575	190,089,363
Other income, net	59,801,461	11,844,779	6,178,129	5,545	77,818,824
General and administrative expenses	129,369,279	1,418,826	2,529,829	5,545	133,312,389
Depreciation and amortization expense	11,533,548	114,087	128,122	0	11,775,757
Equity participation in associates	<u>4,753,242</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,753,242</u>
Net income before income tax	215,547,083	13,086,238	3,971,994	0	232,605,315
Net Income tax	<u>24,417,876</u>	<u>2,163,329</u>	<u>892,110</u>	<u>0</u>	<u>27,473,315</u>
Net income	<u>191,129,207</u>	<u>10,922,909</u>	<u>3,079,884</u>	<u>0</u>	<u>205,132,000</u>
Total assets	<u>18,078,781,257</u>	<u>242,630,246</u>	<u>31,247,506</u>	<u>177,323,009</u>	<u>18,175,336,000</u>
Total liabilities	<u>16,144,461,340</u>	<u>54,706,177</u>	<u>2,016,392</u>	<u>157,916,947</u>	<u>16,043,266,962</u>

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

	Panama	June 30, 2019 Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>520,099,089</u>	<u>63,784,371</u>	<u>61,113,419</u>	<u>644,996,879</u>
Non financial assets	<u>288,941,669</u>	<u>4,539,863</u>	<u>0</u>	<u>293,481,532</u>

	Panama	June 30, 2018 Latin America and the Caribbean	United States of America and Others	Total
Total income, net	<u>475,872,518</u>	<u>55,886,002</u>	<u>36,024,304</u>	<u>567,782,824</u>
Non financial assets	<u>283,535,015</u>	<u>5,199,910</u>	<u>0</u>	<u>288,734,925</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(15) Equity**

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

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

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

June 30, 2019					
<u>Reserves</u>					
	<u>Dynamic</u>	<u>Foreclosed Assets</u>	<u>Legal</u>	<u>Insurance</u>	<u>Total</u>
Banco General, S. A.	133,877,476	1,005,218	0	0	134,882,694
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	30,144,109	30,144,109
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>0</u>	<u>1,085,957</u>	<u>0</u>	<u>6,037,807</u>
Total	<u>151,119,434</u>	<u>1,005,218</u>	<u>1,085,957</u>	<u>30,144,109</u>	<u>183,354,718</u>

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

Transfer from retained earnings of period	<u>0</u>	<u>247,832</u>	<u>0</u>	<u>1,008,543</u>	<u>1,256,375</u>
--	----------	----------------	----------	------------------	------------------

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(16) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of Grupo Financiero BG, S. A, based on their fair value, amounted to B/.1,030,535 (2018: B/.698,803). This plan will be in effect up to the year 2026.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended June 30, 2019 and 2018.

Retirement Plan

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

The contributions to the retirement plan were B/.50,000 (2018: B/.67,284) and the disbursements to former employees who are covered under the retirement plan amounted to B/.87,411 (2018: B/.89,011).

(17) Income Tax

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

In accordance with current tax regulations, companies incorporated in Panama are exempt from income taxes on the following: profits derived from foreign operations, interest earned on deposits with local banks, 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.

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

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

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(17) Income Tax, continued**

Income tax, net is detailed as follows:

	<u>2nd Quarter</u> <u>June 30</u>		<u>Accumulated</u> <u>June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Estimated income tax	14,008,172	15,145,940	29,817,922	29,377,009
Prior year income tax adjustments	326,922	104,985	331,238	140,460
Deferred income tax	<u>2,276,805</u>	<u>(929,507)</u>	<u>644,187</u>	<u>(2,044,154)</u>
	<u>16,611,899</u>	<u>14,321,418</u>	<u>30,793,347</u>	<u>27,473,315</u>

(18) Derivative Financial Instruments

Summary of derivative contracts is as follow:

	<u>Total</u>		<u>Exchange-Traded</u>		<u>Over the Counter (OTC)</u>			
	<u>Notional Value</u>	<u>Book Value</u>	<u>Notional Value</u>	<u>Book Value</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>June 2019</u>								
Derivative assets	614,118,491	13,202,564	109,390,900	0	400,165,565	12,856,030	104,562,026	346,534
Derivative liabilities	1,142,528,628	20,565,463	232,865,820	0	465,759,650	18,244,509	443,903,158	2,320,954
<u>December 2018</u>								
Derivative assets	559,903,150	4,664,866	144,575,494	0	202,375,840	3,347,904	212,951,816	1,316,962
Derivative liabilities	1,429,091,296	17,142,352	56,400,000	0	758,432,473	13,207,837	614,258,823	3,934,515
<u>June 2018</u>								
Derivative assets	480,353,140	5,394,709	129,048,080	0	142,683,660	4,232,066	208,621,400	1,162,643
Derivative liabilities	922,277,221	17,416,691	47,900,000	0	467,741,326	14,781,659	406,635,895	2,635,032

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/.15.4MM (December 31, 2018: B/.21.4 MM) and (June 30, 2018: B/.22.0 MM).

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Others derivatives:						
Credit	963,349	1,536,922	914,521	3,031,648	1,395,902	3,006,113
Interest rate	297,323	4,081,447	2,361,220	2,777,732	1,678,012	1,307,370
Foreign exchange	238,269	1,082,156	482,971	816,641	389,166	557,902
Others	0	0	0	0	32,680	0
Total	<u>1,498,941</u>	<u>6,700,525</u>	<u>3,758,712</u>	<u>6,626,021</u>	<u>3,495,760</u>	<u>4,871,385</u>

Hedge Derivatives at Fair Value:

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Hedge derivatives for risk management:						
Interest rate	<u>11,703,623</u>	<u>13,864,938</u>	<u>906,154</u>	<u>10,516,331</u>	<u>1,898,949</u>	<u>12,545,306</u>
Total	<u>11,703,623</u>	<u>13,864,938</u>	<u>906,154</u>	<u>10,516,331</u>	<u>1,898,949</u>	<u>12,545,306</u>

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

<u>Risk Category</u>	<u>June 30, 2019</u>				
	<u>Maturity</u>				
	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	62,250,000	20,000,000
Average interest rate				3.03%	6.00%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					4.03%

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

<u>Risk Category</u>	<u>June 30, 2018</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	55,000,000
Average interest rate				7.06%	1.83%
Hedging of Bonds and Borrowings					
Notional Value	0	0	0	0	350,000,000
Average interest rate					3.84%

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

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	82,250,000	0	5,576,975	Other assets (liabilities)	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>11,703,623</u>	<u>0</u>	Other assets (liabilities)	0	0
Total interest rate risk	432,250,000	11,703,623	5,576,975			

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	82,250,000	733,434	1,502,543	Other assets (liabilities)	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>0</u>	<u>6,977,248</u>	Other liabilities	0	0
Total interest rate risk	432,250,000	733,434	8,479,791			

	<u>Notional Value</u>	<u>Book Value</u>		<u>Item in the condensed Consolidated statement of financial position that include hedge instruments</u>	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate – Bonds Hedge	62,250,000	1,605,012	0	Other assets	0	0
Derivatives of interest rate – Bonds and notes Hedge	<u>350,000,000</u>	<u>0</u>	<u>12,545,306</u>	Other liabilities	0	0
Total interest rate risk	412,250,000	1,605,012	12,545,306			

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>June 30, 2019</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	90,578,233		5,474,383	0	Investment securities FVOCI	0
Bonds and notes		<u>350,000,000</u>	<u>0</u>	<u>11,903,522</u>	Borrowing and debt securities issued	<u>0</u>
<u>December 31, 2018</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	85,831,655		1,502,543	836,027	Investment securities FVOCI	0
Bonds and notes		<u>350,000,000</u>	<u>6,777,350</u>	<u>0</u>	Borrowing and debt securities issued	<u>0</u>
<u>June 30, 2018</u>						
	<u>Book Value</u>		<u>Accumulated amount of fair value hedge item included in the carrying amount of the hedge item</u>		<u>Item in the statement of financial position in which the hedge item is included</u>	<u>Change in the value used for calculating hedge ineffectiveness</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>		
Bonds	67,274,693		0	1,707,604	Investment securities FVOCI	0
Bonds and notes		<u>350,000,000</u>	<u>12,345,407</u>	<u>0</u>	Borrowing and debt securities issued	<u>0</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(18) Derivative Financial Instruments, continued

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

<u>Risk Category</u>	<u>June 30, 2019</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 Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.86%	

<u>Risk Category</u>	<u>December 31, 2018</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 Borrowings					
Notional Value	0	0	0	250,000,000	0
Average interest rate				2.78%	

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

	<u>Notional Value</u>	<u>Book Value</u>		<u>June 30, 2019</u> Item in the condensed Consolidated statement of financial position that include hedge instruments	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate –						
Borrowings Hedge	250,000,000	0	8,130,345	Other liabilities	0	0

	<u>Notional Value</u>	<u>Book Value</u>		<u>December 31, 2018</u> Item in the condensed Consolidated statement of financial position that include hedge instruments	<u>Change in fair value used for calculating hedge ineffectiveness</u>	<u>Ineffectiveness recognized in profit or loss</u>
		<u>Assets</u>	<u>Liabilities</u>			
Interest rate risk:						
Derivatives of interest rate –						
Borrowings Hedge	250,000,000	0	2,036,539	Other liabilities	0	0

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

		June 30, 2019			
		Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Other derivatives:					
Credit	0	963,349	0		963,349
Interest rate	0	297,323	0		297,323
Foreign exchange	0	238,269	0		238,269
Total	0	1,498,941	0		1,498,941
Hedge Derivatives for risk management:					
Interest rate	0	11,703,623	0		11,703,623
Total	0	11,703,623	0		11,703,623
Total Derivatives assets	0	13,202,564	0		13,202,564
<u>Liabilities</u>					
Other derivatives:					
Credit	0	1,536,922	0		1,536,922
Interest rate	84,741	3,996,706	0		4,081,447
Foreign exchange	0	1,082,156	0		1,082,156
Total	84,741	6,615,784	0		6,700,525
Hedge Derivates for risk management:					
Interest rate	0	13,864,938	0		13,864,938
Total	0	13,864,938	0		13,864,938
Total Derivates liabilities	84,741	20,480,722	0		20,565,463

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

	June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Other derivatives:				
Credit	0	1,395,902	0	1,395,902
Interest rate	0	1,678,012	0	1,678,012
Foreign exchange	0	389,166	0	389,166
Other	0	32,680	0	32,680
Total	0	3,495,760	0	3,495,760
Hedge Derivatives for risk management:				
Interest rate	0	1,898,949	0	1,898,949
Total	0	1,898,949	0	1,898,949
Total Derivatives Assets	0	5,394,709	0	5,394,709
<u>Liabilities</u>				
Other derivatives:				
Credit	0	3,006,113	0	3,006,113
Interest rate	0	1,307,370	0	1,307,370
Foreign exchange	0	557,902	0	557,902
Total	0	4,871,385	0	4,871,385
Hedge Derivates for risk management:				
Interest rate	0	12,545,306	0	12,545,306
Total	0	12,545,306	0	12,545,306
Total Derivates Liabilities	0	17,416,691	0	17,416,691

(19) Fair Value of Financial Instruments

The Bank has in place a documented procedure to determine fair value and the responsibilities of the areas involved in this process. 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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

Level 3: Unobservable inputs for assets or liabilities. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Fair Value Measurement of Securities and Other Financial Assets at FVTPL

	June 30			
	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	251,468	0	0	251,468
Local Corporate Bonds and Fixed Income Funds	53,524,475	0	0	53,524,475
Bonds issued by the Republic of Panama	1,887,941	0	1,887,941	0
Local Corporate Shares	48,423,672	4,187	0	48,419,485
Foreign Treasury Bills	250,225	250,225	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	346,070,762	0	346,070,762	0
Asset Backed Securities (ABS)	8,188,248	0	8,188,248	0
Foreign Corporate Bonds and Fixed Income Funds	332,245,915	0	226,467,725	105,778,190
Foreign Corporate Shares and Variable Income Mutual Funds	73,257	0	3,615	69,642
Total	<u>790,915,963</u>	<u>254,412</u>	<u>582,618,291</u>	<u>208,043,260</u>
	December 31			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	250,000	0	0	250,000
Local Corporate Bonds and Fixed Income Funds	53,285,932	0	0	53,285,932
Bonds issued by the Republic of Panama	2,361,471	0	2,361,471	0
Local Corporate Shares	54,240,959	3,477	0	54,237,482
Foreign Treasury Bills	249,682	249,682	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	324,156,608	0	324,156,608	0
Asset Backed Securities (ABS)	7,489,044	0	7,489,044	0
Foreign Fixed Income Funds	340,074,338	0	241,801,861	98,272,477
Foreign Corporate Shares and Variable Income Mutual Funds	83,161	0	13,519	69,642
Total	<u>782,191,195</u>	<u>253,159</u>	<u>575,822,503</u>	<u>206,115,533</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information**(19) Fair Value of Financial Instruments, continued****Fair Value Measurement of Securities and Other Financial Assets at FVTPL**

	June 30			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper	1,650,000	0	0	1,650,000
Local Corporate Bonds and Fixed Income Funds	53,067,560	0	0	53,067,560
Bonds issued by the Republic of Panama	2,851,296	0	2,851,296	0
Local Corporate Shares	51,797,738	4,946	0	51,792,792
Foreign Treasury Bills	250,155	250,155	0	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	274,104,461	0	274,104,461	0
Asset Backed Securities (ABS)	8,903,512	0	8,903,512	0
Foreign Fixed Income Funds	346,465,469	0	245,162,446	101,303,023
Foreign Corporate Shares and Variable Income Mutual Funds	85,082	0	14,897	70,185
Total	<u>739,175,273</u>	<u>255,101</u>	<u>531,036,612</u>	<u>207,883,560</u>

Fair Value Measurement of Securities and Other Financial Assets FVOCI

	June 30			
	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	28,020,557	0	0	28,020,557
Local Corporate Bonds	1,026,390,529	0	169,783,128	856,607,401
Bonds issued by the Republic of Panama	243,297,178	0	243,297,178	0
Bonds issued by US Government	31,536,374	31,536,374	0	0
Foreign Commercial Paper and Treasury Bills	289,147,473	64,299,503	219,125,956	5,722,014
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,381,502,653	0	1,380,764,962	737,691
Asset Backed Securities (ABS)	105,911,724	0	105,911,724	0
Foreign Corporate Bonds	985,269,233	205,232	985,064,001	0
Bonds issued by Other Governments	48,867,925	7,754,955	41,112,970	0
Total	<u>4,139,943,646</u>	<u>103,796,064</u>	<u>3,145,059,919</u>	<u>891,087,663</u>

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

Fair Value Measurement of Securities and Other Financial Assets FVOCI

	<u>June 30</u>			
	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Commercial Paper and Treasury Bills	16,206,596	0	0	16,206,596
Local Corporate Bonds	967,059,285	0	127,446,974	839,612,311
Local Borrowings	49,617,787	0	0	49,617,787
Bonds issued by the Republic of Panama	178,785,889	0	178,785,889	0
Bonds issued by US Government	38,700,009	38,700,009	0	0
Foreign Bank Acceptances, Commercial Paper and Treasury Bills	327,966,733	131,788,091	196,178,642	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	1,397,699,072	0	1,396,913,163	785,909
Asset Backed Securities (ABS)	98,584,807	0	98,584,807	0
Foreign Corporate Bonds	769,501,775	0	769,501,775	0
Bonds issued by Other Governments	<u>70,200,341</u>	<u>13,801,448</u>	<u>56,398,893</u>	<u>0</u>
Total	<u>3,914,322,294</u>	<u>184,289,548</u>	<u>2,823,810,143</u>	<u>906,222,603</u>

Changes in the Fair Value Measurement of the Level 3 hierarchy

	<u>Investment Securities and Other Financial Assets</u>		
	<u>Fair Value TPL</u>	<u>Fair Value OCI</u>	<u>Total</u>
December 31, 2018	206,115,533	869,727,320	1,075,842,853
Loss recognized in income	(3,187,120)	(174,896)	(3,362,016)
Gain recognized in equity	0	15,828,220	15,828,220
Purchases	20,950,430	112,455,505	133,405,935
Amortization, sales and redemptions	<u>(15,835,583)</u>	<u>(106,748,486)</u>	<u>(122,584,069)</u>
June 30, 2019	<u>208,043,260</u>	<u>891,087,663</u>	<u>1,099,130,923</u>
Total gains (loss) related to instruments held at June 30, 2019	<u>(4,620,250)</u>	<u>16,561,182</u>	<u>11,940,932</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	636,551	34,092	670,643
Loss recognized in equity	0	(10,696,936)	(10,696,936)
Transfer from level 3	0	(13,629,063)	(13,629,063)
Purchases	59,790,867	163,475,966	223,266,833
Amortization, sales and redemptions	<u>(48,577,358)</u>	<u>(233,133,931)</u>	<u>(281,711,289)</u>
December 31, 2018	<u>206,115,533</u>	<u>869,727,320</u>	<u>1,075,842,853</u>
Total (loss) gains related to instruments held at December 31, 2018	<u>724,086</u>	<u>(10,472,103)</u>	<u>(9,748,017)</u>
December 31, 2017	193,746,653	947,373,425	1,141,120,078
Changes due to adoption of IFRS 9	<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	1,460,414	0	1,460,414
Gain recognized in equity	0	1,434,809	1,434,809
Transfer from level 3	0	(13,629,063)	(13,629,063)
Purchases	26,407,430	14,700,208	41,107,638
Amortization, sales and redemptions	<u>(14,249,757)</u>	<u>(59,960,543)</u>	<u>(74,210,300)</u>
June 30, 2018	<u>207,883,560</u>	<u>906,222,603</u>	<u>1,114,106,163</u>
Total gains related to instruments held at June 30, 2018	<u>1,135,038</u>	<u>1,664,881</u>	<u>2,799,919</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

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

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

Type of financial instruments	Valuation technique	Significant unobservable input	Range of estimates for unobservable input			Fair value measurement sensitivity to unobservable inputs
			June 30 2019	December 31 2018	June 30 2018	
Corporate Shares	Dividend discount model and	Equity risk premium	Min 5.80% Max 11.16%	Min 5.80% Max 11.16%	Min 5.51% Max 9.86%	If equity risk premiums increase the price decreases and vice versa
	Dividend model free cash flow model (DCF)	Growth rate of assets, liabilities, equity, profits and dividends	Min (36.95%) Max 16.51%	Min (36.95%) Max 16.51%	Min (20.50%) Max 29.32%	If the growth rate increases the price increases and vice versa
Fixed Income	Discounted cash flows model	Credit spreads	Min 0.57% Max 7.19% Ave 1.95%	Min 0.55% Max 8.31% Ave 2.92%	Min 0.37% Max 5.09% Ave 2.84%	If the credit spreads increase the price decreases and vice versa

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(19) Fair Value of Financial Instruments, continued

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

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

	<u>June 30, 2019</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect on profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	1,555	(1,745)	5,805,555	(6,543,665)
Corporate Shares	<u>4,280,190</u>	<u>(3,601,536)</u>	<u>0</u>	<u>0</u>
Total	<u>4,281,745</u>	<u>(3,603,281)</u>	<u>5,805,555</u>	<u>(6,543,665)</u>

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

	<u>June 30, 2018</u>			
	<u>Fair Value</u>		<u>FVOCI</u>	
	<u>Effect of profit or loss</u>		<u>Effect in equity</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Fixed Income	0	0	7,231,952	(8,795,602)
Corporate Shares	<u>4,601,632</u>	<u>(3,840,759)</u>	<u>0</u>	<u>0</u>
Total	<u>4,601,632</u>	<u>(3,840,759)</u>	<u>7,231,952</u>	<u>(8,795,602)</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

(a) Securities and other financial assets

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

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

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

(c) Loans

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

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

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

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

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

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Assets:						
Time deposits	206,220,487	205,900,398	166,721,311	166,404,593	195,725,491	195,511,286
Securities at amortized cost, net	0	0	10,948,692	10,950,000	47,397,156	47,400,000
Loans, net	<u>11,772,496,648</u>	<u>11,713,711,267</u>	<u>11,752,748,950</u>	<u>11,711,853,419</u>	<u>11,600,252,876</u>	<u>11,580,219,941</u>
	<u>11,978,717,135</u>	<u>11,919,611,665</u>	<u>11,930,418,953</u>	<u>11,889,208,012</u>	<u>11,843,375,523</u>	<u>11,823,131,227</u>
Liabilities:						
Deposits	12,152,229,704	12,147,140,367	12,228,307,030	12,210,533,516	11,533,005,441	11,521,240,643
Securities sold under repurchase agreements, borrowings and debt securities in issued and perpetual bonds	<u>2,841,075,650</u>	<u>2,799,282,631</u>	<u>3,104,208,342</u>	<u>3,062,526,236</u>	<u>3,208,930,847</u>	<u>3,156,300,779</u>
	<u>14,993,305,354</u>	<u>14,946,422,998</u>	<u>15,332,515,372</u>	<u>15,273,059,752</u>	<u>14,741,936,288</u>	<u>14,677,541,422</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30 2019	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	205,900,398	0	0	205,900,398
Loans, net	<u>11,713,711,267</u>	<u>0</u>	<u>0</u>	<u>11,713,711,267</u>
	<u>11,919,611,665</u>	<u>0</u>	<u>0</u>	<u>11,919,611,665</u>
<u>Liabilities:</u>				
Deposits	12,147,140,367	0	0	12,147,140,367
Borrowings, debt securities in issued and perpetual bonds	<u>2,799,282,631</u>	<u>0</u>	<u>0</u>	<u>2,799,282,631</u>
	<u>14,946,422,998</u>	<u>0</u>	<u>0</u>	<u>14,946,422,998</u>
	December 31 2018	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	166,404,593	0	0	166,404,593
Securities at amortized cost, net	10,950,000	0	10,950,000	0
Loans, net	<u>11,711,853,419</u>	<u>0</u>	<u>0</u>	<u>11,711,853,419</u>
	<u>11,889,208,012</u>	<u>0</u>	<u>10,950,000</u>	<u>11,878,258,012</u>
<u>Liabilities:</u>				
Deposits	12,210,533,516	0	0	12,210,533,516
Borrowings, debt securities in issued and perpetual bonds	<u>3,062,526,236</u>	<u>0</u>	<u>0</u>	<u>3,062,526,236</u>
	<u>15,273,059,752</u>	<u>0</u>	<u>0</u>	<u>15,273,059,752</u>
	June 30 2018	Level 1	Level 2	Level 3
<u>Assets:</u>				
Time deposits	195,511,286	0	0	195,511,286
Securities at amortized cost, net	47,400,000	0	47,400,000	0
Loans, net	<u>11,580,219,941</u>	<u>0</u>	<u>0</u>	<u>11,580,219,941</u>
	<u>11,823,131,227</u>	<u>0</u>	<u>47,400,000</u>	<u>11,775,731,227</u>
<u>Liabilities:</u>				
Deposits	11,521,240,643	0	0	11,521,240,643
Securities sold under repurchase agreements, borrowings debt securities in issued and perpetual bonds	<u>3,156,300,779</u>	<u>0</u>	<u>0</u>	<u>3,156,300,779</u>
	<u>14,677,541,422</u>	<u>0</u>	<u>0</u>	<u>14,677,541,422</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(20) Financial Instruments Risk Management

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

Financial instruments expose the Bank to various types of 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.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2019 (in thousand)			
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Total</u>
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,093,280	65,020	0	11,158,300
Grade 2: Special mention	26,100	399,904	8,667	434,671
Grade 3: Sub-standard	8,661	22,735	119,477	150,873
Grade 4: Doubtful	6,029	5,339	52,895	64,263
Grade 5: Loss	<u>2,901</u>	<u>991</u>	<u>57,043</u>	<u>60,935</u>
Gross amount	11,136,971	493,989	238,082	11,869,042
Allowance for impairment	<u>(85,067)</u>	<u>(27,251)</u>	<u>(43,556)</u>	<u>(155,874)</u>
Net carrying amount	<u>11,051,904</u>	<u>466,738</u>	<u>194,526</u>	<u>11,713,168</u>
<u>Financial leases</u>				
Grade 1: Standard	95,525	2,389	9	97,923
Grade 2: Special mention	0	3,124	0	3,124
Grade 3: Sub-standard	0	9	560	569
Grade 4: Doubtful	0	0	41	41
Grade 5: Loss	<u>0</u>	<u>0</u>	<u>272</u>	<u>272</u>
Gross amount	95,525	5,522	882	101,929
Allowance for impairment	<u>(210)</u>	<u>(44)</u>	<u>(44)</u>	<u>(298)</u>
Net carrying amount	<u>95,315</u>	<u>5,478</u>	<u>838</u>	<u>101,631</u>
Total loans	<u>11,232,496</u>	<u>499,511</u>	<u>238,964</u>	<u>11,970,971</u>
Allowance for impairment	<u>(85,277)</u>	<u>(27,295)</u>	<u>(43,600)</u>	<u>(156,172)</u>
Net carrying amount	<u>11,147,219</u>	<u>472,216</u>	<u>195,364</u>	<u>11,814,799</u>
<u>Renegotiated loans</u>				
Gross amount	4,105	96,532	103,544	204,181
Allowance for impairment	<u>(205)</u>	<u>(1,985)</u>	<u>(16,179)</u>	<u>(18,369)</u>
Net carrying amount	<u>3,900</u>	<u>94,547</u>	<u>87,365</u>	<u>185,812</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

			June 30, 2018 (in thousand)	
	12-month ECL	Lifetime ECL No credit – Impaired	Lifetime ECL credit- Impaired	Total
<u>Loans at amortized cost</u>				
Grade 1: Standard	11,006,423	43,297	208	11,049,928
Grade 2: Special mention	31,040	317,619	8,247	356,906
Grade 3: Sub-standard	10,887	26,856	105,414	143,157
Grade 4: Doubtful	8,143	4,292	70,908	83,344
Grade 5: Loss	<u>1,606</u>	<u>769</u>	<u>44,329</u>	<u>46,704</u>
Gross amount	11,058,100	392,833	229,106	11,680,039
Allowance for impairment	<u>(72,512)</u>	<u>(26,704)</u>	<u>(53,204)</u>	<u>(152,420)</u>
Net carrying amount	<u>10,985,588</u>	<u>366,129</u>	<u>175,902</u>	<u>11,527,619</u>
<u>Financial leases</u>				
Grade 1: Standard	107,706	2,879	0	110,585
Grade 2: Special mention	0	1,072	0	1,072
Grade 3: Sub-standard	0	61	290	351
Grade 4: Doubtful	0	0	44	44
Grade 5: Loss	<u>0</u>	<u>7</u>	<u>624</u>	<u>631</u>
Gross amount	107,706	4,019	958	112,683
Allowance for impairment	<u>(204)</u>	<u>(89)</u>	<u>(167)</u>	<u>(460)</u>
Net carrying amount	<u>107,502</u>	<u>3,930</u>	<u>791</u>	<u>112,223</u>
Total loans	<u>11,165,806</u>	<u>396,852</u>	<u>230,064</u>	<u>11,792,722</u>
Allowance for impairment	<u>(72,716)</u>	<u>(26,793)</u>	<u>(53,371)</u>	<u>(152,880)</u>
Net carrying amount	<u>11,093,090</u>	<u>370,059</u>	<u>176,693</u>	<u>11,639,842</u>
<u>Renegotiated loans</u>				
Gross amount	3,993	58,357	91,944	154,294
Allowance for impairment	<u>(210)</u>	<u>(1,608)</u>	<u>(21,789)</u>	<u>(23,607)</u>
Total, net	<u>3,783</u>	<u>56,749</u>	<u>70,155</u>	<u>130,687</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	<u>June 30, 2019</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,583,333,512	943,535,891	11,526,869,403
From 31 to 90 days	289,484,736	6,446,882	295,931,618
More than 90 days (principal or interest)	131,630,832	4,289,297	135,920,129
More than 30 days past due (principal)	<u>12,250,177</u>	<u>0</u>	<u>12,250,177</u>
Total	<u>11,016,699,257</u>	<u>954,272,070</u>	<u>11,970,971,327</u>

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

	<u>June 30, 2018</u>		
	<u>Banco General, S. A.</u>	<u>Subsidiaries</u>	<u>Total</u>
Current	10,341,452,272	1,014,865,582	11,356,317,854
From 31 to 90 days	287,700,183	5,556,969	293,257,152
More than 90 days (principal or interest)	125,168,550	4,892,954	130,061,504
More than 30 days past due (principal)	<u>12,982,346</u>	<u>103,158</u>	<u>13,085,504</u>
Total	<u>10,767,303,351</u>	<u>1,025,418,663</u>	<u>11,792,722,014</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

The following table 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/.48,496,929 (December 31, 2018: B/.54,324,120) and (June 30, 2018 B/.51,882,820) which are not subject to credit risk:

			June 30, 2019		
	12-month ECL	Lifetime ECL Not credit – Impaired	Lifetime ECL credit- Impaired	Purchased credit- Impaired	Total
<u>At Fair Value OCI</u>					
<i>Local:</i>					
AA+ to BBB-	782,080,008	0	0	0	782,080,008
Lower than BBB-	489,744,329	11,433,744	14,450,183	0	515,628,256
Local carrying amount	<u>1,271,824,337</u>	<u>11,433,744</u>	<u>14,450,183</u>	<u>0</u>	<u>1,297,708,264</u>
Valuation of credit risk	<u>(1,620,473)</u>	<u>(656,944)</u>	<u>(4,981,246)</u>	<u>0</u>	<u>(7,258,663)</u>
<i>Foreign:</i>					
AAA	1,565,990,919	0	0	0	1,565,990,919
AA+ to BBB-	1,075,336,968	0	0	0	1,075,336,968
Lower than BBB-	194,278,762	6,041,343	0	587,390	200,907,495
Foreign carrying amount	<u>2,835,606,649</u>	<u>6,041,343</u>	<u>0</u>	<u>587,390</u>	<u>2,842,235,382</u>
Valuation of credit risk	<u>(4,368,461)</u>	<u>(29,252)</u>	<u>0</u>	<u>0</u>	<u>(4,397,713)</u>
Total carrying amount	<u>4,107,430,986</u>	<u>17,475,087</u>	<u>14,450,183</u>	<u>587,390</u>	<u>4,139,943,646</u>
<u>A Fair Value effect on profit or loss</u>					
<i>Local:</i>					
AA+ to BBB-	2,092,624				
Lower than BBB-	53,571,260				
Local carrying amount	<u>55,663,884</u>				
<i>Foreign:</i>					
AAA	332,843,747				
AA+ to BBB-	236,148,406				
Lower than BBB-	117,561,289				
NR	201,708				
Foreign carrying amount	<u>686,755,150</u>				
Total carrying amount	<u>742,419,034</u>				

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

			June 30, 2018		
	<u>12-month ECL</u>	<u>Lifetime ECL Not credit – Impaired</u>	<u>Lifetime ECL credit- Impaired</u>	<u>Purchased credit- Impaired</u>	<u>Total</u>
<u>At amortized cost</u>					
<i>Foreign:</i>					
AAA	47,400,000	0	0	0	47,400,000
Accumulated allowance	(2,844)	0	0	0	(2,844)
Net carrying amount	<u>47,397,156</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,397,156</u>
<u>At Fair Value OCI</u>					
<i>Local:</i>					
AA+ to BBB-	702,860,608	0	0	0	702,860,608
Lower than BBB-	478,744,743	30,064,206	0	0	508,808,949
Local carrying amount	<u>1,181,605,351</u>	<u>30,064,206</u>	<u>0</u>	<u>0</u>	<u>1,211,669,557</u>
Valuation of credit risk	(2,623,457)	(1,661,548)	0	0	(4,285,005)
<i>Foreign:</i>					
AAA	1,644,252,587	0	0	0	1,644,252,587
AA+ to BBB-	879,251,093	0	0	0	879,251,093
Lower than BBB-	171,870,704	6,618,970	0	659,383	179,149,057
Foreign carrying amount	<u>2,695,374,384</u>	<u>6,618,970</u>	<u>0</u>	<u>659,383</u>	<u>2,702,652,737</u>
Valuation of credit risk	(3,795,457)	(227,540)	0	(1,468)	(4,024,465)
Total carrying amount	<u>3,876,979,735</u>	<u>36,683,176</u>	<u>0</u>	<u>659,383</u>	<u>3,914,322,294</u>
<u>A Fair Value effect on profit or loss</u>					
<i>Local:</i>					
AA+ to BBB-	2,851,658				
Lower than BBB-	54,717,198				
Local carrying amount	<u>57,568,856</u>				
<i>Foreign:</i>					
AAA	263,461,964				
AA+ to BBB-	255,254,791				
Lower than BBB-	110,877,308				
NR	129,534				
Foreign carrying amount	<u>629,723,597</u>				
Total carrying amount	<u>687,292,453</u>				

The analysis has been based on the highest ratings assigned amongst Fitch Ratings Inc., Moody's and Standard and Poor's. In the case of local investments that do not have an international rating, the Bank assigns an internal rating, which is consistent with international risk ratings.

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

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

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

	June 30, 2019				
	12-month ECL	Lifetime ECL No credit- Impaired	Lifetime ECL credit - Impaired	Purchased credit - Impaired	Total
Balance at beginning of period	6,869,500	793,965	2,050,346	12,277	9,726,088
Transferred to 12-months ECL	0	0	0	0	0
Transferred to lifetime ECL not credit- impaired	0	0	0	0	0
Transferred to lifetime ECL credit- impaired	0	0	0	0	0
Net remeasurement of portfolio	(956,435)	(105,260)	2,930,900	(12,093)	1,857,112
New investment securities purchased	1,260,115	0	0	0	1,260,115
Investment securities that have been derecognized	<u>(1,184,246)</u>	<u>(2,509)</u>	<u>0</u>	<u>(184)</u>	<u>(1,186,939)</u>
Balance at the end of period	<u>5,988,934</u>	<u>686,196</u>	<u>4,981,246</u>	<u>0</u>	<u>11,656,376</u>

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

	June 30, 2018				
	12-month ECL	Lifetime ECL No credit- Impaired	Lifetime ECL credit - Impaired	Purchased credit - Impaired	Total
Balance at beginning of period	5,887,002	1,902,585	0	0	7,789,587
Transferred to 12-months ECL	12,313	(12,313)	0	0	0
Transferred to lifetime ECL not credit- impaired	(326,873)	326,873	0	0	0
Transferred to lifetime ECL credit- impaired	(13,091)	0	13,091	0	0
Net remeasurement of portfolio	923,329	(306,736)	(11,328)	0	551,265
New investment securities purchased	980,544	70,253	0	0	1,050,797
Investment securities that have been derecognized	<u>(1,044,310)</u>	<u>(37,574)</u>	<u>(295)</u>	<u>0</u>	<u>(1,082,179)</u>
Balance at the end of period	<u>6,418,914</u>	<u>1,889,088</u>	<u>1,468</u>	<u>0</u>	<u>8,309,470</u>

BANCO GENERAL, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to the Condensed Consolidated Interim Financial Information

(21) Main Applicable Laws and Regulations

As of June 30, 2019, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2018.

The following are the main regulations affecting the bank:

Regulatory Allowances

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

Dynamic Provision

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

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

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

	June 30 2019	December 31 2018	June 30 2018
Banco General, S. A.	133,877,476	133,877,476	133,877,476
Finanzas Generales, S. A.	2,810,061	2,810,061	2,810,061
Banco General (Overseas), Inc.	9,480,047	9,480,047	9,480,047
Banco General (Costa Rica), S. A.	<u>4,951,850</u>	<u>4,951,850</u>	<u>4,580,865</u>
Total	<u>151,119,434</u>	<u>151,119,434</u>	<u>150,748,449</u>

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