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

Condensed Consolidated Interim
Financial Information

June 30, 2018

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

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

Table of Contents

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

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

Condensed Consolidated Statement of Financial Position

June 30, 2018, December 31, 2017 and June 30, 2017

(Expressed in Balboas)

Assets	Note	(Unaudited) June 2018	(Audited) December 2017	(Unaudited) June 2017
Cash		261,156,362	283,199,967	236,848,148
Deposits with banks:				
Demand deposits		273,397,010	255,502,567	204,821,529
Time deposits		235,730,509	306,685,642	210,660,595
Total deposits with banks		509,127,519	562,188,209	415,482,124
Total cash and deposits with banks		770,283,881	845,388,176	652,330,272
Investment securities and other financial assets, net		4,700,894,723	4,414,783,855	4,287,188,966
Loans	6	11,792,722,014	11,506,060,752	11,037,315,207
Less:				
Allowance for loan losses	6	152,879,708	144,832,305	137,852,851
Unearned commissions		39,589,430	38,254,754	37,215,612
Loans, net		11,600,252,876	11,322,973,693	10,862,246,744
Investments in associates		24,702,246	22,075,753	21,591,586
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization	7	228,318,261	223,200,152	212,373,573
Securities and other financial assets sold pending settlement		417,557,466	350,981,692	435,527,897
Accrued interest receivable		72,082,169	67,637,536	61,204,610
Deferred tax assets		36,549,046	33,756,441	32,139,770
Goodwill and other intangible assets, net	8	60,416,664	61,725,358	63,034,054
Other assets		264,278,668	229,399,292	244,758,984
Total assets		18,175,336,000	17,571,921,948	16,872,396,456

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

Liabilities and Equity	Note	(Unaudited) June 2018	(Audited) December 2017	(Unaudited) June 2017
Liabilities:				
Deposits:				
Demand		2,439,562,653	2,494,385,028	2,434,440,602
Savings		3,383,001,703	3,398,554,919	3,321,885,602
Time:				
Customers		5,628,036,507	5,474,415,838	5,305,702,685
Banks		82,404,578	91,071,301	211,966,282
Total deposits		11,533,005,441	11,458,427,086	11,273,995,171
Securities sold under repurchase agreements		199,063,000	45,814,600	203,250,600
Borrowings and debt securities issued	10	2,792,187,847	2,661,365,208	1,959,681,852
Perpetual bonds		217,680,000	217,680,000	217,680,000
Securities and other financial assets purchased pending settlement		577,300,254	405,771,013	585,507,587
Accrued interest payable		108,311,571	108,732,837	90,334,427
Liabilities from insurance operations	11	18,214,901	16,999,292	16,605,865
Deferred tax liabilities		3,616,027	3,539,569	3,587,015
Other liabilities	9	593,887,921	607,749,533	557,439,351
Total liabilities		16,043,266,962	15,526,079,138	14,908,081,868
Equity:	13			
Common shares		500,000,000	500,000,000	500,000,000
Legal reserve		180,491,511	179,461,247	178,588,129
Capital reserves		19,495,959	36,796,615	45,617,163
Retained earnings		1,432,081,568	1,329,584,948	1,240,109,296
Total equity		2,132,069,038	2,045,842,810	1,964,314,588
Total liabilities and equity		18,175,336,000	17,571,921,948	16,872,396,456

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

Condensed Consolidated Statement of Income

For six months ended June 30, 2018 and 2017

(Expressed in Balboas)

	Note	(Unaudited) (2nd Quarter) June 2018	June 2017	(Unaudited) (Accumulated) June 2018	June 2017
Interest and commission income:					
Interest:					
Loans		193,618,636	173,208,453	379,408,075	341,522,774
Deposits with banks		2,003,671	1,470,880	3,915,315	2,858,593
Securities and other financial assets		40,861,978	33,046,559	79,910,583	64,837,551
Commissions on loans		10,961,051	10,785,923	21,976,785	21,336,186
Total interest and commission income		247,445,336	218,511,815	485,210,758	430,555,104
Interest expenses:					
Deposits		56,136,833	51,574,105	110,525,649	100,975,194
Borrowings and debt securities issued		30,171,043	19,136,573	56,916,133	37,346,289
Total interest expenses		86,307,876	70,710,678	167,441,782	138,321,483
Net interest and commission income		161,137,460	147,801,137	317,768,976	292,233,621
Provision for loan losses, net	6	10,077,229	10,217,757	21,717,280	21,600,153
Provision (reversal) for impairment of securities		(78,913)	728	522,727	940
Provision (reversal) for foreclosed assets, net		49,006	308,262	407,574	(18,100)
Net interest and commission income, after provisions		151,090,138	137,274,390	295,121,395	270,650,628
Other income (expenses):					
Fees and other commissions		51,611,889	48,542,584	103,097,915	95,797,277
Insurance premiums, net		7,219,261	6,696,133	14,237,588	12,910,618
(Loss) gain on financial instruments, net		(5,531,243)	7,200,231	(8,146,099)	10,829,000
Other income, net		5,272,734	4,945,734	10,266,197	9,696,901
Commission expenses and other expenses		(20,809,234)	(19,011,273)	(41,636,777)	(38,141,152)
Total other income, net		37,763,407	48,373,409	77,818,824	91,092,644
General and administrative expenses:					
Salaries and other employee expenses		42,811,131	40,995,802	85,189,508	81,336,880
Depreciation and amortization	7	5,951,453	4,559,865	11,775,757	9,147,277
Premises and equipment expenses		6,579,830	6,596,190	13,207,641	12,632,568
Other expenses		17,636,538	16,723,067	34,915,240	33,557,658
Total general and administrative expenses		72,978,952	68,874,924	145,088,146	136,674,383
Operational net income		115,874,593	116,772,875	227,852,073	225,068,889
Equity participation in associates		2,452,756	2,087,903	4,753,242	4,004,841
Net income before income tax		118,327,349	118,860,778	232,605,315	229,073,730
Income tax, net	15	14,321,418	14,347,524	27,473,315	27,055,933
Net income		104,005,931	104,513,254	205,132,000	202,017,797

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 six months ended June 30, 2018 and 2017

(Expressed in Balboas)

	(Unaudited)	
	June 2018	**June 2017**
Net income	205,132,000	202,017,797
Other comprehensive income (expense):		
Items that are or may be reclassified to profit or loss:		
Valuation of securities and other financial assets:		
Changes net in valuation of securities FVOCI	(29,401,959)	0
Transfer to profit or loss for sales of securities FVOCI	(5,379,856)	0
Credit risk valuation	519,883	0
Changes net in fair value of securities available for sale	0	13,082,508
Transfer to profit or loss for sales of securities available for sale	0	(611,432)
Change in fair value of hedging instruments	0	(140,725)
Total other comprehensive income (expense), net	(34,261,932)	12,330,351
Total comprehensive income	170,870,068	214,348,148

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 six months ended June 30, 2018 and 2017

(Expressed in Balboas)

			Capital reserves					
	Common shares	Legal reserve	Insurance reserve	Valuation of securities and other financial assets	Valuation for hedging instruments	Total capital reserves	Retained earnings	Total equity
Balance as of December 31, 2017 (Audited)	500,000,000	179,461,247	1,000,000	35,796,615	0	36,796,615	1,329,584,948	2,045,842,810
Changes due to adoption of IFRS 9	0	0	0	16,961,276	0	16,961,276	500,791	17,462,067
Balance as of January 1, 2018 (Unaudited)	500,000,000	179,461,247	1,000,000	52,757,891	0	53,757,891	1,330,085,739	2,063,304,877
Net income	0	0	0	0	0	0	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 FVOCI	0	0	0	(29,401,959)	0	(29,401,959)	0	(29,401,959)
Transfer to profit or loss for sales of securities 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)	500,000,000	180,491,511	1,000,000	18,495,959	0	19,495,959	1,432,081,568	2,132,069,038
Balance as of December 31, 2016 (Audited)	500,000,000	177,719,221	1,000,000	31,609,732	677,080	33,286,812	1,121,179,809	1,832,185,842
Net income	0	0	0	0	0	0	202,017,797	202,017,797
Other comprehensive income (expense)								
Items that are or may be reclassified to profit or loss:								
Valuation of securities and other financial assets:								
Changes in fair value of securities available for sale	0	0	0	13,082,508	0	13,082,508	0	13,082,508
Transfer to profit or loss for sales of securities available for sale	0	0	0	(611,432)	0	(611,432)	0	(611,432)
Changes in fair value of hedging instruments	0	0	0	0	(140,725)	(140,725)	0	(140,725)
Total other comprehensive income, net	0	0	0	12,471,076	(140,725)	12,330,351	0	12,330,351
Total comprehensive income	0	0	0	12,471,076	(140,725)	12,330,351	202,017,797	214,348,148
Transactions with owner:								
Dividends paid on common shares	0	0	0	0	0	0	(82,620,114)	(82,620,114)
Complementary tax	0	0	0	0	0	0	400,712	400,712
Transfer from retained earnings	0	868,908	0	0	0	0	(868,908)	0
Total transactions with owner	0	868,908	0	0	0	0	(83,088,310)	(82,219,402)
Balance as of June 30, 2017 (Unaudited)	500,000,000	178,588,129	1,000,000	44,080,808	536,355	45,617,163	1,240,109,296	1,964,314,588

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 six months ended June 30, 2018 and 2017

(Expressed in Balboas)

	Note	(Unaudited) June 2018	June 2017
Operating activities:			
Net income		205,132,000	202,017,797
Adjustments to reconcile net income to net cash provided from operation activities:			
Provision for loan losses, net	6	21,717,280	21,600,153
Provision for impairment of securities		522,727	940
Provision (reversal) for impairment of foreclosed assets, net		407,574	(18,100)
Loss (gain) unrealized on securities and other financial assets		5,419,626	(16,052,611)
(Gain) loss unrealized on derivative instruments		(2,827,464)	8,879,960
Loss (gain) on sale of securities and other financial assets fair value		288,045	(2,844,270)
Loss on sale of securities and other financial assets FVOCI (2017: Loss on sale available for sale)		4,953,338	1,394,551
Loss (gain) realized on derivative instruments		312,554	(2,206,630)
Foreign exchange fluctuations, net		1,689,534	921,415
(Gain) loss on sale of fixed assets, net		(265,368)	3
Deferred income tax, net		(2,044,154)	(1,866,146)
Depreciation and amortization	7	11,775,757	9,147,277
Amortization of intangible assets	8	1,308,694	1,308,696
Equity participation in associates		(4,753,242)	(4,004,841)
Interest income		(463,233,973)	(409,218,918)
Interest expense		167,441,782	138,321,483
Changes in operating assets and liabilities:			
Time deposits with banks		16,928,552	(8,291,873)
Securities and other financial assets at fair value through profit or loss		(130,995,412)	59,939,302
Loans		(300,743,687)	(280,969,598)
Unearned commissions		1,334,676	1,704,527
Tax credit from preferential interest loans		(19,793,845)	(17,938,488)
Other assets		(113,795,529)	(88,734,756)
Demand deposits		(54,822,375)	(205,169,584)
Savings accounts		(15,553,216)	41,857,604
Time deposits		144,953,946	364,621,447
Liabilities under insurance operations		1,215,609	1,649,023
Other liabilities		175,946,720	170,942,714
Cash provided by operating activities:			
Interest received		458,789,340	406,585,916
Interest paid		(167,863,048)	(137,705,190)
Dividends received		900,789	879,212
Total		(260,784,770)	54,733,218
Cash flows (used) from operating activities		(55,652,770)	256,751,015
Investing activities:			
Purchases of securities and other financial assets FVOCI (2017: available for sale)		(2,825,268,372)	(2,946,859,012)
Sale and redemptions of securities and other financial assets FVOCI (2017: available for sale)		2,685,626,501	2,712,283,607
Purchases of securities to amortized cost (2017: held to maturity)		(5,263,700,000)	0
Redemptions of securities to amortized cost (2017: held to maturity)		5,216,300,000	4,751,628
Investments in associates		2,126,749	1,003,816
Sale of property, furniture, equipment and improvements		544,243	15,132
Purchases of property, furniture, equipment and improvements	7	(17,172,741)	(25,994,090)
Cash flows used in investing activities		(201,543,620)	(254,798,919)
Financing activities:			
Proceeds from borrowings and debt securities issued		473,809,064	172,870,000
Repayment and redemptions of bonds and other obligations		(325,930,910)	(175,010,407)
Securities sold under agreements to repurchase		153,248,400	(70,049,378)
Dividends paid on common shares		(100,531,200)	(82,620,114)
Complementary tax		(1,574,707)	400,712
Cash flows from (used) in financing activities		199,020,647	(154,409,187)
Net decrease in cash and cash equivalents		(58,175,743)	(152,457,091)
Cash and cash equivalents at beginning of period		672,734,133	634,130,053
Cash and cash equivalents at end of period	5	614,558,390	481,672,962

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.

Index of Notes to the Condensed Consolidated Interim Financial Information:

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

(1) General Information

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

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

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

Grupo Financiero BG, S. A., a 60.04% (December 31, 2017: 60.12%) owned subsidiary of Empresa General de Inversiones, S. A., owns 100% of the common shares issued and outstanding of Banco General, S. A.

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

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

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

(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, 2018.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(3) Summary of Significant Accounting Policies

The accounting policies used by the Bank in this condensed consolidated interim financial information are the same as those applied by the Bank in its consolidated financial statements as of December 31, 2017; except, where the policies of financial instruments were modified by the adoption of IFRS 9. The modified policies are detailed as follows:

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

Classification and measurement - Financial assets under IFRS 9

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

(3) Summary of Significant Accounting Policies, continued

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

- *Amortized Cost (AC)*
  A financial asset is measured at amortized cost if it complies with both of the following conditions:

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

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

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

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

- *Fair value through profit or loss (FVTPL)*
  All other financial assets are measured at fair value through profit or loss.

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

  - The policies and objectives identified for the loan portfolio and the operation of these policies including management's strategy to define:

    (i) the collection of contractual interest income
    (ii) maintain a defined performance profile of interest
    (iii) maintain a specific duration period
    (iv) be able to sell at any time due to liquidity needs or in order to optimize the risk / return profile of a portfolio based on interest rates, risk margins, current duration and defined objective

(3) Summary of Significant Accounting Policies, continued

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

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

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as the consideration of the time value of money and the credit risk associated with the amount of principal outstanding for a particular period of time and other basic risks of a loan agreement and other associated costs, as well as the profit margin.

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

This assessment considered the following characteristics, among others:

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

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

(c) Impairment of Financial Assets

Accounting policies used as of January 1, 2018:

IFRS 9 replaces the "incurred loss" model in IAS 39 with an “expected credit loss" (ECL) model.

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

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

Impairment losses on investments in equity instruments are not recognized.

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

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

- Stage 1: The Bank recognizes a credit loss allowance at an amount equal to the 12-month ECL. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) which represents the probability of default occurring over the remaining lifetime of the Financial Asset. The allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered as compared to 12-months in Stage 1.

- Stage 3: The Bank recognizes a credit loss allowance at an amount equal to the lifetime expected credit losses, based on a Probability of Default (PD) of 100% of the recoverable cash flows of the asset.

Significant Increase in Credit Risk

The determination of whether the credit risk of a financial asset has increased significantly since its initial recognition, considers as main indicators, variations in days of delinquency, collection score and risk rating, analysis of quantitative and qualitative characteristics in the historical experience and the evaluation of the credibility of future information.

Credit Risk Rating

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

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

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

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

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

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

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

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

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

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

(3) Summary of Significant Accounting Policies, continued

Measurement of the ECL

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

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

Generating the term structure of the PD

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

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

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

Inputs in the measurement of the ECL

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

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

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

(3) Summary of Significant Accounting Policies, continued

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

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

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

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

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

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

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

(d) Financial Liabilities
IFRS 9 largely preserves the existing requirements of IAS 39 for the classification of financial liabilities.

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

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

(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, 2018			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investment securities and other financial assets	0	257,142,539	46,747,904	303,890,443
Loans	7,598,777	158,535,108	21,785,350	187,919,235
Investments in associates	0	24,702,246	0	24,702,246
Liabilities:				
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	1,741,294	285,615,544	63,951,687	351,308,525
	6,952,048	427,013,208	144,355,320	578,320,576
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	64,592,365	25,978,400	90,570,765
Interest income:				
Loans	177,714	4,284,829	581,656	5,044,199
Investment securities and other financial assets	0	6,257,710	1,219,528	7,477,238
Interest expense:				
Deposits	39,826	5,630,254	496,420	6,166,500
Borrowings and debt in securities in issue	0	0	2,925,000	2,925,000
Other income:				
Equity participation in associates	0	4,753,242	0	4,753,242
Dividends	0	493,477	0	493,477
General and administrative expenses:				
Directors' fees	133,600	0	0	133,600
Benefits to key management personnel	1,194,306	0	0	1,194,306

(4) Balances and Transactions with Related Parties, continued

	December 31, 2017			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investment securities and other financial assets	0	262,034,590	49,628,440	311,663,030
Loans	6,349,512	111,478,360	22,651,923	140,479,795
Investments in associates	0	22,075,753	0	22,075,753
Liabilities:				
Deposits:				
Demand	3,826,289	93,656,587	72,428,215	169,911,091
Savings	5,355,607	82,626,254	45,479	88,027,340
Time	1,565,061	291,534,192	62,000,000	355,099,253
	10,746,957	467,817,033	134,473,694	613,037,684
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	0	84,554,833	24,828,400	109,383,233

	June 30, 2017			
	Directors and Management	Related Companies	Affiliated Companies	Total
Assets:				
Investment securities and other financial assets	0	258,866,929	49,654,808	308,521,737
Loans	6,546,140	107,545,936	671,808	114,763,884
Investments in associates	0	21,591,586	0	21,591,586
Liabilities:				
Deposits:				
Demand	863,813	68,836,491	88,414,566	158,114,870
Savings	4,306,089	95,736,014	45,479	100,087,582
Time	1,163,300	238,573,012	62,000,000	301,736,312
	6,333,202	403,145,517	150,460,045	559,938,764
Perpetual bonds	0	0	90,000,000	90,000,000
Commitments and contingencies	725,525	106,340,190	23,255,000	130,320,715

(4) Balances and Transactions with Related Parties, continued

	June 30, 2017			
	Directors and Management	Related Companies	Affiliated Companies	Total
Interest income:				
Loans	149,251	2,915,139	25,424	3,089,814
Investment securities and other financial assets	0	6,415,434	1,248,397	7,663,831
Interest expense:				
Deposits	27,556	4,707,652	326,193	5,061,401
Borrowings and debt securities issued	0	0	2,925,000	2,925,000
Other income:				
Equity participation in associates	0	4,004,841	0	4,004,841
Dividends	0	514,906	0	514,906
General and administrative expenses:				
Directors' fees	68,000	0	0	68,000
Benefits to key management personnel	983,904	0	0	983,904

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:

	June 30	
	2018	2017
Cash	261,156,362	236,848,148
Demand deposits with banks	273,397,010	204,821,529
Time deposits with banks	235,730,509	210,660,595
Total deposits with banks	509,127,519	415,482,124
Less: time deposits with original maturities of more than three months	155,725,491	170,657,310
Cash and cash equivalents in the condensed consolidated statement of cash flows	614,558,390	481,672,962

Demand deposits with banks include cash collateral accounts in the amount of B/.25.3 million (2017: B/.24.6 million) that secure derivative operations and repos, in addition to the next quarterly payments of principal, interest and expenses of certain obligations. In June 30, 2017, these collateral accounts were presented within investments and other financial assets.

(6) Loans

The composition of the loan portfolio is summarized as follows:

	June 30 2018	December 31 2017	June 30 2017
Local loans:			
Residential mortgages	3,949,660,743	3,798,892,418	3,591,754,323
Personal, auto and credit cards	1,694,890,382	1,652,578,497	1,581,390,626
Commercial mortgages	1,855,115,759	1,789,765,115	1,721,397,283
Lines of credit and commercial loans	1,692,861,034	1,673,245,046	1,514,365,052
Interim financing	794,911,709	807,677,587	850,101,071
Financial leases, net of unearned interest	112,683,446	120,390,513	123,259,775
Factoring operations, net	0	0	319,387
Other secured loans	196,582,668	185,068,481	179,238,089
Overdrafts	146,410,441	148,591,673	142,197,641
Total local loans	10,443,116,182	10,176,209,330	9,704,023,247
Foreign loans:			
Residential mortgages	255,865,126	254,472,419	254,160,385
Personal, auto and credit cards	17,104,271	17,033,882	16,264,310
Commercial mortgages	247,989,043	259,841,921	269,553,878
Lines of credit and commercial loans	740,250,874	700,260,919	694,381,898
Interim financing	3,099,940	0	0
Other secured loans	23,970,303	31,972,343	31,144,295
Overdrafts	61,326,275	66,269,938	67,787,194
Total foreign loans	1,349,605,832	1,329,851,422	1,333,291,960
Total	11,792,722,014	11,506,060,752	11,037,315,207

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

	June 30, 2018				
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
Balance at beginning of period IAS 39					144,832,305
Changes due to adoption of IFRS 9	0	0	0	0	412,548
Balance at beginning of period IFRS 9	79,103,845	25,839,115	40,301,893	0	145,244,853
Transferred to 12 months ECL	7,702,417	(6,141,167)	(1,561,250)	0	0
Transferred to lifetime ECL not credit impaired	(2,400,485)	3,684,911	(1,284,426)	0	0
Transferred to lifetime ECL credit impaired	(1,952,193)	(3,184,988)	5,137,181	0	0
Net remeasurement of loss allowance	(14,777,013)	6,509,554	24,404,385	0	16,136,926
New Loans	10,969,713	1,395,000	3,738,157	0	16,102,870
Loans that have been derecognized	(5,929,973)	(1,309,420)	(3,283,123)	0	(10,522,516)
Recovery of loans charged-off	0	0	10,480,936	0	10,480,936
Loans charged-off	0	0	(24,563,361)	0	(24,563,361)
Balance at the end of period IFRS 9	72,716,311	26,793,005	53,370,392	0	152,879,708

(6) Loans, continued

Consumer loans allowance:

	June 30, 2018				
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
Balance at beginning of period IFRS 9	65,727,982	17,973,365	16,360,282	0	100,061,629
Transferred to 12 months ECL	7,089,292	(5,528,042)	(1,561,250)	0	0
Transferred to lifetime ECL not credit impaired	(2,267,168)	3,011,840	(744,672)	0	0
Transferred to lifetime ECL credit impaired	(1,940,135)	(2,808,126)	4,748,261	0	0
Net remeasurement of loss allowance	(9,607,573)	8,913,965	19,525,776	0	18,832,168
New Loans	7,811,467	495,313	46,954	0	8,353,734
Loans that have been derecognized	(3,375,986)	(612,319)	(423,118)	0	(4,411,423)
Recovery of loans charged-off	0	0	10,283,939	0	10,283,939
Loans charged-off	0	0	(24,125,560)	0	(24,125,560)
Balance at the end of period IFRS 9	63,437,879	21,445,996	24,110,612	0	108,994,487

Corporate loans allowance:

	June 30, 2018				
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
Balance at beginning of period IFRS 9	13,375,863	7,865,750	23,941,611	0	45,183,224
Transferred to 12 months ECL	613,125	(613,125)	0	0	0
Transferred to lifetime ECL not credit impaired	(133,317)	673,071	(539,754)	0	0
Transferred to lifetime ECL credit impaired	(12,058)	(376,862)	388,920	0	0
Net remeasurement of loss allowance	(5,169,440)	(2,404,411)	4,878,609	0	(2,695,242)
New Loans	3,158,246	899,687	3,691,203	0	7,749,136
Loans that have been derecognized	(2,553,987)	(697,101)	(2,860,005)	0	(6,111,093)
Recovery of loans charged-off	0	0	196,997	0	196,997
Loans charged-off	0	0	(437,801)	0	(437,801)
Balance at the end of period IFRS 9	9,278,432	5,347,009	29,259,780	0	43,885,221

	December 31 2017	**June 30 2017**
Balance at beginning of period	128,917,367	128,917,367
Provision charged to expenses, net	44,484,763	21,600,153
Recovery of loans charged-off	21,367,866	10,287,674
Loans charged-off	(49,937,691)	(22,952,343)
Balance at end of period	144,832,305	137,852,851

(7) Property, Furniture, Equipment and Improvements

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

	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	150,000	0	539	1,488,465	661,667	2,300,671
At end of period	31,926,810	134,346,415	98,297,987	114,717,829	37,158,320	416,447,361
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	0	0	539	1,359,590	661,667	2,021,796
At end of period	0	28,290,549	60,005,896	72,569,977	27,262,678	188,129,100
Net balance	31,926,810	106,055,866	38,292,091	42,147,852	9,895,642	228,318,261

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

	June 30, 2017					
	Land	Buildings	Licenses and Internally developed projects	Furniture and Equipment	Improvements	Total
Cost:						
At beginning of period	36,142,044	128,747,027	71,575,101	89,350,561	36,583,555	362,398,288
Additions	0	4,502,744	6,450,118	14,539,832	501,396	25,994,090
Sales and disposals	0	0	857	1,100,994	0	1,101,851
At end of period	36,142,044	133,249,771	78,024,362	102,789,399	37,084,951	387,290,527
Accumulated depreciation and amortization:						
At beginning of period	0	27,277,540	48,584,123	62,698,862	28,295,868	166,856,393
Expense of the period	0	908,231	3,362,107	4,077,643	799,296	9,147,277
Sales and disposals	0	0	24	1,086,692	0	1,086,716
At end of period	0	28,185,771	51,946,206	65,689,813	29,095,164	174,916,954
Net balance	36,142,044	105,064,000	26,078,156	37,099,586	7,989,787	212,373,573

(8) Goodwill and Intangible Assets, net

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

Company	Date of acquisition	Equity	% Acquisition	Balance
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
				41,091,499

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

	June 30, 2018		
	Goodwill	Intangible assets	Total
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	41,091,499	19,325,165	60,416,664

	December 31, 2017		
	Goodwill	Intangible assets	Total
Cost:			
Balance at the beginning and end of year	41,091,499	47,462,084	88,553,583
Accumulated amortization:			
Balance at beginning of year	0	24,210,833	24,210,833
Expense of the year	0	2,617,392	2,617,392
Balance at the end of year	0	26,828,225	26,828,225
Net balance at the end of year	41,091,499	20,633,859	61,725,358

(8) Goodwill and Intangible Assets, net, continued

	June 30, 2017		
	Goodwill	Intangible assets	Total
Cost:			
Balance at the beginning and end of period	41,091,499	47,462,084	88,553,583
Accumulated amortization:			
Balance at beginning of period	0	24,210,833	24,210,833
Expense of the period	0	1,308,696	1,308,696
Balance at the end of period	0	25,519,529	25,519,529
Net balance at the end of period	41,091,499	21,942,555	63,034,054

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, 2018, no evaluation was necessary.

(9) Other Financial Liabilities at Fair Value

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

	Level	June 30 2018	December 31 2017	June 30 2017
"Mortgage Backed Securities" (MBS)	2	113,878,857	124,725,921	101,190,774
Bonds issued by the US Government	1	0	13,541,088	13,698,708
Foreign Fixed Income Funds	3	0	0	84,553
Total		113,878,857	138,267,009	114,974,035

See the description of the Levels in Note 17.

(10) Borrowings and Debt Securities Issued

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

	June 30 2018	December 31 2017	June 30 2017
Corporate bonds with maturities in 2018, at an annual interest rate of 1.625%, issued in CHF 180MM	0	184,710,108	187,911,055
Corporate bonds with maturities in 2018, at an annual interest rate of 2.50%	0	5,200,000	5,200,000
Corporate bonds with maturities in 2019, at an annual interest rate of 2.75%	25,000,000	25,000,000	25,000,000
Corporate bonds with maturities in 2021, at an interest rate of 3 month Libor plus a margin	75,000	75,000	75,000
Corporate bonds with maturities in 2026, at an interest rate of 3 month Libor plus a margin	2,680,000	2,680,000	2,680,000
Corporate bonds with maturities in 2027, at an annual interest rate of 4.125%	550,000,000	550,000,000	0
Borrowing with maturity in 2017, at interest rates of 3, 6 and 12 month Libor plus a margin	0	0	99,954,550
Borrowing with maturity in 2018, at interest rates of 3 and 6 month Libor plus a margin	168,038,863	290,828,863	825,789,999
Borrowing with maturity in 2019, at interest rates of 3 and 6 month Libor plus a margin	256,421,875	267,515,625	270,875,000
Borrowing with maturity in 2020, at interest rates of 6 month Libor plus a margin	1,347,364,619	904,444,444	105,333,333
Borrowing with maturity in 2021, at interest rates of 6 month Libor plus a margin	30,000,000	0	0
Borrowing with maturity in 2022, at interest rates of 3 and 6 month Libor plus a margin	96,153,846	101,923,077	107,692,308
Borrowing with maturity in 2023, at interest rates of 3 month Libor plus a margin	50,000,000	50,000,000	50,000,000
Borrowing under USAID (guarantor) program with maturity in 2025, at a fixed annual interest rate of 7.65%	3,799,051	3,988,091	4,170,607
Notes with maturities in 2024, at a fixed interest rate	200,000,000	200,000,000	200,000,000
Notes with maturities in 2027, at a fixed interest rate	75,000,000	75,000,000	75,000,000
Subtotal borrowings and debit securities issued	2,804,533,254	2,661,365,208	1,959,681,852
Less: revaluation coverage	12,345,407	0	0
Total borrowings and debit securities issued	2,792,187,847	2,661,365,208	1,959,681,852

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.

(10) Borrowing and Debt Securities Issued, continued

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

	June 30 2018	June 30 2017
Balance at beginning of period	2,661,365,208	1,950,624,340
Product of borrowings and debt securities in issue	473,809,064	172,870,000
Redemption of debt securities in issue and cancellation of borrowings	(325,930,910)	(175,010,407)
Product of currency exchange fluctuations	(4,710,108)	11,197,919
Revaluation coverage	(12,345,407)	0
Balance at end of period	2,792,187,847	1,959,681,852

(11) Liabilities from Insurance Operations

Liabilities from insurance operations amounted to B/.18,214,901 (December 31, 2017: B/.16,999,292) and (June 30, 2017: B/.16,605,865) 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 2018	December 31 2017	June 30 2017
Unearned Premiums			
Balance at beginning of period	19,043,645	18,137,706	18,137,706
Issued premiums	19,069,939	36,703,164	15,227,252
Earned premiums	(17,751,788)	(35,797,225)	(14,514,832)
Balance at end of period	20,361,796	19,043,645	18,850,126
Reinsurers participation	(4,594,632)	(4,379,851)	(4,326,769)
Unearned premiums, net	15,767,164	14,663,794	14,523,357
Insurance Claims Incurred, Estimated			
Balance at beginning of period	2,530,640	1,868,969	1,868,969
Incurred claims	3,661,229	6,930,692	3,490,286
Paid claims	(3,375,591)	(6,269,021)	(3,132,482)
Balance at end of period	2,816,278	2,530,640	2,226,773
Reinsurer participation	(368,541)	(195,142)	(144,265)
Insurance claims incurred, net estimated	2,447,737	2,335,498	2,082,508
Total liabilities from insurance operations	18,214,901	16,999,292	16,605,865

(12) Segment Information

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

Segments	Operations
Banking and Financial Activities	Various financial services, mainly corporate, mortgage and consumer banking, financial leases, administration of trusts, administration and marketing of pretax food and health related contributions and securities brokerage
Insurance and Reinsurance	Insurance and reinsurance of policies of general lines, collective life and various risks
Pension and Retirement Fund Management	Administration of pension and retirement, severance and investment funds

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

	June 30, 2018				
	Banking and financial activities	**Insurance and reinsurance**	**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	4,753,242	0	0	0	4,753,242
Net income before income tax	215,547,083	13,086,238	3,971,994	0	232,605,315
Net Income tax	24,417,876	2,163,329	892,110	0	27,473,315
Net income	191,129,207	10,922,909	3,079,884	0	205,132,000
Total assets	18,078,781,257	242,630,246	31,247,506	177,323,009	18,175,336,000
Total liabilities	16,144,461,340	54,706,177	2,016,392	157,916,947	16,043,266,962

	June 30, 2017				
	Banking and financial activities	**Insurance and reinsurance**	**Pension and retirement fund management**	**Eliminations**	**Total**
Interest and commission income	428,810,224	2,409,613	355,407	1,020,140	430,555,104
Interest and provision expenses	160,924,616	0	0	1,020,140	159,904,476
Other income, net	74,555,857	10,823,331	5,718,740	5,284	91,092,644
General and administrative expenses	123,799,471	1,345,885	2,387,034	5,284	127,527,106
Depreciation and amortization expense	8,926,398	112,643	108,236	0	9,147,277
Equity participation in associates	4,004,841	0	0	0	4,004,841
Net income before income tax	213,720,437	11,774,416	3,578,877	0	229,073,730
Net Income tax	24,333,082	1,875,731	847,120	0	27,055,933
Net income	189,387,355	9,898,685	2,731,757	0	202,017,797
Total assets	16,734,222,960	217,887,815	25,448,755	105,163,074	16,872,396,456
Total liabilities	14,949,932,917	51,268,380	1,901,437	95,020,866	14,908,081,868

(12) Segment Information, continued

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

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

	June 30, 2017			
	Panama	Latin America and the Caribbean	United States of America and Others	Total
Total income, net	444,034,980	49,631,552	31,986,057	525,652,589
Non financial assets	269,298,844	6,108,783	0	275,407,627

(13) Equity

The authorized share capital of Banco General, S. A. is represented by 10,000,000 common shares without par value (December 31, 2017: 10,000,000 common shares); of which there are 9,787,108 shares issued and outstanding (December 31, 2017: 9,787,108 common shares).

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

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

	June 30, 2018				
	Reserves				
	Dynamic	Foreclosed Assets	Legal	Insurance	Total
Banco General, S. A.	133,877,476	518,024	0	0	134,395,500
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	28,222,140	28,222,140
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	4,580,865	0	1,002,898	0	5,583,763
Total	150,748,449	518,024	1,002,898	28,222,140	180,491,511

	December 31, 2017				
	Reserves				
	Dynamic	Foreclosed Assets	Legal	Insurance	Total
Banco General, S. A.	133,877,476	381,637	0	0	134,259,113
Finanzas Generales, S. A.	2,810,061	0	0	0	2,810,061
General de Seguros, S. A.	0	0	0	27,328,263	27,328,263
Banco General (Overseas), Inc.	9,480,047	0	0	0	9,480,047
Banco General (Costa Rica), S. A.	4,580,865	0	1,002,898	0	5,583,763
Total	150,748,449	381,637	1,002,898	27,328,263	179,461,247
Transfer from retained earnings of period	**0**	**136,387**	**0**	**893,877**	**1,030,264**

(13) Equity, continued

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

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

(14) Personnel Benefits

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

Share-Based Compensation Plan

The total expense relating to options granted to the participants for the purchase of shares of the controlling company, Grupo Financiero BG, S. A., based on their fair value, amounted to B/.6,721 (2017: B/.6,746). This plan will be in effect up to the year 2021.

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/.698,803 (2017: B/.746,106). This plan will be in effect up to the year 2022.

Restricted Share Plan

The Bank did not grant restricted shares in the period ended June 30, 2018 and 2017.

Retirement Plan

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

The contributions to the retirement plan were B/.67,284 (2017: B/.67,284) and the disbursements to former employees who are covered under the retirement plan amounted to B/.89,011 (2017: B/.89,011).

(15) Income Tax

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

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

(15) Income Tax, continued

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

Country	Tax rate
Panama	25%
Costa Rica	30%

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

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

Income tax, net is detailed as follows:

	2nd Quarter June 30		Accumulated June 30	
	2018	2017	2018	2017
Estimated income tax	15,145,940	15,120,176	29,377,009	28,778,856
Prior year income tax adjustments	104,985	107,417	140,460	143,223
Deferred income tax	(929,507)	(880,069)	(2,044,154)	(1,866,146)
	14,321,418	14,347,524	27,473,315	27,055,933

(16) Derivative Financial Instruments

Summary of derivative contracts is as follow:

	Total		Exchange-Traded		Over the Counter (OTC)			
					Liquidated in a securities exchange		Other bilateral counterparts	
	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value	Notional Value	Book Value
June 2018								
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
December 2017								
Derivative assets	769,712,558	2,713,916	438,500,000	0	112,592,374	2,045,700	218,620,184	668,216
Derivative liabilities	1,560,856,702	32,682,895	360,400,000	0	443,932,810	3,216,998	756,523,892	29,465,897

The Bank held cash and cash equivalents as collateral in institutions that maintain risk ratings between AA- and BBB +, which support derivative operations in the amount of B/.22.0MM (December 31, 2017: B/.38.1 MM).

(16) Derivative Financial Instruments, continued

The following table presents derivatives by type of derivative instrument:

Other Derivatives classified by Risk:

	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Others derivatives:				
Credit	1,395,902	3,006,113	1,896,547	1,188,420
Interest rate	1,678,012	1,307,370	632,110	3,567,728
Foreign exchange	389,166	557,902	174,633	27,926,747
Others	32,680	0	10,626	0
Total	3,495,760	4,871,385	2,713,916	32,682,895

Hedge Derivatives at Fair Value:

	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Hedge derivatives for risk management:				
Interest rate	1,898,949	12,545,306	0	0
Total	1,898,949	12,545,306	0	0

As of June 30, 2018, the effects of hedge accounting on the financial situation are detailed as follows:

	Notional Value	Book Value		Item in the condensed Consolidated statement of financial position that include hedge instruments	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
		Assets	Liabilities			
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	350,000,000	0	12,545,306	Other liabilities	0	0
Total interest rate risk	412,250,000	1,605,012	12,545,306			

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

	Book Value		Accumulated amount of fair value hedge item included in the carrying amount of the hedge item		Item in the statement of financial position in which the hedge item is included	Change in the value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Bonds	67,274,693		0	1,707,604	Investment securities FVOCI	0	0
Bonds and notes		350,000,000	12,345,407	0	Borrowing and debt securities issued	0	0

(16) Derivative Financial Instruments, continued

As of June 30, 2018 the Bank held the following interest rate derivatives as fair value hedges for risk management.

	Maturity				
Risk Category	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Interest rate risk					
Hedging of Bonds					
Notional Value	0	0	0	7,250,000	55,000,000
Average interest rate				7.06%	1.83%
Hedging of Bonds and Notes					
Notional Value	0	0	0	0	350,000,000
Average interest rate					3.84%

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

	June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
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**
Liabilities				
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**

(16) Derivative Financial Instruments, continued

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

(17) Fair Value of Financial Instruments

The Bank has in place a documented procedure to determine fair value and the responsibilities of the areas involved in this process. This process has been approved by the Assets and Liabilities Committee, the Risk Committee of the Board of Directors, and the Bank´s Board of Directors.

The Bank uses price vendors for most of the prices of assets and liabilities at fair value which are processed by the department of Operations and validated by the area of Management and Control of the Treasury and Risk department.

The Bank uses internal valuation methodologies for certain assets and liabilities at fair value classified in Level 3 of the fair value hierarchy. The calculation of fair values using internal methodologies is performed by the area of Management and Control of the Treasury department and validated by the Risk department.

The Bank measures fair value using the fair value hierarchy, which categorizes the variables used in valuation techniques to measure fair value into three levels. The hierarchy is based on the transparency of the inputs used in measuring the fair value of financial assets and financial liabilities at their valuation date. The three levels are defined as follows:

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

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

(17) Fair Value of Financial Instruments, continued

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

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

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

	June 30 2018	Level 1	Level 2	Level 3
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	739,175,273	255,101	531,036,612	207,883,560

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

(17) Fair Value of Financial Instruments, continued

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

	June 30 2017	Level 1	Level 2	Level 3
Local Commercial Paper	481,000	0	0	481,000
Local Corporate Bonds and Fixed Income Funds	64,319,564	0	0	64,319,564
Bonds issued by the Republic of Panama	2,284,488	0	2,284,488	0
Local Corporate Shares	33,566,163	0	0	33,566,163
Bonds issued by US Government	8,327,185	8,327,185	0	0
Foreign Commercial Paper, Treasury Bills and Mutual Funds	199,081,347	24,854,335	174,227,012	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	652,031,994	0	651,140,862	891,132
Asset Backed Securities (ABS)	24,788,372	0	24,788,372	0
Foreign Fixed Income Funds and Corporative Bonds	55,663,041	0	215,026	55,448,015
Foreign Variable Income Mutual Funds	99,117	0	808	98,309
Total	1,040,642,271	33,181,520	852,656,568	154,804,183

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

	June 30 2018	Level 1	Level 2	Level 3
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	70,200,341	13,801,448	56,398,893	0
Total	3,914,322,294	184,289,548	2,823,810,143	906,222,603

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

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

(17) Fair Value of Financial Instruments, continued

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

	June 30 2017	Level 1	Level 2	Level 3
Local Commercial Paper and Treasury Bills	6,817,298	0	0	6,817,298
Local Corporate Bonds and Fixed Income Funds	947,225,769	0	133,033,539	814,192,230
Other local securities	47,810,966	0	0	47,810,966
Bonds issued by the Republic of Panama	133,827,260	0	133,827,260	0
Local Corporate Shares	3,528,157	5,503	0	3,522,654
Bonds issued by US Government	21,007,590	21,007,590	0	0
Foreign Securities Purchased under Resale Agreements	13,200,000	0	13,200,000	0
Foreign Commercial Paper and Treasury Bills	290,384,742	27,696,839	262,687,903	0
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs)	956,672,884	0	956,672,884	0
Asset Backed Securities (ABS)	81,281,169	0	81,281,169	0
Foreign Corporate Bonds and Fixed Income Funds	656,103,299	0	656,093,436	9,863
Bonds issued by Other Governments	56,428,903	0	44,527,606	11,901,297
Foreign Variable Income Mutual Funds	26,221	0	26,221	0
Total	3,214,314,258	48,709,932	2,281,350,018	884,254,308

Changes in the Fair Value Measurement of the Level 3 hierarchy

	Investment Securities and Other Financial Assets		
	Fair Value through Profit or Loss	Fair Value OCI	Total
December 31, 2017	**193,746,653**	**947,373,425**	**1,141,120,078**
Changes due to adoption of IFRS 9	518,820	16,303,767	16,822,587
January 1, 2018	**194,265,473**	**963,677,192**	**1,157,942,665**
Gain recognized in income	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	(14,249,757)	(59,960,543)	(74,210,300)
June 30, 2018	**207,883,560**	**906,222,603**	**1,114,106,163**
Total gains related to instruments held at June 30, 2018	**1,135,038**	**1,664,881**	**2,799,919**

	Fair Value through Profit or Loss	Available for Sale	Total
December 31, 2016	**203,837,018**	**906,324,607**	**1,110,161,625**
Gain recognized in income/equity	8,006,852	304,214	8,311,066
Loss recognized in equity	0	(721,310)	(721,310)
Purchases	100,601,967	333,978,366	434,580,333
Amortization, sales and redemptions	(118,699,184)	(292,512,452)	(411,211,636)
December 31, 2017	**193,746,653**	**947,373,425**	**1,141,120,078**
Total gains related to instruments held at December 31, 2017	**7,705,032**	**823,956**	**8,528,988**

(17) Fair Value of Financial Instruments, continued

Changes in the Fair Value Measurement of the Level 3 hierarchy	Investment Securities and Other Financial Assets		
	Fair Value through Profit or Loss	Available for Sale	Total
December 31, 2016	**203,837,018**	**906,324,607**	**1,110,161,625**
Gain recognized in income/equity	3,306,300	300,800	3,607,100
Gain recognized in equity	0	1,981,175	1,981,175
Purchases	39,026,391	108,391,053	147,417,444
Amortization, sales and redemptions	(91,365,526)	(132,743,327)	(224,108,853)
June 30, 2017	**154,804,183**	**884,254,308**	**1,039,058,491**
Total gains related to instruments held at June 30, 2017	**3,116,434**	**2,366,704**	**5,483,138**

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

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

Type of financial instruments	Valuation technique	Significant unobservable input	Range of estimates for unobservable input: June 30 2018	December 31 2017	June 30 2017	Fair value measurement sensitivity to unobservable inputs
Corporate Shares	Dividend discount model and	Equity risk premium	Min 5.51% Max 9.86%	Min 5.51% Max 9.86%	Min 6.10% Max 8.35%	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 (20.50%) Max 29.32%	Min (20.50%) Max 29.32%	Min (6.70%) Max 25.95%	If the growth rate increases the price increases and vice versa
Fixed Income	Discounted cash flows model	Credit spreads	Min 0.37% Max 5.09% Ave 2.84%	Min 0.37% Max 5.87% Ave 2.73%	Min 0.42% Max 5.78% Ave 2.67%	If the credit spreads increase the price decreases and vice versa

(17) Fair Value of Financial Instruments, continued

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

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 Corporate Shares	Quoted prices in active markets	Quoted prices in active markets	1-3
	Dividend discount model Discount free cash flows model, which are compared with the stock prices	Benchmark interest rate Equity risk premium Growth rate of assets, liabilities, equity, profits and dividends	
Foreign Fixed Income	Quoted prices in active markets	Quoted prices in active markets	1-2
	Quoted prices in active markets for similar instruments	Observable quoted prices	
	Bid and ask prices from market participants	Prices from a broker	
	Discounted cash flows model	Credit spreads Benchmark interest rate Liquidity risk premiums	
Agency MBS / CMOs	Discounted cash flows model	Features of collateral TBA's price Treasury yield Yield curves Prepayment 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 Corporate Shares	Quoted prices in active markets	Quoted prices in active markets	3
Investment vehicles	Net asset value	Net asset value	2-3

(17) Fair Value of Financial Instruments, continued

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

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

	December 31, 2017			
	Fair Value		Available for sale	
	Effect of profit or loss		Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	153,440	(150,633)	8,459,331	(10,166,208)
Corporate Shares	3,310,175	(2,662,145)	68,001	(65,906)
Total	3,463,615	(2,812,778)	8,527,332	(10,232,114)

	June 30, 2017			
	Fair Value		Available for sale	
	Effect of profit or loss		Effect in equity	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Fixed Income	178,937	(175,303)	8,526,229	(11,127,459)
Corporate Shares	2,300,230	(1,915,391)	62,969	(60,596)
Total	2,479,167	(2,090,694)	8,589,198	(11,188,055)

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.

(17) Fair Value of Financial Instruments, continued

(c) Loans

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

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

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

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

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets:						
Time deposits	235,730,509	235,516,304	306,685,642	306,934,362	210,660,595	211,168,994
Securities to amortized cost (2017: held to maturity), net	47,397,156	47,400,000	49,982,822	61,425,701	54,615,813	65,863,278
Loans, net	11,600,252,876	11,580,219,941	11,322,973,693	11,295,615,060	10,862,246,744	10,843,993,139
	11,883,380,541	11,863,136,245	11,679,642,157	11,663,975,123	11,127,523,152	11,121,025,411
Liabilities:						
Deposits	11,533,005,441	11,521,240,643	11,458,427,086	11,474,663,716	11,273,995,171	11,288,416,259
Securities sold under repurchase agreements, borrowings and debt securities in issue	3,208,930,847	3,156,300,779	2,924,859,808	2,871,051,545	2,380,612,452	2,331,588,658
	14,741,936,288	14,677,541,422	14,383,286,894	14,345,715,261	13,654,607,623	13,620,004,917

(17) Fair Value of Financial Instruments, continued

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

	June 30 2018	Level 1	Level 2	Level 3
Assets:				
Time deposits	235,516,304	0	0	235,516,304
Securities at amortized cost	47,400,000	0	47,400,000	0
Loans, net	11,580,219,941	0	0	11,580,219,941
	11,863,136,245	0	47,400,000	11,815,736,245
Liabilities:				
Deposits	11,521,240,643	0	0	11,521,240,643
Securities sold under repurchase agreements, borrowings and debt securities in issue	3,156,300,779	0	0	3,156,300,779
	14,677,541,422	0	0	14,677,541,422

	December 31 2017	Level 1	Level 2	Level 3
Assets:				
Time deposits	306,934,362	0	0	306,934,362
Securities held to maturity, net	61,425,701	0	52,545,138	8,880,563
Loans, net	11,295,615,060	0	0	11,295,615,060
	11,663,975,123	0	52,545,138	11,611,429,985
Liabilities:				
Deposits	11,474,663,716	0	0	11,474,663,716
Securities sold under repurchase agreements, borrowings and debt securities in issue	2,871,051,545	0	0	2,871,051,545
	14,345,715,261	0	0	14,345,715,261

	June 30 2017	Level 1	Level 2	Level 3
Assets:				
Time deposits	211,168,994	0	0	211,168,994
Securities held to maturity, net	65,863,278	0	55,876,097	9,987,181
Loans, net	10,843,993,139	0	0	10,843,993,139
	11,121,025,411	0	55,876,097	11,065,149,314
Liabilities:				
Deposits	11,288,416,259	0	0	11,288,416,259
Securities sold under repurchase agreements, borrowings and debt securities in issue	2,331,588,658	0	0	2,331,588,658
	13,620,004,917	0	0	13,620,004,917

(18) Financial Instruments Risk Management

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

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

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

(a) Credit Risk

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

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

Allowance for Loan Losses

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

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

(18) Financial Instruments Risk Management, continued

Credit Quality Analysis

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

	June 30, 2018 (in thousand)				
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
Loans at amortized cost					
Grade 1: Standard	11,006,423	43,297	208	0	11,049,928
Grade 2: Special mention	31,040	317,619	8,247	0	356,906
Grade 3: Sub-standard	10,887	26,856	105,414	0	143,157
Grade 4: Doubtful	8,143	4,292	70,908	0	83,344
Grade 5: Loss	1,606	769	44,329	0	46,704
Gross amount	11,058,100	392,833	229,106	0	11,680,039
Allowance for impairment	(72,512)	(26,704)	(53,204)	0	(152,420)
Net carrying amount	10,985,588	366,129	175,902	0	11,527,619
Financial leases					
Grade 1: Standard	107,706	2,879	0	0	110,585
Grade 2: Special mention	0	1,072	0	0	1,072
Grade 3: Sub-standard	0	61	290	0	351
Grade 4: Doubtful	0	0	44	0	44
Grade 5: Loss	0	7	624	0	631
Gross amount	107,706	4,019	958	0	112,683
Allowance for impairment	(204)	(89)	(167)	0	(460)
Net carrying amount	107,502	3,930	791	0	112,223
Total loans	**11,165,806**	**396,852**	**230,064**	**0**	**11,792,722**
Allowance for impairment	(72,716)	(26,793)	(53,371)	0	(152,880)
Net carrying amount	11,093,090	370,059	176,693	0	11,639,842
Renegotiated loans					
Gross amount	3,993	58,357	91,944	0	154,294
Allowance for impairment	(210)	(1,608)	(21,789)	0	(23,607)
Net carrying amount	3,783	56,749	70,155	0	130,687

(18) Financial Instruments Risk Management, continued

	December 31 2017	June 30 2017
Loans	(in thousands)	
Maximum exposure		
Carrying amount	11,506,061	11,037,315
At amortized cost		
Grade 1: Standard	10,968,299	10,518,249
Grade 2: Special mention	324,854	306,712
Grade 3: Sub-standard	99,966	123,342
Grade 4: Doubtful	61,448	40,344
Grade 5: Loss	51,494	48,668
Gross amount	11,506,061	11,037,315
Allowance for impairment	(144,832)	(137,853)
Unearned commissions	(38,255)	(37,215)
Net carrying amount	11,322,974	10,862,247
Loans with renegotiated terms		
Gross carrying amount	148,250	104,697
Impaired amount	148,250	104,697
Allowance for impairment	(24,375)	(7,028)
Net carrying amount	123,875	97,669
Neither past due nor impaired		
Grade 1	10,811,611	10,518,249
Total	10,811,611	10,518,249
Past due but not impaired		
31 – 60 days	156,688	0
Total	156,688	0
Individually impaired		
Grade 2	118,404	109,327
Grade 3	67,659	67,377
Grade 4	35,823	7,810
Grade 5	25,709	22,474
Total	247,595	206,988
Allowance for impairment		
Individual	29,750	13,635
Collective	115,082	124,218
Total	144,832	137,853

(18) Financial Instruments Risk Management, continued

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

	June 30, 2018		
	Banco General, S. A.	Subsidiaries	Total
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)	12,982,346	103,158	13,085,504
Total	10,767,303,351	1,025,418,663	11,792,722,014

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

	June 30, 2017		
	Banco General, S. A.	Subsidiaries	Total
Current	9,668,401,661	983,045,558	10,651,447,219
From 31 to 90 days	255,055,700	5,576,260	260,631,960
More than 90 days (principal or interest)	109,594,936	4,081,607	113,676,543
More than 30 days past due (principal)	11,559,485	0	11,559,485
Total	10,044,611,782	992,703,425	11,037,315,207

(18) Financial Instruments Risk Management, continued

The following table analyzes the credit quality of investments and other financial assets and impairment reserves held by the Bank, excluding corporate shares and mutual funds amounting to B/.51,882,820 (December 31, 2017: B/.43,791,299), and (June 30, 2017: B/.39,443,631) which are not subject to credit risk:

	June 30, 2018				
	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
At amortized cost					
Foreign:					
AAA	47,400,000	0	0	0	47,400,000
Accumulated allowance	(2,844)	0	0	0	(2,844)
Net carrying amount	**47,397,156**	**0**	**0**	**0**	**47,397,156**
At Fair Value OCI					
Local:					
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	1,181,605,351	30,064,206	0	0	1,211,669,557
Valuation of credit risk	(2,623,457)	(1,661,548)	0	0	(4,285,005)
Foreign:					
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	2,695,374,384	6,618,970	0	659,383	2,702,652,737
Valuation of credit risk	(3,795,457)	(227,540)	0	(1,468)	(4,024,465)
Total carrying amount	**3,876,979,735**	**36,683,176**	**0**	**659,383**	**3,914,322,294**

A Fair Value effect on profit or loss	
Local:	
AA+ to BBB-	2,851,658
Lower than BBB-	54,717,198
Local carrying amount	57,568,856
Foreign:	
AAA	263,461,964
AA+ to BBB-	255,254,791
Lower than BBB-	110,877,308
NR	129,534
Foreign carrying amount	629,723,597
Total carrying amount	**687,292,453**

(18) Financial Instruments Risk Management, continued

	Investment and Other Financial Assets	
	December 31 2017	June 30 2017
Maximum exposure		
Carrying amount	4,371,083,917	4,272,444,045
At amortized cost		
AAA	14,313,126	17,815,718
AA+ to A	15,217	55,901
BBB+ to BBB-	28,212,674	28,573,206
BB to B-	7,405,448	8,132,402
NR	127,718	129,947
Gross amount	50,074,183	54,707,174
Impairment amount	(91,361)	(91,361)
Net carrying amount	49,982,822	54,615,813
Available for sale		
AAA	1,046,247,857	1,137,159,736
AA+ to A	516,005,602	539,980,130
A-	61,338,711	56,965,149
BBB+ to BBB-	703,928,713	681,875,280
BB+	134,297,700	144,786,229
BB to B-	732,815,797	647,974,446
Less than B-	48,756	62,343
NR	3,885,676	1,956,567
Carrying amount	3,198,568,812	3,210,759,880
At fair value through profit or loss		
AAA	770,283,975	831,683,903
AA+ to A	165,382,953	25,217,749
A-	182,824	1,600,074
BBB+ to BBB-	14,078,969	14,167,984
BB+	0	413,492
BB to B-	97,049,755	64,901,704
Less than B-	71,424,859	67,795,419
NR	4,037,587	1,196,666
Carrying amount	1,122,440,922	1,006,976,991

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

(18) Financial Instruments Risk Management, continued

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

	12-month ECL	Lifetime ECL Not credit – impaired	Lifetime ECL credit-Impaired	Purchased credit-impaired	Total
Balance January 1, 2018	5,887,002	1,902,585	0	0	7,789,587
Transferred to 12 month ECL	12,313	(12,313)	0	0	0
Transfer of 12 month ECL to lifetime ECL not credit-impaired	(326,873)	326,873	0	0	0
Transfer of 12 month ECL to lifetime ECL credit-impaired	(13,091)	0	13,091	0	0
Update of reserve	923,329	(360,736)	(11,328)	0	551,265
New purchased	980,544	70,253	0	0	1,050,797
Securities that have been derecognized	(1,044,310)	(37,574)	(295)	0	(1,082,179)
Balance June 30, 2018	6,418,914	1,889,088	1,468	0	8,309,470

(19) Adoption of IFRS 9 Financial Instruments

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

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

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

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

(19) Adoption of IFRS 9 Financial Instruments, continued

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments:

	January 1, 2018					
	FVTPL (Mandatory)	FVTPL (Designated)	FVOCI – debt instruments	FVOCI – equity instruments	Amortized cost	Total carrying amount
Financial Assets:						
Cash	0	0	0	0	283,199,967	283,199,967
Deposits with bank	0	0	0	0	562,188,209	562,188,209
Loans, net	0	0	0	0	11,322,561,145	11,322,561,145
Investment securities:						
Measured at fair value	614,404,459	0	3,817,581,980	0	0	4,431,986,439
Measured at amortized cost	0	0	0	0	0	0
Derivatives for administration risk	50,577	0	0	0	0	50,577
Other derivatives	2,663,336	0	0	0	0	2,663,336
Total Financial Assets	**617,118,372**	**0**	**3,817,581,980**	**0**	**12,167,949,321**	**16,602,649,673**
Financial Liabilities:						
Demand deposits	0	0	0	0	2,494,385,028	2,494,385,028
Savings deposits	0	0	0	0	3,398,554,919	3,398,554,919
Customer time deposits	0	0	0	0	5,474,415,838	5,474,415,838
Bank time deposits	0	0	0	0	91,071,301	91,071,301
Securities sold under repurchase agreements	0	0	0	0	45,814,600	45,814,600
Borrowings and debt securities issued	0	0	0	0	2,661,365,208	2,661,365,208
Perpetual bonds	0	0	0	0	217,680,000	217,680,000
Derivatives for administration risk	29,413,264	0	0	0	0	29,413,264
Other derivatives	3,269,630	0	0	0	0	3,269,630
Other liabilities / Investments short sales	138,267,009	0	0	0	0	138,267,009
Other liabilities / collateral accounts	0	0	0	0	456,293	456,293
Total Financial Liabilities	**170,949,903**	**0**	**0**	**0**	**14,383,743,187**	**14,554,693,090**

	June 30, 2018					
	FVTPL (Mandatory)	FVTPL (Designated)	FVOCI – debt instruments	FVOCI – equity instruments	Amortized cost	Total carrying amount
Financial Assets:						
Cash	0	0	0	0	261,156,362	261,156,362
Deposits with bank	0	0	0	0	509,127,519	509,127,519
Loans, net	0	0	0	0	11,600,252,876	11,600,252,876
Investment securities:						
Measured at fair value	739,175,273	0	3,914,322,294	0	0	4,653,497,567
Measured at amortized cost	0	0	0	0	47,397,156	47,397,156
Derivatives for administration risk	1,898,949	0	0	0	0	1,898,949
Other derivatives	3,495,760	0	0	0	0	3,495,760
Total Financial Assets	**744,569,982**	**0**	**3,914,322,294**	**0**	**12,417,933,913**	**17,076,826,189**
Pasivos Financieros:						
Demand deposits	0	0	0	0	2,439,562,653	2,439,562,653
Savings deposits	0	0	0	0	3,383,001,703	3,383,001,703
Customer time deposits	0	0	0	0	5,628,036,507	5,628,036,507
Bank time deposits	0	0	0	0	82,404,578	82,404,578
Securities sold under repurchase agreements	0	0	0	0	199,063,000	199,063,000
Borrowings and debt securities issued	0	0	0	0	2,792,187,847	2,792,187,847
Perpetual bonds	0	0	0	0	217,680,000	217,680,000
Derivatives for administration risk	12,545,306	0	0	0	0	12,545,306
Other derivatives	4,871,385	0	0	0	0	4,871,385
Other liabilities / Investments short sales	113,878,857	0	0	0	0	113,878,857
Total Financial Liabilities	**131,295,548**	**0**	**0**	**0**	**14,741,936,288**	**14,873,231,836**

(19) Adoption of IFRS 9 Financial Instruments, continued

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

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

(19) Adoption of IFRS 9 Financial Instruments, continued

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

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

(19) Adoption of IFRS 9 Financial Instruments, continued

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

Impact on capital planning

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

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

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

(19) Adoption of IFRS 9 Financial Instruments, continued

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

	December 31, 2017 (IAS 39)	Reclassification	Remeasurement	January 31, 2018 (IFRS 9)
Loans	144,832,305	0	412,548	145,244,853
Investment securities held to maturity	91,361	0	(91,361)	0
Total allowance of financial assets under IAS 39 and IFRS 9 to amortized cost	144,923,666	0	321,187	145,244,853
Investment securities to FVPTL transferred to FVOCI	0	0	2,369,188	2,369,188
Investment securities available for sale transferred to FVOCI	0	0	3,424,823	3,424,823
Investment securities held to maturity transferred to FVOCI	0	0	1,995,576	1,995,576
	0	0	7,789,587	7,789,587

(20) Main Applicable Laws and Regulations

As of June 30, 2018, there were no significant changes with respect to the applicable regulatory framework disclosed in the audited consolidated financial statements as of December 31, 2017.

The following are the main regulations affecting the bank:

Regulatory Allowances

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

Dynamic Provision

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

(20) Main Applicable Laws and Regulations, continued

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 2018	December 31 2017	June 30 2017
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.	4,580,865	4,580,865	4,580,865
Total	150,748,449	150,748,449	150,748,449

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.