Banco General, S.A.
Management Discussion

First Quarter - 2020

General Information

The Bank operates under a General License granted by the Superintendence of Banks of Panama ("SBP"), which allows it to carry out banking business in Panama and abroad. All references to "we," "us," "our," "the Bank" and "Banco General" are to Banco General, S.A., a corporation (*Sociedad Anónima*) organized under the laws of Panama, and, unless otherwise indicated or the context otherwise requires, its consolidated subsidiaries.

The following discussion is based on information contained in the condensed consolidated interim financial statements and supplementary financial information contained in this document. Certain amounts (including percentages) appearing here have been rounded.

The Bank prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Effective January 1, 2019, we adopted IFRS 16, Leases, which replaces IAS 17, Leases. Due to the application of IFRS 16 and our election not to restate prior period information, as permitted by the standard, the data of the financial statements are not comparable with previous years. For more information, please refer to Note 3 "Summary of Significant Accounting Policies" of the condensed consolidated interim financial information as of March 2020.

Recent Developments

Banco General's Response to COVID-19

In Banco General's 65 years of history, we have been an integral part of the development of our country and we are aware of the fundamental role we must assume during the evolution of the COVID-19 crisis and the reconstruction of our economy. Consequently, we have been closely monitoring the situation and have implemented all of the necessary protocols and measures to mitigate the effects of the virus by focusing on three main aspects; our clients, our community, and our people.

For **our more than 1 million clients** who have accompanied us and are an integral part of our history, we have implemented different measures to help those affected to cope and mitigate the impact of this crisis. The Superintendence of Banks of Panama (SBP), striving to protect and preserve the financial system stability, issued Agreements No. 02-2020 and 03-2020, which includes the following measures:

- Banking entities can evaluate the credits of those debtors whose payment capacity has been affected as a result of the outbreak of COVID-19, and that merit temporary modification to help clients face the crisis.
- The definition of "Modified Credits", which allows for deferral of payments of interest and/or principal based on the documented needs of the client. These modified credits will be monitored by the SBP.
- Credits that are modified and do not comply with the criteria of the SBP's for modification will be classified as "Restructured Credits".

As for **our community**, we maintain our commitment stronger than ever. In response to the COVID-19 pandemic, Banco General, through "*Fundación Sus Buenos Vecinos*" (FSBV), is working to protect the most vulnerable and prevent the spread of the virus, by focusing our efforts on three sectors:

- **Healthcare**: Disbursed more than US$0.92 million in donations of equipment, supplies, and tests to the Gorgas Commemorative Institute for Health Studies (main health and epidemiologic laboratory & hospital in Panama), responsible for analyzing the COVID-19 tests.
- **Food**: Disbursed more than US$1.6 million in donations for a special food program "*Alimenta Una Vida"* designed to help more than 150 non-profit organizations, as well as other food related programs.
- **Non-Profit Organizations**: Continued execution of our Foundation's annual budget of US$7.4 million**,** strengthening contributions to social programs, especially for children's homes, nursing homes and organizations whose objective is to continue serving vulnerable communities.

As for **our people**, we (a) implemented all the measures recommended by the local and international health authorities with the main objective of making our work environment as safe as possible and, (b) introduced initiatives to mitigate the effects of the crisis. To follow a summary of main aspects of the plan:

- On March 10th, we established the COVID-19 Operations Committee, which coordinates the strategic and operational management of the Bank's Continuity and Sustainability Plan, including: People, Processes, Business, Clients, and Communications.
  - In the first fifteen days, we implemented our contingency plan for all our critical processes, and then we moved on to the sustainability phase where we implemented the contingency plan for the whole organization.
- The Bank continues to be 100% operational in all of its channels and has transitioned successfully into a physical/remote operation.
- As of March, the Bank had:
  - Approximately 900 employees working remotely and 850 on site.
  - More than 2,800 employees on paid vacation.
  - 29 branches opened (about 39%); expanded our call center capabilities and promoted the use of our digital channels to continue serving our customers from their homes.

I. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total Assets

As of March 31, 2020, the Bank's gross loan portfolio increased 1.2% from US$12,040.0 million in March 2019, to US$12,181.4 million. During this period, the Bank's residential mortgage portfolio grew 4.9%, to US$4,584.4 million; the consumer loan portfolio grew 4.8%, to US$1,909.1 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, decreased 3.0% to US$5,163.7 million, and other loans (comprised of pledge loans, overdrafts and financial leases) decreased from US$522.7 million to US$524.2 million. The Bank's local corporate loan portfolio decreased 6.5% or US$280.2 million, to US$4,030.9 million, and the Bank's regional corporate loan portfolio increased 11.9%, or US$120.5 million, to US$1,132.8. The Bank's total investment portfolio, made up of the Bank's primary liquid assets (comprised of cash, bank deposits and investment-grade, liquid, fixed-income investments), and its local and regional corporate fixed-income portfolio, increased 1.5%, from US$4,980.1 million in March 2019 to US$5,055.4 million in March 2020.

Total Liabilities

The Bank's total client deposits grew by US$442.1 million, or 3.7%, to US$12,510.7 million. Client time deposits, the Bank's main source of funding, increased by US$104.4 million, to US$6,094.5 million, representing 48.7% of total client deposits as of March 31, 2020, with an average remaining life of 15.9 months, and 73.5% having original maturities of more than one year. Savings accounts grew by US$134.1 million or 3.7%, to US$3,714.6 million representing 29.7% of total client deposits, while demand deposits increased by US$203.5 million to US$2,701.6 million as of March 31, 2020, representing 21.6% of clients deposits.

As of March 31, 2020, the Bank's total medium and long-term borrowings and placements decreased by US$458.9 million, or 15.1%, to US$2,572.0 million as compared to the same period in the previous year.

Equity

As of March 31, 2020, the Bank's equity grew by 8.4%, or US$192.4 million, from US$2,290.4 million as of March 31, 2019 to US$2,482.9 million as of March 31, 2020, driven by an increase in retained earnings of US$244.2 million, with the Bank retaining 100.0% for the three month ended March 31, 2020. The Bank maintains healthy capitalization levels, with an equity to total assets ratio of 12.60% as of March 31, 2020, compared with 12.34% as of March 31, 2019.

A. Liquidity and Funding Sources

The Bank's Assets and Liabilities Committee ("ALCO") is responsible for developing and proposing policies relating to the management of the Bank's assets and liabilities, to enable us to maintain interest rate, market, maturity and liquidity, and foreign exchange exposures, within the Bank's established limits while maximizing the return on shareholders' equity.

The Bank's asset and liability management policy seeks to ensure sufficient liquidity is available to honor withdrawals of deposits, to make payments upon maturity of other liabilities, to extend loans or other forms of credit, and to meet the working capital needs.

The treasury department is responsible for managing the Bank's liquidity and funding positions, as well as executing the Bank's investment strategy. The Bank's current policy requires high absolute levels of liquidity composed of high quality liquid assets, a key pillar of the Bank's financial strategy.

Consistent with the Bank's conservative financial policies, we have historically maintained high levels of liquidity in investment-grade liquid investments, which are complemented by: (i) an adequate asset and liability maturity structure, (ii) a diversified and stable deposit base, (iii) medium and long-term financing (representing 12.59% of total liabilities); and (iv) low levels of short-term institutional liabilities (2.87% of total liabilities), all of which gives us a stable asset and liability structure in the Bank's balance sheet.

The Bank's primary liquidity ratio, measured in terms of liquid assets (comprised of cash, bank deposits and investment-grade, liquid, fixed-income investments) to total deposits and borrowings, was 27.76% as of March 31, 2020, equivalent to US$4,151.2 million in primary liquidity. Liquid assets increased 1.2%, from US$4,101.0 million as of March 31, 2019, and a liquidity ratio of 27.48%. The Bank's total primary liquidity has an average credit rating of AA-; 48.4% of liquid assets are AAA rated investments. As of March 31, 2020, these liquid assets represented 33.18% of total client deposits, and 21.07% of total assets.

In addition to its internal liquidity requirements, the Bank must comply with liquidity requirements established by the Superintendence of Banks of Panama (SBP), which require liquid assets of no less than 30% of selected deposits received, with maturities of less than 186 days, excluding subsidiaries and pledge deposits. For the calculation of this indicator, the SBP allows all loan installments and maturities classified as standard with a term of less than 186 days to be considered liquid assets, in addition to those used for the calculation of internal liquidity, for up to 30% of the total liquid assets used. As of March 31, 2020, the Bank maintained a regulatory liquidity of 40.45%, complying with the requirements established by law.

Loan Portfolio

The Bank's loan portfolio is well diversified across clients, products and borrower's segments. As of March 31, 2020, total gross loans amounted to US$12,181.4 million, of which 42.4% was comprised of corporate loans (33.1% local corporate loans and 9.3% foreign corporate loans), 53.3% of retail loans (37.6% residential mortgages and 15.7% consumer loans); and 4.3% in other loans (comprising of pledged loans, overdrafts, and financial leases).

To minimize the risk of credit losses, we emphasize the granting of loans secured by collateral, particularly single-family residences, properties and deposits, in addition to applying strict underwriting guidelines and "know your customer" policies. As of March 31, 2020, 76.5% of all loans were secured by residential or commercial properties or deposits in the Bank; 70.8% of all loans were secured by first lien mortgages on land and improvements (residential mortgages, commercial mortgages and interim construction loans), and 5.7% was backed by collateral of deposits and other guarantees at the Bank (secured loans and overdrafts). The combination of appropriate underwriting policies and high-quality guaranties has resulted in historically low levels of charge-offs, averaging 0.48% of total loans in the two years ended as of March 31, 2020.

As of March 31, 2020, 88.2% of the Bank's loan portfolio was placed with local clients, who are borrowers (individuals and corporations) established in Panama, and 11.8% was placed with regional clients based in Costa Rica, Mexico, Colombia, Guatemala, El Salvador and Peru, and with our universal banking subsidiary in Costa Rica, Banco General (Costa Rica), S.A., which has 11 branches. As of March 31, 2020, 99.9% of the Bank's loans were denominated in US dollars, which is legal tender in Panama. The Bank segments its portfolios according to type of loan, economic activity, and income group, among other variables. In addition, the Bank's credit policies provide for managing concentration within economic sectors, in the case of corporate loans, and provide various underwriting criteria, depending on the level of income, in the case of retail lending.

The following table summarizes the composition of the loan portfolio by type of loan as of March 31, 2020 and 2019, and as of December 31, 2019, 2018 and 2017:

	As of March 31			As of December 31		
	2020	2019	% Change	2019	2018	2017
	(in thousands of U.S. dollars, except for percentages)					
Local Loans						
Commercial	343,221	455,784	-24.7%	397,805	355,306	371,838
Interim construction loans	543,228	685,316	-20.7%	565,399	700,899	807,678
Lines of credit	1,117,136	1,245,289	-10.3%	1,050,023	1,235,506	1,301,407
Residential mortgage loans	4,367,417	4,128,698	5.8%	4,321,904	4,091,043	3,798,892
Commercial mortgage loans	2,027,306	1,924,727	5.3%	2,020,115	1,920,858	1,789,765
Personal, Auto, Credit Cards	1,894,641	1,805,864	4.9%	1,894,882	1,776,981	1,652,578
Pledge loans and overdrafts	360,285	365,147	-1.3%	358,283	356,635	333,660
Leasing	96,718	101,059	-4.3%	100,191	108,302	120,391
Total Local Loans	**10,749,952**	**10,711,883**	**0.4%**	**10,708,602**	**10,545,529**	**10,176,209**
Foreign Loans						
Commercial	582,211	389,056	49.6%	600,867	447,699	382,626
Interim construction loans	-	3,800	-100.0%	-	3,100	-
Lines of credit	342,999	362,772	-5.5%	257,641	351,265	317,635
Residential mortgage loans	216,970	242,907	-10.7%	223,143	249,376	254,472
Commercial mortgage loans	207,611	256,743	-19.1%	208,335	259,581	259,842
Personal, Auto, Credit Cards	14,429	16,322	-11.6%	15,323	16,779	17,034
Pledge loans and overdrafts	67,192	56,527	18.9%	69,778	79,055	98,242
Total Foreign Loans	**1,431,413**	**1,328,126**	**7.8%**	**1,375,087**	**1,406,855**	**1,329,851**
Total Loans	**12,181,365**	**12,040,009**	**1.2%**	**12,083,689**	**11,952,385**	**11,506,061**
Allowance for loan losses	171,902	164,096	4.8%	165,159	158,531	144,832
Unearned commissions	43,231	41,639	3.8%	43,302	41,104	38,255
Total loans, net	**11,966,232**	**11,834,273**	**1.1%**	**11,875,228**	**11,752,749**	**11,322,974**

As of March 31, 2020, the Bank's loan portfolio maintained low levels of non-accrual loans of 1.24% (March 2019: 1.03%) and past due loans of 1.54% (March 2019: 1.29%). As of March 31, 2020, the Bank's loan loss reserve coverage of past due loans was 91.63% (March 2019: 105.79%), and the coverage of non-accrual loans was 113.70% (March 2019: 131.79%); charge-offs amounted to US$12.6 million or 0.41% (March 2019: 0.40%) of total loans.

The Bank's charge-offs which have been historically low we attribute to the following factors: (i) the application of rigid and consistent underwriting policies over time; (ii) the Bank's preference to extend high-quality secured loans with collateral from residential and commercial properties, whose quality and value are carefully evaluated; and (iii) a diligent collection effort to minimize losses.

Non-accrual Loans

The SBP requires the classification of a loan on non-accrual status if any of the following conditions exist: (i) principal and interest payments past due level has reached the limits established by the SBP (91 or more days of principal and/or interest payments past due for all loans, except for mortgages which cease accruing interest after 120 days past due and overdrafts after 30 days past due); or (ii) the debtor's financial condition, whether individual or corporate, has suffered material adverse effects (payment capacity deterioration, collateral weakness, and other factors known to us, such as fraud, death of the debtor, or personal or corporate bankruptcy) that puts our ability to collect the loan at risk.

The following table presents non-accrual loans, according to loan type, as of March 31, 2020 and 2019, and as of December 31, 2019, 2018 and 2017:

	As of March 31			As of December 31		
	2020	**2019**	**% Change**	**2019**	**2018**	**2017**
	(in thousands of U.S. dollars, except for percentages)					
Non accrual loans						
Commercial	5,901	8,875	-33.5%	6,805	8,931	395
Interim construction loans	1,838	2,504	-26.6%	1,956	2,424	7,238
Lines of credit	5,595	16,011	-65.1%	6,538	15,157	6,525
Residential mortgage loans	62,612	45,353	38.1%	52,977	41,370	26,529
Preferential mortgage loans	20,363	15,615	30.4%	16,923	15,335	15,346
Commercial mortgage loans	26,881	10,913	146.3%	20,425	8,580	11,106
Personal, Auto, Credit Cards	26,740	24,036	11.2%	23,385	22,499	20,811
Pledge loans and overdrafts	635	403	57.8%	234	399	587
Leasing and factoring	629	806	-21.9%	124	906	1,193
Total Non accrual loans	**151,195**	**124,516**	**21.4%**	**129,365**	**115,601**	**89,729**
Total Loans	12,181,365	12,040,009		12,083,689	11,952,385	11,506,061
Allowance for loan losses	171,902	164,096		165,159	158,531	144,832
Non accrual loans as a percentage of total loans	1.24%	1.03%		1.07%	0.97%	0.78%
Allowance for loans losses as a percentage of non accrual loans	113.70%	131.79%		127.67%	137.14%	161.41%
Allowance for loan losses + Dynamic Reserve / non accrual loans	214.40%	253.15%		245.36%	267.86%	329.41%

Past Due Loans

The Bank classifies its loan portfolio according to: (i) the status of principal and interest payments (current, overdue within 31-90 days, and past due more than 90 days), and (ii) the principal payment status of a loan at final maturity as: (a) current, or (b) past due, if not paid after 30 days of the final maturity of the loan.

The following table presents past due loans, according to loan type, as of March 31, 2020 and 2019, and as of December 31, 2019, 2018 and 2017:

	As of March 31			As of December 31		
	2020	**2019**	**% Change**	**2019**	**2018**	**2017**
	(in thousands of U.S. dollars, except for percentages)					
Past due loans						
Commercial	6,302	12,263	-48.6%	6,805	8,931	385
Interim construction loans	1,838	2,504	-26.6%	2,256	2,424	7,238
Lines of credit	5,733	16,081	-64.3%	12,106	14,426	6,486
Residential mortgage loans	84,693	59,241	43.0%	68,947	54,594	43,510
Preferential mortgage loans	32,108	27,944	14.9%	25,391	24,373	26,055
Commercial mortgage loans	28,086	11,865	136.7%	20,164	8,618	11,173
Personal, Auto, Credit Cards	26,404	23,640	11.7%	8,954	22,413	20,711
Pledge loans and overdrafts	1,814	778	133.2%	8,679	1,131	1,344
Leasing and factoring	629	806	-21.9%	124	906	1,193
Total past due loans	**187,609**	**155,122**	**20.9%**	**153,426**	**137,815**	**118,096**
Total Loans	12,181,365	12,040,009		12,083,689	11,952,385	11,506,061
Allowance for loan losses	171,902	164,096		165,159	158,531	144,832
Past due loans as a percentage of total loans	1.54%	1.29%		1.27%	1.15%	1.03%
Allowance for loan losses as percentage of past due loans	91.63%	105.79%		107.65%	115.03%	122.64%
Allowance for loan losses + Dynamic Reserve / past due loans	172.78%	203.21%		206.88%	224.69%	250.29%

Allowance for Loan Losses

Provisions for loan losses are accounted for as charges on income and added to the allowance for loan losses to maintain reserves at the required level. Any subsequent charge-offs are applied against this allowance.

The Bank's reserve levels have historically provided adequate coverage of non-accrual loans, amounting to 113.70% as of March 31, 2020. Additionally, the Bank's allowance for loan losses exceeds the requirements established by the SBP. As of March 31, 2020, the Bank's loan loss provision amounted to 1.41% of total loans (March 2019: 1.36%).

The following table presents the breakdown of the allowance for loans losses as of March 31, 2020 and 2019, and as of December 31, 2019, 2018 and 2017:

	As of March 31			As of December 31		
	2020	**2019**	**(%) Change**	**2019**	**2018**	**2017**
	(in thousands of U.S. dollars, except for percentages)					
Allowance at the beginning of period	165,159	158,531	4.2%	158,531	144,832	128,917
Change due to implementation of IFRS 9	-	-	-	-	413	-
Provision charged to expenses, net of recoveries	11,683	11,993	-2.6%	41,954	41,983	44,485
Charge offs:						
Commercial	8	57	-86.1%	6,236	249	220
Interim construction loans	-	-	-	415	207	261
Lines of credit	-	-	-	6,774	607	1,462
Residential mortgage loans	372	320	16.3%	1,862	885	712
Commercial mortgage loans	4	-	100.0%	434	397	4
Personal, Auto, Credit Cards	12,156	11,364	7.0%	46,057	48,787	46,663
Personal	*6,781*	*6,960*	*-2.6%*	*28,509*	*31,147*	*32,525*
Auto	*760*	*560*	*35.8%*	*2,331*	*1,869*	*1,543*
Credit cards	*4,615*	*3,844*	*20.1%*	*15,217*	*15,771*	*12,595*
Pledge loans and overdrafts	33	201	-83.7%	864	484	349
Leasing and factoring	-	2	-100.0%	337	133	267
Total charge offs	**12,573**	**11,944**	**5.3%**	**62,981**	**51,750**	**49,938**
Recoveries	7,633	5,517	38.4%	27,654	23,053	21,368
Allowance at the end of period	**171,902**	**164,096**	**4.8%**	**165,159**	**158,531**	**144,832**
Total Loans	12,181,365	12,040,009		12,083,689	11,952,385	11,506,061
Allowance for loan losses as percentage of total loans	1.41%	1.36%		1.37%	1.33%	1.26%
(Allowance for loan losses + Dynamic Reserve) / total loans	2.66%	2.62%		2.63%	2.59%	2.57%
Net charge-off to total loans (1)	0.16%	0.21%		0.29%	0.24%	0.25%
Charge-offs to total loans (1)	0.41%	0.40%		0.52%	0.43%	0.43%

(1) Percentages for the three months ended are annualized

B. Capital Resources

The cornerstone of our overall financial strategy is our strong capital position, which exceeds local and international regulatory requirements contained in the Basel Accords, that has supported our investment grade ratings, which we have held since 1997, from Fitch (BBB+) and Standard & Poor's (BBB+).

As of March 31, 2020, our total regulatory capital amounted to US$2,650.7 million, or 234.8% of the total minimum capital required. The ratio of total capital to risk-weighted assets was 18.78%, comprised entirely of Tier I capital. Operational risk-weighted assets (March 2020: US$692.8 million) and market risk-weighted assets (March 2020: US$1,283.0 million) are included under the parameters of Accords No.11-2018 and No. 6-2019. Based on the Bank's total risk-weighted assets of US$14,111.6 million as of March 31, 2020, in accordance with local regulatory requirements, we must maintain a total capital of 8%, or US$1,128.9 million. Our shareholder's equity to total assets ratio was 12.60% as of March 2020; with a dividend payout ratio averaging 57.44% of our net income over the last five years ended December 31, 2019.

Additionally, Agreement 4-2013, which entered in effect in fiscal year 2014, requires banks to establish a Dynamic Reserve, defined as a general reserve to cover future unexpected losses in the loan portfolio classified as standard (the "Dynamic Reserve"), and also establishes that the Dynamic Reserve cannot be lower than 1.25%, nor higher than 2.50% of the risk-weighted loan portfolio classified as standard.

The Dynamic Reserve is presented within legal reserves in the equity section of the Bank's financial statements.

The Dynamic Reserve balance is considered part of the regulatory capital if the Bank's regulatory capital exceeds the minimum of 8% of risk-weighted assets to capital. As of March 31, 2020, the Dynamic Reserve balance was US$152.3 million.

The Bank's securities brokerage, insurance and pension fund management subsidiaries are also subject to minimum capital requirements stipulated under Panamanian law. As of March 31, 2020, all subsidiaries are in compliance with all of the minimum capital requirements applicable under the regulations.

The following table presents information regarding the Bank's capital levels as of March 31, 2020 and 2019, and as of December 31, 2019, 2018 and 2017:

	As of March 31		As of December 31		
	2020	2019	2019	2018	2017
	(in thousands of U.S. dollars, except for percentages)				
Regulatory Primary Capital (Tier 1)					
Common Shares	500,000	500,000	500,000	500,000	500,000
Legal reserve	186,792	182,824	186,240	182,341	180,080
Other items comprehensive income	-9,488	51,820	89,125	3,642	35,797
Retained earnings	1,799,189	1,554,988	1,703,100	1,498,282	1,329,585
Less: Regulatory adjustments	43,487	54,556	50,074	57,802	61,725
Total Regulatory Primary Capital (Tier 1)	**2,433,006**	**2,235,076**	**2,428,391**	**2,126,463**	**1,983,736**
Additional Primary Capital (Tier I)					
Subordinated debt - perpetual bonds	217,680	217,680	217,680	217,680	217,680
Total Additional Primary Capital	**217,680**	**217,680**	**217,680**	**217,680**	**217,680**
Total Primary Capital	**2,650,686**	**2,452,756**	**2,646,071**	**2,344,143**	**2,201,416**
Total Capital (Tier I + Tier II)	**2,650,686**	**2,452,756**	**2,646,071**	**2,344,143**	**2,201,416**
Credit Risk Weighted Assets	12,135,715	12,078,960	11,931,120	12,053,460	11,521,593
Market Risk Weighted Assets (1)	1,283,014	-	422,023	-	-
Operational Risk Weighted Assets (1)	692,827	-	630,172	-	-
Total Risk-Weighted Assets	**14,111,555**	**12,078,960**	**12,983,315**	**12,053,460**	**11,521,593**
Capital ratios					
Total Primary Capital (Tier 1)	**18.78%**	**20.31%**	**20.38%**	**19.45%**	**19.11%**
Total capital (Tier I + Tier II)	**18.78%**	**20.31%**	**20.38%**	**19.45%**	**19.11%**

(1) Included under the parameters of Accords No. 11-2018 and No. 6-2019 of the Superintendence of Banks of Panama (SBP)

The relative high levels of capitalization shown by the Bank reflect the commitment of the Board of Directors to maintain a solid capital base, which supports its depositors and allows it to meet growth needs, as well as unexpected adverse events that may affect the Bank's operations.

C. Results of Operations for the three months ended March 31, 2020 and 2019

The following table presents the Bank´s principal consolidated results of operations for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	2019	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Net interest and comission income	**174,358**	**168,983**	**3.2%**
Total Provisions, net	**(21,499)**	**(13,893)**	**54.8%**
Other Income (expenses):			
Fees and other comissions	57,552	52,924	8.7%
Insurances premiums, net	9,368	8,024	16.7%
(loss) gain on financial instruments, net	(19,309)	2,940	-756.7%
Other Income, net	5,134	7,001	-26.7%
Comissions expenses and other expenses	(25,021)	(23,331)	7.2%
Total other income, net	**27,723**	**47,558**	**-41.7%**
General and administrative expenses	78,164	74,576	4.8%
Equity participation in associates	2,227	2,692	-17.3%
Net income before income tax	**104,645**	**130,764**	**-20.0%**
Income tax, net	(11,997)	(14,181)	-15.4%
Net Income	**92,647**	**116,583**	**-20.5%**

As of March 31, 2020, the Bank's net income was US$92.65 million, which represents a decrease of US$23.94 million, or 20.5%, over the net profit of US$116.58 million for March 2019. ROAE was 14.68%, compared to 20.68% in 2019, and the ROAA was 1.93%, as compared to 2.51% for the same period in 2019. These results in net income, ROAE and ROAA were mainly the product of the following factors:

Net Interest and Commission Income

The following table presents the Bank's net interest and commission income and related average rate and margin information for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	2019	% Change
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	263,893	265,062	-0.4%
Total interest expenses	89,535	96,080	-6.8%
Net interest and commission income	**174,358**	**168,983**	**3.2%**
Average interest - earning assets	17,405,316	17,186,856	
Average interest - bearing liabilities	12,323,295	12,563,474	
Net interest margin (1)(4)	4.01%	3.93%	
Average interest rate earned (2)(4)	6.06%	6.17%	
Average interest rate paid (3)(4)	2.91%	3.06%	

(1) Net interest and commission income (before provisions for possible loan losses) as a percentage of average total interest assets for the indicated period

(2) Total interest and commission income divided by average interest earning assets

(3) Total interest expenses divided by average interest bearing liabilities

(4) Percentages for the three months ended are annualized

The 3.2% increase in net interest and commission income for the three months ended March 31, 2020, as compared to the same period for 2019, was primarily a result of: (i) an increase in the Bank's net interest margin from 3.93% to 4.01% or 8 basis points, and (ii) a 1.3% increase in average interest-earning assets.

The increase in the Bank's net interest margin in the three months ended March 31, 2020, as compared to the same period in 2019, was primarily a result of (i) an increase in the average interest rate earned on our loan portfolio which increased 8 basis points, from 7.30% on March 31, 2019 to 7.38% on March 31, 2020, and (ii) a 15 basis point decrease in the average interest rate paid on average interest bearing liabilities, from 3.06% to 2.91%, which in turn was driven by a 75 basis point decrease in the average rate paid on medium - and long-term borrowings and placements which increased from 4.45% to 3.70%.

Total Interest and Commission Income

The following table presents information as to the Bank's total interest and commission income for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	**2019**	**% Change**
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	**263,893**	**265,062**	**-0.4%**
Average interest - earning assets:			
Deposits with banks	486,280	370,619	31.2%
Loans, net	11,896,135	11,831,382	0.5%
Securities and other financial assets	5,022,902	4,984,855	0.8%
Total	**17,405,316**	**17,186,856**	**1.3%**
Average nominal rates earned:			
Deposits with banks (1)	1.90%	2.15%	
Loans, net (1)	7.38%	7.30%	
Securities and other financial assets (1)	3.36%	3.79%	
Total (1)	**6.06%**	**6.17%**	

(1) Percentages for the three months ended are annualized

The Bank´s interest and commission income is derived principally from a diversified loan portfolio, which represented 68.3% of the Bank's total average interest earning assets, generating 83.1% of total interest and commissions income for the period, which decreased to US$263.9 million in March 2020, from US$265.1 million in March 2019.

The 0.4% decrease in total interest and commission income for the three months ended March 31, 2020, as compared to the same period in 2019, resulted from a decrease in the average rate earned on interest-earning assets which decreased from 6.17% to 6.06% or 11 basis points.

The increase in average interest-earning assets was primarily driven by a 31.2% increase in average deposits with banks, a 0.8% increase in securities and other financial assets, and a 0.5% increase in average net loans, which in turn was mainly due to: (i) an 4.8% increase in consumer loans (credit cards increased 10.3%, and personal loans 6.0%), and (ii) a sustained growth in the residential mortgage portfolio, which increased by 4.9%.

The decrease in the average rate earned on interest earning assets was primarily driven by lower interest rates on securities and other financial assets, which decreased from 3.79% on March 31, 2019, to 3.36% on March 31, 2020, as a consequence of the decline in interest rates for US dollars high quality fixed income securities.

The following table presents the effect of changes in the Bank's interest and commission income as a result of changes in: (i) the average volume of interest earning assets, and (ii) the average nominal interest rate earned during the three months ended March 31, 2020 and 2019:

	Decrease/Increase First - Quarter 2019/2020
	(in thousands of U.S. dollars)
Due to changes in average volume of interest - earning assets	3,369
Due to changes in average nominal interest rates earned	-4,538
Net Change	**-1,169**

The increase of US$218.5 million in average interest earning assets for the three months ended March 31, 2020, resulted in an increase of US$3.4 million in interest and commission income for the period, while the decrease in the average rate earned on interest-earning assets, from 6.17% to 6.06% resulted in a decrease of US$4.5 million in interest and commission income as compared to the same period in 2019.

Total Interest Expenses

The following table presents information as to the Bank's total interest expenses for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	**2019**	**% Change**
	(in thousands of U.S. dollars, except for percentages)		
Total interest expenses	**89,535**	**96,080**	**-6.8%**
Average interest - bearing liabilties:			
Savings deposits	3,636,120	3,493,716	4.1%
Time deposits - clients	6,154,763	5,895,510	4.4%
Time deposits - interbank	88,044	78,770	11.8%
Borrowings and placements	2,444,368	3,095,479	-21.0%
Total	**12,323,295**	**12,563,474**	**-1.9%**
Average nominal rates paid:			
Savings deposits (1)	0.86%	0.65%	
Time deposits - clients (1)	3.82%	3.78%	
Time deposits - interbank (1)	1.52%	1.31%	
Borrowings and placements (1)	3.70%	4.45%	
Total (1)	**2.91%**	**3.06%**	

(1) Percentages for the three months ended are annualized

The Bank's total interest expense is mainly attributable to interest paid on customer deposits, which represented 74.4% of the total interest expense for the three months ended March 31, 2020, as compared to 63.9% for the same period in 2019.

The 6.8% decrease in total interest expenses for the three months ended March 31, 2020, as compared to the same period in 2019, was mainly a result of: (i) a 15 basis points decrease in the average rate paid on interest bearing liabilities, which decreased from 3.06% to 2.91%, and (ii) a 1.9% decrease in average interest-bearing liabilities.

The decrease in average interest-bearing liabilities was mainly due to a 21.0% decrease in average medium - and long-term borrowings and placements; such decrease was offset by a: (i) 4.4% increase in average client time deposits, the Bank's principal source of funding, (ii) an 11.8% growth in interbank time deposits, and (iii) a 4.1% in average savings deposits.

The decrease in the average rate of interest paid on interest-bearing liabilities was mainly attributable the decrease in the cost of borrowings and placements of 75 basis points from 4.45% as of March 2019 to 3.70% in the same period in 2019.

The following table sets forth the effect of changes in the Bank's total interest expense as a result of changes in: (i) the average volume of interest-bearing liabilities, and (ii) the average nominal interest rates paid during the three months ended March 31, 2020 and 2019:

	Decrease/Increase First - Quarter 2019/2020
	(in thousands of U.S. dollars)
Due to changes in average volume of interest - bearing liabilities	-1,837
Due to changes in average nominal interest rates paid	-4,708
Net change	**-6,545**

The decrease of US$240.2 million in average interest-bearing liabilities for the three months ended March 31, 2020 resulted in a decrease of US$1.8 million in interest expense for the period, while the decrease in the average rate paid on interest-bearing liabilities, from 3.06% to 2.91% resulted in a decrease of US$4.7 million in interest expense as compared to the same period in 2019.

Provision for Loan Losses

The following table presents the Bank's allowance for loan losses, net of charge-offs and recoveries included in the Bank's results of operations for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	**2019**	**% Change**
	(in thousands of U.S. dollars, except for percentages)		
Allowance for loan losses at the beginning of period	165,159	158,531	4.2%
Changes due to implementation of IFRS 9	-	-	0.0%
Provisions charged to expenses, net of recoveries	11,683	11,993	-2.6%
Recovery of Charge-offs	7,633	5,517	38.4%
Charge-offs	(12,573)	(11,944)	5.3%
Balance at the end of period	**171,902**	**164,096**	**4.8%**
Total Loans	12,181,365	12,040,009	
Net loan loss provisions to average loans	0.10%	0.10%	
Charge-offs (1) to total loans	0.41%	0.40%	
Allowance to total loans	1.41%	1.36%	

(1) Percentages for the three months ended are annualized.

The provision, net of recoveries for loan losses of US$11.7 million, or 0.10% of loans, was in line with the same period of 2019. The net provision of US$11.7 million covered net charge-offs of US$4.9 million, and the difference of US$6.8 million covered the growth in the loan portfolio; the allowance for possible loan losses increased from 1.36% to 1.41%.

As of March 31, 2020, the Bank's allowance for loan losses amounted to US$171.9 million, representing a coverage of 113.70% (March 2019: 131.79%) of loans in non-accrual status, and a coverage of 91.63% (March 2019: 105.79%) of past due loans. We believe the allowance for loan losses adequately covers credit risk in the Bank's portfolio based on IFRS 9 requirements.

Other Income, Net

The following table presents the information as to the Bank's fees, commission and other income, net for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	**2019**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)		
Fees and comission income, net	32,531	29,593	9.9%
Insurance premiums, net	9,368	8,024	16.7%
Loss (gain) on financial instruments, net	-19,309	2,940	-756.7%
Other Income, net	5,134	7,001	-26.7%
Total of other income, net	**27,723**	**47,558**	**-41.7%**

The 41.7% decrease in total other income, net for the three months ended March 31, 2020 primarily reflects the following factors:

Fees and Commission Income, net

The 9.9% increase in fees and commission income, net of commission expenses for the three months ended March 31, 2020, was mainly due to: (i) an 8.0% increase in credit and debit card activities, and (ii) a 9.9% increase in banking services. The increase was offset by a 7.2% increase in commission and other expenses, mainly attributable to a 24.2% increase in other commissions and banking services and a 2.7% increase in credit and debit card commission charges.

Insurance Premiums, net

Net insurance premiums, increased by 16.7% for the three months ended March 31, 2020, mainly due to: (i) a growth of 14.6% in life insurance premiums in the Bank's growing portfolio of residential mortgage, credit cards and personal loans, and (ii) the growth in bancassurance products. The increase in net insurance premiums was offset by a 6.0% increase in insurance claims.

(Loss) gain on Financial Instruments, net

The loss on financial instruments, net of US$19.3 million for the three months ended March 31, 2020, as compared to a gain of US$2.9 million in 2019, was principally due to the unrealized loss on our AA- average rating fixed income portfolio, which resulted from an increase in credit spreads due to the volatility experienced in the US capital markets.

Other income, net

Other income, net, decreased by US$1.9 million or 26.7%, for the three months ended March 31, 2020, compared to the same period in 2019 primarily as a result of a decrease in the Bank's pension fund assets, as a result of the unrealized losses on its fixed income securities.

General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the three months ended March 31, 2020 and 2019, respectively:

	For the Three Months Ended March 31		
	2020	2019	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Salaries and other employee expenses	45,348	43,828	3.5%
Depreciation and Amortization expenses	7,287	6,426	13.4%
Premises and Equipment expenses	5,786	6,772	-14.6%
Other expenses	19,744	17,550	12.5%
Total	**78,164**	**74,576**	**4.8%**

The 4.8% increase in general and administrative expenses primarily reflects the growth of the Bank's business, with an increase of 1.2% in the gross loan portfolio and a 4.0% increase in deposits, as well as the following:

Salaries and other employee expenses

Salaries and other employee expenses represented 58.0% of total general and administrative expenses for the three months ended March 31, 2020, (March 2019: 58.8%). The 3.5% increase in salaries and other expenses was primarily attributable to salary increases.

Depreciation and Amortization expenses

Total depreciation and amortization expenses increased by US$0.9 million, for the three months ended March 31, 2020, primarily due to the depreciation expense attributable to right-of-use assets.

Premises and Equipment expenses

Premises and equipment expenses decreased by US$1.0 million or 14.6% for the three months ended March 31, 2020, as compared to the same period in 2019, mainly due to a decrease of US$0.77 million resulting from the adoption of IFRS 16.

Other expenses

The 12.5% or US$2.2 million increase in other expenses for the three months ended March 31 2020, compared to the same period in 2019, was mainly due to: (i) a US1.2 million increase in legal and professional services, and (ii) an increase of US$0.8 million in other expenses.

Taxes

Income tax, net amounted to US$12.0 million for the three months ended March 31, 2020, as compared to US$14.2 million in 2019; the US$2.2 million or 15.4% decrease, comes as a result of a lower taxable income as compared to the same period in 2019.

Operational Efficiency

The Bank's operational efficiency was 38.26% for the three months ended March 31, 2020, as compared to 34.02% in 2019, principally as a result of: (a) a moderate increase in the Bank's general and administrative expenses of 4.8%, and (ii) a 6.8% decrease in total income, principally caused by: (a) a loss on financial instruments, net amounting to US$19.3 million compared to a gain of US$2.9 million in 2019, and (b) a lower interest and commission income in securities and other financial assets.

BANCO GENERAL, S.A. Y SUBSIDIARIAS
Consolidated Income Statement
For the three months ended March 31st

	31-mar-20	31-dec-19	30-sep-19	30-jun-19	31-mar-19
	(in thousands of U.S. dollars)				
Total interest and commission income	263,893	272,701	275,422	272,961	265,062
Total interest expenses	(89,535)	(96,025)	(97,627)	(97,231)	(96,080)
Net interest and commission income	**174,358**	**176,676**	**177,794**	**175,729**	**168,983**
Total Provisions, net	(21,499)	(9,529)	(10,725)	(10,776)	(13,893)
Net interest and commission income after provisions	**152,859**	**167,147**	**167,069**	**164,953**	**155,090**
Other Income (expenses):					
Fees and other commissions	57,552	61,696	58,817	55,784	52,924
Insurance premiums, net	9,368	9,339	8,834	7,733	8,024
(loss) gain on financial instruments, net	(19,309)	4,368	2,036	6,003	2,940
Other income, net	5,134	7,548	7,065	6,994	7,001
Commissions expenses and other expenses	(25,021)	(24,722)	(23,608)	(23,303)	(23,331)
Total other income, net	**27,723**	**58,229**	**53,144**	**53,212**	**47,558**
General and administrative expenses	(78,164)	(80,484)	(77,304)	(75,811)	(74,576)
Equity participation in associates	2,227	2,684	2,502	3,019	2,692
Net income before income tax	**104,645**	**147,576**	**145,411**	**145,373**	**130,764**
Income tax, net	(11,997)	(17,335)	(16,729)	(16,612)	(14,181)
Net income	**92,647**	**130,241**	**128,682**	**128,761**	**116,583**

BANCO GENERAL, S.A. Y SUBSIDIARIAS
Consolidated Balance Sheet
For the three months ended March 31st

	31-mar-20	31-dec-19	30-sep-19	30-jun-19	31-mar-19
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	1,010,116	730,474	679,673	831,617	760,347
Securities and other financial assets	5,028,371	4,973,441	5,099,898	4,930,860	4,951,416
Loans	12,181,365	12,083,689	12,081,031	11,970,971	12,040,009
Allowance for possible loans losses	(171,902)	(165,159)	(159,402)	(156,172)	(164,096)
Unearned comissions	(43,231)	(43,302)	(42,877)	(42,303)	(41,639)
Investments in associates	27,036	24,881	28,321	30,742	28,655
Other assets	1,673,980	1,119,697	1,246,251	1,209,734	983,516
Total assets	**19,705,734**	**18,723,721**	**18,932,895**	**18,775,450**	**18,558,208**
Liabilities and shareholder's equity					
Local deposits	12,127,100	11,924,894	11,887,234	11,625,143	11,579,423
Foreign deposits	472,901	530,374	507,154	527,086	530,824
Total Deposits	**12,600,001**	**12,455,268**	**12,394,388**	**12,152,230**	**12,110,247**
Securities sold under repurchase agreements	404,145	403,947	241,358	-	-
Medium and long term borrowings and placements	1,950,201	1,914,581	2,173,077	2,623,396	2,813,281
Perpetual bonds	217,680	217,680	217,680	217,680	217,680
Other liabilities	2,050,840	1,249,506	1,433,662	1,388,000	1,126,561
Shareholder's equity	2,482,867	2,482,739	2,472,730	2,394,144	2,290,439
Total liabilities and shareholder's equity	**19,705,734**	**18,723,721**	**18,932,895**	**18,775,450**	**18,558,208**
Operational data (in units)					
Number of customers [(1)]	1,100,780	1,052,219	1,012,692	986,565	957,382
Number of employees [(2)]	4,687	4,714	4,712	4,681	4,649
Number of branches [(3)]	86	86	87	87	86
Number of ATMs [(3)]	639	645	637	654	651
Assets under management [(4)]	11,450,366	11,823,121	11,608,396	11,617,826	11,244,951

[(1)] Total number of clients at the end of the period includes BG, BGO, BGCR and Profuturo clients.

[(2)] Total number of permanent full-time employees at the end of the period of BG & Subsidiaries

[(3)] Total number of branches and ATMs of BG and BGCR.

[(4)] In thousands of U.S. dollars. See note 30 of the Consolidated Financial Statements.

BANCO GENERAL, S.A. Y SUBSIDIARIAS
Financial Ratios
For the three months ended March 31st

	31-mar-20	31-dec-19	30-sep-19	30-jun-19	31-mar-19
Profitability and efficiency:					
Net Interest Margin (1)(2)	4.01%	4.10%	4.12%	4.14%	3.93%
Return on average assets (1)(3)	1.93%	2.76%	2.71%	2.76%	2.51%
Return on average equity (1)(3)	14.68%	20.76%	21.02%	21.89%	20.68%
Efficiency (4)	38.26%	33.88%	33.12%	32.68%	34.02%
Operating expenses / average total assets (1)(3)	1.63%	1.71%	1.63%	1.62%	1.61%
Other income/ operating income (5)	15.35%	25.84%	24.13%	24.39%	23.47%
Liquidity:					
Primary Liquidity (6) / total deposits and obligations	27.76%	27.29%	27.97%	28.09%	27.48%
Regulatory Liquidity (7) / total deposits	40.45%	38.21%	36.79%	42.50%	42.07%
Loans, net / total client deposits	95.65%	96.10%	97.08%	97.32%	98.06%
Capital:					
Total capital ratio (8)	18.78%	20.38%	21.81%	21.28%	20.31%
Tier 1 common equity ratio	17.24%	18.70%	20.01%	19.47%	18.50%
Total Tier 1 capital ratio (9)	18.78%	20.38%	21.81%	21.28%	20.31%
Equity / assets	12.60%	13.26%	13.06%	12.75%	12.34%
Earning retention ratio (10)	100.00%	6.25%	57.03%	57.06%	52.57%
Asset quality:					
Past due loans (11)/ total loans	1.54%	1.27%	1.22%	1.24%	1.29%
Non accrual loans (12)/ total loans	1.24%	1.07%	1.04%	1.01%	1.03%
Allowance for possible loan losses / total loans	1.41%	1.37%	1.32%	1.30%	1.36%
Allowance for possible loan losses / past due loans	91.63%	107.65%	107.97%	105.40%	105.79%
Allowance for possible loan losses / non accrual loans	113.70%	127.67%	126.44%	128.83%	131.79%
Allowance for possible loan losses + Dynamic Reserve / non accrual loans	172.78%	206.88%	210.32%	207.39%	203.21%
Allowance for possible loan losses + Dynamic Reserve / past due loans	214.40%	245.36%	246.31%	253.50%	253.15%
Charge - offs (1) / total loans	0.41%	0.38%	0.47%	0.85%	0.40%

(1) Percentages are annualized.
(2) Net interest margin refers to net interest and comission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances.
(3) Percentages have been calculated using monthly averages.
(4) Efficiency is defined as general and administrative expenses divided by the sum of net interest and comission income and other income equity participation in
(5) Operating income is defined as the sum of net interest, comission income, and other income.
(6) Primary liquidity is comprised of: (a) cash and due from banks, (b) interest bearing deposits with banks , and (c) high quality (investment grade) fixed income securities including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS.
(7) As defined in Accord 4-2008 by the SBP.
(8) Total capital as percentage of risk weighted assets, in accordance with the requirements of the SBP.
(9) Tier 1 capital as a percentage of assets based on risk weighted assets. In accordance with the requirements of the SBP.
(10) Earning retention ratio: net income from the period minus paid dividends from the period divided by net income.
(11) Past due loans: all loans past due 90+ days on interest and/or principal payments and all loans past due 30 days post maturity.
(12) Non accrual loans: all loans past due 90+ days on interest and/or principal payments, and residential mortgages past due 120+ days in accordance with SBP requirements.