Banco General

Management Discussion

2021

General Information

Banco General, S.A., is a corporation organized and existing under the laws of Panama. The Bank operates in Panama under a General License issued by the Superintendence of Banks of Panama (“SBP”), which entitles it to carry out banking business with local and foreign clients. The Bank also conducts banking business in Costa Rica, through its subsidiary, Banco General (Costa Rica), S.A., and in Colombia, Guatemala, El Salvador, Mexico and Peru through representative offices. All references to “we,” “us,” “our,” the “Bank” and “Banco General” are to Banco General, S.A. and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires, its consolidated subsidiaries.

The following discussion is based on information contained in the audited consolidated financial statements, as of December 2021. Some figures (including percentages) in this document 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).

Panamanian Government and the Superintendence of Banks Response to COVID-19

In response to the economic and social impact of the COVID-19 pandemic, in an effort to safeguard the public health and preserve the stability and soundness of the financial system, the Government of Panama, from March 2020 to December 2021, adopted a series of protective measures and actions, including temporary closure of certain businesses and industries and mandatory confinement of the population during different extended periods. Similar actions have been adopted by governments in the other countries where the Bank operates.

To preserve the health and stability of the financial system, the Superintendency of Banks of Panama issued Agreement No. 02-2020 (March 16, 2020) as subsequently amended and subrogated to date, to create a temporary regulation for loans classified as “Modified Loans”. The new regulations also allowed banks to evaluate and consider possible financial relief for loans granted to individual and commercial clients whose payment capacity was affected by the measures of confinement and temporary closures. To provide temporary financial relief banks deferred contractual interest and/or principal payments, and amended terms and conditions of loans, at the request of the borrower or at the Bank’s initiative, without being considered a restructured loan up to June 30, 2021. The new terms and conditions of Modified Loans must consider financial feasibility criteria based on the borrower’s capacity to pay and the bank’s credit policies.

On June 11, 2021, the SBP issued Agreement No. 02-2021 that subrogates Agreement No. 02-2020 and its amendments and establishes the parameters and guidelines that are applicable to the "Modified Loans" as of July 1, 2021. The provisions of this agreement are intended to establish guidelines and parameters for credit and counterparty risk management of Modified Loans. Moreover, this agreement establishes that: (i) loans that are not paid in accordance with their existing terms, advance in delinquency, (ii) loans that were modified after July 1, 2021, for regulatory purposes, will be categorized as subnormal modified loans, and (iii) debtors impacted by the pandemic were responsible for contacting their bank to reach an agreement to retake and/or restructure their obligations, no later than September 30, 2021, which the SBP later extended.

As banking flexibility measures were narrowed Agreement No. 02-2021 was amended by Agreement No.03-2021, which establishes that after July 1, 2021, modified normal and modified subnormal loans, upon meeting their payments for six consecutive months, will be reestablished to the normal loan classification according to Agreement No. 04-2013; while subnormal modified loans, in case of noncompliance for 91 days or more, will be reclassified, for regulatory purposes, as subnormal and restructured loans in accordance with Agreement No. 04-2013.

On December 22, 2021, the SBP issued Agreement No. 06-2021 which establishes the parameters and guidelines for determining the provisions applicable to credits classified as Modified Special Mention. This agreement repealed the additional regulatory generic provision of three percent (3%) for the modified loan portfolio. Moreover, Agreement No. 06-2021, establishes that banks must ensure the compliance with the International Financial Reporting Standards (IFRS) models, as well as the standards established in Agreement No. 06-2021, including: (i) the recognition of a significant increase in credit risk for certain categories of modified loans, and (ii) banks cannot reverse provisions previously constituted as of November 2021 for the modified loan portfolio.

I. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total Assets

As of December 31, 2021, the Bank's gross loan portfolio decreased 1.3% from US$11,444.4 million in December 2020, to US$11,297.8 million in December 2021. During this period, the Bank's residential mortgage portfolio grew 2.6%, from US$4,595.5 million to US$4,713.8 million; the consumer loan portfolio decreased 3.1%, from US$1,771.5 million to US$1,717.0 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, decreased 6.4%, from US$4,631.8 million to US$4,454.3 million, and other loans (comprised of pledge loans, overdrafts and financial leases) decreased from US$445.7 million to US$412.7 million. During the year, the Bank's local corporate loan portfolio decreased 10.0%, from US$3,683.8 million to US$3,315.2 million, and the Bank's regional corporate loan portfolio increased 8.1%, from US$947.9 million to US$1,024.6. The Bank's total investment portfolio primarily made up of investment-grade liquid fixed-income investments and its local and regional corporate fixed-income portfolio increased 9.8%, from US$5,646.5 million in December 2020 to US$6,200.2 million in December 2021.

Total Liabilities

The Bank's total client deposits grew by US$355.3 million, or 2.6% from US$13,443.2 million in December 2020 to US$13,798.5 million in December 2021. Client time deposits, the Bank's main source of funding, decreased by US$324.2 million, from US$5,994.4 million to US$5,670.1 million, representing 41.1% of total client deposits as of December 31, 2021, with an average remaining life of 18 months, and 71% having original maturities of more than one year. Savings accounts grew by US$495.4 million or 11.1%, from US$4,470.0 million to US$4,965.4 million representing 36.0% of total client deposits. Demand deposits increased by US$184.2 million from US$2,978.8 million to US$3,163.0 million, representing 22.9% of client deposits. This increase was primarily driven by a 16.8% growth in our customer base and the elevated usage of the Bank's digital platforms.

The Bank's total borrowings and placements decreased by US$0.5 million, from US$1,294.1 million in December 2020 to US$1,293.6 million in December 2021. As of December 31, 2021, 30.9% or US$400.0 million of the Bank's financial debt are subordinated perpetual AT1 bond issued in May 2021.

Equity

The Bank's equity grew by 2.2%, or US$57.8 million, from US$2,633.2 million in December 2020 to US$2,691.0 million in December 2021, mainly driven by an increase of US$143.2 million in retained earnings, with the Bank retaining 35.08% of net income during this period, partially offset by a decrease of US$86.0 million in capital reserves. The Bank's equity to total assets ratio increased from 14.14% in December 2020 to 14.33% in December 2021.

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 that enable us to maintain interest rate, market, maturity and liquidity, and foreign exchange exposures, within the Bank's approved limits while maximizing the return on shareholders' equity.

The Bank's asset and liability management policy seeks to ensure that 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.

Our 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 policies require 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) access to medium and long-term financing (representing 8.0% of total liabilities);

and (iv) low levels of short-term institutional liabilities, all of which gives us a stable asset and liability structure in the Bank's balance sheet.

Primary liquidity increased 21.3% to US$5,179.5 million (2020: US$4,270.9 million) and the liquidity ratio increased to 35.25% (2020: 29.40%). The Bank's primary liquidity ratio, measured in terms of liquid assets comprised of cash, bank deposits and investment-grade, liquid, fixed-income investments, divided by the total deposits and borrowings. The Bank's total primary liquidity has an average credit rating of AA-, of which 48.8% are AAA rated investments. As of December 31, 2021, these liquid assets represented 37.5% of total customer deposits and 27.6% of total assets.

In addition to our internal liquidity requirements, the Bank must comply with liquidity rules established by the SBP, which require banks to have liquid assets of no less than 30% of qualified deposits, 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. The loan installments and maturities can only account up to 30% of the total liquid assets used in this indicator. As of December 31, 2021, the Bank maintained a regulatory liquidity of 44.84% as compared to 40.45% in December 2020, complying with the requirements established by law.

Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of December 31, 2021, total gross loans amounted to US$11,297.8 million comprised by: (i) 56.9% retail loans (41.7% residential loans and 15.2% consumer loans), (ii) 39.4% is made up of corporate loans (30.3% of local corporate loans and 9.1% of foreign corporate loans), and (iii) 3.7% of other loans (comprising of pledge 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 December 31, 2021, 77.0% of all loans were secured by residential or commercial properties, deposits, or other financial assets; 72.6% of all loans were secured by first lien mortgages on land and improvements (residential mortgages, commercial mortgages and interim construction loans), and 4.4% of all loans were backed by pledged deposits, and other financial assets. The combination of sound underwriting policies and security interests held as collateral resulted in historically low gross write-offs levels, averaging 0.79% of total loans for the last two years ending in December 31, 2021.

As of December 31, 2021, 88.8% of the Bank's loan portfolio was comprised of local borrowers (individuals and corporations) based in Panama, and 11.2% was comprised of regional clients based primarily in Costa Rica, Mexico, Colombia, Guatemala, El Salvador and Peru, including clients of our universal banking subsidiary in Costa Rica, Banco General (Costa Rica), S.A., which has 8 branches. As of December 31, 2021, 99.9% of the Bank's loans were denominated in US dollars, which is the legal tender in Panama. The Bank classifies its portfolios according to type of loan, economic activities, 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 December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	**2020**	**2019**	**2020/2021**	**2019/2020**
	(in thousands of U.S. dollars, except for percentages)				
Local Loans					
Commercial	350,371	323,258	397,805	8.4%	(18.7%)
Interim construction loans	378,674	482,879	565,399	(21.6%)	(14.6%)
Lines of credit	781,406	924,713	1,050,023	(15.5%)	(11.9%)
Residential mortgage loans	4,527,931	4,390,972	4,321,904	3.1%	1.6%
Commercial mortgage loans	1,919,261	1,952,981	2,020,115	(1.7%)	(3.3%)
Personal loans, auto loans and credit cards	1,707,751	1,759,520	1,894,882	(2.9%)	(7.1%)
Pledge loans and overdrafts	303,712	299,947	358,283	1.3%	(16.3%)
Leasing	65,341	79,984	100,191	(18.3%)	(20.2%)
Total Local Loans	**10,034,446**	**10,214,254**	**10,708,602**	**(1.8%)**	**(4.6%)**
Foreign Loans					
Commercial	620,293	551,106	600,867	12.6%	(8.3%)
Lines of credit	243,162	208,211	257,641	16.8%	(19.2%)
Residential mortgage loans	185,841	204,561	223,143	(9.2%)	(8.3%)
Commercial mortgage loans	161,100	188,603	208,335	(14.6%)	(9.5%)
Personal loans, auto loans and credit cards	9,253	11,966	15,323	(22.7%)	(21.9%)
Pledge loans and overdrafts	43,683	65,722	69,778	(33.5%)	(5.8%)
Total Foreign Loans	**1,263,333**	**1,230,170**	**1,375,087**	**2.7%**	**(10.5%)**
Total Loans	**11,297,779**	**11,444,423**	**12,083,689**	**(1.3%)**	**(5.3%)**
Allowance for loan losses	467,706	383,795	165,159	21.9%	132.4%
Unearned commissions	36,092	37,045	43,302	(2.6%)	(14.4%)
Total loans, net	**10,793,981**	**11,023,583**	**11,875,228**	**(2.1%)**	**(7.2%)**

Non-accrual Loans

SBP regulations require the classification of loans in a non-accrual status if any of the following conditions exist: (i) principal and interest payments exceed past due limits established by the SBP (91 days or more of principal and/or interest payments past due for all types of loans, except for mortgage loans and overdrafts which have a limit of 120 and 30 days, respectively); or (ii) the debtor's financial condition has been adversely affected (including by deterioration of the payment capacity, collateral weakness, and other factors known to us, such as fraud, death of the debtor, insolvency or bankruptcy) in a manner that places the collection of the loan at risk.

The following table presents non-accrual loans, according to loan type, as of December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Non accrual loans					
Commercial	9,015	8,959	6,805	0.6%	31.7%
Interim construction loans	1,918	1,918	1,956	0.0%	(1.9%)
Lines of credit	6,520	5,800	6,538	12.4%	(11.3%)
Residential mortgage loans	157,011	84,801	52,977	85.2%	60.1%
Preferential mortgage loans	79,051	25,791	16,923	206.5%	52.4%
Commercial mortgage loans	35,389	24,238	20,425	46.0%	18.7%
Personal loans, auto loans and credit cards	46,857	12,659	23,385	270.2%	(45.9%)
Pledge loans and overdrafts	2,025	183	234	1003.9%	(21.6%)
Leasing	1,754	2,276	124	(22.9%)	1737.6%
Total non accrual loans	**339,539**	**166,625**	**129,365**	**103.8%**	**28.8%**
Total Loans	11,297,779	11,444,423	12,083,689		
Allowance for loan losses	467,706	383,795	165,159		
Non accrual loans / total loans	3.01%	1.46%	1.07%		
Allowance for loans losses / non accrual loans	137.75%	230.33%	127.67%		
Allowance for loan losses + Dynamic Reserve / non accrual loans	182.59%	321.71%	245.36%		

Non-accrual loans reported to the SBP increased to US$339.5 million as of December 31, 2021, from US$166.6 million as of December 31, 2020. The US$172.9 million, or 103.8% increase is primarily attributed to the end of the banking flexibility regulation. Starting on July 1, 2021, loans that do not meet their agreed terms advance in delinquency. The increase in non-accrual loans is mainly attributable to: (i) a US$125.5 million increase in the residential and preferential mortgage non-accrual balance from US$110.6 million, or 0.97% of the total loan portfolio, to US$236.1 million or 2.09% of the total loan portfolio; (ii) a US$34.2 million increase in the consumer loans non-accrual balance, from US$12.7 million, or 0.11% of the total loan portfolio, to US$46.9 million or 0.41% of the total loan portfolio; and (iii) an increase of US$13.2 million in corporate loans from US$43.4 million, or 0.38% of the total loan portfolio, to US$56.6 million, 0.49% of total loans.

Non-accrual loans in accordance with SBP regulations represented 3.01% of total loans as of December 31, 2021, compared to 1.46% as of December 31, 2020. The Bank's total allowance coverage for loan losses was 137.75% of non-accrual loans, as compared to 230.33% as of December 31, 2020.

As a result of the situation caused by COVID-19, the Bank approved and applied an exceptional and voluntary complementary policy for non-accrual consumer and corporate loans. This policy is based on analyzing a combination of factors, in addition to delinquency, such as the debtor's employment status, the economic activity of the employer, the collateral of the loan, the customer's internal credit risk category, and the number of deferred payments granted, among others. This policy may be suspended by the Bank's management at any time. Loans in non-accrual status in accordance with the provisions of this complementary policy applied by the Bank amounted to US$107.4 million as of December 31, 2021 compared to US$279.6 million as of December 31, 2020.

Past Due Loans

The Bank classifies the loans in its portfolio, as past due: (i) during the life of the loan, if schedule interest and/or principal payments are more than 90 days past due; and (ii) at the final maturity of the loan, if all amounts due are not paid after 30 days of the final maturity date.

The following table presents past due loans, according to loan type, as of December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Past due loans					
Commercial	6,310	8,959	6,805	(29.6%)	31.7%
Interim construction loans	1,918	1,918	1,956	0.0%	(1.9%)
Lines of credit	6,940	5,766	6,538	20.3%	(11.8%)
Residential mortgage loans	179,409	93,567	68,947	91.7%	35.7%
Preferential mortgage loans	99,778	29,317	25,391	240.3%	15.5%
Commercial mortgage loans	35,409	24,336	20,164	45.5%	20.7%
Personal loans, auto loans and credit cards	47,179	9,464	23,042	398.5%	(58.9%)
Pledge loans and overdrafts	2,142	438	460	389.2%	(4.9%)
Leasing	2,035	2,276	124	(10.6%)	1737.6%
Total past due loans	**381,120**	**176,041**	**153,426**	**116.5%**	**14.7%**
Total Loans	11,297,779	11,444,423	12,083,689		
Allowance for loan losses	467,706	383,795	165,159		
Past due loans / total loans	3.37%	1.54%	1.27%		
Allowance for loan losses / past due loans	122.72%	218.01%	107.65%		
Allowance for loan losses + Dynamic Reserve / past due loans	162.67%	304.50%	206.88%		

Past due loans increased to US$381.1 million as of December 31, 2021, compared to US$176.0 million as of December 31, 2020. The US$205.1 million, or 116.5% increase in past due balances was principally attributable to the end of the banking flexibility regulation. Starting on July 1, 2021, loans that do not meet their terms advance in delinquency. The increase in past due loans is mainly attributable to: (i) a US$156.3 million increase in the residential and preferential mortgage past due balance from US$122.9 million or 1.07% of the total loan portfolio, to US$279.2 million or 2.47% of the total loan portfolio, (ii) a US$37.7 million increase in the consumer loans past due balance from US$9.5 million or 0.08% of the total loan portfolio, to a US$47.2 million or 0.41% of the total loans portfolio, and (iii) a US$11.1 million increase in the corporate past due balance from US$43.7 million or 0.38% of the total loan portfolio, to US$54.8 million or 0.48% of the total loan portfolio.

Past due loans represented 3.37% of total loans as of December 31, 2021, compared to 1.54% as of December 31, 2020. As of December 31, 2021, the Bank's total allowance coverage for loan losses was 122.72% of past due loans, as compared to 218.01% as of December 31, 2020.

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 write-offs are applied against this allowance.

The allowance for loan losses at amortized cost consists of expected credit losses (ECL) based on the loans' credit risk rating and the mechanisms used to determine the loans' probability of default depending on the impairment stage assigned to each loan. The ECL model is determined by grouping loans with similar credit risk characteristics, and segmented methodologies for "Consumer Banking" and "Corporate Banking". Both methodologies consist on probability of default, loss given default, and exposure to default estimates.

The expected credit loss (ECL) model presents 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 equivalent to 12-month expected credit losses. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period from the reporting date if credit risk has not increased significantly since initial recognition.

Stage 2: The Bank recognizes a credit loss allowance at an amount equal to the total lifetime expected credit losses (LTECL) for those financial assets which are considered to have experienced a significant increase in credit risk since their initial recognition. This requires the calculation of ECL based on the asset's remaining lifetime probability of default (LTPD). The allowance for credit losses are higher in this stage because of the increase in credit risk and the impact of a longer time horizon in comparison with the 12 months in stage 1.

Stage 3: The Bank recognizes a loss allowance at an amount equal to the expected credit loss during the total lifetime of the asset, based on a probability of default (PD) of 100% over the asset's recoverable cash flows.

Our IFRS 9 models and the data used to estimate expected credit losses in the consumer, mortgage and corporate portfolio, and thus set adequate levels of loan loss reserves may not be able to fully capture all the potential additional levels of risk resulting from the effects of the COVID-19 pandemic, which has resulted in a reduction of economic growth, reduced levels of actives in the business sector, and higher levels of unemployment. Therefore, the Bank has developed complementary models and estimates to incorporate the potential increase in levels of risk and the corresponding levels of additional loan loss reserves required.

The following table presents the breakdown of the allowance for loan losses under IFRS 9 parameters as of December 31, 2021, and December 31, 2020:

	December 31, 2021			**December 31, 2020**			**(%) Change**	
	Loans	**Allowances**	**%**	**Loans**	**Allowances**	**%**	**Loans**	**Allowances**
	(in thousands of U.S. dollars,except percentages)							
Stage 1	9,142,660	197,389	2.2%	10,133,492	225,723	2.2%	-9.8%	-12.6%
Stage 2	1,474,043	129,813	8.8%	846,056	71,959	8.5%	74.2%	80.4%
Stage 3	681,076	140,504	20.6%	464,875	86,113	18.5%	46.5%	63.2%
Total	**11,297,779**	**467,706**	**4.1%**	**11,444,423**	**383,795**	**3.4%**	**-1.3%**	**21.9%**

The allowance for loan losses was increased to US$467.7 million in December 2021, or 4.14% of the total loan portfolio, from US$383.8 million, or 3.35% of the total loan portfolio, as of December 31, 2020.

Stage 1 loans decreased US$990.8 to US$9,142.7, and the level of the reserve decreased from US$225.7 million (2.2% of loans) in December 2020 to US$197.4 million (2.2% of loans) in December 2021. Stage 2 loans increased from US$846.1 million to US$1,474.0 million, and the allowance level increased from US$72.0 million (8.5% of loans) to US$129.8 million (8.8% of loans). Stage 3 loans increased from US$464.9 million to US$681.1 million and the allowance level increased from US$86.1 million (18.5% of loans) to US$140.5 million (20.6% of loans).

The increments described above for Stages 2 and 3 are mainly attributable to the migration of Stage 1 residential mortgage loans (that were previously deferred as per Agreement No. 02-2020, as amended), as a result of the higher level of credit risk present, which resulted in such loans requiring amendments to the amortization terms and therefore classified as restructured under IFRS 9.

As of December 2021, the Bank's total restructured loans amounted to US$1,108.6 million (US$218.8 million in 2020) of which US$990.0 million (US$129.2 million in 2020) were backed by mortgage collateral (US$737.0 million in residential mortgage loans, US$242.4 million in commercial mortgage loans, and US$10.6 million in interim construction loans). This increase was mainly due to the reclassification of residential mortgage loans that were previously deferred in accordance with Agreement No. 02-2020, as amended.

The following table presents the breakdown of the allowance for loans losses as of December 31, 2021, 2020 and 2019:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Allowance at the beginning of period	383,795	165,159	158,531	132.4%	4.2%
Provision charged to expenses, net of recoveries	155,642	280,947	41,954	(44.6%)	569.7%
Write-offs:					
Commercial	7,777	521	6,236	1391.3%	(91.6%)
Interim construction loans	119	-	415	n/a	(100.0%)
Lines of credit	536	1,819	6,774	(70.5%)	(73.2%)
Residential mortgage loans	1,749	977	1,862	78.9%	(47.5%)
Commercial mortgage loans	247	1,267	434	(80.5%)	191.7%
Personal and auto loans and credit cards	86,471	78,192	46,057	10.6%	69.8%
Auto	*4,408*	*2,279*	*2,331*	93.4%	(2.2%)
Personal	*37,434*	*48,178*	*28,509*	(22.3%)	69.0%
Credit cards	*44,630*	*27,735*	*15,217*	60.9%	82.3%
Pledge loans and overdrafts	146	394	864	(63.0%)	(54.5%)
Leasing	-	48	337	(100.0%)	(85.7%)
Total write-offs	**97,044**	**83,218**	**62,981**	**16.6%**	**32.1%**
Recoveries	25,313	20,907	27,654	21.1%	(24.4%)
Allowance at the end of period	**467,706**	**383,795**	**165,159**	**21.9%**	**132.4%**
Total Loans	11,297,779	11,444,423	12,083,689		
Allowance for loan losses / total loans	4.14%	3.35%	1.37%		
(Allowance for loan losses + Dynamic Reserve) / total loans)	5.49%	4.68%	2.63%		
Write-offs / total loans	0.86%	0.73%	0.52%		
Net write-offs / total loans	0.63%	0.54%	0.29%		

As a complement to our regular write-off policies, which are based primarily on the number of days of delinquency, and, as a result of the situation caused by COVID-19, the Bank approved and applied a complementary, exceptional, and voluntary write-off policy for consumer loans that were deferred repeatedly and demonstrated a weaker financial position and limitation to pay. This policy is based on analyzing a combination of factors, in addition to delinquency, such as the debtor's employment status, the economic activity of the employer, the loans collateral, the customer's internal credit risk category, and the number of deferred payments granted. This exceptional policy may be suspended by the Bank's management at any time.

As of December 31, 2021, total write-offs amounted to US$97.0 million (0.86% of total loans), as compared to US$83.2 million (0.73% of total loans) for the same period in 2020.

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 since 1997, currently holding the following ratings BBB by Standard & Poor's, Baa2 by Moody's, and BBB- by Fitch Ratings.

As of December 31, 2021, the Bank´s total regulatory capital amounted to US$3,029.2 million, or 2.84 times the total regulatory capital required by the SBP of 8.0%. The ratio of total capital to risk-weighted assets was 22.75%, calculated on a Tier I capital of US$3,029.2 million over total risk weighted assets of US$13,315.1 million. Total risk-weighted assets include US$11,506.1 million of risk-weighted assets in our loan portfolio and investments, US$1,154.5 million of risk-weighted assets due to market risk requirements, and US$654.5 million of risk-weighted assets from operational risk. Our shareholder's equity to total assets ratio was 14.33% as of December 2021.

In addition to the above-mentioned regulatory capital adequacy requirements, accord 4-2013 issued by the SBP requires all banks to maintain a countercyclical dynamic reserve of not less than 1.25% and no more than 2.50% of the risk-weighted loans classified as standard loans. The dynamic reserve is presented as part of the legal reserves in the equity section of the Bank's financial statements. The dynamic reserve balance is considered part of the regulatory capital if a bank's regulatory capital exceeds the minimum capital adequacy ratio of 8%. As of December 31, 2021, the Bank´s dynamic reserve balance was US$152.3 million. On July 21, 2020, the SBP communicated the temporary suspension of the constitution of the dynamic reserve to provide financial relief to banking entities. This suspension applies as of the second quarter of 2020 and will be maintained until the SBP revokes the corresponding resolution (SBP-GJD-0007-2020). As of December 31, 2021, the Bank has not used the dynamic reserve, which remains at the same level as of December 31, 2019.

In addition, our subsidiaries Banco General (Costa Rica), SA., Banco General (Overseas), Inc. and Commercial Re. Overseas, Ltd. are subject to minimum capital requirements stipulated by: the General Superintendency of Financial Entities (SUGEF), the Monetary Authority of the Cayman Islands (CIMA), and the British Virgin Islands Financial Services Commission, respectively. As of December 31, 2021, all subsidiaries complied with all the minimum capital requirements applicable according to regulations.

The following table presents information regarding the Bank's capital levels as of December 31, 2021, 2020 and 2019:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Regulatory primary capital (Tier 1)					
Common shares	500,000	500,000	500,000	0.0%	0.0%
Legal reserve	190,606	188,396	186,240	1.2%	1.2%
Other items comprehensive income	74,008	159,987	89,125	(53.7%)	79.5%
Retained earnings	1,916,158	1,772,980	1,703,100	8.1%	4.1%
Less: Regulatory adjustments	51,547	53,674	50,074	(4.0%)	7.2%
Total regulatory primary capital - CET 1	**2,629,225**	**2,567,690**	**2,428,391**	**2.4%**	**5.7%**
Minimum regulatory primary capital - CET 1 (4.5%)	**599,177**	**604,434**	**584,249**	**(0.9%)**	**3.5%**
Additional primary capital (Tier 1)					
Subordinated debt - perpetual bonds	400,000	217,680	217,680	83.8%	0.0%
Total additional primary capital	**400,000**	**217,680**	**217,680**	**83.8%**	**0.0%**
Total primary capital	**3,029,225**	**2,785,370**	**2,646,071**	**8.8%**	**5.3%**
Minimum regulatory total primary capital (6.0%)	**798,903**	**805,912**	**778,999**	**(0.9%)**	**3.5%**
Total capital	**3,029,225**	**2,785,370**	**2,646,071**	**8.8%**	**5.3%**
Minimum regulatory total capital (8.0%)	**1,065,204**	**1,074,549**	**1,038,665**	**(0.9%)**	**3.5%**
Credit risk-weighted assets	11,506,121	11,273,084	11,931,120	2.1%	(5.5%)
Market risk-weighted assets	1,154,481	1,551,596	422,023	(25.6%)	267.7%
Operational risk-weighted assets	654,452	607,186	630,172	7.8%	(3.6%)
Risk-weighted assets	**13,315,053**	**13,431,866**	**12,983,315**	**(0.9%)**	**3.5%**
Capital ratios					
Total regulatory primary capital ratio	**19.75%**	**19.12%**	**18.70%**		
Total primary capital ratio	**22.75%**	**20.74%**	**20.38%**		
Total capital ratio	**22.75%**	**20.74%**	**20.38%**		

Our levels of capitalization reflect the Board of Director's commitment to maintaining a strong capital base in order to support depositors and enable us to support growth opportunities and weather unexpected adverse events that may affect our operations.

C. Results of Operations for the years ended December 31, 2021, 2020 and 2019

The following table presents the Bank´s principal consolidated results of operations for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Net interest and comission income	**636,441**	**662,739**	**699,182**	**(4.0%)**	**(5.2%)**
Total Provisions, net	**(152,251)**	**(283,992)**	**(44,923)**	**(46.4%)**	**532.2%**
Other Income (expenses):					
Fees and other comissions	256,690	204,466	229,221	25.5%	(10.8%)
Insurances premiums, net	32,688	35,593	33,930	(8.2%)	4.9%
Gain (loss) on financial instruments, net	8,346	19,252	15,348	(56.6%)	25.4%
Other Income, net	29,230	30,439	28,608	(4.0%)	6.4%
Comissions expenses and other expenses	(92,081)	(78,686)	(94,964)	17.0%	(17.1%)
Total other income, net	**234,872**	**211,063**	**212,143**	**11.3%**	**(0.5%)**
General and administrative expenses	(296,869)	(290,239)	(308,175)	2.3%	(5.8%)
Equity participation in associates	10,833	7,329	10,898	47.8%	(32.7%)
Net income before income tax	**433,026**	**306,900**	**569,124**	**41.1%**	**(46.1%)**
Income tax net	(24,839)	14,260	(64,858)	n/a	n/a
Net Income	**408,187**	**321,160**	**504,266**	**27.1%**	**(36.3%)**

As of December 31, 2021, the Bank's net income was US$408.2 million, which represents an increase of US$87.0 million, or 27.1%, compared to US$321.2 million for December 2020. ROAE and ROAA were 15.25% and 2.17%, respectively, compared to 12.30% and 1.68% for the same period 2020. These results in net income, ROAE and ROAA were mainly due to 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 years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Total interest and commission income	915,487	994,471	1,086,146	-7.9%	-8.4%
Total interest expenses	279,046	331,732	386,964	-15.9%	-14.3%
Net interest and commission income	**636,441**	**662,739**	**699,182**	**-4.0%**	**-5.2%**
Average interest - earning assets	17,202,148	17,478,227	17,213,490	-1.6%	1.5%
Average interest - bearing liabilities	13,052,614	13,294,248	13,417,291	-1.8%	-0.9%
Net interest margin (1)	3.70%	3.79%	4.06%		
Average interest rate earned (2)	5.32%	5.69%	6.31%		
Average interest rate paid (3)	2.14%	2.50%	2.88%		

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

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

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

The 4.0% decrease in net interest and commission income for 2021, as compared to the same period for 2020, was primarily a result of: (i) a 1.6% decrease in interest-earning assets, and (ii) a 37 basis points decrease in average interest rate earned.

Total Interest and Commission Income

The following table presents information as to the Bank's total interest and commission income for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Total interest and commission income	**915,487**	**994,471**	**1,086,146**	**(7.9%)**	**(8.4%)**
Average interest - earning assets:					
Deposits with banks	534,504	517,780	363,161	3.2%	42.6%
Securities and other financial assets	5,800,840	5,340,769	5,024,688	8.6%	6.3%
Loans, net	10,866,804	11,619,679	11,825,641	(6.5%)	(1.7%)
Total	**17,202,148**	**17,478,227**	**17,213,490**	**(1.6%)**	**1.5%**
Average interest rate earned:					
Deposits with banks	1.01%	1.37%	2.57%		
Securities and other financial assets	2.46%	3.00%	3.77%		
Loans, net	7.06%	7.12%	7.50%		
Total	**5.32%**	**5.69%**	**6.31%**		

For the year ended December 31, 2021, our diversified loan portfolio represented 63.2% of the Bank's total average interest earning assets and generated 83.8% of the total interest and commissions income.

Total interest and commission income decreased US$79.0 million, or 7.9% for the year ended December 31, 2021, due primarily to (i) a 1.6% decrease in interest-earning assets, and (ii) a 37 basis points decrease in the average interest rate earned.

The 37 basis point decrease in the average interest rate earned on interest-earning assets was primarily due to: (i) a 6 basis point decrease in loans, (ii) a 54 basis point decrease in the interest rate earned on securities and other financial assets, and (iii) a 36 basis point decrease in the interest rate earned on bank deposits.

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 years ended 2021, 2020 and 2019:

	(%) Change					
	2020/2021			2019/2020		
	By volume	By rate	Net change	By volume	By rate	Net change
	(in thousands of U.S. dollars)					
Deposits with banks	229	(1,956)	(1,727)	3,971	(6,198)	(2,227)
Loans, net	13,789	(31,238)	(17,449)	11,919	(41,327)	(29,408)
Securities and other financial assets	(53,604)	(6,204)	(59,808)	(15,454)	(44,584)	(60,039)
Net Change	**(39,586)**	**(39,398)**	**(78,984)**	**435**	**(92,109)**	**(91,674)**

The decrease of US$276.1 million in average interest earning assets for the year ended December 31, 2021 resulted in a decrease of US$39.6 million in interest and commission income for the period, while the decrease in the average rate earned on interest-earning assets, from 5.69% to 5.32%, resulted in a decrease of US$39.4 million in interest and commission income as compared to the same period in 2020.

Total Interest Expenses

The following table presents information as to the Bank's total interest expenses for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	**2020**	**2019**	**2020/2021**	**2019/2020**
	(in thousands of U.S. dollars, except for percentages)				
Total interest expenses	**279,046**	**331,732**	**386,964**	**(15.9%)**	**(14.3%)**
Average interest - bearing liabilties:					
Savings and other deposits	5,920,700	5,084,827	4,419,820	16.4%	15.0%
Time deposits - clients	5,800,108	6,057,033	6,071,979	(4.2%)	(0.2%)
Time deposits - interbank	5,196	50,392	89,396	(89.7%)	(43.6%)
Borrowings and placements	1,326,609	2,101,997	2,836,096	(36.9%)	(25.9%)
Total	**13,052,614**	**13,294,248**	**13,417,291**	**(1.8%)**	**(0.9%)**
Average interest rate paid:					
Savings and other deposits	0.64%	0.71%	0.74%		
Time deposits - clients	3.33%	3.66%	3.76%		
Time deposits - interbank	1.89%	0.92%	1.66%		
Borrowings and placements	3.62%	3.50%	4.39%		
Total	**2.14%**	**2.50%**	**2.88%**		

The Bank's total interest expenses is mainly attributable to interest paid on customer deposits, which represented 82.8% of the total interest expense for the year ended December 31, 2021, as compared to 77.7% for the same period in 2020.

The 15.9% decrease in total interest expenses for 2021, as compared to the same period in 2020, was mainly a result of: (i) a 1.8% decrease in average interest-bearing liabilities, and (ii) a 36 basis points decrease in the average interest rate paid on interest bearing liabilities.

The decrease in the average interest-bearing liabilities was mainly due to a 36.9% decrease in average borrowings and placements and a 4.2% decrease in client's time deposits, partially compensated by a 16.4% increase in savings and other deposits.

The 36 basis points decrease in the average interest rate paid on interest-bearing liabilities was mainly attributable to: (i) a 33 basis point decrease on the average interest rate paid on client's time deposits, and (ii) a 7 basis point decrease on the average interest rate paid on savings and other deposits.

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:

	(%) Change					
	2020/2021			2019/2020		
	By volume	By rate	Net change	By volume	By rate	Net change
	(in thousands of U.S. dollars)					
Savings and other deposits	5,941	(4,217)	1,724	4,945	(1,667)	3,278
Time deposits - clients	(9,397)	(19,074)	(28,471)	(561)	(5,920)	(6,482)
Time deposits - interbank	(417)	50	(367)	(649)	(374)	(1,024)
Borrowings and placements	(27,146)	1,573	(25,573)	(32,250)	(18,754)	(51,004)
Net change	**(31,019)**	**(21,668)**	**(52,687)**	**(28,516)**	**(26,716)**	**(55,232)**

The decrease of US$241.6 million in average interest-bearing liabilities for the year ended December 31, 2021 resulted in a decrease of US$31.0 million in interest expense for the period, while the decrease in the average rate paid on interest-bearing liabilities, from 2.50% to 2.14%, resulted in a decrease of US$21.7 million in interest expense as compared to the same period in 2020.

Provision for Loan Losses

The following table presents the Bank's allowance for loan losses, net of write-offs and recoveries included in the Bank's results of operations for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in millions of U.S. dollars, except for percentages)				
Allowance for loan losses at the beginning of period	383,795	165,159	158,531	132.4%	4.2%
Provisions charged to expenses, net of recoveries	155,642	280,947	41,954	(44.6%)	569.7%
Recovery of Write-offs	25,313	20,907	27,654	21.1%	(24.4%)
Write-offs	(97,044)	(83,218)	(62,981)	16.6%	32.1%
Balance at the end of period	**467,706**	**383,795**	**165,159**	**21.9%**	**132.4%**
Total Loans	11,297,779	11,444,423	12,083,689		
Net loan loss provisions to total loans	1.38%	2.45%	0.35%		
Write-offs to total loans	0.86%	0.73%	0.52%		
Net write-offs to total loans	0.63%	0.54%	0.29%		
Allowance to total loans	4.14%	3.35%	1.37%		

For the year ended December 31, 2021, the provision charged to expenses, net of recoveries amounted to US$155.6 million, which represents a decrease of US$125.3 million or 44.6% compared to the same period in 2020.

For the year ended December 31, 2021, net write-offs increased US$9.4 million, from US$62.3 million in 2020 (or 0.54% of total loans) to US$71.7 million (or 0.63% of total loans).

As a result of the above, the allowance for loan losses increased US$83.9 million, from US$383.8 million in December 2020 to US$467.7 million in December 2021. Consequently, our allowance to total loans ratio increased from 3.35% in December 2020 to 4.14% in December 2021, an increase of 79 basis points. Based on our IFRS 9 and our complementary models, we believe that our current allowance for loan losses balance adequately covers the credit risk on the Bank's loan portfolio

Other Income, Net

The following table presents the information as to the Bank's fees, commission and other income, net for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Fees and comission income, net	164,608	125,780	134,257	30.9%	(6.3%)
Insurance premiums, net	32,688	35,593	33,930	(8.2%)	4.9%
Gain (loss) on financial instruments, net	8,346	19,252	15,348	(56.6%)	25.4%
Other income, net	29,230	30,439	28,608	(4.0%)	6.4%
Total of other income, net	**234,872**	**211,063**	**212,143**	**11.3%**	**(0.5%)**

The 11.3% increase in total other income, net for the year ended December 31, 2021 primarily reflects the following factors:

Fees and Commission Income, net

The 30.9% increase in fees and commission income, net of commission expenses for the year ended December 31, 2021, was mainly due to a 35.5% increase in commissions and fees related to credit and debit card operations, due to higher transaction volumes.

Insurance Premiums, net

Net insurance premiums decreased by 8.2% for the year ended December 31, 2021, as compared to the same period in 2020, mainly due to an increase in net claims of US$3.3 million, partially offset by an increase in net premiums of US$1.5 million, mainly from the life insurance segment.

Gain (loss) on Financial Instruments, net

Financial instruments, net for the year ended December 31, 2021, resulted in a gain of US$8.3 million, primarily as a result of gains realized from the sale of fixed income investments which benefited from lower rates and a decrease in global credit spreads.

Other income, net

Other income, net, decreased by US$1.2 million or 4.0%, in the year ended December 31, 2021, compared to the same period in 2020 primarily mainly due to an additional income received from our credit card business in 2020.

General and Administrative Expenses

The following table presents the Bank's general and administrative expenses for the years ended December 31, 2021, 2020 and 2019, respectively:

	As of December 31			(%) Change	
	2021	2020	2019	2020/2021	2019/2020
	(in thousands of U.S. dollars, except for percentages)				
Salaries and other employee expenses	162,629	166,278	178,977	(2.2%)	(7.1%)
Depreciation and amortization expenses	28,385	28,517	28,600	(0.5%)	(0.3%)
Premises and equipment expenses	25,119	22,727	22,316	10.5%	1.8%
Other expenses	80,736	72,717	78,282	11.0%	(7.1%)
Total	**296,869**	**290,239**	**308,175**	**2.3%**	**(5.8%)**

The 2.3% increase in general and administrative expenses for the year ended December 31, 2021 primarily reflects the following factors:

Salaries and other employee expenses

Salaries and other employee expenses represented 54.8% of total general and administrative expenses as of December 31, 2021, as compared to 57.3% for the same period in 2020. The 2.2% decrease in salaries and other expenses was mainly attributable to: (i) a decrease in the number of employees, (ii) the full year effect of voluntary retirements from 2020, partially offset by (iii) an increase in voluntary profit sharing approved by the board of directors.

Depreciation and Amortization expenses

Total depreciation and amortization expense decreased by 0.5% for the year ended December 31, 2021.

Premises and Equipment expenses

Premises and equipment expenses increased by US$2.4 million or 10.5% for the year ended December 31, 2021, as compared to the same period in 2020, mainly due to: (i) an increase of US$2.2 million expense in technological maintenance for improvements in platforms and hardware, and (ii) an increase of US$0.4 million in improvements of branches.

Other expenses

Other expenses increased US$8.02 million or 11.03%, for the year ended December 31, 2021, as a result of: (i) a US$7.0 million increase in professional services mainly due to transaction volumes of credit cards, and (ii) a US$0.5 million increase in public service expenses due to the reopening of branches and offices that were temporarily closed in 2020 due to the pandemic.

Taxes

Income tax, net amounted to US$24.8 million for the year ended December 31, 2021, as compared to a tax credit of US$14.3 million for the year ended December 31, 2020. The increase of US$39.1 million was primarily due to: (i) higher taxable income as compared to the previous year, and (ii) a decrease of US$35.7 million, or 65.5% in deferred tax.

Operational Efficiency

The Bank's operational efficiency was 33.65% in 2021, as compared to 32.94% in 2020 mainly as a result of: (i) a US$6.6 million, or 2.3%, increase in the Bank's general and administrative expenses and a (ii) US$1.0 million decrease in operating income.

BANCO GENERAL, S.A. & Subsidiaries
Consolidated Income Statement
For the years ended December 31st

	2021	2020	2019	2018	2017
	(in thousands of U.S. dollars)				
Total interest and commission income	915,487	994,471	1,086,146	1,003,566	891,651
Total interest expenses	(279,046)	(331,732)	(386,964)	(352,632)	(293,261)
Net interest and commission income	**636,441**	**662,739**	**699,182**	**650,934**	**598,390**
Total Provisions, net	(152,251)	(283,992)	(44,923)	(45,804)	(45,025)
Net interest and commission income after provisions	**484,191**	**378,747**	**654,259**	**605,130**	**553,365**
Other Income (expenses):					
Fees and other commissions	256,690	204,466	229,221	212,897	199,462
Insurance premiums, net	32,688	35,593	33,930	29,998	26,885
Gain (loss) on financial instruments, net	8,346	19,252	15,348	(11,538)	16,477
Other income, net	29,230	30,439	28,608	25,649	39,086
Commissions expenses and other expenses	(92,081)	(78,686)	(94,964)	(85,278)	(77,758)
Total other income, net	**234,872**	**211,063**	**212,143**	**171,727**	**204,152**
General and administrative expenses	(296,869)	(290,239)	(308,175)	(293,967)	(280,399)
Equity participation in associates	10,833	7,329	10,898	9,934	8,570
Net income before income tax	**433,026**	**306,900**	**569,124**	**492,825**	**485,688**
Income tax net	(24,839)	14,260	(64,858)	(58,616)	(55,941)
Net income	**408,187**	**321,160**	**504,266**	**434,208**	**429,747**

BANCO GENERAL, S.A. & Subsidiaries
Consolidated Balance Sheet
As of December 31st

	2021	2020	2019	2018	2017
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	645,454	800,585	730,474	694,202	845,388
Securities and other financial assets	6,175,130	5,624,784	4,973,441	5,188,000	4,414,784
Loans	11,297,779	11,444,423	12,083,689	11,952,385	11,506,061
Allowance for possible loans losses	(467,706)	(383,795)	(165,159)	(158,531)	(144,832)
Unearned comissions	(36,092)	(37,045)	(43,302)	(41,104)	(38,255)
Investments in associates	25,021	21,686	24,881	26,035	22,076
Other assets	1,142,412	1,146,145	1,119,697	1,043,171	966,700
Total assets	**18,781,998**	**18,616,783**	**18,723,721**	**18,704,157**	**17,571,922**
Liabilities and shareholder's equity					
Total Deposits	13,800,612	13,449,536	12,455,268	12,228,307	11,458,427
Securities sold under repurchase agreements	-	-	403,947	-	45,815
Borrowings and placements	893,646	1,076,469	1,914,581	2,886,528	2,661,365
Perpetual bonds	400,000	217,680	217,680	217,680	217,680
Other liabilities	996,692	1,239,887	1,249,506	1,186,619	1,142,792
Total liabilities	**16,090,949**	**15,983,572**	**16,240,982**	**16,519,134**	**15,526,079**
Shareholder's equity	**2,691,048**	**2,633,211**	**2,482,739**	**2,185,023**	**2,045,843**
Total liabilities and shareholder's equity	**18,781,998**	**18,616,783**	**18,723,721**	**18,704,157**	**17,571,922**
Operational data (in units)					
Number of customers (1)	1,402,139	1,200,346	1,052,219	951,034	906,534
% active customers in digital channels (2)	76.8%	63.9%	53.8%	43.0%	39.1%
Number of employees (3)	4,510	4,554	4,714	4,685	4,649
Number of branches (4)	82	83	86	86	84
Number of ATMs (4)	633	638	645	650	640
Assets under management (in US$ millions) (5)	12,140	11,300	11,823	10,886	10,220

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

(2) Active customer represents clients that actively used our online banking or mobile application in the last month.

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

(4) Total number of branches and ATMs of Panama and Costa Rica.

(5) Assets under management exclude bank deposits. See note 27 of the Consolidated Financial Statements.

BANCO GENERAL, S.A. & Subsidiaries
Financial Ratios
For the years ended December 31st

	2021	2020	2019	2018	2017
Profitability and efficiency:					
Net Interest Margin (1)	3.70%	3.79%	4.06%	3.91%	3.84%
Return on average assets (2)	2.17%	1.68%	2.68%	2.41%	2.53%
Return on average equity (2)	15.25%	12.30%	21.07%	20.21%	21.69%
Efficiency (3)	33.65%	32.94%	33.42%	35.31%	34.57%
Operating expenses / average total assets (2)	1.58%	1.51%	1.64%	1.63%	1.65%
Other income/ operating income (4)	25.82%	21.38%	21.17%	21.11%	22.94%
Liquidity:					
Primary Liquidity (5) / total deposits and obligations	35.25%	29.40%	27.29%	28.16%	26.12%
Regulatory Liquidity (6) / qualified deposits	44.84%	40.45%	38.21%	42.65%	38.81%
Loans, net / total client deposits	78.23%	82.00%	96.10%	97.15%	99.61%
Liquidity Coverage Ratio (LCR) (7)	198.11%	158.18%	137.46%	178.56%	-
Capital:					
Total regulatory primary capital ratio (8)	19.75%	19.12%	18.70%	17.64%	17.22%
Total primary capital ratio (8)	22.75%	20.74%	20.38%	19.45%	19.11%
Total capital ratio (8)	22.75%	20.74%	20.38%	19.45%	19.11%
Equity / assets	14.33%	14.14%	13.26%	11.68%	11.64%
Earning retention ratio (9)	35.08%	25.63%	42.89%	39.71%	48.81%
Asset quality:					
Past due loans (10)/ total loans	3.37%	1.54%	1.27%	1.15%	1.03%
Non accrual loans (11)/ total loans	3.01%	1.46%	1.07%	0.97%	0.78%
Allowance for loan losses / total loans	4.14%	3.35%	1.37%	1.33%	1.26%
Allowance for loan losses / past due loans (10)	122.72%	218.01%	107.65%	115.03%	122.64%
Allowance for loan losses / non accrual loans (11)	137.75%	230.33%	127.67%	137.14%	161.41%
Allowance for loan losses + Dynamic Reserve / past due loans (10)	162.67%	304.50%	206.88%	224.69%	250.29%
Allowance for loan losses + Dynamic Reserve / non accrual loans (11)	182.59%	321.71%	245.36%	267.86%	329.41%
Write-offs / total loans	0.86%	0.73%	0.52%	0.43%	0.43%
Net write-offs / total loans	0.63%	0.54%	0.29%	0.24%	0.25%

(1) 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.

(2) Percentages have been calculated using monthly averages.

(3) Efficiency is defined as general and administrative expenses divided by the sum of net interest, comission income, other income, net and equity participation in associates.

(4) Other income corresponds to the sum of fees and other commissions, insurance premiums, net and other income, net; while operating income corresponds to the sum of income from interest and commissions, fees and other commissions, insurance premiums, net and other income, net.

(5) 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.

(6) As defined in Accord 4-2008 by the SBP.

(7) As defined in Accord 2-2018 by the SBP.

(8) Total capital as percentage of risk weighted assets, in accordance with the requirements of the SBP.

(9) Earning retention ratio: net income from the period minus paid dividends from the period divided by net income.

(10) Past due loans: all loans past due 90+ days on interest and/or principal payments and all loans past due 30 days post maturity.

(11) 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.