Banco General

# Management Discussion

## First Quarter - 2022

## *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 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 condensed consolidated interim financial statements, as of March 2022. 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 adopted a series of temporary protective measures and actions, most of which have already been eliminated. Moreover, the local economy has almost fully recovered to pre-pandemic levels, although some specific sectors are still lagging behind.

To preserve the health of the financial system, the Superintendence of Banks of Panama ("SBP") issued a set of agreements which included exceptional, and temporary regulations for loans labelled "Modified Loans". This allowed banks to modify the conditions of loans for clients whose payment capacity had been affected by the pandemic and, if appropriate, provide temporary financial relief.

The banking flexibility regulation and its' measures have gradually come to an end in the second half of 2021, and it is expected that in the short to medium term, all remaining Modified Loans will return to the regular SBP regulation as per Agreement 04-2013.

## I. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Total Assets

As of March 31, 2022, the Bank's gross loan portfolio increased 0.1% from US$11,263.8 million in March 2021, to US$11,271.0 million in March 2022. During this period, the Bank's residential mortgage portfolio grew 2.8%, from US$4,598.9 million to US$4,727.4 million; the consumer loan portfolio decreased 0.9%, from US$1,735.1 million to US$1,719.0 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, decreased 1.7%, from US$4,491.7 million to US$4,415.1 million, and other loans (comprised of pledge loans, overdrafts and financial leases) decreased 6.5% from US$438.1 million to US$409.5 million. The Bank's local corporate loan portfolio decreased 4.2%, from US$3,590.9 million to US$3,440.7 million, and the Bank's regional corporate loan portfolio increased 8.2%, from US$900.8 million to US$974.4 million. 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 5.7%, from US$5,639.4 million in March 2021 to US$5,963.2 million in March 2022.

### Total Liabilities

The Bank's total client deposits grew by US$63.3 million, or 0.5% from US$13,589.6 million in March 2021 to US$13,653.0 million in March 2022. Client time deposits, the Bank's main source of funding, decreased by US$286.3 million, from US$5,878.3 million to US$5,592.0 million, representing 41.0% of total client deposits as of March 31, 2022, with an average remaining life of 13 months, and 73% having original maturities of more than one year. Savings accounts grew by US$385.02 million, or 8.4%, from US$4,585.1 million to US$4,970.3 million representing 36.4% of total client deposits. Demand deposits decreased by US$35.5 million from US$3,126.2 million to US$3,090.7 million, representing 22.6% of client deposits. This increase was primarily driven by a 17.8% or 221,488 client growth in our customer base and the increasing and elevated usage of the Bank's digital platforms.

The Bank's total borrowings and placements increased by US$57.8 million, from US$1,225.6 million in March 2021 to US$1,283.4 million in March 2022. As of March 31, 2022, 31.2% 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 decreased by 2.1%, or US$54.2 million, from US$2,594.0 million in March 2021 to US$2,539.9 million in March 2022, mainly driven by a decrease of US$193.2 million in capital reserves due to mark to market valuation of the investment portfolio in a rising rate and spread environment, offset by an increase of US$136.4 million in retained earnings. The Bank's equity to total assets ratio decreased from 13.86% in March 2021 to 13.51% in March 2022.

### 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 7.89% 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 6.4% to US$4,994.6 million (March 2021: US$4,695.4 million) and the primary liquidity ratio increased to 34.35% (March 2021: 32.15%). The Bank's primary liquidity ratio is 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. Moreover, the Bank's total primary liquidity has an average credit rating of AA-, of which 49.9% are AAA rated investments. As of March 31, 2022, these liquid assets represented 36.6% of total customer deposits and 26.6% 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 pledged 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 March 31, 2022, the Bank maintained a regulatory liquidity of 42.05% as compared to 45.20% in March 2021, complying with the requirements established by law.

## B. Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of March 31, 2022, total gross loans amounted to US$11,271.0 million comprised by: (i) 57.2% retail loans (41.9% residential loans and 15.3% consumer loans), (ii) 39.2% is made up of corporate loans (30.5% of local corporate loans and 8.7% of foreign corporate loans), and (iii) 3.6% 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 March 31, 2022, 71.5% of all loans were secured by residential or commercial properties, deposits, or other assets; 67.4% of all loans were secured by first lien mortgages on land and improvements (residential mortgages, commercial mortgages and interim construction loans), and 4.1% of all loans were backed by pledged deposits and other assets. The combination of sound underwriting policies and security interests held as collateral resulted in historically low gross write-offs levels, averaging 0.75% of total loans for the last two years ending March 31, 2022.

As of March 31, 2022, 89.3% of the Bank's loan portfolio was comprised of local borrowers (individuals and corporations) based in Panama, and 10.7% was comprised of regional clients based primarily in Costa Rica, 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 March 31, 2022, 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 March 31, 2022 and 2021, and as of December 31, 2021, 2020, and 2019:

| | As of March 31 | | | As of December 31 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | (%) Change | 2021 | 2020 | 2019 |
| | (in thousands of U.S. dollars, except for percentages) | | | | | |
| **Local Loans** | | | | | | |
| Commercial | 352,578 | 327,270 | 7.7% | 350,371 | 323,258 | 397,805 |
| Interim construction loans | 347,862 | 463,081 | -24.9% | 378,674 | 482,879 | 565,399 |
| Lines of credit | 816,093 | 871,868 | -6.4% | 781,406 | 924,713 | 1,050,023 |
| Residential mortgage loans | 4,546,366 | 4,399,244 | 3.3% | 4,527,931 | 4,390,972 | 4,321,904 |
| Commercial mortgage loans | 1,924,147 | 1,928,684 | -0.2% | 1,919,261 | 1,952,981 | 2,020,115 |
| Personal loans, auto loans and credit cards | 1,710,319 | 1,724,125 | -0.8% | 1,707,751 | 1,759,520 | 1,894,882 |
| Pledge loans and overdrafts | 305,187 | 297,556 | 2.6% | 303,712 | 299,947 | 358,283 |
| Leasing | 65,791 | 76,792 | -14.3% | 65,341 | 79,984 | 100,191 |
| **Total Local Loans** | **10,068,344** | **10,088,620** | **-0.2%** | **10,034,446** | **10,214,254** | **10,708,602** |
| **Foreign Loans** | | | | | | |
| Commercial | 613,732 | 521,012 | 17.8% | 620,293 | 551,106 | 600,867 |
| Lines of credit | 212,584 | 199,222 | 6.7% | 243,162 | 208,211 | 257,641 |
| Residential mortgage loans | 181,001 | 199,652 | -9.3% | 185,841 | 204,561 | 223,143 |
| Commercial mortgage loans | 148,097 | 180,548 | -18.0% | 161,100 | 188,603 | 208,335 |
| Personal loans, auto loans and credit cards | 8,707 | 10,928 | -20.3% | 9,253 | 11,966 | 15,323 |
| Pledge loans and overdrafts | 38,485 | 63,769 | -39.6% | 43,683 | 65,722 | 69,778 |
| **Total Foreign Loans** | **1,202,607** | **1,175,132** | **2.3%** | **1,263,333** | **1,230,170** | **1,375,087** |
| **Total Loans** | **11,270,951** | **11,263,752** | **0.1%** | **11,297,779** | **11,444,423** | **12,083,689** |
| Allowance for loan losses | 488,959 | 409,774 | 19.3% | 467,706 | 383,795 | 165,159 |
| Unearned commissions | 35,790 | 35,984 | -0.5% | 36,092 | 37,045 | 43,302 |
| **Total loans, net** | **10,746,202** | **10,817,994** | **-0.7%** | **10,793,981** | **11,023,583** | **11,875,228** |

## 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 March 31, 2022, and 2021, and as of December 31, 2021, 2020, and 2019:

| | As of March 31 | | | As of December 31 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | (%) Change | 2021 | 2020 | 2019 |
| | (in thousands of U.S. dollars, except for percentages) | | | | | |
| **Non accrual loans** | | | | | | |
| Commercial | 3,825 | 5,425 | -29.5% | 9,015 | 8,959 | 6,805 |
| Interim construction loans | 1,813 | 1,918 | -5.4% | 1,918 | 1,918 | 1,956 |
| Lines of credit | 7,578 | 6,624 | 14.4% | 6,520 | 5,800 | 6,538 |
| Residential mortgage loans | 232,899 | 110,053 | 111.6% | 236,062 | 110,592 | 69,900 |
| Commercial mortgage loans | 35,458 | 23,124 | 53.3% | 35,389 | 24,238 | 20,425 |
| Personal loans, auto loans and credit cards | 52,444 | 16,513 | 217.6% | 46,857 | 12,659 | 23,385 |
| Pledge loans and overdrafts | 573 | 296 | 93.6% | 2,025 | 183 | 234 |
| Leasing | 836 | 2,116 | -60.5% | 1,754 | 2,276 | 124 |
| **Total non accrual loans** | **335,424** | **166,069** | **102.0%** | **339,539** | **166,625** | **129,365** |
| | | | | | | |
| Total Loans | 11,270,951 | 11,263,752 | | 11,297,779 | 11,444,423 | 12,083,689 |
| Allowance for loan losses | 488,959 | 409,774 | | 467,706 | 383,795 | 165,159 |
| Non accrual loans / total loans | 2.98% | 1.47% | | 3.01% | 1.46% | 1.07% |
| Allowance for loans losses / non accrual loans | 145.77% | 246.75% | | 137.75% | 230.33% | 127.67% |
| Allowance for loan losses + Dynamic Reserve / non accrual loans | 191.16% | 338.43% | | 182.59% | 321.71% | 245.36% |

Non-accrual loans increased to US$335.4 million as of March 31, 2022, from US$166.1 million as of March 31, 2021. The US$169.4 million, or 102.0% increase is primarily attributed to the end of the regulation that allowed for loan payment deferments as of June 30, 2021. 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$122.8 million increase in the residential mortgage non-accrual balance from US$110.1 million, or 0.98% of the total loan portfolio, to US$232.9 million or 2.07% of the total loan portfolio; (ii) a US$35.9 million increase in the consumer loans non-accrual balance, from US$16.5 million, or 0.15% of the total loan portfolio, to US$52.4 million or 0.47% of the total loan portfolio; and (iii) an increase of US$10.6 million in corporate and other loans from US$39.5 million, or 0.35% of the total loan portfolio, to US$50.1 million, 0.44% of total loans.

Non-accrual loans represented 2.98% of total loans as of March 31, 2022, compared to 1.47% as of March 31, 2021. The Bank's coverage of allowance for loan losses to non-accrual loans was 145.77%, as compared to 246.75% as of March 31, 2021.

## 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 March 31, 2022 and 2021, and as of December 31, 2021, 2020, and 2019:

| | As of March 31 | | | As of December 31 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | (%) Change | 2021 | 2020 | 2019 |
| | (in thousands of U.S. dollars, except for percentages) | | | | | |
| **Past due loans** | | | | | | |
| Commercial | 3,825 | 5,492 | -30.4% | 6,310 | 8,959 | 6,805 |
| Interim construction loans | 1,813 | 1,918 | -5.4% | 1,918 | 1,918 | 1,956 |
| Lines of credit | 7,606 | 7,342 | 3.6% | 6,940 | 5,766 | 6,538 |
| Residential mortgage loans | 277,533 | 121,985 | 127.5% | 279,187 | 122,885 | 94,338 |
| Commercial mortgage loans | 35,182 | 24,072 | 46.2% | 35,409 | 24,336 | 20,164 |
| Personal loans, auto loans and credit cards | 52,047 | 12,510 | 316.0% | 47,179 | 9,464 | 23,042 |
| Pledge loans and overdrafts | 638 | 516 | 23.8% | 2,142 | 438 | 460 |
| Leasing | 1,011 | 2,116 | -52.2% | 2,035 | 2,276 | 124 |
| **Total past due loans** | **379,654** | **175,950** | **115.8%** | **381,120** | **176,041** | **153,426** |
| | | | | | | |
| Total Loans | 11,270,951 | 11,263,752 | | 11,297,779 | 11,444,423 | 12,083,689 |
| Allowance for loan losses | 488,959 | 409,774 | | 467,706 | 383,795 | 165,159 |
| Past due loans / total loans | 3.37% | 1.56% | | 3.37% | 1.54% | 1.27% |
| Allowance for loan losses / past due loans | 128.79% | 232.89% | | 122.72% | 218.01% | 107.65% |
| Allowance for loan losses + Dynamic Reserve / past due loans | 168.89% | 319.43% | | 162.67% | 304.66% | 206.88% |

Past due loans increased to US$379.7 million as of March 31, 2022, compared to US$175.9 million as of March 31, 2021. The US$203.7 million, or 115.8% 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$155.5 million increase in the residential mortgage past due balance from US$122.0 million or 1.08% of the total loan portfolio, to US$277.5 million or 2.46% of the total loan portfolio, (ii) a US$8.6 million increase in the corporate and other loans past due balance from US$41.5 million or 0.37% of the total loan portfolio, to a US$50.1 million or 0.44% of the total loans portfolio, (iii) offset by a US$3.0 million decrease in the consumer past due balance from US$12.5 million or 0.11% of the total loan portfolio, to US$9.5 million or 0.08% of the total loan portfolio.

Past due loans represented 3.37% of total loans as of March 31, 2022, compared to 1.56% as of March 31, 2021. As of March 31, 2022, the Bank's coverage of allowance for loan losses to past due loans was 128.79%, as compared to 232.89% as of March 31, 2021.

## 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 resulted in (i) a contraction of GDP during 2020, followed by a solid recovery during 2021, with only a few specific sectors still lagging pre-pandemic levels, and (ii) higher levels of unemployment and informal employment. Therefore, the Bank 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 March 31, 2022, and December 31, 2021:

| | March 31, 2022 | | | December 31, 2021 | | | (%) Change | |
|---|---|---|---|---|---|---|---|---|
| | **Loans** | **Allowances** | **%** | **Loans** | **Allowances** | **%** | **Loans** | **Allowances** |
| | (in thousands of U.S. dollars, except percentages) | | | | | | | |
| Stage 1 | 9,006,561 | 204,800 | 2.3% | 9,142,660 | 197,389 | 2.2% | -1.5% | 3.8% |
| Stage 2 | 1,450,551 | 128,708 | 8.9% | 1,474,043 | 129,813 | 8.8% | -1.6% | -0.9% |
| Stage 3 | 813,839 | 155,451 | 19.1% | 681,076 | 140,504 | 20.6% | 19.5% | 10.6% |
| **Total** | **11,270,951** | **488,959** | **4.3%** | **11,297,779** | **467,706** | **4.1%** | **-0.2%** | **4.5%** |

The allowance for loan losses increased to US$489.0 million in March 2022, or 4.3% of the total loan portfolio, from US$467.7 million, or 4.1% of the total loan portfolio, as of December 31, 2021.

Stage 1 loans decreased US$136.1 to US$9,006.6, and the allowance level increased from US$197.4 million (2.2% of stage 1 loans) in December 2021 to US$204.8 million (2.3% of stage 1 loans) in March 2022. Stage 2 loans decreased from US$1,474.0 million to US$1,450.6 million, and the allowance level decreased from US$129.8 million (8.8% of stage 2 loans) to US$128.7 million (8.9% of stage 2 loans). Stage 3 loans increased from US$681.1 million to US$813.8 million and the allowance level increased from US$140.5 million (20.6% of stage 3 loans) to US$155.5 million (19.1% of stage 3 loans). The increment described above for Stage 3 loans is mainly attributable to movements in the corporate loan portfolio due to anticipated increases in credit risk levels.

As of March 2022, the Bank's total restructured loans amounted to US$1,255.0 million (December 2021: US$1,108.6 million) of which US$1,118.6 million (December 2021: US$990.0 million) were backed by mortgage collateral (US$804.4 million in residential mortgage loans, US$304.1 million in commercial mortgage loans, and US$10.1 million in interim construction loans).

The following table presents the breakdown of the allowance for loans losses as of March 31, 2022 and 2021, and as of December 31, 2021, 2020 and 2019:

| | As of March 31 | | | As of December 31 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | (%) Change | 2021 | 2020 | 2019 |
| | (in thousands of U.S. dollars, except for percentages) | | | | | |
| **Allowance at the beginning of period** | 467,706 | 383,795 | 21.9% | 383,795 | 165,159 | 158,531 |
| Provision charged to expenses, net of recoveries | 17,486 | 39,812 | -56.1% | 155,642 | 280,947 | 41,954 |
| **Write-offs:** | | | | | | |
| Commercial | - | 94 | -100.0% | 7,777 | 521 | 6,236 |
| Interim construction loans | - | - | 0.0% | 119 | - | 415 |
| Lines of credit | 75 | 95 | -21.5% | 536 | 1,819 | 6,774 |
| Residential mortgage loans | 334 | 193 | 72.6% | 1,749 | 977 | 1,862 |
| Commercial mortgage loans | 109 | 16 | 587.5% | 247 | 1,267 | 434 |
| Personal and auto loans and credit cards | 3,097 | 18,341 | -83.1% | 86,471 | 78,192 | 46,057 |
| *Auto* | *57* | *249* | *-77.3%* | *4,408* | *2,279* | *2,331* |
| *Personal* | *18* | *12,743* | *-99.9%* | *37,434* | *48,178* | *28,509* |
| *Credit cards* | *3,023* | *5,348* | *-43.5%* | *44,630* | *27,735* | *15,217* |
| Pledge loans and overdrafts | 123 | 36 | 240.1% | 146 | 394 | 864 |
| Leasing | - | - | 0.0% | | 48 | 337 |
| **Total write-offs** | **3,738** | **18,775** | **-80.1%** | **97,044** | **83,218** | **62,981** |
| Recoveries | 7,505 | 4,942 | 51.9% | 25,313 | 20,907 | 27,654 |
| **Allowance at the end of period** | **488,959** | **409,774** | **19.3%** | **467,706** | **383,795** | **165,159** |
| | | | | | | |
| Total Loans | 11,270,951 | 11,263,752 | | 11,297,779 | 11,444,423 | 12,083,689 |
| Allowance for loan losses / total loans | 4.34% | 3.64% | | 4.14% | 3.35% | 1.37% |
| (Allowance for loan losses + Dynamic Reserve) / total loans | 5.69% | 4.99% | | 5.49% | 4.68% | 2.63% |
| Write-off / total loans (1) | 0.13% | 0.67% | | 0.86% | 0.73% | 0.52% |
| Net write-off / total loans (1) | -0.13% | 0.49% | | 0.63% | 0.54% | 0.29% |

(1) Percentages are annualized.

As of March 31, 2022, total write-offs amounted to US$3.7 million (0.13% of total loans), as compared to US$18.8 million (0.67% of total loans) for the same period in 2021. Write-offs for the first quarter of 2021 were influenced by a complementary, exceptional, and voluntary writhe-off policy for consumer loans that were deferred repeatedly and demonstrated a weaker financial position and limitation to pay. This complementary policy was applied from December 2020 to December 2021, and was 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.

## C. 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 March 31, 2022, the Bank´s total regulatory capital amounted to US$2,878.0 million, or 2.66 times the total regulatory capital required by the SBP of 8.0%. The ratio of total capital to risk-weighted assets was 21.27%, calculated on a Tier I capital of US$2,878.0 million over total risk weighted assets of US$13,532.9 million. Total risk-weighted assets include US$11,595.3 million of risk-weighted assets in our loan portfolio and investments, US$1,215.5 million of risk-weighted assets due to market risk requirements, and US$722.1 million of risk-weighted assets from operational risk. Our shareholder's equity to total assets ratio was 13.51% as of March 2022.

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 8.0%. As of March 31, 2022, 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 March 31, 2022, the Bank has not reduced its dynamic reserve, which remains at the same level as of December 31, 2019.

In addition, our subsidiaries Banco General (Costa Rica), S.A., Banco General (Overseas), Inc. and Commercial Re. Overseas, Ltd., General de Seguros, S.A., BG Trust, Inc., are subject to minimum capital requirements stipulated by: the General Superintendency of Financial Entities (SUGEF), the Monetary Authority of the Cayman Islands (CIMA), the British Virgin Islands Financial Services Commission, and the Superintendence of Insurance and Reinsurance of Panama, and SBP, respectively. Additionally, Profuturo – Administradora de Fondos de Pensiones y Cesantía S.A., BG Investment Co., Inc, and BG Valores, S.A. are all subject to minimum capital requirements stipulated by the Panamanian Superintendency of Capital Markets. As of March 31, 2022, 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 March 31, 2022, and 2021, and as of December 31, 2021, 2020, and 2019:

| | As of March 31 | | As of December 31 | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2021 | 2020 | 2019 |
| | (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 | 191,184 | 188,949 | 190,606 | 188,396 | 186,240 |
| Other items comprehensive income | -94,324 | 98,882 | 74,008 | 159,987 | 89,125 |
| Retained earnings | 1,931,991 | 1,795,596 | 1,916,158 | 1,772,980 | 1,703,100 |
| Less: Regulatory adjustments | 50,892 | 53,617 | 51,547 | 53,674 | 50,074 |
| **Total regulatory primary capital - CET 1** | **2,477,958** | **2,529,809** | **2,629,225** | **2,567,690** | **2,428,391** |
| **Minimum regulatory primary capital - CET 1 (4.5%)** | **608,982** | **555,802** | **599,177** | **604,434** | **584,249** |
| **Additional primary capital (Tier 1)** | | | | | |
| Subordinated perpetual bonds | 400,000 | 217,680 | 400,000 | 217,680 | 217,680 |
| **Total additional primary capital** | **400,000** | **217,680** | **400,000** | **217,680** | **217,680** |
| **Total primary capital** | **2,877,958** | **2,747,489** | **3,029,225** | **2,785,370** | **2,646,071** |
| **Minimum regulatory total primary capital (6.0%)** | **811,976** | **741,069** | **798,903** | **805,912** | **778,999** |
| **Total capital** | **2,877,958** | **2,747,489** | **3,029,225** | **2,785,370** | **2,646,071** |
| **Minimum regulatory total capital (8.0%)** | **1,082,635** | **988,092** | **1,065,204** | **1,074,549** | **1,038,665** |
| Credit risk-weighted assets | 11,595,295 | 11,085,547 | 11,506,121 | 11,273,084 | 11,931,120 |
| Market risk-weighted assets | 1,215,527 | 718,674 | 1,154,481 | 1,551,596 | 422,023 |
| Operational risk-weighted assets | 722,118 | 546,931 | 654,452 | 607,186 | 630,172 |
| **Risk-weighted assets** | **13,532,939** | **12,351,152** | **13,315,053** | **13,431,866** | **12,983,315** |
| **Capital ratios** | | | | | |
| **Total regulatory primary capital ratio** | **18.31%** | **20.48%** | **19.75%** | **19.12%** | **18.70%** |
| **Total primary capital ratio** | **21.27%** | **22.24%** | **22.75%** | **20.74%** | **20.38%** |
| **Total capital ratio** | **21.27%** | **22.24%** | **22.75%** | **20.74%** | **20.38%** |

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

## D. Results of Operations for the three months ended March 31, 2022 and 2021.

The following table presents the Bank´s principal consolidated results of operations for the three months ended March 31, 2022, and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| Total interest and commission income | 230,655 | 221,169 | 4.3% |
| Total interest expenses | (65,500) | (70,712) | -7.4% |
| **Net interest and comission income** | **165,155** | **150,458** | **9.8%** |
| **Total Provisions, net** | **(27,291)** | **(40,421)** | **-32.5%** |
| Other Income (expenses): | | | |
| Fees and other comissions | 71,849 | 54,477 | 31.9% |
| Insurances premiums, net | 9,137 | 6,725 | 35.9% |
| Gain (Loss) on financial instruments, net | (31,582) | 720 | n/a |
| Other Income, net | 6,414 | 6,221 | 3.1% |
| Comissions expenses and other expenses | (26,668) | (22,119) | 20.6% |
| **Total other income, net** | **29,150** | **46,025** | **-36.7%** |
| General and administrative expenses | (78,051) | (72,393) | 7.8% |
| Equity participation in associates | 4,895 | 2,233 | 119.3% |
| **Net income before income tax** | **93,857** | **85,901** | **9.3%** |
| Income tax net | (8,632) | (5,841) | 47.8% |
| **Net Income** | **85,225** | **80,059** | **6.5%** |

For the three months ended March 31, 2022, the Bank's net income was US$85.2 million, which represents an increase of US$5.2 million, or 6.5%, compared to US$80.1 million for the same period in 2021. Annualized ROAE and ROAA were 12.92% and 1.80%, respectively, compared to 12.15% and 1.71% for the same period 2021. 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 three months ended March 31, 2022, and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | 2022 | 2021 | (%) Change |
| | (in thousands of U.S. dollars, except for percentages) | | |
| Total interest and commission income | 230,655 | 221,169 | 4.3% |
| Total interest expenses | 65,500 | 70,712 | -7.4% |
| **Net interest and commission income** | **165,155** | **150,458** | **9.8%** |
| Average interest - earning assets | 17,296,208 | 17,101,488 | 1.1% |
| Average interest - bearing liabilities | 13,091,215 | 12,955,230 | 1.0% |
| Net interest margin (1)(4) | 3.82% | 3.52% | |
| Average interest rate earned (2)(4) | 5.33% | 5.17% | |
| Average interest rate paid (3)(4) | 2.00% | 2.18% | |

(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 are annualized.

The 9.8% increase in net interest and commission income for the three months ended March 31, 2022, as compared to the same period for 2021, was primarily a result of: (i) 1.1% increase in interest-earning assets, (ii) a 16 basis points increase in average interest rate earned on interest earning assets, and (iii) a reduction of 18 basis points in the average interest paid on interest bearing liabilities.

## 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, 2022, and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| **Total interest and commission income** | **230,655** | **221,169** | **4.3%** |
| | | | |
| Average interest - earning assets: | | | |
| Deposits with banks | 475,822 | 594,554 | -20.0% |
| Securities and other financial assets | 6,036,702 | 5,580,852 | 8.2% |
| Loans, net | 10,783,684 | 10,926,082 | -1.3% |
| **Total** | **17,296,208** | **17,101,488** | **1.1%** |
| | | | |
| **Average interest rate earned:** | | | |
| Deposits with banks [1] | 0.97% | 1.00% | |
| Securities and other financial assets [1] | 2.53% | 2.55% | |
| Loans, net [1] | 7.10% | 6.74% | |
| **Total [1]** | **5.33%** | **5.17%** | |

[1] Percentages are annualized.

For the three months ended March 31, 2022, our diversified loan portfolio represented 62.3% of the Bank's total average interest earning assets and generated 82.9% of the total interest and commissions income.

Total interest and commission income increased US$9.5 million, or 4.3% for the three months ended March 31, 2022, due primarily to (i) a 1.1% increase in interest-earning assets, and (ii) a 16 basis points increase in the average interest rate earned.

The 16 basis point increase in the average interest rate earned on interest-earning assets was primarily due to a 36 basis point increase in loans, as a result of the reduction in balance of complementary exceptional and voluntary of non-accrual loans were which phased out as of the first quarter of 2022.

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 interest rate earned during the three months ended March 31, 2022:

| | Decrease/Increase First - Quarter 2021/2022 | | |
|---|---|---|---|
| | **By volume** | **By rate** | **Net change** |
| | (in thousands of U.S. dollars) | | |
| Deposits with banks | (297) | (43) | (341) |
| Securities and other financial assets | 2,907 | (292) | 2,615 |
| Loans, net | (2,399) | 9,611 | 7,212 |
| **Net Change** | **210** | **9,275** | **9,486** |

The increase of US$194.7 million in average interest earning assets for the three months March 31, 2022 resulted in an increase of US$0.2 million in interest and commission income for the period, while the increase in the average rate earned on interest-earning assets, from 5.17% to 5.33%, resulted in an increase of US$9.3 million in interest and commission income as compared to the same period in 2021.

## Total Interest Expenses

The following table presents information as to the Bank’s total interest expenses for the three months ended March 31, 2022 and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| **Total interest expenses** | **65,500** | **70,712** | **-7.4%** |
| **Average interest - bearing liabilties:** | | | |
| Savings and other deposits | 6,115,014 | 5,750,367 | 6.3% |
| Time deposits - clients | 5,632,792 | 5,942,159 | -5.2% |
| Time deposits - interbank | 2,059 | 5,766 | -64.3% |
| Borrowings and placements | 1,341,350 | 1,256,938 | 6.7% |
| **Total** | **13,091,215** | **12,955,230** | **1.0%** |
| **Average interest rate paid:** | | | |
| Savings and other deposits [1] | 0.62% | 0.64% | |
| Time deposits - clients [1] | 3.08% | 3.40% | |
| Time deposits - interbank [1] | 3.88% | 1.57% | |
| Borrowings and placements [1] | 3.78% | 3.49% | |
| **Total [1]** | **2.00%** | **2.18%** | |

[1] Percentages are annualized.

The Bank's total interest expenses is mainly attributable to interest paid on customer deposits, which represented 80.6% of the total interest expense for the three months ended March 31, 2022, as compared to 84.4% for the same period in 2021.

The 7.4% decrease in total interest expenses for the three months ended March 31, 2022, as compared to the same period in 2021, was mainly a result of 18 basis points decrease in the average interest rate paid on interest bearing liabilities, partially offset by a 1.0% increase in average interest bearing liabilities.

The increase in the average interest-bearing liabilities was mainly due to a 6.3% increase in average savings and other deposits and a 6.7% increase in average borrowings and placements.

The 18 basis points decrease in the average interest rate paid on interest-bearing liabilities was mainly attributable to: (i) a 32 basis point decrease on the average interest rate paid on clients time deposits, (ii) a 2 basis points decrease on the average interest rate paid on savings and other deposits, offset by (iii) an increase of 29 basis points in average interest rate paid on borrowings and placements.

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, 2022:

| | Decrease/Increase First - Quarter 2021/2022 | | |
|---|---|---|---|
| | **By volume** | **By rate** | **Net change** |
| | (in thousands of U.S. dollars) | | |
| Savings and other deposits | 585 | (349) | 236 |
| Time deposits - clients | (2,629) | (4,512) | (7,140) |
| Time deposits - interbank | (15) | 12 | (3) |
| Borrowings and placements | 737 | 958 | 1,695 |
| **Net change** | **(1,321)** | **(3,890)** | **(5,211)** |

The increase of US$136.0 million in average interest-bearing liabilities for the three months ended March 31, 2022 resulted in an decrease of US$1.3 million in interest expense for the period, while the decrease in the average rate paid on interest-bearing liabilities, from 2.18% to 2.00%, resulted in a decrease of US$3.9 million in interest expense as compared to the same period in 2021.

## 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 three months ended March 31, 2022, and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| **Allowance for loan losses at the beginning of period** | 467,706 | 383,795 | 21.9% |
| Provisions charged to expenses, net of recoveries | 17,486 | 39,812 | -56.1% |
| Recovery of Write-offs | 7,505 | 4,942 | 51.9% |
| Write-offs | (3,738) | (18,775) | -80.1% |
| **Balance at the end of period** | **488,959** | **409,774** | **19.3%** |
| Total Loans | 11,270,951 | 11,263,752 | |
| Net loan loss provisions to total loans | 0.62% | 1.41% | |
| Write-off to total loans [(1)] | 0.13% | 0.67% | |
| Net write-off to total loans [(1)] | -0.13% | 0.49% | |
| Allowance to total loans | 4.34% | 3.64% | |

[(1)] Percentages are annualized.

For the three months ended March 31, 2022, the provision charged to expenses, net of recoveries amounted to US$17.5 million, which represents a decrease of US$22.3 million or 56.1% compared to the same period in 2021.

For the three months ended March 31, 2022, write-offs decreased US$15.0 million, from US$18.8 million in 2021 (or 0.67% of total loans) to US$3.7 million (or 0.13% of total loans).

As a result of the above, the allowance for loan losses increased US$21.3 million, from US$467.7 million in December 2021 to US$489.0 million in March 2022. Consequently, our allowance to total loans ratio increased to 4.34% in March 2022. Based on our IFRS 9 and our complementary models, we believe that our current allowance for loan losses 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 three months ended March 31, 2022 and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| Fees and comission income, net | 45,181 | 32,358 | 39.6% |
| Insurance premiums, net | 9,137 | 6,725 | 35.9% |
| Gain (Loss) on financial instruments, net | (31,582) | 720 | n/a |
| Other income, net | 6,414 | 6,221 | 3.1% |
| **Total of other income, net** | **29,150** | **46,025** | **-36.7%** |

The 36.7% decrease in total other income, net for the three months ended March 31, 2022 primarily reflects the following factors:

### Fees and Commission Income, net

The 39.6% increase in fees and commission income, net of commission expenses for the three months ended March 31, 2022, was mainly due to a 52.3% increase in commissions and fees related to credit and debit card operations, due to higher transaction volumes.

### Insurance Premiums, net

Net insurance premiums increased by 35.9% for the three months ended March 31, 2022, as compared to the same period in 2021, mainly due to a decrease in net claims of US$2.3 million.

### Gain (Loss) on Financial Instruments, net

Financial instruments, net for the three months ended March 31, 2022, resulted in a loss of US$31.6 million, due to of increasing interest rates and credit spreads which negatively impacted the valuation of our investment portfolio. During the first quarter of 2022 the yield on 3 year US Treasury bonds increased by 155 basis points, on 5 year US Treasury bonds increased by 120 basis points, and on 10 year US Treasury bonds increased by 83 basis points.

### Other income, net

Other income, net, increased by US$0.2 million or 3.1%, in the three months ended March 31, 2022, mainly as a result of fixed asset sales and increase in banking services.

## General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the three months ended March 31, 2022 and 2021, respectively:

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2022** | **2021** | **(%) Change** |
| | (in thousands of U.S. dollars, except for percentages) | | |
| Salaries and other employee expenses | 41,845 | 40,486 | 3.4% |
| Depreciation and amortization expenses | 7,399 | 7,007 | 5.6% |
| Premises and equipment expenses | 7,077 | 6,124 | 15.6% |
| Other expenses | 21,730 | 18,777 | 15.7% |
| **Total** | **78,051** | **72,393** | **7.8%** |

The 7.8% increase in general and administrative expenses for three months ended March 31, 2022 primarily reflects the following factors:

### Salaries and Other Employee expenses

Salaries and other employee expenses represented 53.6% of total general and administrative expenses as of March 31, 2022, as compared to 55.9% for the same period in 2021. The 3.4% increase in salaries and other employee expenses was mainly attributable to salary increases.

### Depreciation and Amortization expenses

Total depreciation and amortization expense increased by 5.6% for the three months ended March 31, 2022, mainly due to higher capital investments in technology and digital innovation.

### Premises and Equipment expenses

Premises and equipment expenses increased by US$1.0 million or 15.6% for the three months ended March 31, 2022, as compared to the same period in 2021, mainly due to: (i) an increase of US$0.6 million expense in technological maintenance for improvements in platforms and hardware, and (ii) an increase of US$0.2 million in improvements of branches.

### Other expenses

Other expenses increased US$3.0 million or 15.7%, for the three months ended March 31, 2022, as a result of: (i) a US$2.4 million increase in professional services mainly due to transaction volumes of credit and debit cards, and (ii) a US$0.5 million increase in other expenses.

### Taxes

Income tax, net amounted to US$8.6 million for the three months ended March 31, 2022, as compared to US$5.8 million for the three months ended March 31, 2021. The increase of US$2.8 million was primarily driven by a higher taxable income as compared to the same period of 2021.

### Operational Efficiency

The Bank's operational efficiency was 39.18% in March 2022, as compared to 36.43% in March 2021 mainly as a result of: (i) a US$5.7 million, or 7.8%, increase in the Bank's general and administrative expenses, and (ii) a US$0.5 million increase in operating income.

**BANCO GENERAL, S.A. & Subsidiaries**
**Consolidated Income Statement**
**For the three months ended**

| | 31-mar-22 | 31-dec-21 | 30-sep-21 | 30-jun-21 | 31-mar-21 |
|---|---|---|---|---|---|
| | (in thousands of U.S. dollars) | | | | |
| Total interest and commission income | 230,655 | 229,875 | 235,252 | 229,192 | 221,169 |
| Total interest expenses | (65,500) | (67,463) | (69,999) | (70,872) | (70,712) |
| **Net interest and commission income** | **165,155** | **162,412** | **165,253** | **158,319** | **150,458** |
| Total Provisions, net | (27,291) | (34,019) | (41,231) | (36,580) | (40,421) |
| **Net interest and commission income after provisions** | **137,864** | **128,393** | **124,022** | **121,739** | **110,037** |
| Other Income (expenses): | | | | | |
| Fees and other commissions | 71,849 | 73,427 | 68,788 | 59,998 | 54,477 |
| Insurance premiums, net | 9,137 | 8,465 | 8,939 | 8,558 | 6,725 |
| Gain (Loss) on financial instruments, net | (31,582) | (8,617) | 6,239 | 10,004 | 720 |
| Other income, net | 6,414 | 7,776 | 6,955 | 8,278 | 6,221 |
| Commissions expenses and other expenses | (26,668) | (21,140) | (25,155) | (23,668) | (22,119) |
| **Total other income, net** | **29,150** | **59,911** | **65,766** | **63,170** | **46,025** |
| General and administrative expenses | (78,051) | (76,175) | (74,299) | (74,002) | (72,393) |
| Equity participation in associates | 4,895 | 3,486 | 2,635 | 2,480 | 2,233 |
| **Net income before income tax** | **93,857** | **115,616** | **118,124** | **113,386** | **85,901** |
| Income tax net | (8,632) | (7,975) | (4,801) | (6,221) | (5,841) |
| **Net income** | **85,225** | **107,641** | **113,323** | **107,165** | **80,059** |

**BANCO GENERAL, S.A. & Subsidiaries**
**Consolidated Balance Sheet**
**As of**

| | 31-mar-22 | 31-dec-21 | 30-sep-21 | 30-jun-21 | 31-mar-21 |
|---|---|---|---|---|---|
| | (in thousands of U.S. dollars) | | | | |
| **Assets** | | | | | |
| Cash and deposits with banks | 819,546 | 645,454 | 813,241 | 848,962 | 949,614 |
| Securities and other financial assets | 5,933,361 | 6,175,130 | 5,895,819 | 5,858,972 | 5,615,525 |
| Loans | 11,270,951 | 11,297,779 | 11,357,158 | 11,302,423 | 11,263,752 |
| Allowance for possible loans losses | (488,959) | (467,706) | (476,651) | (439,147) | (409,774) |
| Unearned comissions | (35,790) | (36,092) | (36,683) | (36,290) | (35,984) |
| Investments in associates | 29,809 | 25,021 | 27,770 | 26,230 | 23,847 |
| Other assets | 1,269,489 | 1,142,412 | 1,221,044 | 1,249,989 | 1,306,571 |
| **Total assets** | **18,798,408** | **18,781,998** | **18,801,699** | **18,811,139** | **18,713,551** |
| **Liabilities and shareholder's equity** | | | | | |
| Total Deposits | 13,655,017 | 13,800,612 | 13,546,445 | 13,594,370 | 13,596,782 |
| Borrowings and placements | 883,388 | 893,646 | 917,408 | 997,989 | 1,007,953 |
| Perpetual bonds | 400,000 | 400,000 | 400,000 | 400,000 | 217,680 |
| Other liabilities | 1,320,134 | 996,692 | 1,229,130 | 1,167,850 | 1,297,092 |
| **Total liabilities** | **16,258,539** | **16,090,949** | **16,092,983** | **16,160,208** | **16,119,507** |
| **Shareholder's equity** | **2,539,869** | **2,691,048** | **2,708,716** | **2,650,932** | **2,594,044** |
| **Total liabilities and shareholder's equity** | **18,798,408** | **18,781,998** | **18,801,699** | **18,811,139** | **18,713,551** |
| **Operational data (in units)** | | | | | |
| Number of customers [1] | 1,462,767 | 1,402,139 | 1,347,731 | 1,288,496 | 1,241,279 |
| % active customers in digital channels [2] | 75.4% | 73.9% | 71.8% | 69.4% | 66.9% |
| Number of employees [3] | 4,496 | 4,510 | 4,498 | 4,501 | 4,510 |
| Number of branches [4] | 82 | 82 | 82 | 84 | 83 |
| Number of ATMs [4] | 626 | 633 | 615 | 630 | 635 |
| Assets under management (in US$ million) [5] | 12,111 | 12,140 | 11,787 | 11,860 | 11,394 |

[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 use online banking or our 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 interim Financial Statements.

## BANCO GENERAL, S.A. & Subsidiaries
## Financial Ratios
## As of and for the three months ended

| | 31-mar-22 | 31-dec-21 | 30-sep-21 | 30-jun-21 | 31-mar-21 |
|---|---|---|---|---|---|
| **Profitability and efficiency:** | | | | | |
| Net Interest Margin [1][2] | 3.82% | 3.77% | 3.83% | 3.69% | 3.52% |
| Return on average assets [1] [3] | 1.80% | 2.28% | 2.40% | 2.28% | 1.71% |
| Return on average equity [1] [3] | 12.92% | 15.87% | 16.79% | 16.26% | 12.15% |
| Efficiency [4] | 39.18% | 33.73% | 31.80% | 33.04% | 36.43% |
| Operating expenses / average total assets [1] [3] | 1.65% | 1.62% | 1.58% | 1.58% | 1.55% |
| Other income/ operating income [5] | 27.48% | 28.06% | 26.47% | 25.11% | 23.36% |
| **Liquidity:** | | | | | |
| Primary Liquidity / total deposits and obligations [6] | 34.35% | 35.25% | 34.65% | 33.55% | 32.15% |
| Regulatory Liquidity / qualified deposits [7] | 42.05% | 44.84% | 45.42% | 44.78% | 45.20% |
| Loans, net / total client deposits | 78.71% | 78.23% | 80.08% | 79.68% | 79.60% |
| Liquidity Coverage Ratio (LCR) [8] | 172.68% | 198.11% | 203.55% | 212.19% | 223.76% |
| **Capital:** | | | | | |
| Total regulatory primary capital ratio [9] | 18.31% | 19.75% | 19.70% | 19.62% | 20.48% |
| Total primary capital ratio [9] | 21.27% | 22.75% | 22.68% | 22.65% | 22.24% |
| Total capital ratio [9] | 21.27% | 22.75% | 22.68% | 22.65% | 22.24% |
| Equity / assets | 13.51% | 14.33% | 14.41% | 14.09% | 13.86% |
| Earning retention ratio [10] | 22.79% | 17.55% | 48.16% | 45.18% | 26.62% |
| **Asset quality:** | | | | | |
| Past due loans / total loans [11] | 3.37% | 3.37% | 2.74% | 1.61% | 1.56% |
| Non accrual loans / total loans [12] | 2.98% | 3.01% | 2.25% | 1.47% | 1.47% |
| Allowance for loan losses / total loans | 4.34% | 4.14% | 4.20% | 3.89% | 3.64% |
| Allowance for loan losses / past due loans [11] | 128.79% | 122.72% | 153.25% | 242.02% | 232.89% |
| Allowance for loan losses / non accrual loans [12] | 145.77% | 137.75% | 186.19% | 265.13% | 246.75% |
| Allowance for loan losses + Dynamic Reserve / past due loans [11] | 168.89% | 162.67% | 202.20% | 325.92% | 319.43% |
| Allowance for loan losses + Dynamic Reserve / non accrual loans [12] | 191.16% | 182.59% | 245.66% | 357.05% | 338.43% |
| Write-offs / total loans [1] | 0.13% | 1.92% | 0.38% | 0.47% | 0.67% |
| Net write-offs / total loans [1] | -0.13% | 1.65% | 0.12% | 0.27% | 0.49% |

(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, comission income, other income, net and equity participation in associates.

(5) 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.

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

(9) Total capital as percentage of 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.