Banco General

Management Discussion

Third 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., Colombia, Guatemala, El Salvador and in 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 September 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 total local economy (measured by GDP) has 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.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total Assets

As of September 30, 2022, the Bank's gross loan portfolio increased by US$44.5 million, or 0.4% from US$11,357.2 million in September 2021, to US$11,401.5 million in September 2022. During this period, the Bank’s residential mortgage portfolio grew 1.9%, from US$4,681.4 million to US$4,768.3 million; the consumer loan portfolio increased 1.2%, from US$1,741.6 million to US$1,762.0 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, decreased 1.5%, from US$4,496.5 million to US$4,428.2 million, and other loans (comprised of pledge loans, overdrafts and financial leases) increased 1.3% from US$437.5 million to US$443.0 million. The Bank’s local corporate loan portfolio decreased 2.6%, from US$3,501.3 million to US$3,410.1 million, and the Bank’s regional corporate loan portfolio increased 2.3%, from US$995.2 million to US$1,018.1 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 decreased 6.9%, from US$5,923.6 million in September 2021 to US$5,514.3 million in September 2022.

Total Liabilities

The Bank’s total deposits decreased by US$312.5 million, or 2.3% from US$13,546.4 million in September 2021 to US$13,233.9 million in September 2022. Time deposits, the Bank's main source of funding, decreased by US$330.1 million, from US$5,689.6 million to US$5,359.4 million, representing 40.5% of total deposits, with an average remaining life of 12 months, and 67.7% having original maturities of one year or more. Savings accounts grew by US$318.7 million, or 6.7%, from US$4,778.9 million to US$5,097.6 million, representing 38.5% of total deposits. Demand deposits decreased by US$301.1 million from US$3,078.0 million to US$2,776.9 million, representing 21.0% of total deposits.

The Bank's total borrowings and placements increased by US$93.9 million, from US$1,317.4 million in September 2021 to US$1,411.3 million in September 2022. As of September 30, 2022, 28.3% or US$400.0 million of the Bank’s financial debt are subordinated perpetual AT1 bonds issued in May 2021.

Equity

The Bank's equity decreased by US$309.7 million, or 11.4%, from US$2,707.2 million in September 2021 to US$2,397.5 million in September 2022, mainly driven by a decrease of US$475.1 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$157.5 million in retained earnings. The Bank’s equity to total assets ratio decreased from 14.41% in September 2021 to 13.03% in September 2022.

A. Liquidity and Funding Sources

The Bank's Assets and Liabilities Committee (“ALCO”) is responsible for developing policies relating to the management of the Bank's assets and liabilities that enables us to maintain interest rate, market, maturity, 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 Bank’s 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 7.29% of total liabilities); and (iv) low levels of short-term institutional liabilities, all of which gives us a stable asset and liability structure.

Primary liquidity decreased 11.4% to US$4,442.6 million (September 2021: US$5,012.1 million) and the primary liquidity ratio decreased to 31.09% (September 2021: 34.65%). 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 (excluding perpetual bonds). Moreover, the Bank's total primary liquidity has an average credit rating of AA-, of which 53.4% are AAA rated investments. As of September 30, 2022, these liquid assets represented 33.6% of total deposits and 24.1% 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 ratio, 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 ratio. As of September 30, 2022, the Bank maintained a regulatory liquidity of 40.82% as compared to 45.42% in September 2021.

B. Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of September 30, 2022, total gross loans amounted to US$11,401.5 million comprised by: (i) 57.3% retail loans (41.8% residential loans and 15.5% consumer loans), (ii) 38.8% corporate loans (29.9% local corporate loans and 8.9% foreign corporate loans), and (iii) 3.9% other loans (which includes 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 September 30, 2022, 69.9% of all loans were secured by residential or commercial properties, deposits, or other assets; 65.3% of all loans were secured by first lien mortgages on land and improvements (residential mortgages, commercial mortgages, and interim construction loans), and 4.6% of all loans were backed by pledged deposits and other assets. The combination of sound underwriting policies and security interests held as collateral has resulted in historically low gross write-off levels, averaging 0.73% of total loans for the last two years ending September 30, 2022.

As of September 30, 2022, 89.1% of the Bank's loan portfolio was comprised of local borrowers (individuals and corporations) based in Panama, and 10.9% was comprised of regional clients based primarily in Costa Rica, Colombia, Guatemala, El Salvador, Mexico, and Peru, including clients of our universal banking subsidiary in Costa Rica, Banco General (Costa Rica), S.A., which has 8 branches. As of September 30, 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 September 30, 2022, and 2021, and as of December 31, 2021, 2020 and 2019:

	As of September 30			As of December 31		
	2022	2021	(%) Change	2021	2020	2019
	(in thousands of U.S. dollars, except for percentages)					
Local Loans						
Commercial	383,398	357,186	7.3%	350,371	323,258	397,805
Interim construction loans	280,310	414,521	-32.4%	378,674	482,879	565,399
Lines of credit	898,847	779,271	15.3%	781,406	924,713	1,050,023
Residential mortgage loans	4,598,181	4,489,135	2.4%	4,527,931	4,390,972	4,321,904
Commercial mortgage loans	1,847,505	1,950,317	-5.3%	1,919,261	1,952,981	2,020,115
Personal loans, auto loans and credit cards	1,753,740	1,731,830	1.3%	1,707,751	1,759,520	1,894,882
Pledge loans and overdrafts	326,151	315,531	3.4%	303,712	299,947	358,283
Leasing	72,368	67,423	7.3%	65,341	79,984	100,191
Total Local Loans	**10,160,501**	**10,105,215**	**0.5%**	**10,034,446**	**10,214,254**	**10,708,602**
Foreign Loans						
Commercial	615,773	545,488	12.9%	620,293	551,106	600,867
Lines of credit	282,680	276,730	2.2%	243,162	208,211	257,641
Residential mortgage loans	170,134	192,314	-11.5%	185,841	204,561	223,143
Commercial mortgage loans	119,695	173,027	-30.8%	161,100	188,603	208,335
Personal loans, auto loans and credit cards	8,233	9,813	-16.1%	9,253	11,966	15,323
Pledge loans and overdrafts	44,504	54,573	-18.4%	43,683	65,722	69,778
Total Foreign Loans	**1,241,020**	**1,251,944**	**-0.9%**	**1,263,333**	**1,230,170**	**1,375,087**
Total Loans	**11,401,521**	**11,357,158**	**0.4%**	**11,297,779**	**11,444,423**	**12,083,689**
Allowance for loan losses	471,028	476,651	-1.2%	467,706	383,795	165,159
Unearned commissions	38,051	36,683	3.7%	36,092	37,045	43,302
Total loans, net	**10,892,441**	**10,843,824**	**0.4%**	**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 September 30, 2022 and 2021, and as of December 31, 2021, 2020 and 2019:

	As of September 30			As of December 31		
	2022	2021	(%) Change	2021	2020	2019
	(in thousands of U.S. dollars, except for percentages)					
Non accrual loans						
Commercial	1,083	5,816	-81.4%	9,015	8,959	6,805
Interim construction loans	1,002	1,918	-47.7%	1,918	1,918	1,956
Lines of credit	6,721	6,427	4.6%	6,520	5,800	6,538
Residential mortgage loans	206,510	168,203	22.8%	236,062	110,592	69,900
Commercial mortgage loans	37,846	27,367	38.3%	35,389	24,238	20,425
Personal loans, auto loans and credit cards	36,874	43,795	-15.8%	46,857	12,659	23,385
Pledge loans and overdrafts	290	647	-55.2%	2,025	183	234
Leasing	487	1,830	-73.4%	1,754	2,276	124
Total non accrual loans	**290,813**	**256,004**	**13.6%**	**339,539**	**166,625**	**129,365**
Total Loans	11,401,521	11,357,158		11,297,779	11,444,423	12,083,689
Allowance for loan losses	471,028	476,651		467,706	383,795	165,159
Non accrual loans / total loans	2.55%	2.25%		3.01%	1.46%	1.07%
Allowance for loans losses / non accrual loans	161.97%	186.19%		137.75%	230.33%	127.67%
Allowance for loan losses + Dynamic Reserve / non accrual loans	214.32%	245.66%		182.59%	321.71%	245.36%

Non-accrual loans increased to US$290.8 million as of September 30, 2022, compared to US$256.0 million as of September 30, 2021.The increase in non-accrual loans is mainly attributable to: (i) a US$38.3 million increase in the residential mortgage non-accrual balance from US$168.2 million, or 1.48% of the total loan portfolio, to US$206.5 million or 1.81% of the total loan portfolio; (ii) an increase of US$3.4 million in corporate and other loans from US$44.0 million, or 0.39% of the total loan portfolio, to US$47.4 million, 0.42% of total loans; offset by a US$6.9 million decrease in the consumer non-accrual balance from US$43.8 million, or 0.39% of the total loan portfolio, to US$36.9 million or 0.32% of the total loan portfolio.

Non-accrual loans decreased from US$339.5 million or 3.01% of total loans as of December 31, 2021, to US$290.8 million or 2.55% of total loans as of September 30, 2022. During the nine months ended September 30, 2022, non-accrual loans decreased 14.4% or US$48.7 million.

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 September 30, 2022, and 2021, and as of December 31, 2021, 2020 and 2019:

	As of September 30			As of December 31		
	2022	2021	(%) Change	2021	2020	2019
	(in thousands of U.S. dollars, except for percentages)					
Past due loans						
Commercial	1,100	6,082	-81.9%	6,310	8,959	6,805
Interim construction loans	1,002	1,918	-47.7%	1,918	1,918	1,956
Lines of credit	6,721	6,749	-0.4%	6,940	5,766	6,538
Residential mortgage loans	244,538	223,420	9.5%	279,187	122,885	94,338
Commercial mortgage loans	37,465	26,653	40.6%	35,409	24,336	20,164
Personal loans, auto loans and credit cards	36,772	42,719	-13.9%	47,179	9,464	23,042
Pledge loans and overdrafts	344	1,342	-74.4%	2,142	438	460
Leasing	515	2,151	-76.1%	2,035	2,276	124
Total past due loans	**328,458**	**311,034**	**5.6%**	**381,120**	**176,041**	**153,426**
Total Loans	11,401,521	11,357,158		11,297,779	11,444,423	12,083,689
Allowance for loan losses	471,028	476,651		467,706	383,795	165,159
Past due loans / total loans	2.88%	2.74%		3.37%	1.54%	1.27%
Allowance for loan losses / past due loans	143.41%	153.25%		122.72%	218.01%	107.65%
Allowance for loan losses + Dynamic Reserve / past due loans	189.76%	202.20%		162.67%	304.50%	206.88%

Past due loans increased to US$328.5 million as of September 30, 2022, compared to US$311.0 million as of September 30, 2021. The increase in past due loans is mainly attributable to: (i) a US$21.1 million increase in the residential mortgage past due balance from US$223.4 million or 1.97% of the total loan portfolio, to US$244.5 million or 2.14% of the total loan portfolio; and (ii) an increase US$2.3 million in the corporate and other loans past due balance from US$44.9 million or 0.40% of the total loan portfolio, to a US$47.1 million or 0.42% of the total loans portfolio; offset by a US$5.9 million decrease in the consumer past due balance from US$42.7 million, or 0.38% of the total loan portfolio, to US$36.8 million or 0.32% of the total loan portfolio.

Past due loans decreased from US$381.1 million or 3.37% of total loans as of December 31, 2021, to US$328.5 million or 2.88% of total loans as of September 30, 2022. During the nine months ended September 30, 2022, past due loans decreased 13.8% or US$53.0 million.

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 is 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 September 30, 2022, and December 31, 2021:

	As of September 30, 2022			**As of December 31, 2021**			**(%) Change**	
	Loans	**Allowances**	**%**	**Loans**	**Allowances**	**%**	**Loans**	**Allowances**
	(in thousands of U.S. dollars, except percentages)							
Stage 1	9,237,237	172,696	1.9%	9,142,660	197,389	2.2%	1.0%	-12.5%
Stage 2	1,862,883	233,696	12.5%	1,474,043	129,813	8.8%	26.4%	80.0%
Stage 3	301,401	64,636	21.4%	681,076	140,504	20.6%	-55.7%	-54.0%
Total	**11,401,521**	**471,028**	**4.1%**	**11,297,779**	**467,706**	**4.1%**	**0.9%**	**0.7%**

The allowance for loan losses increased to US$471.0 million in September 2022, or 4.1% 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 increased US$94.6 to US$9,237.2 and the allowance level decreased from US$197.4 million (2.2% of stage 1 loans) in December 2021 to US$172.7 million (1.9% of stage 1 loans) in September 2022. Stage 2 loans increased from US$1,474.0 million to US$1,862.9 million, and the allowance level increased from US$129.8 million (8.8% of stage 2 loans) to US$233.7 million (12.5% of stage 2 loans). Stage 3 loans decreased from US$681.1 million to US$301.4 million, and the allowance level decreased from US$140.5 million (20.6% of stage 3 loans) to US$64.6 million (21.4% of stage 3 loans). The reduction described above for Stage 3 loans is mainly attributable to lower credit risk level in a group of loans that moved to Stage 2.

As of September 2022, the Bank's total restructured loans amounted to US$1,259.3 million (December 2021: US$1,108.6 million) of which US$1,143.1 million (December 2021: US$990.0 million) were backed by mortgage collateral (US$792.6 million in residential mortgage loans, US$322.3 million in commercial mortgage loans, and US$28.2 million in interim construction loans and others).

The following table presents the breakdown of the allowance for loans losses as of September 30, 2022, and 2021, and as of December 31, 2021, 2020, and 2019:

	As of September 30			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	(3,658)	117,950	n/a	155,642	280,947	41,954
Write-offs:						
Commercial	67	212	-68.6%	7,777	521	6,236
Interim construction loans	114	-	100.0%	119	-	415
Lines of credit	559	181	208.8%	536	1,819	6,774
Residential mortgage loans	1,510	1,009	49.6%	1,749	977	1,862
Commercial mortgage loans	313	138	127.7%	247	1,267	434
Personal, auto loans and credit cards	19,919	41,184	-51.6%	86,471	78,192	46,057
Auto	*1,769*	*1,800*	*-1.7%*	*4,408*	*2,279*	*2,331*
Personal	*7,986*	*25,779*	*-69.0%*	*37,434*	*48,178*	*28,509*
Credit cards	*10,163*	*13,606*	*-25.3%*	*44,630*	*27,735*	*15,217*
Pledge loans and overdrafts	238	120	98.6%	146	394	864
Leasing	22	-	100.0%	-	48	337
Total write-offs	**22,741**	**42,844**	**-46.9%**	**97,044**	**83,218**	**62,981**
Recoveries	29,721	17,749	67.5%	25,313	20,907	27,654
Allowance at the end of period	**471,028**	**476,651**	**-1.2%**	**467,706**	**383,795**	**165,159**
Total Loans	11,401,521	11,357,158		11,297,779	11,444,423	12,083,689
Allowance for loan losses / total loans	4.13%	4.20%		4.14%	3.35%	1.37%
(Allowance for loan losses + Dynamic Reserve) / total loans	5.47%	5.54%		5.49%	4.68%	2.63%
Write-off / total loans (1)	0.27%	0.50%		0.86%	0.73%	0.52%
Net write-off / total loans (1)	-0.08%	0.29%		0.63%	0.54%	0.29%

(1) Percentages are annualized.

As of September 30, 2022, total write-offs amounted to US$22.7 million (0.27% of total loans, annualized), as compared to US$42.8 million (0.50% of total loans, annualized) for the same period in 2021. Write-offs for the nine months ended as of 2021 were impacted by a complementary, exceptional, and voluntary write-off policy for consumer loans which contractual monthly payments were deferred repeatedly, demonstrated a weaker financial position, and exhibited limited capacity to service the loan. 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 loan's collateral, the client'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, which 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 September 30, 2022, the Bank´s total regulatory capital amounted to US$2,731.7 million, or 2.74 times the total regulatory capital required by the SBP of 8.0%. The ratio of total capital to risk-weighted assets was 21.91%, calculated on a Tier I capital of US$2,731.7 million over total risk weighted assets of US$12,468.5 million. Total risk-weighted assets include US$11,069.3 millions of risk-weighted assets in our loan and investment portfolios, US$703.2 million of risk-weighted assets due to market risk requirements, and US$696.0 million of risk-weighted assets from operational risk. Our shareholder's equity to total assets ratio was 13.03% as of September 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 September 30, 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 September 30, 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, 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 September 30, 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 September 30, 2022 and 2021, and as of December 31, 2021, 2020, and 2019:

	As of September 30		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	192,381	190,049	190,606	188,396	186,240
Other items comprehensive income	(366,073)	109,067	74,008	159,987	89,125
Retained earnings	2,054,649	1,897,100	1,916,158	1,772,980	1,703,100
Less: Regulatory adjustments	49,293	52,308	51,547	53,674	50,074
Total regulatory primary capital - CET 1	**2,331,664**	**2,643,908**	**2,629,225**	**2,567,690**	**2,428,391**
Minimum regulatory primary capital - CET 1 (4.5%)	**561,083**	**604,007**	**599,177**	**604,434**	**584,249**
Additional primary capital (Tier 1)					
Subordinated perpetual bonds	400,000	400,000	400,000	217,680	217,680
Total additional primary capital	**400,000**	**400,000**	**400,000**	**217,680**	**217,680**
Total primary capital	**2,731,664**	**3,043,908**	**3,029,225**	**2,785,370**	**2,646,071**
Minimum regulatory total primary capital (6.0%)	**748,110**	**805,343**	**798,903**	**805,912**	**778,999**
Total capital	**2,731,664**	**3,043,908**	**3,029,225**	**2,785,370**	**2,646,071**
Minimum regulatory total capital (8.0%)	**997,481**	**1,073,791**	**1,065,204**	**1,074,549**	**1,038,665**
Credit risk-weighted assets	11,069,297	11,491,398	11,506,121	11,273,084	11,931,120
Market risk-weighted assets	703,229	1,300,125	1,154,481	1,551,596	422,023
Operational risk-weighted assets	695,983	630,865	654,452	607,186	630,172
Risk-weighted assets	**12,468,508**	**13,422,388**	**13,315,053**	**13,431,866**	**12,983,315**
Capital ratios					
Total regulatory primary capital ratio	**18.70%**	**19.70%**	**19.75%**	**19.12%**	**18.70%**
Total primary capital ratio	**21.91%**	**22.68%**	**22.75%**	**20.74%**	**20.38%**
Total capital ratio	**21.91%**	**22.68%**	**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 and nine months ended September 30, 2022, and 2021.

The following table presents the Bank´s principal consolidated results of operations for the three and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	2021	(%) Change	2022	2021	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Net interest and comission income	**181,343**	**165,253**	**9.7%**	**517,283**	**474,029**	**9.1%**
Total Provisions, net	**18,600**	**(41,231)**	**n/a**	**(9,101)**	**(118,232)**	**-92.3%**
Other Income (expenses):						
Fees and other comissions	80,331	68,788	16.8%	226,314	183,263	23.5%
Insurances premiums, net	9,745	8,939	9.0%	28,609	24,223	18.1%
Gain (Loss) on financial instruments, net	(10,871)	6,239	n/a	(77,002)	16,963	n/a
Other Income, net	7,494	6,955	7.8%	17,611	21,454	-17.9%
Comissions expenses and other expenses	(29,496)	(25,155)	17.3%	(80,676)	(70,942)	13.7%
Total other income, net	**57,203**	**65,766**	**-13.0%**	**114,856**	**174,961**	**-34.4%**
General and administrative expenses	(81,548)	(74,299)	9.8%	(238,889)	(220,695)	8.2%
Equity participation in associates	3,367	2,635	27.8%	12,050	7,347	64.0%
Net income before income tax	**178,964**	**118,124**	**51.5%**	**396,198**	**317,410**	**24.8%**
Income tax, net	(23,756)	(4,801)	394.8%	(49,948)	(16,864)	196.2%
Net Income	**155,209**	**113,323**	**37.0%**	**346,251**	**300,547**	**15.2%**

For the three months ended September 30, 2022, the Bank's net income was US$155.2 million, which represents an increase of US$41.9 million, or 37.0%, compared to US$113.3 million for the same period in 2021. Annualized ROAE and ROAA were 25.15% and 3.39%, respectively, compared to 16.79% and 2.40% 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 and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	2021	(%) Change	2022	2021	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Total interest and commission income	246,042	235,252	4.6%	712,360	685,612	3.9%
Total interest expenses	64,699	69,999	-7.6%	195,077	211,583	-7.8%
Net interest and commission income	**181,343**	**165,253**	**9.7%**	**517,283**	**474,029**	**9.1%**
Average interest - earning assets	16,672,280	17,263,629	-3.4%	16,962,380	17,188,077	-1.3%
Average interest - bearing liabilities	12,774,438	13,104,153	-2.5%	12,928,669	13,042,866	-0.9%
Net interest margin [(1)(4)]	4.35%	3.83%		4.07%	3.68%	
Average interest rate earned [(2)(4)]	5.90%	5.45%		5.60%	5.32%	
Average interest rate paid [(3)(4)]	2.03%	2.14%		2.01%	2.16%	

(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 9.7% increase in net interest and commission income for the three months ended September 30, 2022, as compared to the same period for 2021, was primarily a result of: (i) a 45 basis points increase in average interest rate earned on interest earning assets, (ii) a reduction of 11 basis points in the average interest paid on interest bearing liabilities, and (iii) a reduction in average interest-bearing liabilities; partially offset by a reduction in average interest-earning assets.

Total Interest and Commission Income

The following table presents information as to the Bank's total interest and commission income for the three and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	**2021**	**(%) Change**	**2022**	**2021**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Total interest and commission income	**246,042**	**235,252**	**4.6%**	**712,360**	**685,612**	**3.9%**
Average interest-earning assets:						
Deposits with banks	367,055	548,096	-33.0%	443,017	563,507	-21.4%
Securities and other financial assets	5,516,467	5,879,507	-6.2%	5,741,140	5,744,641	-0.1%
Loans, net	10,788,758	10,836,026	-0.4%	10,778,223	10,879,930	-0.9%
Total	**16,672,280**	**17,263,629**	**-3.4%**	**16,962,380**	**17,188,077**	**-1.3%**
Average interest rate earned:						
Deposits with banks (1)	1.69%	0.94%		1.24%	1.00%	
Securities and other financial assets (1)	3.43%	2.43%		2.96%	2.49%	
Loans, net (1)	7.31%	7.32%		7.19%	7.03%	
Total (1)	**5.90%**	**5.45%**		**5.60%**	**5.32%**	

(1) Percentages are annualized.

For the three months ended September 30, 2022, our diversified loan portfolio represented 64.7% of the Bank's total average interest earning assets and generated 80.1% of the total interest and commissions income.

Total interest and commission income increased US$10.8 million, or 4.6% for the three months ended September 30, 2022, and was the result of a 45 basis points increase on the average interest rate earned, offset by a 3.4% reduction in average interest-earning assets

The 3.4% decrease in the average interest-earning assets was mainly due to: (i) a 6.2% decrease in securities and other financial assets, (ii) a 33.0% decrease in deposits with banks, and (iii) a 0.4% decrease in our average loan portfolio.

The 45 basis points increase in the average interest rate earned on interest-earning assets was primarily due to: (i) a 100 basis point increase in the interest received on securities and other financial assets, and (ii) a 75 basis points increase in the interest received on deposits with banks.

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 September 30, 2022:

	Decrease/Increase Third Quarter 2021/2022		
	By volume	**By rate**	**Net change**
	(in thousands of U.S. dollars)		
Deposits with banks	(427)	685	258
Securities and other financial assets	(2,204)	13,844	11,640
Loans, net	(865)	(244)	(1,108)
Net Change	**(3,496)**	**14,286**	**10,790**

The decrease of US$591.3 million in average interest earning assets for the three months September 30, 2022, resulted in a decrease of US$3.5 million in interest and commission income for the period, while the increase in the average rate earned on interest-earning assets, from 5.45% to 5.90%, resulted in an increase of US$14.3 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 and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	**2021**	**(%) Change**	**2022**	**2021**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Total interest expenses	**64,699**	**69,999**	**-7.6%**	**195,077**	**211,583**	**-7.8%**
Average interest-bearing liabilties:						
Savings and other deposits	6,068,384	5,990,170	1.3%	6,091,411	5,860,079	3.9%
Time deposits	5,434,976	5,739,259	-5.3%	5,536,057	5,847,055	-5.3%
Borrowings and placements	1,271,078	1,374,724	-7.5%	1,301,201	1,335,732	-2.6%
Total	**12,774,438**	**13,104,153**	**-2.5%**	**12,928,669**	**13,042,866**	**-0.9%**
Average interest rate paid:						
Savings and other deposits (1)	0.64%	0.64%		0.63%	0.64%	
Time deposits (1)	3.03%	3.31%		3.05%	3.36%	
Borrowings and placements (1)	4.37%	3.74%		4.08%	3.59%	
Total (1)	**2.03%**	**2.14%**		**2.01%**	**2.16%**	

(1) Percentages are annualized.

The Bank's total interest expenses is mainly attributable to interest paid on total deposits, which represented 78.6% of the total interest expense for the three months ended September 30, 2022, as compared to 81.6% for the same period in 2021.

The 7.6% decrease in total interest expenses for the three months ended September 30, 2022, as compared to the same period in 2021, was a result of: (i) a 2.5% reduction in average interest-bearing liabilities, and (ii) a 11 basis points decrease in the average interest rate paid on interest bearing liabilities.

The 2.5% decrease in the average interest-bearing liabilities was mainly due to: (i) a 5.3% decrease in average time deposits, and (ii) a 7.5% decrease in average borrowings and placements; partially offset by a 1.3% increase in average savings and other deposits.

The 11 basis points decrease in the average interest rate paid on interest-bearing liabilities was mainly attributable to a 28 basis point decrease on the average interest rate paid on time deposits, partially offset by a 63 basis point increase in the average 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 September 30, 2022:

	Decrease/Increase Third Quarter 2021/2022		
	By volume	**By rate**	**Net change**
	(in thousands of U.S. dollars)		
Savings and other deposits	126	(55)	71
Time deposits	(2,519)	(3,870)	(6,389)
Borrowings and placements	(969)	1,987	1,018
Net change	**(3,363)**	**(1,937)**	**(5,300)**

The decrease of US$329.7 million in average interest-bearing liabilities for the three months ended September 30, 2022, resulted in a decrease of US$3.4 million in interest expense for the period, while the decrease in the average rate paid on interest-bearing liabilities, from 2.14% to 2.03%, resulted in a decrease of US$1.9 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 and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	2021	(%) Change	2022	2021	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Allowance for loan losses at the beginning of period	483,042	439,147	10.0%	467,706	383,795	21.9%
Provisions charged to expenses, net of recoveries	(15,391)	41,031	n/a	(3,658)	117,950	n/a
Recovery of Write-offs	12,245	7,133	71.7%	29,721	17,749	67.5%
Write-offs	(8,868)	(10,661)	-16.8%	(22,741)	(42,844)	-46.9%
Balance at the end of period	**471,028**	**476,651**	**-1.2%**	**471,028**	**476,651**	**-1.2%**
Total Loans	11,401,521	11,357,158		11,401,521	11,357,158	
Net loan loss provisions to total loans [(1)]	-0.54%	1.45%		-0.04%	1.38%	
Write-off to total loans [(1)]	0.31%	0.38%		0.27%	0.50%	
Net write-off to total loans [(1)]	-0.12%	0.12%		-0.08%	0.29%	
Allowance to total loans	4.13%	4.20%		4.13%	4.20%	

[(1)] Percentages are annualized.

For the three months ended September 30, 2022, the provision charged to expenses, net of recoveries recorded a net release of reserves of US$15.4 million, as compared to a provision of US$41.0 million in the same period in 2021.

For the three months ended September 30, 2022, write-offs decreased US$1.8 million, from US$10.7 million in 2021 (or 0.38% of total loans, annualized) to US$8.9 million (or 0.31% of total loans, annualized).

As a result of the above, the allowance for loan losses decreased US$5.6 million, from US$476.7 million in September 2021 to US$471.0 million in September 2022. Consequently, our allowance to total loans ratio was 4.13% in September 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 and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	2021	(%) Change	2022	2021	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Fees and comission income, net	50,835	43,633	16.5%	145,638	112,321	29.7%
Insurance premiums, net	9,745	8,939	9.0%	28,609	24,223	18.1%
Gain (Loss) on financial instruments, net	(10,871)	6,239	n/a	(77,002)	16,963	n/a
Other income, net	7,494	6,955	7.8%	17,611	21,454	-17.9%
Total of other income, net	**57,203**	**65,766**	**-13.0%**	**114,856**	**174,961**	**-34.4%**

The 13.0% decrease in total other income, net for the three months ended September 30, 2022, primarily reflects the following factors:

Fees and Commission Income, Net

The 16.5% increase in fees and commission income, net of commission expenses for the three months ended September 30, 2022, resulted from a 26.3% increase in commissions and fees related to credit and debit card operations, as a result of higher transaction volumes. The total number of credit and debit cards issued by the Bank increased by 15.4%, from 1.3 million in September 2021 to 1.5 million in September 2022. Credit and debit cards transactions increased by 28.2% from 51.1 million in the third quarter of 2021 to 65.5 million in the same period of 2022.

Insurance Premiums, Net

Net insurance premiums increased by 9.0% for the three months ended September 30, 2022, as compared to the same period in 2021, mainly due to: (i) an increase in insurance premiums of 7.7%, and (ii) a decrease in claims of 1.5%.

Gain (Loss) on Financial Instruments, Net

Financial instruments, net for the three months ended September 30, 2022, resulted in a loss of US$10.9 million, due to higher levels of interest rates and higher credit spreads which negatively impacted the valuation of our investment portfolio. During the third quarter, the interest rate for 1 year, 3 year and 5 year US Treasuries increased 121 basis points, 128 basis points, and 105 basis points, respectively.

Other income, Net

Other income, net, increased by US$0.5 million, or 7.8.%, in the three months ended September 30, 2022, mainly as a result of fixed asset sales and an increase in banking services.

General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the three and nine months ended September 30, 2022, and 2021, respectively:

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2022	**2021**	**(%) Change**	**2022**	**2021**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Salaries and other employee expenses	43,395	40,122	8.2%	127,306	120,835	5.4%
Depreciation and amortization expenses	7,554	7,039	7.3%	22,674	21,162	7.1%
Premises and equipment expenses	7,334	6,492	13.0%	21,905	18,876	16.0%
Other expenses	23,265	20,646	12.7%	67,003	59,822	12.0%
Total	**81,548**	**74,299**	**9.8%**	**238,889**	**220,695**	**8.2%**

The 9.8% increase in general and administrative expenses for three months ended September 30, 2022, primarily reflects the following factors:

Salaries and Other Employee Expenses

Salaries and other employee expenses represented 53.2% of total general and administrative expenses as of September 30, 2022, as compared to 54.0% for the same period in 2021. The 8.2% increase in salaries and other employee expenses was attributable to the combination of a moderate annual increase in salaries and a 2.7% increase in the number of employees.

Depreciation and Amortization Expenses

Total depreciation and amortization expense increased US$0.5 million or 7.3% for the three months ended September 30, 2022, due to an increase of US$0.6 million related to higher capital investments in technology, digital channels, and cybersecurity.

Premises and Equipment Expenses

Premises and equipment expenses increased by US$0.8 million or 13.0% for the three months ended September 30, 2022, as compared to the same period in 2021, mainly due to: (i) an increase of US$0.8 million related to the implementation of new technological platforms and software.

Other Expenses

Other expenses increased US$2.6 million or 12.7%, for the three months ended September 30, 2022, as a result of: (i) a US$2.0 million increase related to transaction volumes of credit and debit card, and (ii) US$0.7 million increase in other expenses.

Taxes

Income tax, net amounted to US$23.8 million for the three months ended September 30, 2022, as compared to US$4.8 million for the three months ended September 30, 2021. The increase of US$19.0 million was primarily driven by a higher taxable income as compared to the same period of 2021 and a lower provisioning expense as compared to the same period of 2021.

Operational Efficiency

The Bank's operational efficiency was 33.71% in September 2022, as compared to 31.80% in September 2021 mainly as a result of: (i) a US$7.2 million, or 9.8%, increase in the Bank's general and administrative expenses, and (ii) a US$8.3 million increase or 3.4%, in operating income.

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

	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21
	(in thousands of U.S. dollars)				
Total interest and commission income	246,042	235,664	230,655	229,875	235,252
Total interest expenses	(64,699)	(64,878)	(65,500)	(67,463)	(69,999)
Net interest and commission income	**181,343**	**170,785**	**165,155**	**162,412**	**165,253**
Total Provisions, net	18,600	(411)	(27,291)	(34,019)	(41,231)
Net interest and commission income after provisions	**199,943**	**170,375**	**137,864**	**128,393**	**124,022**
Other Income (expenses):					
Fees and other commissions	80,331	74,133	71,849	73,427	68,788
Insurance premiums, net	9,745	9,728	9,137	8,465	8,939
Gain (Loss) on financial instruments, net	(10,871)	(34,548)	(31,582)	(8,617)	6,239
Other income, net	7,494	3,703	6,414	7,776	6,955
Commissions expenses and other expenses	(29,496)	(24,512)	(26,668)	(21,140)	(25,155)
Total other income, net	**57,203**	**28,503**	**29,150**	**59,911**	**65,766**
General and administrative expenses	(81,548)	(79,290)	(78,051)	(76,175)	(74,299)
Equity participation in associates	3,367	3,788	4,895	3,486	2,635
Net income before income tax	**178,964**	**123,376**	**93,857**	**115,616**	**118,124**
Income tax, net	(23,756)	(17,560)	(8,632)	(7,975)	(4,801)
Net income	**155,209**	**105,817**	**85,225**	**107,641**	**113,323**

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

	30-sep-22	30-jun-22	31-mar-22	31-Dec-21	30-sep-21
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	670,438	892,013	819,546	645,454	813,240
Securities and other financial assets	5,479,947	5,487,405	5,933,361	6,175,130	5,895,819
Loans	11,401,521	11,279,343	11,270,951	11,297,779	11,357,158
Allowance for possible loans losses	(471,028)	(483,042)	(488,959)	(467,706)	(476,651)
Unearned comissions	(38,051)	(36,601)	(35,790)	(36,092)	(36,683)
Investments in associates	34,377	32,236	29,809	25,021	27,770
Other assets	1,329,934	1,189,815	1,269,489	1,142,412	1,221,043
Total assets	**18,407,137**	**18,361,168**	**18,798,408**	**18,781,998**	**18,801,697**
Liabilities and shareholder's equity					
Total Deposits	13,233,915	13,478,334	13,655,017	13,800,612	13,546,444
Securities sold under repurchase agreements	244,772	-	-	-	-
Borrowings and placements	766,536	875,701	883,388	893,646	917,408
Perpetual bonds	400,000	400,000	400,000	400,000	400,000
Other liabilities	1,364,371	1,195,461	1,320,134	996,692	1,230,629
Total liabilities	**16,009,593**	**15,949,496**	**16,258,539**	**16,090,949**	**16,094,481**
Shareholder's equity	**2,397,545**	**2,411,672**	**2,539,869**	**2,691,048**	**2,707,216**
Total liabilities and shareholder's equity	**18,407,137**	**18,361,168**	**18,798,408**	**18,781,998**	**18,801,697**
Operational data (in units)					
Number of customers [1]	1,567,562	1,514,312	1,462,767	1,402,139	1,347,731
% active customers in digital channels [2]	78.0%	76.7%	75.4%	73.9%	71.8%
Number of employees [3]	4,620	4,546	4,496	4,510	4,498
Number of branches [4]	80	80	82	82	82
Number of ATMs [4]	629	628	626	633	615
Assets under management (in US$ million) [5]	12,272	12,123	12,111	12,140	11,787

(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 28 of the interim Financial Statements.

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

	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21
Profitability and efficiency:					
Net Interest Margin (1)(2)	4.35%	4.04%	3.82%	3.77%	3.83%
Return on average assets (1) (3)	3.39%	2.29%	1.80%	2.28%	2.40%
Return on average equity (1) (3)	25.15%	17.00%	12.92%	15.87%	16.79%
Efficiency (4)	33.71%	39.04%	39.18%	33.73%	31.80%
Operating expenses / average total assets (1) (3)	1.78%	1.71%	1.65%	1.62%	1.58%
Other income / operating income (5)	28.40%	27.09%	27.48%	28.06%	26.47%
Liquidity:					
Primary Liquidity / total deposits and obligations (6)	31.09%	32.44%	34.35%	35.25%	34.65%
Regulatory Liquidity / qualified deposits (7)	40.82%	42.73%	42.05%	44.84%	45.42%
Loans, net / client deposits (8)	82.44%	79.84%	78.71%	78.23%	80.08%
Liquidity Coverage Ratio (LCR) (9)	149.97%	179.29%	172.68%	198.11%	203.55%
Capital:					
Total regulatory primary capital ratio (10)	18.70%	18.08%	18.31%	19.75%	19.70%
Total primary capital ratio (10)	21.91%	21.16%	21.27%	22.75%	22.68%
Total capital ratio (10)	21.91%	21.16%	21.27%	22.75%	22.68%
Equity / assets	13.03%	13.13%	13.51%	14.33%	14.41%
Earning retention ratio (11)	57.61%	37.82%	22.79%	17.55%	48.16%
Asset quality:					
Past due loans / total loans (12)	2.88%	3.17%	3.37%	3.37%	2.74%
Non accrual loans / total loans (13)	2.55%	2.86%	2.98%	3.01%	2.25%
Allowance for loan losses / total loans	4.13%	4.28%	4.34%	4.14%	4.20%
Allowance for loan losses / past due loans (12)	143.41%	135.02%	128.79%	122.72%	153.25%
Allowance for loan losses / non accrual loans (13)	161.97%	149.71%	145.77%	137.75%	186.19%
Allowance for loan losses + Dynamic Reserve / past due loans (12)	189.76%	177.58%	168.89%	162.67%	202.20%
Allowance for loan losses + Dynamic Reserve / non accrual loans (13)	214.32%	196.90%	191.16%	182.59%	245.66%
Write-offs / total loans (1)	0.31%	0.36%	0.13%	1.92%	0.38%
Net write-offs / total loans (1)	-0.12%	0.01%	-0.13%	1.65%	0.12%

(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) Client deposits exclude interbank deposits.

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

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

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

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

(13) 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.