Banco General

Management Discussion

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 has a network of representative offices also conducts banking business in Costa Rica, through its subsidiary, Banco General (Costa Rica), S.A., Colombia, Guatemala, El Salvador, Peru and Mexico which closed operations during the month of March 2022. 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.

The following discussion is based on information contained in the condensed consolidated interim financial statements, as of December 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).

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total Assets

As of December 31, 2022, the Bank's gross loan portfolio increased by US$392.4 million, or 3.5% from US$11,297.8 million in December 2021, to US$11,690.2 million in December 2022. During this period, the Bank’s residential mortgage portfolio grew 1.8%, from US$4,713.8 million to US$4,797.5 million; the consumer loan portfolio increased 5.4%, from US$1,717.0 million to US$1,809.5 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, increased 4.0%, from US$4,454.3 million to US$4,634.3 million, and other loans (comprised of pledge loans, overdrafts and financial leases) increased 8.7% from US$412.7 million to US$448.8 million. The Bank’s local corporate loan portfolio increased 1.3%, from US$3,429.7 million to US$3,472.8 million, and the Bank’s regional corporate loan portfolio increased 13.4%, from US$1,024.6 million to US$1,161.5 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 15.0%, from US$6,175.1 million in December 2021 to US$5,249.9 million in December 2022.

Total Liabilities

The Bank’s total deposits decreased by US$634.0 million, or 4.6% from US$13,800.6 million in December 2021 to US$13,166.6 million in December 2022. Time deposits, the Bank's main source of funding, decreased by US$451.4 million, from US$5,672.2 million to US$5,220.8 million, representing 39.7% of total deposits, with an average remaining life of 12 months, and 66.8% having original maturities of one year or more. Savings accounts grew by US$94.9 million, or 1.9%, from US$4,965.4 million to US$5,060.3 million, representing 38.4% of total deposits. Demand deposits decreased by US$277.5 million from US$3,163.0 million to US$2,885.5 million, representing 21.9% of total deposits.

The Bank's total borrowings and placements increased by US$106.9 million, from US$1,293.6 million in December 2021 to US$1,400.5 million in December 2022. As of December 31, 2022, 28.6% 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$112.4 million, or 4.2%, from US$2,691.0 million in December 2021 to US$2,578.6 million in December 2022, mainly driven by a decrease of US$353.4 million in capital reserves due to a reduction in the valuation of the investment portfolio in a rising rate and spread environment, partially offset by an increase of US$234.3 million in retained earnings. The Bank's equity to total assets ratio remains at a healthy position at 14.01% in December 2022 (14.33% in December 2021).

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 7.60% 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 18.6% to US$4,214.7 million (December 2021: US$5,179.5 million) and the primary liquidity ratio decreased to 29.75% (December 2021: 35.25%). 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 53.8% are AAA rated investments. As of December 31, 2022, these liquid assets represented 32.0% of total deposits and 22.9% 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 December 31, 2022, the Bank maintained a regulatory liquidity of 39.04% as compared to 44.84% in December 2021.

B. Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of December 31, 2022, total gross loans amounted to US$11,690.2 million comprised by: (i) 56.5% retail loans (41.0% residential loans and 15.5% consumer loans), (ii) 39.6% corporate loans (29.7% local corporate loans and 9.9% 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 December 31, 2022, 74.3% of all loans were secured by residential or commercial properties, deposits, or other assets; 64.4% of all loans were secured by first lien mortgages on land and improvements (residential mortgages, commercial mortgages, and interim construction loans), and 9.9% 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 0.57% of total loans for the last two years ending December 31, 2022.

As of December 31, 2022, 88.1% of the Bank's loan portfolio was comprised of local borrowers (individuals and corporations) based in Panama, and 11.9% was comprised of regional clients based primarily in Costa Rica, Colombia, Guatemala, El Salvador, Peru, and Mexico, including clients of our universal banking subsidiary in Costa Rica, Banco General (Costa Rica), S.A., which has 8 branches. As of December 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 loan portfolio according to type of loan, economic activities, and income group, among other variables. In addition, the Bank's credit policies provide for managing concentration within economic sectors, in the case of corporate loans, and provide various underwriting criteria, depending on the level of income, in the case of retail lending.

The following table summarizes the composition of the loan portfolio by type of loan as of December 31, 2022, 2021, and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Local Loans					
Commercial	371,731	350,371	323,258	6.1%	8.4%
Interim construction loans	286,742	378,674	482,879	(24.3%)	(21.6%)
Lines of credit	935,698	781,406	924,713	19.7%	(15.5%)
Residential mortgage loans	4,634,457	4,527,931	4,390,972	2.4%	3.1%
Commercial mortgage loans	1,878,588	1,919,261	1,952,981	(2.1%)	(1.7%)
Personal loans, auto loans and credit cards	1,801,740	1,707,751	1,759,520	5.5%	(2.9%)
Pledge loans and overdrafts	315,459	303,712	299,947	3.9%	1.3%
Leasing	73,634	65,341	79,984	12.7%	(18.3%)
Total Local Loans	**10,298,049**	**10,034,446**	**10,214,254**	**2.6%**	**(1.8%)**
Foreign Loans					
Commercial	682,780	620,293	551,106	10.1%	12.6%
Lines of credit	314,033	243,162	208,211	29.1%	16.8%
Residential mortgage loans	163,069	185,841	204,561	(12.3%)	(9.2%)
Commercial mortgage loans	164,735	161,100	188,603	2.3%	(14.6%)
Personal loans, auto loans and credit cards	7,805	9,253	11,966	(15.7%)	(22.7%)
Pledge loans and overdrafts	59,725	43,683	65,722	36.7%	(33.5%)
Total Foreign Loans	**1,392,146**	**1,263,333**	**1,230,170**	**10.2%**	**2.7%**
Total Loans	**11,690,196**	**11,297,779**	**11,444,423**	**3.5%**	**(1.3%)**
Allowance for loan losses	432,999	467,706	383,795	(7.4%)	21.9%
Unearned commissions	38,496	36,092	37,045	6.7%	(2.6%)
Total loans, net	**11,218,700**	**10,793,981**	**11,023,583**	**3.9%**	**(2.1%)**

Non accrual Loans

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

The following table presents non accrual loans according to loan type, as of December 31, 2022, 2021, and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Non accrual loans					
Commercial	1,347	9,015	8,959	(85.1%)	0.6%
Interim construction loans	1,002	1,918	1,918	(47.7%)	0.0%
Lines of credit	6,096	6,520	5,800	(6.5%)	12.4%
Residential mortgage loans	200,761	236,062	110,592	(15.0%)	113.5%
Commercial mortgage loans	36,781	35,389	24,238	3.9%	46.0%
Personal loans, auto loans and credit cards	30,441	46,857	12,659	(35.0%)	270.2%
Pledge loans and overdrafts	826	2,025	183	(59.2%)	1003.9%
Leasing	535	1,754	2,276	(69.5%)	(22.9%)
Total non accrual loans	**277,789**	**339,539**	**166,625**	**(18.2%)**	**103.8%**
Total Loans	11,690,196	11,297,779	11,444,423		
Allowance for loan losses	432,999	467,706	383,795		
Non accrual loans / total loans	2.38%	3.01%	1.46%		
Allowance for loans losses / non accrual loans	155.87%	137.75%	230.33%		

Non accrual loans decreased to US$277.8 million as of December 31, 2022, compared to US$339.5 million as of December 31, 2021.The decrease in non accrual loans is mainly attributable to: (i) a US$35.3 million decrease in the residential mortgage non accrual balance from US$236.1 million, or 2.09% of the total loan portfolio, to US$200.8 million or 1.72% of the total loan portfolio; (ii) a US$16.4 million decrease in the consumer non accrual balance from US$46.9 million, or 0.41% of the total loan portfolio, to US$30.4 million, or 0.26% of the total loan portfolio; and (iii) a decrease of US$10.0 million in corporate and other loans from US$56.6 million, or 0.50% of the total loan portfolio, to US$46.6 million, or 0.41% of the total loan portfolio.

Non accrual loans in accordance with SBP regulations represented 2.38% of total loans as of December 31, 2022, compared to 3.01% as of December 31, 2021. The Bank’s total allowance coverage for loan losses was 155.87% of non accrual loans, as compared to 137.75% as of December 31, 2021.

During the period between March 2020, and June 2021, the SBP established regulations that allowed adjustments in the terms and conditions of loans for clients impacted by the pandemic and were classified as modified loans. During this period, these loans did not advance in delinquency.

Past Due Loans

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

The following table presents past due loans, according to loan type, as of December 31, 2022, 2021, and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Past due loans					
Commercial	1,347	6,310	8,959	(78.6%)	(29.6%)
Interim construction loans	1,002	1,918	1,918	(47.7%)	0.0%
Lines of credit	6,244	6,940	5,766	(10.0%)	20.3%
Residential mortgage loans	237,114	279,187	122,885	(15.1%)	127.2%
Commercial mortgage loans	36,856	35,409	24,336	4.1%	45.5%
Personal loans, auto loans and credit cards	30,341	47,179	9,464	(35.7%)	398.5%
Pledge loans and overdrafts	922	2,142	438	(57.0%)	389.2%
Leasing	543	2,035	2,276	(73.3%)	(10.6%)
Total past due loans	**314,370**	**381,120**	**176,041**	**(17.5%)**	**116.5%**
Total Loans	11,690,196	11,297,779	11,444,423		
Allowance for loan losses	432,999	467,706	383,795		
Past due loans / total loans	2.69%	3.37%	1.54%		
Allowance for loan losses / past due loans	137.74%	122.72%	218.01%		

Past due loans decreased to US$314.4 million as of December 31, 2022, compared to US$381.1 million as of December 31, 2021. The decrease in past due loans is mainly attributable to: (i) a US$42.1 million decrease in the residential mortgage past due balance from US$279.2 million or 2.47% of the total loan portfolio, to US$237.1 million or 2.03% of the total loan portfolio; (ii) a decrease of US$16.8 million in the consumer past due balance from US$47.2 million, or 0.42% of the total loan portfolio, to US$30.3 million, or 0.27% of the total loan portfolio; and (iii) a decrease of US$7.8 million in the corporate and other loans past due balance from US$54.8 million, or 0.48% of the total loan portfolio, to US$46.9 million, or 0.42% of the total loan portfolio.

Past due loans represented 2.69% of total loans as of December 31, 2022, compared to 3.37% as of December 31, 2021. As of December 31, 2022, the Bank's total allowance coverage for loan losses was 137.74% of past due loans, as compared to 122.72% as of December 31, 2021.

During the period between March 2020 and June 2021, the SBP established regulations that allowed adjustments in the terms and conditions of loans for clients impacted by the pandemic and were classified as modified loans. During this period, these loans did not advance in delinquency.

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 of 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.

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 and 2022, 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 December 31, 2022, and December 31, 2021:

	As of December 31, 2022			**As of December 31, 2021**			**(%) Change**	
	Loans	**Allowances**	**%**	**Loans**	**Allowances**	**%**	**Loans**	**Allowances**
	(in thousands of U.S. dollars, except percentages)							
Stage 1	9,566,504	136,927	1.4%	9,142,660	197,389	2.2%	4.6%	(30.6%)
Stage 2	1,833,525	234,895	12.8%	1,474,043	129,813	8.8%	24.4%	80.9%
Stage 3	290,167	61,177	21.1%	681,076	140,504	20.6%	(57.4%)	(56.5%)
Total	**11,690,196**	**432,999**	**3.7%**	**11,297,779**	**467,706**	**4.1%**	**3.5%**	**(7.4%)**

The allowance for loan losses decreased to US$433.0 million in December 2022, or 3.7% 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$423.8 million to US$9,566.5 and the allowance level decreased from US$197.4 million (2.2% of stage 1 loans) in December 2021 to US$136.9 million (1.4% of stage 1 loans) in December 2022. Stage 2 loans increased from US$1,474.0 million to US$1,833.5 million, and the allowance level increased from US$129.8 million (8.8% of stage 2 loans) to US$234.9 million (12.8% of stage 2 loans). Stage 3 loans decreased from US$681.1 million to US$290.2 million, as seen in a reduction in (i) US$342.2 million in corporate and other loans, and (ii) US$48.7 million in the residential and consumer loans; and the allowance level decreased from US$140.5 million (20.6% of stage 3 loans) to US$61.2 million (21.1% of stage 3 loans). The decline described above por for Stage 3 loans can be attributable primarily to the reclassification of certain corporate loans to Stage 2 due to a reduced level of credit risk.

As of December 2022, the Bank’s total restructured loans amounted to US$1,149.6 million (December 2021: US$1,108.6 million) of which US$1,040.5 million (December 2021: US$990.0 million) were backed by mortgage collateral (US$724.2 million in residential mortgage loans, US$288.2 million in commercial mortgage loans, and US$28.1 million in interim construction loans and others). During the last quarter of 2022, restructured loans decreased 8.7% or US$109.7 million, from US$1,259.3 million as of September 30, 2022 to US$1,149.6 million as of December 31, 2022.

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

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Allowance at the beginning of period	**467,706**	**383,795**	**165,159**	**21.9%**	**132.4%**
Provision charged to expenses, net of recoveries	(42,396)	155,642	280,947	n/a	(44.6%)
Write-offs:					
Commercial	318	7,777	521	(95.9%)	n/a
Interim construction loans	129	119	-	8.3%	100.0%
Lines of credit	583	536	1,819	8.9%	(70.5%)
Residential mortgage loans	2,260	1,749	977	29.3%	78.9%
Commercial mortgage loans	1,366	247	1,267	452.3%	(80.5%)
Personal and auto loans and credit cards	26,495	86,471	78,192	(69.4%)	10.6%
Auto	*2,422*	*4,408*	*2,279*	(45.1%)	93.4%
Personal	*11,341*	*37,434*	*48,178*	(69.7%)	(22.3%)
Credit cards	*12,732*	*44,630*	*27,735*	(71.5%)	60.9%
Pledge loans and overdrafts	350	146	394	139.9%	(63.0%)
Leasing	22	-	48	100.0%	(100.0%)
Total write-offs	**31,523**	**97,044**	**83,218**	**(67.5%)**	**16.6%**
Recoveries	39,212	25,313	20,907	54.9%	21.1%
Allowance at the end of period	**432,999**	**467,706**	**383,795**	**(7.4%)**	**21.9%**
Total Loans	11,690,196	11,297,779	11,444,423		
Allowance for loan losses / total loans	3.70%	4.14%	3.35%		
Write-offs / total loans	0.27%	0.86%	0.73%		
Net write-offs / total loans	(0.07%)	0.63%	0.54%		

As of December 31, 2022, total write-offs amounted to US$31.5 million (0.27% of total loans), as compared to US$97.0 million (0.86% of total loans) for the same period in 2021. Write-offs for the year 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 December 31, 2022, the Bank´s total regulatory capital amounted to US$2,913.4 million, or 2.9 times the total regulatory capital required by the SBP of 8.0%. The ratio of total capital to risk-weighted assets was 23.02%, calculated on a Tier I capital of US$2,913.4 million (which decreased US$115.8 million compared to 2021 mainly due to a reduction of US$353.4 million in the valuation of the investment portfolio in an environment of rising interest rates and credit spreads, offset by an increase of US$234.3 million in retained earnings), and total risk weighted assets of US$12,656.3 million (which decreased from US$13,315.1 million in December 2021 to US$12,656.3 million in December 2022). Total risk-weighted assets include: US$11,258.8 million of risk-weighted assets in our loan and investment portfolios, US$657.7 million of risk-weighted assets due to market risk requirements, and US$739.9 million of risk-weighted assets from operational risk. Moreover, our shareholder's equity to total assets ratio was 14.01% as of December 2022 (2021: 14.33%).

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 December 31, 2022, the Bank´s dynamic reserve balance was US$149.4 million.

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 December 31, 2022, all subsidiaries complied with the minimum capital requirements applicable according to their respective regulation.

The following table presents information regarding the Bank's capital levels as of December 31, 2022, 2021 and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Regulatory primary capital (Tier 1)					
Common shares	500,000	500,000	500,000	0.0%	0.0%
Legal reserve	190,917	190,606	188,396	0.2%	1.2%
Other items comprehensive income	(279,368)	74,008	159,987	n/a	(53.7%)
Retained earnings	2,150,471	1,916,158	1,772,980	12.2%	8.1%
Less: Regulatory adjustments	48,638	51,547	53,674	(5.6%)	(4.0%)
Total regulatory primary capital - CET 1	**2,513,381**	**2,629,225**	**2,567,690**	**(4.4%)**	**2.4%**
Minimum regulatory primary capital - CET 1 (4.5%)	**569,536**	**599,177**	**604,434**	**(4.9%)**	**(0.9%)**
Additional primary capital (Tier 1)					
Subordinated debt - perpetual bonds	400,000	400,000	217,680	0.0%	83.8%
Total additional primary capital	**400,000**	**400,000**	**217,680**	**0.0%**	**83.8%**
Total primary capital	**2,913,381**	**3,029,225**	**2,785,370**	**(3.8%)**	**8.8%**
Minimum regulatory total primary capital (6.0%)	**759,381**	**798,903**	**805,912**	**(4.9%)**	**(0.9%)**
Total capital	**2,913,381**	**3,029,225**	**2,785,370**	**(3.8%)**	**8.8%**
Minimum regulatory total capital (8.0%)	**1,012,508**	**1,065,204**	**1,074,549**	**(4.9%)**	**(0.9%)**
Credit risk-weighted assets	11,258,810	11,506,121	11,273,084	(2.1%)	2.1%
Market risk-weighted assets	657,676	1,154,481	1,551,596	(43.0%)	(25.6%)
Operational risk-weighted assets	739,859	654,452	607,186	13.1%	7.8%
Risk-weighted assets	**12,656,345**	**13,315,053**	**13,431,866**	**(4.9%)**	**(0.9%)**
Capital ratios					
Total regulatory primary capital ratio	**19.86%**	**19.75%**	**19.12%**		
Total primary capital ratio	**23.02%**	**22.75%**	**20.74%**		
Total capital ratio	**23.02%**	**22.75%**	**20.74%**		

The Bank's level of capitalization reflects 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.

D. Results of Operations for the years ended December 31, 2022, 2021 and 2020.

The following table presents the Bank´s principal consolidated results of operations for the years ended December 31, 2022, 2021 and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Net interest and commission income	**716,843**	**636,441**	**662,739**	**12.6%**	**(4.0%)**
Total Provisions, net	**34,683**	**(152,251)**	**(283,992)**	**n/a**	**(46.4%)**
Other Income (expenses):					
Fees and other commissions	313,279	256,690	204,466	22.0%	25.5%
Insurances premiums, net	38,516	32,688	35,593	17.8%	(8.2%)
Gain (loss) on financial instruments, net	(94,685)	8,346	19,252	n/a	(56.6%)
Other Income, net	28,471	29,230	30,439	(2.6%)	(4.0%)
Commissions expenses and other expenses	(110,891)	(92,081)	(78,686)	20.4%	17.0%
Total other income, net	**174,690**	**234,872**	**211,063**	**(25.6%)**	**11.3%**
General and administrative expenses	(326,005)	(296,869)	(290,239)	9.8%	2.3%
Equity participation in associates	15,137	10,833	7,329	39.7%	47.8%
Net income before income tax	**615,348**	**433,026**	**306,900**	**42.1%**	**41.1%**
Income tax, estimated	(71,250)	(43,654)	(40,307)	63.2%	8.3%
Income tax, deferred	(5,841)	18,815	54,567	n/a	(65.5%)
Income tax, net	**(77,091)**	**(24,839)**	**14,260**	**210.4%**	**n/a**
Net Income	**538,256**	**408,187**	**321,160**	**31.9%**	**27.1%**

As of December 31, 2022, the Bank's net income amounted to US$538.3 million, which represents an increase of US$130.1 million, or 31.9%, compared to US$408.2 million for the same period in 2021. ROAE and ROAA were 21.21% and 2.90%, respectively, compared to 15.25% and 2.17% 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 years ended December 31, 2022, 2021, and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Total interest and commission income	981,120	915,487	994,471	7.2%	(7.9%)
Total interest expenses	264,276	279,046	331,732	(5.3%)	(15.9%)
Net interest and commission income	**716,843**	**636,441**	**662,739**	**12.6%**	**(4.0%)**
Average interest - earning assets	16,928,522	17,202,148	17,478,227	(1.6%)	(1.6%)
Average interest - bearing liabilities	12,888,830	13,052,614	13,294,248	(1.3%)	(1.8%)
Net interest margin (1)	4.23%	3.70%	3.79%		
Average interest rate earned (2)	5.80%	5.32%	5.69%		
Average interest rate paid (3)	2.05%	2.14%	2.50%		

(1) Net interest and commission income (before provisions for possible loan losses) as a percentage of average total interest-earning assets.
(2) Total interest and commission income divided by average interest-earning assets. (3) Total interest expenses divided by average interest-bearing

The 12.6% increase in net interest and commission income for the year ended December 31, 2022, as compared to the same period for 2021, was primarily a result of: (i) a 48 basis points increase in average interest rate earned on interest earning assets, and (ii) a decrease of 9 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 years ended December 31, 2022, 2021 and 2020, respectively:

	As of December 31			(%) Change	
	2022	**2021**	**2020**	**2022/2021**	**2021/2020**
	(in thousands of U.S. dollars, except for percentages)				
Total interest and commission income	**981,120**	**915,487**	**994,471**	**7.2%**	**(7.9%)**
Average interest-earning assets:					
Deposits with banks	428,538	534,504	517,780	(19.8%)	3.2%
Securities and other financial assets	5,633,491	5,800,840	5,340,769	(2.9%)	8.6%
Loans, net	10,866,494	10,866,804	11,619,679	(0.0%)	(6.5%)
Total	**16,928,522**	**17,202,148**	**17,478,227**	**(1.6%)**	**(1.6%)**
Average interest rate earned:					
Deposits with banks	1.43%	1.01%	1.37%		
Securities and other financial assets	3.23%	2.46%	3.00%		
Loans, net	7.30%	7.06%	7.12%		
Total	**5.80%**	**5.32%**	**5.69%**		

For the year ended December 31, 2022, our diversified loan portfolio represented 64.2% of the Bank's total average interest earning assets and generated 80.8% of the total interest and commissions income.

Total interest and commission income increased US$65.6 million, or 7.2% for the year ended December 31, 2022, and was the result of a 48 basis points increase on the average interest rate earned, offset by a 1.6% reduction in average interest-earning assets

The 1.6% decrease in the average interest-earning assets was mainly due to: (i) a 2.9% decrease in securities and other financial assets, and (ii) a 19.8% decrease in deposits with banks.

The 48 basis points increase in the average interest rate earned on interest-earning assets was primarily due to: (i) a 77 basis points increase in the interest received on securities and other financial assets, and (ii) a 24 basis points increase in the interest received on loans, net.

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 years ended 2022 and 2021:

	2022/2021			2021/2020		
	By volume	By rate	Net change	By volume	By rate	Net change
	(in thousands of U.S. dollars)					
Deposits with banks	(1,065)	1,840	775	229	(1,956)	(1,727)
Securities and other financial assets	(4,114)	43,369	39,254	13,789	(31,238)	(17,449)
Loans, net	(22)	25,624	25,602	(53,604)	(6,204)	(59,808)
Net Change	**(5,201)**	**70,834**	**65,632**	**(39,586)**	**(39,398)**	**(78,984)**

The increase in the average rate earned on interest-earning assets, from 5.32% to 5.80%, resulted in an increase of US$70.8 million in interest and commission income, while the decrease of US$273.6 million in average interest earning assets for the year ended December 31, 2022, resulted in a decrease of US$5.2 million in interest and commission income for the period 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 years ended December 31, 2022, 2021 and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Total interest expenses	**264,276**	**279,046**	**331,732**	**(5.3%)**	**(15.9%)**
Average interest-bearing liabilties:					
Savings and other deposits	6,060,955	5,920,700	5,084,827	2.4%	16.4%
Time deposits	5,486,674	5,805,305	6,107,425	(5.5%)	(4.9%)
Borrowings and placements [1]	1,341,202	1,326,609	2,101,997	1.1%	(36.9%)
Total	**12,888,830**	**13,052,614**	**13,294,248**	**(1.3%)**	**(1.8%)**
Average interest rate paid:					
Savings and other deposits	0.64%	0.64%	0.71%		
Time deposits - clients	3.07%	3.33%	3.63%		
Borrowings and placements [1]	4.26%	3.62%	3.50%		
Total	**2.05%**	**2.14%**	**2.50%**		

[1] Includes Repos, Borrowings and placements and Perpetual Bonds.

The Bank's total interest expenses is mainly attributable to interest paid on total deposits, which represented 78.4% of the total interest expense for the year ended December 31, 2022, as compared to 82.8% for the same period in 2021.

Total interest expenses decrease US$14.8 million, or 5.3% for the year ended December 31,2022, and was result of: (i) a 1.3% reduction in average interest-bearing liabilities, and (ii) a 9 basis points decrease in the average interest rate paid on interest bearing liabilities.

The 1.3% decrease in the average interest-bearing liabilities was mainly due to a 5.5% decrease in average time deposits, offset by a 2.4% increase in average savings and other deposits.

The 9 basis points decrease in the average interest rate paid on interest-bearing liabilities was mainly attributable to a 26 basis point decrease on the average interest rate paid on time deposits, partially offset by a 64 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 years ended 2022 and 2021:

	2022/2021			2021/2020		
	By volume	By rate	Net change	By volume	By rate	Net change
	(in thousands of U.S. dollars)					
Savings and other deposits	897	72	969	5,941	(4,217)	1,724
Time deposits	(10,602)	(14,199)	(24,801)	(10,982)	(17,856)	(28,838)
Borrowings and placements [1]	528	8,535	9,063	(27,146)	1,573	(25,573)
Net change	**(9,177)**	**(5,593)**	**(14,769)**	**(32,187)**	**(20,500)**	**(52,687)**

[1] Includes Repos, Borrowings and placements and Perpetual Bonds.

The decrease of US$163.8 million in average interest-bearing liabilities for the year ended December 31, 2022, resulted in a decrease of US$9.2 million in interest expense for the period, while the decrease in the average rate paid on interest-bearing liabilities, from 2.14% to 2.05%, resulted in a decrease of US$5.6 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 years ended December 31, 2022, 2021 and 2020, respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in millions of U.S. dollars, except for percentages)				
Allowance for loan losses at the beginning of period	**467,706**	**383,795**	**165,159**	**21.9%**	**132.4%**
Provisions charged to expenses, net of recoveries	(42,396)	155,642	280,947	n/a	(44.6%)
Recovery of Write-offs	39,212	25,313	20,907	54.9%	21.1%
Write-offs	31,523	97,044	83,218	(67.5%)	16.6%
Balance at the end of period	**432,999**	**467,706**	**383,795**	**(7.4%)**	**21.9%**
Total Loans	11,690,196	11,297,779	11,444,423		
Net loan loss provisions to total loans	(0.36%)	1.38%	2.45%		
Write-offs to total loans	0.27%	0.86%	0.73%		
Net write-offs to total loans	(0.07%)	0.63%	0.54%		
Allowance to total loans	3.70%	4.14%	3.35%		

For the year ended December 31, 2022, the provision charged to expenses, net of recoveries recorded a net release of reserves of US$42.4 million, as compared to a provision of US$155.6 million in December 2021; as a result of the decrease in stage 3 loans, non accrual loans, and non performing loans, which resulted in a lower reserve requirement as compared to our reserves at the beginning of the year.

For the year ended December 31, 2022, write-offs decreased US$65.5 million, from US$97.0 million in December 2021 (or 0.86% of total loans) to US$31.5 million (or 0.27% of total loans).

As a result of the above, the allowance for loan losses decreased US$34.7 million, from US$467.7 million in December 2021 to US$433.0 million in December 2022. Consequently, the Bank's allowance to total loans ratio was 3.70% in

December 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 years ended December 31, 2022, 2021 and 2020 respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Fees and commission income, net	202,388	164,608	125,780	23.0%	30.9%
Insurance premiums, net	38,516	32,688	35,593	17.8%	(8.2%)
Gain (loss) on financial instruments, net	(94,685)	8,346	19,252	n/a	(56.6%)
Other income, net	28,471	29,230	30,439	(2.6%)	(4.0%)
Total of other income, net	**174,690**	**234,872**	**211,063**	**(25.6%)**	**11.3%**

The 25.6% decrease in total other income, net for the year ended December 31, 2022, primarily reflects the following factors:

Fees and Commission Income, Net

The 23.0% increase in fees and commission income, net of commission expenses for the year ended December 31, 2022, resulted from a 29.1% 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 17.3%, from 1.3 million in December 2021 to 1.6 million in December 2022. Credit and debit cards transactions increased by 35.5% from 191.5 million in 2021 to 259.5 million in 2022.

Insurance Premiums, Net

Net insurance premiums increased by 17.8% for the year ended December 31, 2022, as compared to the same period in 2021, mainly due to: (i) an increase in insurance premiums of 8.4%, and (ii) a decrease in claims of 21.6%.

Gain (Loss) on Financial Instruments, Net

Financial instruments, net for the year ended December 31, 2022, incurred a net loss of US$94.7 million, due to an increase in interest rates and credit spreads, which negatively impacted the valuation of our investment portfolio. For reference, the interest rates for 1-year, 3-year, and 5-year US Treasuries increased 433 basis points, 327 basis points and 274 basis points, respectively, from December 2021.

Other income, Net

Other income, net, decreased by US$0.8 million, or 2.6%, in the year ended December 31, 2022, mainly as a result of unrealized losses on the Bank's pension fund, offset by an increase in dividend income and banking services.

General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the years ended December 31, 2022, 2021 and 2020 respectively:

	As of December 31			(%) Change	
	2022	2021	2020	2022/2021	2021/2020
	(in thousands of U.S. dollars, except for percentages)				
Salaries and other employee expenses	170,971	162,629	166,278	5.1%	(2.2%)
Depreciation and amortization expenses	30,651	28,385	28,517	8.0%	(0.5%)
Premises and equipment expenses	29,965	25,119	22,727	19.3%	10.5%
Other expenses	94,419	80,736	72,717	16.9%	11.0%
Total	**326,005**	**296,869**	**290,239**	**9.8%**	**2.3%**

The 9.8% increase in general and administrative expenses for year ended December 31, 2022, primarily reflects the following factors:

Salaries and Other Employee Expenses

Salaries and other employee expenses represented 52.4% of total general and administrative expenses as of December 31, 2022, as compared to 54.8% for the same period in 2021. The 5.1% increase in salaries and other employee expenses was attributable to the combination of a moderate annual increase in salaries and a 3.6% increase in the number of employees.

Depreciation and Amortization Expenses

Total depreciation and amortization expense increased US$2.3 million or 8.0% for the year ended December 31, 2022, mainly due to an increase in investments in hardware and software as the Bank continues to develop its technological capabilities in multiple platforms.

Premises and Equipment Expenses

Premises and equipment expenses increased by US$4.8 million or 19.3% for the year ended December 31, 2022, as compared to the same period in December 2021, mainly due to the implementation and maintenance of new and existing technological platforms and software.

Other Expenses

Other expenses increased US$13.7 million or 16.9%, for the year ended December 31, 2022, mainly as a result of a US$7.0 million increase related to higher transaction volumes of credit and debit cards.

Taxes

Income tax, net amounted to US$77.1 million for the year ended December 31, 2022 (US$71.2 million in income tax and US$5.8 million in deferred income tax). The US$52.3 million increase in income tax, net was primarily due to: (i) an increase of US$27.6 million in income tax, and (ii) an increase of US$24.7 million in deferred income tax.

Operational Efficiency

The Bank's operational efficiency ratio amounted to 35.96% in December 2022, an increase of 2.31 basis points as compared to 33.65% in December 2021 mainly as a result of: (i) a US$29.1 million, or 9.8%, increase in the Bank's general and administrative expenses, and (ii) a US$24.5 million increase or 2.8%, in operating income.

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

	2022	2021	2020	2019	2018
	(in thousands of U.S. dollars)				
Total interest and commission income	981,120	915,487	994,471	1,086,146	1,003,566
Total interest expenses	(264,276)	(279,046)	(331,732)	(386,964)	(352,632)
Net interest and commission income	**716,843**	**636,441**	**662,739**	**699,182**	**650,934**
Total Provisions, net	34,683	(152,251)	(283,992)	(44,923)	(45,804)
Net interest and commission income after provisions	**751,526**	**484,191**	**378,747**	**654,259**	**605,130**
Other Income (expenses):					
Fees and other commissions	313,279	256,690	204,466	229,221	212,897
Insurance premiums, net	38,516	32,688	35,593	33,930	29,998
Gain (loss) on financial instruments, net	(94,685)	8,346	19,252	15,348	(11,538)
Other income, net	28,471	29,230	30,439	28,608	25,649
Commissions expenses and other expenses	(110,891)	(92,081)	(78,686)	(94,964)	(85,278)
Total other income, net	**174,690**	**234,872**	**211,063**	**212,143**	**171,727**
General and administrative expenses	(326,005)	(296,869)	(290,239)	(308,175)	(293,967)
Equity participation in associates	15,137	10,833	7,329	10,898	9,934
Net income before income tax	**615,348**	**433,026**	**306,900**	**569,124**	**492,825**
Income tax, estimated	(71,250)	(43,654)	(40,307)	(66,375)	(62,388)
Income tax, deferred	(5,841)	18,815	54,567	1,517	3,772
Income tax, net	**(77,091)**	**(24,839)**	**14,260**	**(64,858)**	**(58,616)**
Net income	**538,256**	**408,187**	**321,160**	**504,266**	**434,208**

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

	2022	2021	2020	2019	2018
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	657,810	645,454	800,585	730,474	694,202
Securities and other financial assets	5,249,921	6,175,130	5,624,784	4,973,441	5,188,000
Loans	11,690,196	11,297,779	11,444,423	12,083,689	11,952,385
Allowance for possible loans losses	(432,999)	(467,706)	(383,795)	(165,159)	(158,531)
Unearned comissions	(38,496)	(36,092)	(37,045)	(43,302)	(41,104)
Investments in associates	29,917	25,021	21,686	24,881	26,035
Other assets	1,250,384	1,142,412	1,146,145	1,119,697	1,043,171
Total assets	**18,406,731**	**18,781,998**	**18,616,783**	**18,723,721**	**18,704,157**
Liabilities and shareholder's equity					
Total Deposits	13,166,642	13,800,612	13,449,536	12,455,268	12,228,307
Securities sold under repurchase agreements	198,243	-	-	403,947	-
Borrowings and placements	802,268	893,646	1,076,469	1,914,581	2,886,528
Perpetual bonds	400,000	400,000	217,680	217,680	217,680
Other liabilities	1,260,962	996,692	1,239,887	1,249,506	1,186,619
Total liabilities	**15,828,114**	**16,090,949**	**15,983,572**	**16,240,982**	**16,519,134**
Shareholder's equity	**2,578,617**	**2,691,048**	**2,633,211**	**2,482,739**	**2,185,023**
Total liabilities and shareholder's equity	**18,406,731**	**18,781,998**	**18,616,783**	**18,723,721**	**18,704,157**
Operational data (in units)					
Number of customers (1)	1,603,641	1,402,139	1,200,346	1,052,219	951,034
Number of customers affiliated in digital channels (2)	1,405,814	1,192,418	957,082	714,769	510,889
% active customers in digital channels (3)	79.1%	73.9%	63.9%	53.8%	43.0%
Number of employees (4)	4,674	4,510	4,554	4,714	4,685
Number of branches (5)	80	82	83	86	86
Number of ATMs (5)	637	633	638	645	650
Assets under management (in US$ million) (6)	12,752	12,140	11,300	11,823	10,886

(1) Total number of clients at the end of the period includes BG, BGO, BGCR and Profuturo clients. (2) Only considers BG clients (3) Active customers in digital channels (as a percent of total clients) represents clients who transact/visit our online banking or mobile application during the last month. (4) Total number of permanent full-time employees at the end of the period for BG & Subsidiaries. (5) Total number of branches and ATMs in Panama and Costa Rica. (6) Assets under management at BG Valores, excluding deposits.

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

	2022	2021	2020	2019	2018
Profitability and efficiency:					
Net Interest Margin (1)	4.23%	3.70%	3.79%	4.06%	3.91%
Return on average assets (2)	2.90%	2.17%	1.68%	2.68%	2.41%
Return on average equity (2)	21.21%	15.25%	12.30%	21.07%	20.21%
Efficiency (3)	35.96%	33.65%	32.94%	33.42%	35.31%
Operating expenses / average total assets (2)	1.76%	1.58%	1.51%	1.64%	1.63%
Other income / operating income (4)	27.93%	25.82%	21.38%	21.17%	21.11%
Liquidity:					
Primary Liquidity / total deposits and obligations (5)	29.75%	35.25%	29.40%	27.29%	28.16%
Regulatory Liquidity / qualified deposits (6)	39.04%	44.84%	40.45%	38.21%	42.65%
Loans, net / client deposits (7)	85.22%	78.23%	82.00%	96.10%	97.15%
Liquidity Coverage Ratio (LCR) (8)	155.07%	198.11%	158.18%	137.46%	178.56%
Capital:					
Total regulatory primary capital ratio (9)	19.86%	19.75%	19.12%	18.70%	17.64%
Total primary capital ratio (9)	23.02%	22.75%	20.74%	20.38%	19.45%
Total capital ratio (9)	23.02%	22.75%	20.74%	20.38%	19.45%
Equity / assets	14.01%	14.33%	14.14%	13.26%	11.68%
Earning retention ratio (10)	45.19%	35.08%	25.63%	42.89%	39.71%
Asset quality:					
Past due loans / total loans (11)	2.69%	3.37%	1.54%	1.27%	1.15%
Non accrual loans / total loans (12)	2.38%	3.01%	1.46%	1.07%	0.97%
Allowance for loan losses / total loans	3.70%	4.14%	3.35%	1.37%	1.33%
Allowance for loan losses / past due loans (11)	137.74%	122.72%	218.01%	107.65%	115.03%
Allowance for loan losses / non accrual loans (12)	155.87%	137.75%	230.33%	127.67%	137.14%
Write-offs / total loans	0.27%	0.86%	0.73%	0.52%	0.43%
Net write-offs / total loans	(0.07%)	0.63%	0.54%	0.29%	0.24%

(1) Net interest margin refers to net interest and commission income divided by average interest-earning assets. Average interest-earning assets are determined on average monthly balances. (2) Percentages have been calculated using monthly averages. (3) Efficiency is defined as general and administrative expenses divided by the sum of net interest, commission income, other income, net, and equity participation in associates. (4) Other income corresponds to the sum of fees and other commissions, insurance premiums, net, and other income, net; while operating income corresponds to the sum of income from interest and commissions, fees and other commissions, insurance premiums, net and other income, net. (5) Primary liquidity is comprised of: (a) cash and deposits with banks, (b) interest-bearing deposits with banks, and (c) high quality (investment grade) fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS. (6) As defined in Accord 4-2008 by the SBP. (7) Client deposits exclude interbank deposits. (8) As defined in Accord 2-2018 by the SBP. (9) Total capital as a 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.