Banco General

Management Discussion

First Quarter 2024

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 in Colombia, Guatemala, El Salvador, and Peru and also conducts banking business in Costa Rica, through its subsidiary, Banco General (Costa Rica), S.A. All references to “we”, “us”, “our”, “Bank” and “Banco General” are to Banco General, S.A., and its consolidated subsidiaries, unless otherwise indicated or so required by the context.

The following discussion is based on the information contained in the condensed consolidated interim financial statements, as of March 2024. 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 March 31, 2024, the Bank's gross loan portfolio increased by US$625.9 million, or 5.4% from US$11,552.7 million in March 2023, to US$12,178.6 million in March 2024. During this period, the Bank’s residential mortgage portfolio decreased 0.1%, from US$4,803.3 million to US$4,800.6 million; the consumer loan portfolio increased 9.9%, from US$1,842.1 million to US$2,025.1 million; the corporate loan portfolio, comprised of both local and regional corporate clients, increased 9.2%, from US$4,459.9 million to US$4,870.2 million; and other loans (comprised of pledge loans, overdrafts and financial leases) increased 7.9% from US$447.4 million to US$482.7 million. The Bank’s local corporate loan portfolio increased 2.8%, from US$3,284.6 million to US$3,376.0 million, and the Bank’s regional corporate loan portfolio increased 27.1%, from US$1,175.3 million to US$1,494.2 million. The Bank’s total investment portfolio primarily made up of investment-grade liquid fixed-income investments and the local and regional corporate fixed-income portfolio decreased 0.3%, from US$5,155.5 million in March 2023 to US$5,140.0 million in March 2024.

Total Liabilities

The Bank’s total deposits increased by US$130.3 million, or 1.0% from US$13,001.8 million in March 2023 to US$13,132.2 million in March 2024. During this period, time deposits increased by US$388.5 million, or 7.4% from US$5,252.3 million to US$5,640.8 million, representing 43.0% of total deposits, with an average remaining life of 13 months and 69.2% having original maturities of one year or more. Savings accounts decreased by US$193.8 million, or 3.9%, from US$4,930.8 million to US$4,737.0 million, representing 36.0% of total deposits. Demand deposits decreased by US$64.3 million, or 2.3% from US$2,818.7 million to US$2,754.4 million, representing 21.0% of total deposits.

The Bank's total borrowings and placements decreased by US$94.4 million, or 7.3% from US$1,295.9 million in March 2023 to US$1,201.5 million in March 2024.

Equity

The Bank's equity increased by US$337.4 million, or 12.6%, from US$2,677.3 million in March 2023 to US$3,014.7 million in March 2024, mainly driven by an increase in retained earnings of US$248.5 million, and an increase of capital reserves of US$83.4 million (mainly due to an increase in the valuation of the investment portfolio). The Bank’s equity to total assets ratio increased to 16.17% in March 2024 as compared to 14.66% in March 2023.

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 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 multiple sources of financings (representing 7.69% of total liabilities); and (iv) low levels of short-term institutional liabilities, all of which give us a stable asset and liability structure.

Primary liquidity amounted to 27.94% on March 2024, comprised of cash, bank deposits and liquid investment-grade fixed-income investments, divided by total deposits and borrowings (excluding perpetual bonds). The Bank's total primary liquidity has an average credit rating of AA- of which 53.4% are AAA rated investments and 79.3% are A- or above. As of March 31, 2024, these liquid assets represented 29.6% of total deposits and 20.9% of total assets.

In addition to our internal liquidity limits, 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 deposits from subsidiaries and pledged deposits. For the calculation of this ratio, the SBP allows for 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 March 31, 2024, the Bank maintained a regulatory liquidity of 40.84% and a liquidity coverage ratio (LCR) of 343.01%.

A. Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of March 31, 2024, total gross loans amounted to US$12,178.6 million comprised by: (i) 56.0% retail loans (39.4% residential loans and 16.6% consumer loans), (ii) 40.0% corporate loans (27.7% local corporate loans and 12.3% foreign corporate loans), and (iii) 4.0% other loans (which includes pledge loans, overdrafts, and financial leases).

To minimize the risk of credit losses, the Bank emphasizes on granting loans secured by collateral, particularly single-family residences, other properties, and deposits, in addition to applying strict underwriting guidelines and "know your customer" policies. As of March 31, 2024, 70.9% of all loans were secured by residential or commercial properties, deposits, or other assets; 61.1% of all loans were secured by first lien mortgages on land and improvements, and 9.8% of all loans were backed by pledged deposits and other assets. The combination of our underwriting policies and security interests held as collateral, has resulted in historically low gross write-off levels, averaging 0.37% of total loans for the last two years ending March 31, 2024.

As of March 31, 2024, 86.1% of the Bank's loan portfolio was comprised of local borrowers (individuals and corporations) based in Panama, and 13.9% 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 March 31, 2024, 99.9% of the Bank's loans were denominated in US dollars, which is the legal tender in Panama.

The following table summarizes the composition of the loan portfolio by type of loan as of March 31, 2024, and 2023, and as of December 31, 2023, 2022, and 2021, respectively:

	As of March 31			As of December 31		
	2024	**2023**	**(%) Change**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars, except for percentages)					
Local loans						
Commercial	285,600	331,414	(13.8%)	327,705	371,731	350,371
Interim construction loans	261,296	274,039	(4.6%)	265,160	286,742	378,674
Lines of credit	1,020,711	831,728	22.7%	1,019,344	935,698	781,406
Residential mortgage loans	4,654,626	4,644,735	0.2%	4,659,178	4,634,457	4,527,931
Commercial mortgage loans	1,808,407	1,847,373	(2.1%)	1,785,136	1,878,588	1,919,261
Personal loans, auto loans and credit cards	2,016,375	1,834,774	9.9%	1,963,721	1,801,740	1,707,751
Pledge loans and overdrafts	337,174	321,279	4.9%	329,659	315,459	303,712
Leasing	97,151	77,652	25.1%	91,931	73,634	65,341
Total local loans	**10,481,340**	**10,162,992**	**3.1%**	**10,441,835**	**10,298,049**	**10,034,446**
Foreign loans						
Commercial	840,569	697,669	20.5%	788,221	682,780	620,293
Lines of credit	516,560	320,937	61.0%	399,792	314,033	243,162
Residential mortgage loans	145,997	158,588	(7.9%)	148,074	163,069	185,841
Commercial mortgage loans	137,023	156,735	(12.6%)	139,405	164,735	161,100
Personal loans, auto loans and credit cards	8,758	7,280	20.3%	8,088	7,805	9,253
Pledge loans and overdrafts	48,361	48,460	(0.2%)	49,546	59,725	43,683
Total foreign loans	**1,697,268**	**1,389,669**	**22.1%**	**1,533,126**	**1,392,146**	**1,263,333**
Total loans	**12,178,609**	**11,552,662**	**5.4%**	**11,974,961**	**11,690,196**	**11,297,779**
Less:						
Allowance for loan losses	395,090	434,346	(9.0%)	394,787	432,999	467,706
Unearned commissions	39,388	39,030	0.9%	38,961	38,496	36,092
Total loans, net	**11,744,131**	**11,079,285**	**6.0%**	**11,541,213**	**11,218,700**	**10,793,981**

Non Accrual Loans

Regulation issued by the SBP requires the classification of loans with 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: deterioration of the payment capacity, collateral weakness, or other factors known to us, such as fraud, death of the debtor, insolvency or bankruptcy) in a manner that places the collection of the loan at risk.

The following table presents non accrual loans according to loan type as of March 31, 2024, and 2023, and as of December 31, 2023, 2022, and 2021, respectively:

	As of March 31			As of December 31		
	2024	**2023**	**(%) Change**	**2023**	**2022**	**2021**
	(in thousands of U.S. dollars, except for percentages)					
Non accrual loans						
Commercial	736	1,332	(44.7%)	873	1,347	9,015
Interim construction loans	-	-	0.0%	-	1,002	1,918
Lines of credit	7,186	5,784	24.2%	5,729	6,096	6,520
Residential mortgage loans	179,704	199,572	(10.0%)	186,546	200,761	236,062
Commercial mortgage loans	40,387	39,205	3.0%	39,457	36,781	35,389
Personal loans, auto loans and credit cards	30,129	31,741	(5.1%)	25,952	30,441	46,857
Pledge loans and overdrafts	222	2,251	(90.1%)	157	826	2,025
Leasing	164	130	26.0%	81	535	1,754
Total non accrual loans	**258,529**	**280,015**	**(7.7%)**	**258,795**	**277,789**	**339,539**
Total loans	12,178,609	11,552,662		11,974,961	11,690,196	11,297,779
Allowance for loan losses	395,090	434,346		394,787	432,999	467,706
Non accrual loans / total loans	2.12%	2.42%		2.16%	2.38%	3.01%
Allowance for loans losses / non accrual loans	152.82%	155.12%		152.55%	155.87%	137.75%

Non accrual loans decreased to US$258.5 million as of March 31, 2024, compared to US$280.0 million as of March 31, 2023. The decrease in non accrual loans is mainly attributable to a US$19.9 million decrease in the residential mortgage non accrual balance from US$199.6 million to US$179.7 million.

Non accrual loans calculated in accordance with SBP regulations represented 2.12% of total loans as of March 31, 2024, compared to 2.42% as of March 31, 2023. The Bank’s coverage of allowance for loan losses was 152.82% of non accrual loans, as compared to 155.12% as of March 31, 2023.

Past Due Loans

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

The following table presents past due loans, according to loan type as of March 31, 2024, and 2023, and as of December 31, 2023, 2022, and 2021, respectively:

	As of March 31			As of December 31		
	2024	2023	(%) Change	2023	2022	2021
	(in thousands of U.S. dollars, except for percentages)					
Past due loans						
Commercial	886	1,410	(37.1%)	1,043	1,347	6,310
Interim construction loans	-	-	0.0%	-	1,002	1,918
Lines of credit	7,342	5,839	25.7%	5,729	6,244	6,940
Residential mortgage loans	230,215	234,316	(1.8%)	233,429	237,114	279,187
Commercial mortgage loans	40,496	38,917	4.1%	37,996	36,856	35,409
Personal loans, auto loans and credit cards	29,961	31,828	(5.9%)	25,776	30,341	47,179
Pledge loans and overdrafts	222	5,363	(95.9%)	169	922	2,142
Leasing	190	150	26.1%	143	543	2,035
Total past due loans	**309,312**	**317,823**	**(2.7%)**	**304,284**	**314,370**	**381,120**
Total loans	12,178,609	11,552,662		11,974,961	11,690,196	11,297,779
Allowance for loan losses	395,090	434,346		394,787	432,999	467,706
Past due loans / total loans	2.54%	2.75%		2.54%	2.69%	3.37%
Allowance for loan losses / past due loans	127.73%	136.66%		129.74%	137.74%	122.72%

Past due loans decreased to US$309.3 million as of March 31, 2024, compared to US$317.8 million as of March 31, 2023. The decrease in past due loans is mainly attributable to a decrease of US$4.1 million in the past due balance of residential mortgage loans from US$234.3 million to US$230.2 million.

Past due loans represented 2.54% of total loans as of March 31, 2024, compared to 2.75% as of March 31, 2023. The Bank's coverage of allowance for loan losses was 127.73% of past due loans, compared to 136.66% as of March 31, 2023.

Allowance for Loan Losses

To maintain the allowance for loan losses at required levels, provisions for loan losses are accounted for as charges on income and added to the allowance and 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 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 the expected credit losses for the following 12-months period. This represents the portion of lifetime expected credit losses resulting from default events that are possible within a 12-months period as of the reporting date, assuming that 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 to 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 information 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. Therefore, the Bank developed complementary models to incorporate the potential increase in risk levels and the corresponding additional loan loss reserves.

The following table presents the breakdown of the allowance for loan losses under IFRS 9 parameters as of March 31, 2024, and December 31, 2023:

	As of March 31, 2024			As of December 31, 2023			(%) Change	
	Loans	Allowance	%	Loans	Allowance	%	Loans	Allowance
	(in thousands of U.S. dollars,except percentages)							
Stage 1	10,288,339	134,869	1.3%	10,068,716	132,012	1.3%	2.2%	2.2%
Stage 2	1,631,630	204,713	12.5%	1,643,698	208,039	12.7%	(0.7%)	(1.6%)
Stage 3	258,640	55,507	21.5%	262,547	54,736	20.8%	(1.5%)	1.4%
Total	**12,178,609**	**395,090**	**3.2%**	**11,974,961**	**394,787**	**3.3%**	**1.7%**	**0.1%**

The allowance for loan losses increased to US$395.1 million in March 2024, or 3.2% of the total loan portfolio, from US$394.8 million, or 3.3% of the total loan portfolio, as of December 2023.

Stage 1 loans increased US$219.6 million to US$10,288.3 and the allowance level increased from US$132.0 million (1.3% of stage 1 loans) in December 2023 to US$134.9 million (1.3% of stage 1 loans) in March 2024. The amount of loans in Stage 2 decreased from US$1,643.7 million to US$1,631.6 million, and the allowance level decreased from US$208.0 million (12.7% of stage 2 loans) to US$204.7 million (12.5% of stage 2 loans). The amount of loans in Stage 3 decreased from US$262.5 million to US$258.6 million and the allowance level increased from US$54.7 million (20.8% of stage 3 loans) to US$55.5 million (21.5% of stage 3 loans).

As of March 2024, the Bank's total restructured loans amounted to US$781.4 million (December 2023: US$844.9 million), primarily as a result of the loans that were modified pursuant to regulation issued by the SBP during the global pandemic. Moreover, from the total restructured loans, US$430.5 million or 55.1% are current with their contractual payments. Furthermore, as of March 2024, US$672.7 million or 86.1% of restructured loans were backed by mortgage collateral (December 2023: US$733.9 million or 86.9%).

The following table presents the breakdown of the allowance for loans losses as of March 31, 2024, and 2023, and as of December 31, 2023, 2022 and 2021, respectively:

	As of March 31			As of December 31		
	2024	2023	(%) Change	2023	2022	2021
	(in thousands of U.S. dollars, except for percentages)					
Allowance at the beginning of period	**394,787**	**432,999**	**(8.8%)**	**432,999**	**467,706**	**383,795**
Provision (reversal) charged to expenses, net of recoveries	943	(1,138)	n/a	(40,138)	(42,396)	155,642
Write-offs:						
Commercial	217	45	380.2%	563	318	7,777
Interim construction loans	-	1,002	(100.0%)	1,028	129	119
Lines of credit	10	13	(26.2%)	44	583	536
Residential mortgage loans	1,400	569	146.2%	4,600	2,260	1,749
Commercial mortgage loans	95	31	204.2%	288	1,366	247
Personal, auto loans and credit cards	10,380	7,468	39.0%	40,925	26,495	86,471
Auto loans	*580*	*804*	*(27.9%)*	*2,403*	*2,422*	*4,408*
Personal loans	*6,151*	*4,207*	*46.2%*	*23,728*	*11,341*	*37,434*
Credit cards	*3,650*	*2,457*	*48.5%*	*14,794*	*12,732*	*44,630*
Pledge loans and overdrafts	38	32	17.3%	140	350	146
Leasing	-	-	0.0%	52	22	-
Total write-offs	**12,139**	**9,161**	**32.5%**	**47,640**	**31,523**	**97,044**
Recoveries	11,499	11,645	(1.3%)	49,565	39,212	25,313
Allowance at the end of period	**395,090**	**434,346**	**(9.0%)**	**394,787**	**432,999**	**467,706**
Total loans	12,178,609	11,552,662		11,974,961	11,690,196	11,297,779
Allowance for loan losses / total loans	3.24%	3.76%		3.30%	3.70%	4.14%
Write-offs / total loans (1)	0.40%	0.32%		0.40%	0.27%	0.86%
Net write-offs / total loans (1)	0.02%	(0.09%)		(0.02%)	(0.07%)	0.63%

(1) Percentages are annualized.

For the three months ended March 31, 2024, total write-offs amounted to US$12.1 million (0.40% of total loans, annualized), as compared to US$9.2 million (0.32% of total loans, annualized) for the same period in 2023, while net write-offs amounted to US$0.6 million (0.02% of total loans, annualized).

B. Capital Resources

One of the cornerstones of our financial strategy is our strong capital position, which exceeds local and international regulatory requirements contained in the Basel Accords, and has supported our investment grade ratings since 1997, currently holding the following ratings: BBB by Standard & Poor’s, Baa3 by Moody’s, and BBB- by Fitch Ratings, one notch above the sovereign. In the case of Standard & Poor’s and Moody’s, our ratings are higher on a stand-alone basis, but constrained by Panama’s sovereign rating due to their methodologies.

As of March 31, 2024, the Bank had a total capital of US$3,348.8 million, or 3.1 times the SBP required regulatory capital of 8.0%. The ratio of total capital to risk-weighted assets (“RWA”) was 24.42%, based entirely of primary capital, which increased US$340.6 million or 11.3% compared to March 2023, and total risk-weighted assets of US$13,713.8 million. Total risk-weighted assets include: US$12,214.7 million of credit RWA (which increased from US$11,154.4 million in March 2023 mainly as a result of a rollback of an adjustment in the weight attributable to categories 7 and 8 to 100%, issued by the SBP during the Covid-19 pandemic), US$759.1 million of market RWA, and US$740.0 million of operational RWA.

In addition to the above-mentioned regulatory capital adequacy requirements, Agreement 4-2013 issued by the SBP requires that all banks 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 and is considered part of the regulatory capital if a bank's regulatory capital exceeds the minimum capital adequacy ratio of 8.0%. As of March 31, 2024, the Bank´s dynamic reserve balance was US$151.7 million.

The Bank's subsidiaries General de Seguros, S.A., BG Valores, S.A., ProFuturo Administradora de Fondos de Pensiones y Cesantía, S.A., BG Investment Co., Inc., BG Trust, Inc., Banco General (Costa Rica), S.A., Banco General (Overseas), Inc., and Commercial Re. Overseas, Ltd. are all subject to minimum capital requirements stipulated by their corresponding regulators including but not limited to the SBP, the Superintendence of Insurance and Reinsurance of Panama, the Superintendence of Capital Markets of Panama, the General Superintendency of Financial Entities of Costa Rica (SUGEF), the Monetary Authority of the Cayman Islands (CIMA), the British Virgin Islands Financial Services Commission, and others. As of March 31, 2024, all the subsidiaries of the Bank 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 March 31, 2024, and 2023, and as of December 31, 2023, 2022 and 2021, respectively:

	As of March 31		As of December 31		
	2024	2023	2023	2022	2021
	(in thousands of U.S. dollars, except for percentages)				
Regulatory primary capital					
Common shares	500,000	500,000	500,000	500,000	500,000
Legal reserve	197,646	191,564	192,810	190,917	190,606
Other items comprehensive income	(164,441)	(247,872)	(163,678)	(279,368)	74,008
Retained earnings	2,461,030	2,212,524	2,377,583	2,150,471	1,916,158
Less: Regulatory adjustments	45,453	47,984	46,021	48,638	51,547
Total regulatory primary capital - CET 1	**2,948,782**	**2,608,231**	**2,860,694**	**2,513,381**	**2,629,225**
Minimum regulatory primary capital - CET 1 (4.5%)	**617,120**	**571,692**	**605,290**	**569,536**	**599,177**
Additional primary capital (Tier 1)					
Subordinated perpetual bonds	400,000	400,000	400,000	400,000	400,000
Total additional primary capital	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**
Total primary capital	**3,348,782**	**3,008,231**	**3,260,694**	**2,913,381**	**3,029,225**
Minimum regulatory total primary capital (6.0%)	**822,827**	**762,256**	**807,053**	**759,381**	**798,903**
Total capital	**3,348,782**	**3,008,231**	**3,260,694**	**2,913,381**	**3,029,225**
Minimum regulatory total capital (8.0%)	**1,097,103**	**1,016,341**	**1,076,071**	**1,012,508**	**1,065,204**
Credit risk-weighted assets	12,214,727	11,154,433	12,045,910	11,258,810	11,506,121
Market risk-weighted assets	759,100	806,694	641,963	657,676	1,154,481
Operational risk-weighted assets	739,960	743,135	763,010	739,859	654,452
Risk-weighted assets	**13,713,786**	**12,704,262**	**13,450,883**	**12,656,345**	**13,315,053**
Capital ratios					
Total regulatory primary capital ratio	**21.50%**	**20.53%**	**21.27%**	**19.86%**	**19.75%**
Total primary capital ratio	**24.42%**	**23.68%**	**24.24%**	**23.02%**	**22.75%**
Total capital ratio	**24.42%**	**23.68%**	**24.24%**	**23.02%**	**22.75%**

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.

C. Results of Operations for the three months ended on March 31, 2024, and 2023.

The following table presents the Bank´s principal consolidated results of operations for the three months ended on March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	2023	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	309,322	275,194	12.4%
Total interest expenses	(92,072)	(70,723)	30.2%
Net interest and commission income	**217,250**	**204,471**	**6.2%**
Total Provisions, net	**959**	**(2,188)**	**n/a**
Other Income (expenses):			
Fees and other commissions	96,340	86,361	11.6%
Insurances premiums, net	11,503	9,603	19.8%
Gain (Loss) on financial instruments, net	3,344	(20,844)	n/a
Other Income, net	10,120	8,348	21.2%
Commission expenses and other expenses	(42,350)	(40,148)	5.5%
Total other income, net	**78,956**	**43,320**	**82.3%**
General and administrative expenses	(84,843)	(79,991)	6.1%
Equity participation in associates	4,339	3,895	11.4%
Net income before income tax	**214,743**	**173,883**	**23.5%**
Income tax, net	(25,403)	(22,130)	14.8%
Net Income	**189,340**	**151,753**	**24.8%**

For the three months ended March 31, 2024, the Bank's net income was US$189.3 million, which represents an increase of US$37.6 million, or 24.8%, compared to US$151.7 million for the same period in 2023. ROAE and ROAA were 25.31% and 4.06%, respectively, compared to 22.78% and 3.32% for the same period 2023. These results were mainly due to the following factors:

Net Interest and Commission Income

The following table presents the Bank's net interest and commission income and related average rate and margin information for the three months ended on March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	2023	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	309,322	275,194	12.4%
Total interest expenses	(92,072)	(70,723)	30.2%
Net interest and commission income	**217,250**	**204,471**	**6.2%**
Average interest - earning assets	17,087,786	16,663,127	2.5%
Average interest - bearing liabilities	12,545,566	12,436,215	0.9%
Net interest margin (1)(4)	5.09%	4.91%	
Average interest rate earned (2)(4)	7.24%	6.61%	
Average interest rate paid (3)(4)	2.94%	2.27%	

(1) Net interest and commission income (before provisions for possible loan losses) as a percentage of average total interest-earning 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 6.2% increase in net interest and commission income for the three months ended March 31, 2024, as compared to the same period for 2023, was primarily a result of a 63 basis points increase in average interest rate earned on interest earning assets and a 2.5% increase in average interest-earning assets, offset by an increase of 67 basis points in the average interest rate paid on interest bearing liabilities.

Total Interest and Commission Income

The following table presents information as to the Bank's total interest and commission income for the three months ended on March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	**2023**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)		
Total interest and commission income	**309,322**	**275,194**	**12.4%**
Average interest-earning assets:			
Deposits with banks	291,624	300,865	(3.1%)
Investments and other financial assets, net	5,112,061	5,212,620	(1.9%)
Loans, net	11,684,101	11,149,643	4.8%
Total	**17,087,786**	**16,663,127**	**2.5%**
Average interest rate earned: [1]			
Deposits with banks	5.19%	3.39%	
Investments and other financial assets, net	5.15%	4.51%	
Loans, net	8.21%	7.67%	
Total	**7.24%**	**6.61%**	

[1] Percentages are annualized.

For the three months ended on March 31, 2024, our diversified loan portfolio represented 68.4% of the Bank's total average interest earning assets and generated 77.5% of the total interest and commissions income.

Total interest and commission income increased US$34.1 million, or 12.4% for the three months ended on March 31, 2024, and was the result of a 63 basis points increase of the average interest rate earned, and a US$424.7 million increase in average interest-earning assets.

The 63 basis points increase of the average interest rate earned on interest-earning assets was primarily due to: (i) a 54 basis points increase on the average interest rate earned on net loans, and (ii) a 64 basis points increase on the interest rate earned on investments and other financial assets.

The increase in the average interest-earning assets was mainly due to a 4.8% increase in net loans, offset by a 1.9% decrease in investments and other financial assets.

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 on March 31, 2024:

	Increase / Decrease First Quarter 2024/2023		
	By volume	**By rate**	**Net change**
	(in thousands of U.S. dollars)		
Deposits with banks	(78)	1,308	1,230
Investments and other financial assets, net	(1,134)	8,213	7,079
Loans, net	10,252	15,566	25,818
Net Change	**9,040**	**25,088**	**34,128**

As compared to the same period in 2023, the increase in the average rate earned, from 6.61% to 7.24% for the three months ended March 31, 2024, resulted in an increase of US$25.1 million in interest and commission income; and the increase of US$9.0 million in interest and commission income from volume, was primarily the result an increase in average net loans, partially offset by a decrease in average deposits and investments.

Total Interest Expenses

The following table presents information as to the Bank's total interest expenses for the three months ended on March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	2023	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Total interest expenses	**92,072**	**70,723**	**30.2%**
Average interest-bearing liabilties:			
Savings and other deposits	5,771,177	5,875,550	(1.8%)
Time deposits	5,555,831	5,244,282	5.9%
Borrowings and placements [1]	1,218,558	1,316,383	(7.4%)
Total	**12,545,566**	**12,436,215**	**0.9%**
Average interest rate paid: [2]			
Savings and other deposits	1.14%	0.81%	
Time deposits	4.37%	3.33%	
Borrowings and placements	4.87%	4.61%	
Total	**2.94%**	**2.27%**	

[1] Includes Repos, Borrowings and Placements and Perpetual Bonds. [2] Percentages are annualized.

The Bank's total interest expenses is mainly attributable to interest paid on deposits, which represented 83.9% of the total interest expense for the three months ended on March 31, 2024, as compared to 78.5% for the same period in 2023.

Total interest expense increased US$21.3 million, or 30.2% for the three months ended on March 31, 2023, and was result of a 67 basis points increase in the average interest rate paid on interest bearing liabilities, and a 0.9% increase in average interest-bearing liabilities.

The increase in the average interest rate paid was mainly attributable to: (i) a 104 basis point increase on the average interest rate paid on time deposits, (ii) a 33 basis point increase on the average interest rate paid on savings and other deposits, and (iii) a 26 basis point increase on the average interest rate paid on borrowings and placements.

The 0.9% increase in the average interest-bearing liabilities was mainly due to a 5.9% increase in time deposits, offset by a 1.8% decrease in savings and other deposits and a 7.4% decrease in 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 interest rate paid during the three months ended on March 31, 2024:

	Increase / Decrease First Quarter 2024/2023		
	By volume	By rate	Net change
	(in thousands of U.S. dollars)		
Savings and other deposits	(212)	4,785	4,573
Time deposits	2,592	14,533	17,125
Borrowings and placements	(1,128)	779	(349)
Net change	**1,253**	**20,096**	**21,349**

As compared to the same period in 2023, (i) the increase in the average rate paid, from 2.27% to 2.94%, resulted in an increase of US$20.1 million on interest expense, while (ii) the increase of US$109.4 million in average interest-bearing liabilities for the three months ended on March 31, 2024, resulted in an increase of US$1.3 million on interest expense.

Provision for Loan Losses

The following table presents the Bank's allowance for loan losses, net of write-offs and recoveries included in the Bank's results of operations for the three months ended March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	2023	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Allowance for loan losses at the beginning of period	**394,787**	**432,999**	**(8.8%)**
Provision (reversal) charged to expenses, net of recoveries	943	(1,138)	n/a
Write-offs	12,139	9,161	32.5%
Recoveries	11,499	11,645	(1.3%)
Balance at the end of period	**395,090**	**434,346**	**(9.0%)**
Total loans	12,178,609	11,552,662	
Net loan loss provisions to total loans (1)	0.03%	(0.04%)	
Write-offs to total loans (1)	0.40%	0.32%	
Net write-offs to total loans (1)	0.02%	(0.09%)	
Allowance to total loans	3.24%	3.76%	

(1) Percentages are annualized.

For the three months ended on March 31, 2024, the provision charged to expenses, net of recoveries was US$0.9 million, as compared to a net release of US$1.1 million for the same period in 2023.

For the three months ended on March 31, 2024, write-offs increased US$3.0 million, from US$9.2 million on 2023 (or 0.32% of total loans) to US$12.1 million on 2024 (or 0.40% of total loans), while recoveries decreased by US$0.1 million from US$11.6 million on 2023, to US$11.5 million on 2024.

The allowance for loan losses decreased US$39.3 million, from US$434.3 million (3.76% of total loans) in March 31, 2023, to US$395.1 million (3.24% of total loans) on March 31, 2024. Based on our IFRS 9 and our complementary models, we believe that our current allowance for loan losses adequately covers the credit risk of the Bank's loan portfolio.

Other Income, Net

The following table presents the information as to the Bank's fees, commission and other income, net for the three months ended on March 31, 2024, and 2023, respectively:

	For the Three Months Ended March 31		
	2024	2023	(%) Change
	(in thousands of U.S. dollars, except for percentages)		
Fees and commission income, net	53,989	46,213	16.8%
Insurance premiums, net	11,503	9,603	19.8%
Gain (Loss) on financial instruments, net	3,344	(20,844)	n/a
Other income, net	10,120	8,348	21.2%
Total of other income, net	**78,956**	**43,320**	**82.3%**

The 82.3% increase in total other income, net for the three months ended on March 31, 2024, primarily reflects the following factors:

Fees and Commission Income, Net

The 16.8% increase in fees and commission income, net of commission expenses and other expenses for the three months ended on March 31, 2024, resulted primarily from a 16.4% 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 10.5%, from a year ago, while transactions increased by 17.3% from 70.9 million in the first quarter of 2023 to 83.2 million in the same period of 2024.

Insurance Premiums, Net

Net insurance premiums increased by 19.8% for the three months ended on March 31, 2024, as compared to the same period in 2023, mainly due to an increase in insurance premiums of 17.3%, partially offset by an increase in acquisition costs and claims expenses of 20.5% and 5.3% respectively.

Gain (Loss) on Financial Instruments, Net

Gain (loss) on financial instruments, net for the three months ended on March 31, 2024, resulted in a net gain of US$3.3 million, as compared to a net loss of US$20.8 million in the same period of 2023.

Other Income, Net

Other income, net increased by US$1.8 million or 21.2%, in the three months ended on March 31, 2024, primarily due to an increase of certain mobile and online banking revenues, which are now being registered in other income, net (previously in fees and commission income, net), and partially offset by decrease in the Bank's pension fund asset returns.

General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the three months ended on March 31, 2024, and 2023 respectively:

	For the Three Months Ended March 31		
	2024	**2023**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)		
Salaries and other employee expenses	48,800	45,401	7.5%
Depreciation and amortization expenses	8,541	8,566	(0.3%)
Premises and equipment expenses	8,888	8,358	6.3%
Other expenses	18,614	17,666	5.4%
Total	**84,843**	**79,991**	**6.1%**

The 6.1% increase in general and administrative expenses for the three months ended on March 31, 2024, primarily reflects the following factors:

Salaries and Other Employee Expenses

For the three months ended March 31, 2024, salaries and other employee expenses represented 57.5% of total general and administrative expenses, as compared to 56.8% for the same period in 2023. The 7.5% increase in salaries and other employee expenses was attributable to a combination of a moderate increase in salaries and a 4.6% increase in the number of employees.

Depreciation and Amortization Expenses

Total depreciation and amortization expense for the three months ended on March 31, 2024, as compared to the same period in 2023, remained stable.

Premises and Equipment Expenses

Premises and equipment expenses increased by US$0.5 million or 6.3% for the three months ended in March 31, 2024 as compared to the same period in March 31, 2023, mainly due to an increase in technological maintenance costs due to growth in platforms and licenses.

Other Expenses

Other expenses increased US$0.9 million or 5.4%, for the three months ended on March 31, 2024, mainly due to professional services, donations, and marketing.

Taxes

Net income tax amounted to US$25.4 million for the three months ended on March 31, 2024 (US$25.6 million in estimated income tax and a credit of US$0.2 million in deferred income tax). The US$3.3 million increase in net income tax, was primarily driven by a higher taxable income.

Operational Efficiency

The Bank's operational efficiency ratio was 28.23% for the three months ended March 31, 2024, as compared to 31.78% for the same period in 2023 mainly as a result of: (i) a US$48.9 million increase or 19.4% in operating income, and (ii) a US$4.9 million, or 6.1%, increase in the Bank’s general and administrative expenses.

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

	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23
	(in thousands of U.S. dollars)				
Total interest and commission income	309,322	303,416	296,290	284,328	275,194
Total interest expenses	(92,072)	(89,263)	(84,029)	(76,614)	(70,723)
Net interest and commission income	**217,250**	**214,153**	**212,261**	**207,714**	**204,471**
Total Provisions, net	959	(10,539)	(15,369)	(14,168)	(2,188)
Net interest and commission income after provisions	**216,290**	**224,692**	**227,630**	**221,883**	**206,659**
Other Income (expenses):					
Fees and other commissions	96,340	95,281	90,262	81,206	86,361
Insurance premiums, net	11,503	11,664	10,493	9,863	9,603
Gain (Loss) on financial instruments, net	3,344	(13,387)	(9,615)	(3,132)	(20,844)
Other income, net	10,120	12,398	16,284	14,988	8,348
Commission expenses and other expenses	(42,350)	(41,797)	(38,419)	(37,793)	(40,148)
Total other income, net	**78,956**	**64,158**	**69,006**	**65,132**	**43,320**
General and administrative expenses	(84,843)	(97,245)	(82,716)	(81,985)	(79,991)
Equity participation in associates	4,339	2,683	3,900	4,032	3,895
Net income before income tax	**214,743**	**194,288**	**217,821**	**209,061**	**173,883**
Income tax, estimated	(25,638)	(28,131)	(28,098)	(26,736)	(22,404)
Income tax, deferred	234	(4,397)	(2,986)	(1,860)	275
Income tax, net	**(25,403)**	**(32,528)**	**(31,084)**	**(28,595)**	**(22,130)**
Net income	**189,340**	**161,760**	**186,737**	**180,466**	**151,753**

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

	31-Mar-24	31-Dec-23	30-sep-23	30-jun-23	31-mar-23
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	554,861	809,845	593,122	599,903	796,500
Investments and other financial assets, net	5,109,527	5,124,922	5,016,485	5,091,893	5,121,778
Loans	12,178,609	11,974,961	11,914,423	11,645,305	11,552,662
Allowance for possible loans losses	(395,090)	(394,787)	(413,250)	(427,211)	(434,346)
Unearned comissions	(39,388)	(38,961)	(39,729)	(39,503)	(39,030)
Investments in associates	30,503	30,112	34,768	30,960	33,685
Other assets	1,199,475	1,225,515	1,258,667	1,225,537	1,228,630
Total assets	**18,638,497**	**18,731,607**	**18,364,486**	**18,126,885**	**18,259,878**
Liabilities and shareholder's equity					
Total deposits	13,132,175	13,234,652	13,022,781	12,917,336	13,001,825
Securities sold under repurchase agreements	-	-	-	-	102,800
Borrowings and placements	801,468	860,648	774,828	785,657	793,067
Perpetual bonds	400,000	400,000	400,000	400,000	400,000
Other liabilities	1,290,199	1,308,960	1,309,292	1,248,395	1,284,914
Total liabilities	**15,623,842**	**15,804,260**	**15,506,901**	**15,351,388**	**15,582,607**
Shareholder's equity	**3,014,655**	**2,927,347**	**2,857,586**	**2,775,497**	**2,677,271**
Total liabilities and shareholder's equity	**18,638,497**	**18,731,607**	**18,364,486**	**18,126,885**	**18,259,878**
Operational data (in units)					
Number of customers	1,780,016	1,737,887	1,714,200	1,678,660	1,649,729
Number of customers affiliated in digital channels (1)	1,608,240	1,569,219	1,546,567	1,500,388	1,461,631
% active customers in digital channels (2)	81.2%	81.6%	81.1%	80.6%	79.8%
Number of employees (3)	4,991	4,983	4,949	4,905	4,772
Number of branches (4)	80	80	80	80	80
Number of ATMs (4)	636	637	637	635	635
Assets under management (in US$ million) (5)	14,837	14,447	13,652	13,439	13,165

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

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

	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23
Profitability and efficiency:					
Net Interest Margin [1][2]	5.09%	5.06%	5.09%	5.00%	4.91%
Return on average assets [1] [3]	4.06%	3.48%	4.10%	3.96%	3.32%
Return on average equity [1] [3]	25.31%	22.18%	26.18%	26.24%	22.78%
Efficiency [4]	28.23%	34.61%	29.01%	29.61%	31.78%
Operating expenses / average total assets [1] [3]	1.82%	2.09%	1.81%	1.80%	1.75%
Other income / operating income [5]	27.61%	28.23%	28.32%	27.17%	27.49%
Liquidity:					
Primary Liquidity / total deposits and obligations [6]	27.94%	29.58%	28.08%	28.32%	29.64%
Regulatory Liquidity / qualified deposits	40.84%	41.83%	39.35%	39.86%	37.27%
Loans, net / client deposits [7]	89.48%	87.26%	88.02%	86.59%	85.23%
Liquidity Coverage Ratio (LCR)	343.01%	355.64%	244.81%	240.44%	224.87%
Capital:					
Total regulatory primary capital ratio (CET 1) [8]	21.50%	21.27%	20.85%	20.77%	20.53%
Total primary capital ratio [8]	24.42%	24.24%	23.84%	23.84%	23.68%
Total capital ratio [8]	24.42%	24.24%	23.84%	23.84%	23.68%
Equity / assets	16.17%	15.63%	15.56%	15.31%	14.66%
Asset quality:					
Non accrual loans / total loans [9]	2.12%	2.16%	2.21%	2.32%	2.42%
Past due loans / total loans [10]	2.54%	2.58%	2.55%	2.70%	2.75%
Allowance for loan losses / total loans	3.24%	3.30%	3.47%	3.67%	3.76%
Allowance for loan losses / non accrual loans [9]	152.82%	152.55%	157.11%	158.19%	155.12%
Allowance for loan losses / past due loans [10]	127.73%	127.63%	136.15%	135.89%	136.66%
Write-offs / total loans [1]	0.40%	0.59%	0.42%	0.29%	0.32%
Net write-offs / total loans [1]	0.02%	0.24%	(0.04%)	(0.19%)	(0.09%)

[1] Percentages are annualized. [2] 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. [3] Percentages have been calculated using monthly averages. [4] 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. [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 deposits with banks, and (b) 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] Client deposits exclude interbank deposits. [8] Capital ratios as a percentage of risk weighted assets. [9] Non accrual loans: all loans past due 90+ days on interest and/or principal payments, residential mortgages past due 120+ days, and overdrafts past due +30 days. [10] Past due loans: all loans past due 90+ days on interest and/or principal payments and all loans past due 30 days post maturity.