Banco General

Management Discussion

Second Quarter 2023

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 June 2023. 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 June 30, 2023, the Bank's gross loan portfolio increased by US$366.0 million, or 3.2% from US$11,279.3 million in June 2022, to US$11,645.3 million in June 2023. During this period, the Bank’s residential mortgage portfolio grew 1.3%, from US$4,747.9 million to US$4,811.8 million; the consumer loan portfolio increased 8.7%, from US$1,738.5 million to US$1,889.0 million; and the corporate loan portfolio, comprised of both local and regional corporate clients, increased 2.6%, from US$4,371.4 million to US$4,485.1 million, and other loans (comprised of pledge loans, overdrafts and financial leases) increased 9.0% from US$421.6 million to US$459.4 million. The Bank’s local corporate loan portfolio decreased 5.4%, from US$3,496.9 million to US$3,309.7 million, and the Bank’s regional corporate loan portfolio increased 34.4%, from US$874.5 million to US$1,175.4 million. The Bank’s total investment portfolio primarily made up of investment-grade liquid fixed-income investments and its local and regional corporate fixed-income portfolio decreased 7.2%, from US$5,519.6 million in June 2022 to US$5,122.9 million in June 2023.

Total Liabilities

The Bank’s total deposits decreased by US$561.0 million, or 4.2% from US$13,478.3 million in June 2022 to US$12,917.3 million in June 2023. During this period, time deposits, the Bank's main source of funding, decreased by US$139.1 million, or 2.5% from US$5,491.6 million to US$5,352.5 million, representing 41.4% of total deposits, with an average remaining life of 13 months, and 67.4% having original maturities of one year or more. Savings accounts decreased by US$222.7 million, or 4.4%, from US$5,015.7 million to US$4,792.9 million, representing 37.1% of total deposits. Demand deposits decreased by US$199.1 million, or 6.7%, from US$2,971.0 million to US$2,771.9 million, representing 21.5% of total deposits.

The Bank's total borrowings and placements decreased by US$90.0 million, from US$1,275.7 million in June 2022 to US$1,185.7 million in June 2023. As of June 30, 2023, 33.7% or US$400.0 million of the Bank’s financial debt consists of subordinated perpetual AT1 bonds issued in May 2021.

Equity

The Bank's equity increased by US$363.8 million, or 15.1%, from US$2,411.7 million in June 2022 to US$2,775.5 million in June 2023, driven by an increase in retained earnings of US$345.2 million, with the Bank retaining 52.4% of net income during this period and consequently the Bank’s equity to assets ratio increased from 13.13% in June 2022 to 15.31% in June 2023.

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 multiple sources of financings (representing 7.72% 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 decreased to 28.32% from 32.44% in June 2022. This decrease is driven by: (i) loan growth, as shown in net loans to client deposits ratio that increased to 86.59% as of June 30, 2023 from 79.84% as of June 30, 2022, and (ii) a reduction in deposits and funding. 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 total deposits and borrowings (excluding perpetual bonds). Moreover, the Bank's total primary liquidity has an average credit rating of AA-, of which 51.6% are AAA rated investments. As of June 30, 2023, these liquid assets represented 30.1% of total deposits and 21.4% 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 June 30, 2023, the Bank maintained a regulatory liquidity of 39.86%. Additionally, the Bank's liquidity coverage ratio (LCR) stood at 240.44% as of June 30, 2023.

B. Loan Portfolio

The Bank's loan portfolio is well diversified among client's segments and a wide variety of products. As of June 30, 2023, total gross loans amounted to US$11,645.3 million comprised by: (i) 57.5% retail loans (41.3% residential loans and 16.2% consumer loans), (ii) 38.5% corporate loans (28.4% local corporate loans and 10.1% foreign corporate loans), and (iii) 4.0% other loans (which includes pledge loans, overdrafts, and financial leases).

To minimize the risk of credit losses, we emphasize 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 June 30, 2023, 73.7% of all loans were secured by residential or commercial properties, deposits, or other assets; 63.8% of all loans were secured by first lien mortgages on land and improvements, and 9.9% 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 0.50% of total loans for the last two years ending June 30, 2023.

As of June 30, 2023, 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 June 30, 2023, 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 June 30, 2023 and 2022, and as of December 31, 2022, 2021, and 2020, respectively:

	As of June 30			As of December 31		
	2023	2022	(%) Change	2022	2021	2020
	(in thousands of U.S. dollars, except for percentages)					
Local loans						
Commercial	331,080	442,534	(25.2%)	371,731	350,371	323,258
Interim construction loans	275,256	317,143	(13.2%)	286,742	378,674	482,879
Lines of credit	905,927	842,516	7.5%	935,698	781,406	924,713
Residential mortgage loans	4,657,897	4,573,088	1.9%	4,634,457	4,527,931	4,390,972
Commercial mortgage loans	1,797,431	1,894,666	(5.1%)	1,878,588	1,919,261	1,952,981
Personal loans, auto loans and credit cards	1,882,000	1,730,146	8.8%	1,801,740	1,707,751	1,759,520
Pledge loans and overdrafts	325,357	305,210	6.6%	315,459	303,712	299,947
Leasing	84,980	69,216	22.8%	73,634	65,341	79,984
Total local loans	**10,259,928**	**10,174,517**	**0.8%**	**10,298,049**	**10,034,446**	**10,214,254**
Foreign loans						
Commercial	717,361	508,537	41.1%	682,780	620,293	551,106
Lines of credit	314,195	236,543	32.8%	314,033	243,162	208,211
Residential mortgage loans	153,900	174,780	(11.9%)	163,069	185,841	204,561
Commercial mortgage loans	143,821	129,423	11.1%	164,735	161,100	188,603
Personal loans, auto loans and credit cards	7,048	8,389	(16.0%)	7,805	9,253	11,966
Pledge loans and overdrafts	49,052	47,154	4.0%	59,725	43,683	65,722
Total foreign loans	**1,385,377**	**1,104,826**	**25.4%**	**1,392,146**	**1,263,333**	**1,230,170**
Total loans	**11,645,305**	**11,279,343**	**3.2%**	**11,690,196**	**11,297,779**	**11,444,423**
Less:						
Allowance for loan losses	427,211	483,042	(11.6%)	432,999	467,706	383,795
Unearned commissions	39,503	36,601	7.9%	38,496	36,092	37,045
Total loans, net	**11,178,591**	**10,759,700**	**3.9%**	**11,218,700**	**10,793,981**	**11,023,583**

As a result of the global Covid-19 pandemic the SBP established regulations that allowed adjustments in the terms and conditions of loans for clients impacted by the pandemic and classified these loans as modified loans. These regulations were applicable during the period between March 2020 and June 2021 and have since been rolled back. During this period, these modified loans did not advance in delinquency, as can be seen in the following sections.

Non Accrual Loans

Regulation issued by the SBP requires 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: 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 June 30, 2023 and 2022, and as of December 31, 2022, 2021, and 2020, respectively:

	As of June 30			As of December 31		
	2023	**2022**	**(%) Change**	**2022**	**2021**	**2020**
	(in thousands of U.S. dollars, except for percentages)					
Non accrual loans						
Commercial	1,397	3,799	(63.2%)	1,347	9,015	8,959
Interim construction loans	-	1,193	(100.0%)	1,002	1,918	1,918
Lines of credit	5,891	5,099	15.5%	6,096	6,520	5,800
Residential mortgage loans	192,309	227,618	(15.5%)	200,761	236,062	110,592
Commercial mortgage loans	35,535	35,143	1.1%	36,781	35,389	24,238
Personal loans, auto loans and credit cards	34,613	48,140	(28.1%)	30,441	46,857	12,659
Pledge loans and overdrafts	211	374	(43.5%)	826	2,025	183
Leasing	108	1,287	(91.6%)	535	1,754	2,276
Total non accrual loans	**270,064**	**322,653**	**(16.3%)**	**277,789**	**339,539**	**166,625**
Total loans	11,645,305	11,279,343		11,690,196	11,297,779	11,444,423
Allowance for loan losses	427,211	483,042		432,999	467,706	383,795
Non accrual loans / total loans	2.32%	2.86%		2.38%	3.01%	1.46%
Allowance for loans losses / non accrual loans	158.19%	149.71%		155.87%	137.75%	230.33%

Non accrual loans decreased to US$270.1 million as of June 30, 2023, compared to US$322.7 million as of June 30, 2022. 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$227.6 million to US$192.3 million; (ii) a US$13.5 million decrease in the consumer non accrual balance from US$48.1 million to US$34.6 million; and (iii) a decrease of US$3.8 million in corporate and other loans from US$46.9 million to US$43.1 million.

Non accrual loans calculated in accordance with SBP regulations represented 2.32% of total loans as of June 30, 2023, compared to 2.86% as of June 30, 2022. The Bank’s coverage of allowance for loan losses was 158.19% of non accrual loans, as compared to 149.71% as of June 30, 2022.

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 June 30, 2023 and 2022, and as of December 31, 2022, 2021, and 2020, respectively:

	As of June 30			As of December 31		
	2023	2022	(%) Change	2022	2021	2020
	(in thousands of U.S. dollars, except for percentages)					
Past due loans						
Commercial	1,447	3,799	(61.9%)	1,347	6,310	8,959
Interim construction loans	-	1,193	(100.0%)	1,002	1,918	1,918
Lines of credit	5,876	5,099	15.2%	6,244	6,940	5,766
Residential mortgage loans	236,588	262,772	(10.0%)	237,114	279,187	122,885
Commercial mortgage loans	35,700	35,143	1.6%	36,856	35,409	24,336
Personal loans, auto loans and credit cards	34,449	47,983	(28.2%)	30,341	47,179	9,464
Pledge loans and overdrafts	208	390	(46.5%)	922	2,142	438
Leasing	112	1,369	(91.8%)	543	2,035	2,276
Total past due loans	**314,380**	**357,748**	**(12.1%)**	**314,370**	**381,120**	**176,041**
Total loans	11,645,305	11,279,343		11,690,196	11,297,779	11,444,423
Allowance for loan losses	427,211	483,042		432,999	467,706	383,795
Past due loans / total loans	2.70%	3.17%		2.69%	3.37%	1.54%
Allowance for loan losses / past due loans	135.89%	135.02%		137.74%	122.72%	218.01%

Past due loans decreased to US$314.4 million as of June 30, 2023, compared to US$357.7 million as of June 30, 2022. The decrease in past due loans is mainly attributable to: (i) a US$26.2 million decrease in the balance of past due residential mortgage loans from US$262.8 million to US$236.6 million; (ii) a decrease of US$13.5 million in the past due balance of consumer loans from US$48.0 million to US$34.4 million; and (iii) a decrease of US$3.7 million in the past due balance of corporate and other loans from US$47.0 million to US$43.3 million.

Past due loans represented 2.70% of total loans as of June 30, 2023, compared to 3.17% as of June 30, 2022. The Bank's coverage of allowance for loan losses was 135.89% of past due loans, as compared to 135.02% as of June 30, 2022.

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 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 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 are 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, 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 of the economy still lagging pre-pandemic levels, and (ii) higher levels of unemployment and informal employment. 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 June 30, 2023, and December 31, 2022:

	As of June 30, 2023			As of December 31, 2022			(%) Change	
	Loans	**Allowance**	**%**	**Loans**	**Allowance**	**%**	**Loans**	**Allowance**
	(in thousands of U.S. dollars,except percentages)							
Stage 1	9,633,758	147,117	1.5%	9,566,504	136,927	1.4%	0.7%	7.4%
Stage 2	1,731,602	217,702	12.6%	1,833,525	234,895	12.8%	(5.6%)	(7.3%)
Stage 3	279,945	62,392	22.3%	290,167	61,177	21.1%	(3.5%)	2.0%
Total	**11,645,305**	**427,211**	**3.7%**	**11,690,196**	**432,999**	**3.7%**	**(0.4%)**	**(1.3%)**

The allowance for loan losses decreased to US$427.2 million in June 2023, or 3.7% of the total loan portfolio, from US$433.0 million, or 3.7% of the total loan portfolio, as of December 31, 2022.

Stage 1 loans increased US$67.3 million to US$9,633.8 and the allowance level increased from US$136.9 million (1.4% of stage 1 loans) in December 2022 to US$147.1 million in June 2023 (1.5% of stage 1 loans). Stage 2 loans decreased from US$1,833.5 million to US$1,731.6 million, and the allowance level decreased from US$234.9 million (12.8% of stage 2 loans) to US$217.7 million (12.6% of stage 2 loans). Stage 3 loans decreased from US$290.2 million to US$279.9 million, and the allowance level increased from US$61.2 million (21.1% of stage 3 loans) to US$62.4 million (22.3% of stage 3 loans).

As of June 2023, the Bank's total restructured loans amounted to US$1,039.5 million (December 2022: US$1,149.6 million) as a result of the loans that were modified pursuant to regulation issued by the SBP during the global pandemic. As of June 2023, US$695.0 million or 66.9% of restructured loans are current with their contractual payments. Furthermore, as of June 2023, US$899.7 million or 86.5% of restructured loans were backed by mortgage collateral (December 2022: US$1,040.5 million or 90.5%).

The following table presents the breakdown of the allowance for loans losses as of June 30, 2023 and 2022, and as of December 31, 2022, 2021, and 2020, respectively:

	As of June 30			As of December 31		
	2023	2022	(%) Change	2022	2021	2020
	(in thousands of U.S. dollars, except for percentages)					
Allowance at the beginning of period	**432,999**	**467,706**	**(7.4%)**	**467,706**	**383,795**	**165,159**
Provision (reversal) charged to expenses, net of recoveries	(13,801)	11,733	n/a	(42,396)	155,642	280,947
Write-offs:						
Commercial	60	10	489.9%	318	7,777	521
Interim construction loans	1,002	60	1572.9%	129	119	-
Lines of credit	13	512	(97.4%)	583	536	1,819
Residential mortgage loans	1,845	1,201	53.6%	2,260	1,749	977
Commercial mortgage loans	42	300	(86.0%)	1,366	247	1,267
Personal, auto loans and credit cards	14,560	11,570	25.8%	26,495	86,471	78,192
Auto loans	*1,350*	*607*	*122.5%*	*2,422*	*4,408*	*2,279*
Personal loans	*7,667*	*3,709*	*106.7%*	*11,341*	*37,434*	*48,178*
Credit cards	*5,542*	*7,254*	*(23.6%)*	*12,732*	*44,630*	*27,735*
Pledge loans and overdrafts	74	198	(62.8%)	350	146	394
Leasing	52	22	143.1%	22	-	48
Total write-offs	**17,648**	**13,874**	**27.2%**	**31,523**	**97,044**	**83,218**
Recoveries	25,661	17,476	46.8%	39,212	25,313	20,907
Allowance at the end of period	**427,211**	**483,042**	**(11.6%)**	**432,999**	**467,706**	**383,795**
Total loans	11,645,305	11,279,343		11,690,196	11,297,779	11,444,423
Allowance for loan losses / total loans	3.67%	4.28%		3.70%	4.14%	3.35%
Write-offs / total loans [(1)]	0.30%	0.25%		0.27%	0.86%	0.73%
Net write-offs / total loans [(1)]	(0.14%)	(0.06%)		(0.07%)	0.63%	0.54%

[(1)] Percentages are annualized.

As of June 30, 2023, total write-offs amounted to US$17.6 million (0.30% of total loans, annualized), as compared to US$13.9 million (0.25% of total loans annualized) for the same period in 2022. Moreover, write-offs in 2020 and 2021 were impacted by a complementary, exceptional, and voluntary write-off policy adopted by the Bank for clients that had contractual monthly payments repeatedly deferred, demonstrated a weaker financial position, and exhibited limited capacity to service the loan. This exceptional 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 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, Baa2 by Moody's, and BBB- by Fitch Ratings.

As of June 30, 2023, the Bank´s total regulatory capital amounted to US$3,106.2 million, or 2.98 times the total regulatory capital required by the SBP of 8.0%. The ratio of total capital to risk-weighted assets ("RWA") was 23.84%, calculated on a Tier I capital of US$3,106.2 million (which increased US$360.2 million compared to June 30, 2022), and RWA of US$13,031.3 million. Total risk-weighted assets include: US$11,617.0 million of credit risk RWA, US$711.4 million of market risk RWA, and US$702.9 million of operational risk RWA.

In addition to the above-mentioned regulatory capital adequacy requirements, regulation 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. 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 June 30, 2023, the Bank´s dynamic reserve balance was US$148.6 million.

In addition, our 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 (SUGEF), the Monetary Authority of the Cayman Islands (CIMA), the British Virgin Islands Financial Services Commission, and others.

As of June 30, 2023, 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 June 30, 2023 and 2022, and as of December 31, 2022, 2021, and 2020, respectively:

	As of June 30		As of December 31		
	2023	2022	2022	2021	2020
	(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	191,425	191,772	190,917	190,606	188,396
Other items comprehensive income	(250,077)	(262,537)	(279,368)	74,008	159,987
Retained earnings	2,312,215	1,967,026	2,150,471	1,916,158	1,772,980
Less: Regulatory adjustments	47,330	50,238	48,638	51,547	53,674
Total regulatory primary capital - CET 1	**2,706,234**	**2,346,022**	**2,513,381**	**2,629,225**	**2,567,690**
Minimum regulatory primary capital - CET 1 (4.5%)	**586,409**	**584,001**	**569,536**	**599,177**	**604,434**
Additional primary capital (Tier 1)					
Subordinated perpetual bonds	400,000	400,000	400,000	400,000	217,680
Total additional primary capital	**400,000**	**400,000**	**400,000**	**400,000**	**217,680**
Total primary capital	**3,106,234**	**2,746,022**	**2,913,381**	**3,029,225**	**2,785,370**
Minimum regulatory total primary capital (6.0%)	**781,879**	**778,667**	**759,381**	**798,903**	**805,912**
Total capital	**3,106,234**	**2,746,022**	**2,913,381**	**3,029,225**	**2,785,370**
Minimum regulatory total capital (8.0%)	**1,042,505**	**1,038,223**	**1,012,508**	**1,065,204**	**1,074,549**
Credit risk-weighted assets	11,616,978	11,410,005	11,258,810	11,506,121	11,273,084
Market risk-weighted assets	711,435	833,028	657,676	1,154,481	1,551,596
Operational risk-weighted assets	702,899	734,758	739,859	654,452	607,186
Risk-weighted assets	**13,031,313**	**12,977,791**	**12,656,345**	**13,315,053**	**13,431,866**
Capital ratios					
Total regulatory primary capital ratio	**20.77%**	**18.08%**	**19.86%**	**19.75%**	**19.12%**
Total primary capital ratio	**23.84%**	**21.16%**	**23.02%**	**22.75%**	**20.74%**
Total capital ratio	**23.84%**	**21.16%**	**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 three and six months ended on June 30, 2023 and 2022.

The following table presents the Bank´s principal consolidated results of operations for the three and six months ended on June 30, 2023 and 2022, respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	**2022**	**(%) Change**	**2023**	**2022**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Total interest and commission income	284,328	235,664	20.6%	559,522	466,319	20.0%
Total interest expenses	(76,614)	(64,878)	18.1%	(147,336)	(130,379)	13.0%
Net interest and commission income	**207,714**	**170,785**	**21.6%**	**412,186**	**335,940**	**22.7%**
Total Provisions, net	**(14,168)**	**411**	**n/a**	**16,356**	**(27,702)**	**n/a**
Other Income (expenses):						
Fees and other commissions	81,206	74,133	9.5%	167,566	145,983	14.8%
Insurances premiums, net	9,863	9,728	1.4%	19,466	18,864	3.2%
Gain (Loss) on financial instruments, net	(3,132)	(34,548)	(90.9%)	(23,976)	(66,131)	(63.7%)
Other Income, net	14,988	3,703	304.8%	23,336	10,117	130.7%
Commission expenses and other expenses	(37,793)	(24,512)	54.2%	(77,940)	(51,180)	52.3%
Total other income, net	**65,132**	**28,503**	**128.5%**	**108,452**	**57,653**	**88.1%**
General and administrative expenses	(81,985)	(79,290)	3.4%	(161,976)	(157,341)	2.9%
Equity participation in associates	4,032	3,788	6.4%	7,926	8,683	(8.7%)
Net income before income tax	**209,061**	**123,376**	**69.4%**	**382,944**	**217,234**	**76.3%**
Income tax, estimated	(26,736)	(16,074)	66.3%	(49,140)	(30,797)	59.6%
Income tax, deferred	(1,860)	(1,486)	25.2%	(1,585)	4,605	n/a
Income tax, net	**(28,595)**	**(17,560)**	**62.8%**	**(50,725)**	**(26,192)**	**93.7%**
Net Income	**180,466**	**105,817**	**70.5%**	**332,219**	**191,042**	**73.9%**

As of June 30, 2023, the Bank's net income amounted to US$180.5 million, which represents an increase of US$74.6 million, or 70.5%, compared to US$105.8 million for the same period in 2022. Annualized ROAE and ROAA were 26.24% and 3.96%, respectively, compared to 17.00% and 2.29% for the same period 2022. These results in net income, ROAE and ROAA were mainly due to the following factors:

Net Interest and Commission Income

The following table presents the Bank's net interest and commission income and related average rate and margin information for the three and six months ended on June 30, 2023, and 2022, respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	**2022**	**(%) Change**	**2023**	**2022**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Total interest and commission income	284,328	235,664	20.6%	559,522	466,319	20.0%
Total interest expenses	(76,614)	(64,878)	18.1%	147,336	130,379	13.0%
Net interest and commission income	**207,714**	**170,785**	**21.6%**	**412,186**	**335,940**	**22.7%**
Average interest - earning assets	16,610,287	16,918,339	(1.8%)	16,633,896	17,102,455	(2.7%)
Average interest - bearing liabilities	12,320,367	12,929,487	(4.7%)	12,374,375	13,011,696	(4.9%)
Net interest margin [(1)(4)]	5.00%	4.04%		4.96%	3.93%	
Average interest rate earned [(2)(4)]	6.85%	5.57%		6.73%	5.45%	
Average interest rate paid [(3)(4)]	2.49%	2.01%		2.38%	2.00%	

[(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 21.6% increase in net interest and commission income for the three months ended on June 30, 2023, as compared to the same period for 2022, was a result of a 128 basis points increase in average interest rate earned on interest earning assets, offset by an increase of 48 basis points in the average interest paid on interest bearing liabilities.

Total Interest and Commission Income

The following table presents information as to the Bank's total interest and commission income for the three and six months ended on June 30, 2023 and 2022, respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	2022	(%) Change	2023	2022	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Total interest and commission income	**284,328**	**235,664**	**20.6%**	**559,522**	**466,319**	**20.0%**
Average interest-earning assets:						
Deposits with banks	348,306	513,875	(32.2%)	305,909	499,621	(38.8%)
Investments and other financial assets, net	5,112,443	5,654,873	(9.6%)	5,168,354	5,833,277	(11.4%)
Loans, net	11,149,537	10,749,591	3.7%	11,159,633	10,769,557	3.6%
Total	**16,610,287**	**16,918,339**	**(1.8%)**	**16,633,896**	**17,102,455**	**(2.7%)**
Average interest rate earned:						
Deposits with banks [(1)]	3.42%	1.11%		3.61%	1.03%	
Investments and other financial assets, net [(1)]	4.60%	2.95%		4.55%	2.74%	
Loans, net [(1)]	7.98%	7.16%		7.82%	7.13%	
Total [(1)]	**6.85%**	**5.57%**		**6.73%**	**5.45%**	

(1) Percentages are annualized.

For the three months ended on June 30, 2023, our diversified loan portfolio represented 67.1% of the Bank's total average interest earning assets and generated 78.3% of the total interest and commissions income.

Total interest and commission income increased US$48.7 million, or 20.6% for the three months ended on June 30, 2023, and was the result of a 128 basis points increase of the average interest rate earned, offset by a 1.8% reduction in average interest-earning assets.

The 128 basis points increase of the average interest rate earned on interest-earning assets was primarily due to: (i) a 165 basis points increase of the interest received on securities and other financial assets, and (ii) an 82 basis points increase of the interest received on net loans.

The 1.8% decrease in the average interest-earning assets was mainly due to: (i) a 9.6% decrease in securities and other financial assets, and (ii) a 32.2% decrease in deposits with banks, offset by a 3.7% increase in net loans.

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 June 30, 2023:

	Increase / Decrease Second Quarter 2022/2023		
	By volume	By rate	Net change
	(in thousands of U.S. dollars)		
Deposits with banks	(459)	2,011	1,553
Investments and other financial assets, net	(4,007)	21,035	17,028
Loans, net	7,161	22,923	30,084
Net Change	**2,695**	**45,969**	**48,664**

As compared to the same period in 2022, the increase in the average rate earned, from 5.57% to 6.85% for the three months ended June 30, 2023, resulted in an increase of US$46.0 million in interest and commission income; and the increase of US$2.7 million in interest and commission income in volume, was primarily a result of higher volume of average net loans, partially offset by lower volume of average deposits and investments.

Total Interest Expenses

The following table presents information as to the Bank's total interest expenses for the three and six months ended on June 30, 2023 and 2022, respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	2022	(%) Change	2023	2022	(%) Change
	(in thousands of U.S. dollars, except for percentages)					
Total interest expenses	**76,614**	**64,878**	**18.1%**	**147,336**	**130,379**	**13.0%**
Average interest-bearing liabilties:						
Savings and other deposits	5,763,358	6,107,409	(5.6%)	5,814,012	6,109,455	(4.8%)
Time deposits	5,305,406	5,541,732	(4.3%)	5,278,066	5,587,471	(5.5%)
Borrowings and placements [(1)]	1,251,603	1,280,346	(2.2%)	1,282,297	1,314,771	(2.5%)
Total	**12,320,367**	**12,929,487**	**(4.7%)**	**12,374,375**	**13,011,696**	**(4.9%)**
Average interest rate paid:						
Savings and other deposits [(2)]	0.93%	0.63%		0.87%	0.62%	
Time deposits [(2)]	3.65%	3.03%		3.49%	3.06%	
Borrowings and placements [(2)]	4.74%	4.14%		4.68%	3.95%	
Total [(2)]	**2.49%**	**2.01%**		**2.38%**	**2.00%**	

[(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 80.6% of the total interest expense for the three months ended on June 30, 2023, as compared to 79.5% for the same period in 2022.

Total interest expense increased US$11.7 million, or 18.1% for the three months ended on June 30,2023, and was result of a 48 basis points increase in the average interest rate paid on interest bearing liabilities, offset by a 4.7% reduction in average interest-bearing liabilities.

The increase in the average interest rate paid was mainly attributable to: (i) a 62 basis point increase of the average interest rate paid on time deposits, (ii) a 30 basis point increase of the average interest rate paid on savings and other deposits, and (iii) a 60 basis point increase of the average interest rate paid on borrowings and placements.

The 4.7% decrease in the average interest-bearing liabilities was mainly due to a 4.3% decrease in average time deposits and 5.6% decrease in average savings and other deposits.

The following table sets forth the effect of changes in the Bank's total interest expense as a result of changes in: (i) the average volume of interest-bearing liabilities, and (ii) the average interest rate paid during the three months ended on June 30, 2023:

	Increase / Decrease Second Quarter 2022/2023		
	By volume	By rate	Net change
	(in thousands of U.S. dollars)		
Savings and other deposits	(539)	4,372	3,833
Time deposits	(1,793)	8,126	6,333
Borrowings and placements [(1)]	(298)	1,868	1,570
Net change	**(2,630)**	**14,365**	**11,736**

[(1)] Includes Repos, Borrowings and Placements and Perpetual Bonds.

As compared to the same period in 2022, the decrease of US$609.1 million in average interest-bearing liabilities for the three months ended on June 30, 2023, resulted in a decrease of US$2.6 million of interest expense, while the increase in the average rate paid, from 2.01% to 2.49%, resulted in an increase of US$14.4 million of 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 and six months ended on June 30, 2023 and 2022, respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	**2022**	**(%) Change**	**2023**	**2022**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Allowance for loan losses at the beginning of period	**434,346**	**488,959**	**(11.2%)**	**432,999**	**467,706**	**(7.4%)**
Provision (reversal) charged to expenses, net of recoveries	(12,663)	(5,752)	120.1%	(13,801)	11,733	n/a
Write-offs	8,487	10,136	(16.3%)	17,648	13,874	27.2%
Recoveries	14,016	9,971	40.6%	25,661	17,476	46.8%
Balance at the end of period	**427,211**	**483,042**	**(11.6%)**	**427,211**	**483,042**	**(11.6%)**
Total loans	11,645,305	11,279,343		11,645,305	11,279,343	
Net loan loss provisions to total loans [(1)]	(0.43%)	(0.20%)		(0.24%)	0.21%	
Write-offs to total loans [(1)]	0.29%	0.36%		0.30%	0.25%	
Net write-offs to total loans [(1)]	(0.19%)	0.01%		(0.14%)	(0.06%)	
Allowance to total loans	3.67%	4.28%		3.67%	4.28%	

[(1)] Percentages are annualized.

For the three months ended on June 30, 2023, the provision charged to expenses, net of recoveries recorded a net release of reserves of US$12.7 million, as compared to a net release of US$5.8 million for the same period in 2022. The net release of reserves was the result of the continuous improvement in the quality of our loan portfolio, which resulted in a lower reserve requirement, as well as lower write-offs and higher recoveries.

For the three months ended on June 30, 2023, write-offs decreased US$1.6 million, from US$10.1 million on June 30, 2022 (or 0.36% of total loans annualized) to US$8.5 million (or 0.29% of total loans annualized), while recoveries increased by US$4.0 million from US$10.0 million on June 30, 2022, to US$14.0 million on June 30, 2023.

The allowance for loan losses decreased US$55.8 million, from US$483.0 million or 4.28% of total loans on June 30, 2022, to US$427.2 million or 3.67% of total loans on June 30, 2023. 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 and six months ended on June 30, 2023 and 2022 respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	**2022**	**(%) Change**	**2023**	**2022**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Fees and commission income, net	43,413	49,621	(12.5%)	89,626	94,803	(5.5%)
Insurance premiums, net	9,863	9,728	1.4%	19,466	18,864	3.2%
Gain (Loss) on financial instruments, net	(3,132)	(34,548)	(90.9%)	(23,976)	(66,131)	(63.7%)
Other income, net	14,988	3,703	304.8%	23,336	10,117	130.7%
Total of other income, net	**65,132**	**28,503**	**128.5%**	**108,452**	**57,653**	**88.1%**

The 128.5% increase in total other income, net for the three months ended on June 30, 2023, primarily reflects the following factors:

Fees and Commission Income, Net

The 12.5% decrease in fees and commission income, net of commission expenses for the three months ended on June 30, 2023, was mainly due to a 20.6% increase in fees and commission income related to credit and debit card operations, as a result of higher transaction volumes, offset by (i) an increase of 54.2% in commission and other expenses, primarily due to the reclassification in 2023 of certain credit and debit card costs, and (ii) the reclassification of certain mobile and online banking revenues to other income, net. Excluding these reclassifications, net fees and commission income increased 16.4%. The total number of credit and debit cards issued by the Bank increased by 14.8%, from 1.5 million in June 2022 to 1.7 million in June 2023. The total number of credit and debit card transactions increased by 23.0% from 61.4 million in the second quarter of 2022 to 75.5 million in the same period of 2023.

Insurance Premiums, Net

Net insurance premiums increased by 1.4% for the three months ended on June 30, 2023, as compared to the same period in 2022, mainly due to an increase in insurance premiums of US$1.7 million, partially offset by an increase in net claims of US$1.2 million.

Gain (Loss) on Financial Instruments, Net

Gain (loss) on financial instruments, net for the three months ended on June 30, 2023, resulted in a net loss of US$3.1 million, as a result of sales of fixed income securities with accumulated losses in Other Comprehensive Income. For reference, during the second quarter of 2023, the interest rates for 1-year, 3-year, and 5-year US Treasuries, increased 80, 74, and 58 basis points, respectively.

Other Income, Net

Other income, net increased by US$11.3 million, in the three months ended on June 30, 2023, primarily due to: (i) gains in the Bank's pension fund of US$4.4 million, and (ii) certain mobile and online banking revenues of US$6.4 million, which are now being presented in other income, net (previously in fees and commission income, net).

General and Administrative Expenses

The following table presents the Bank's principal general and administrative expenses for the three and six months ended on June 30, 2023 and 2022 respectively:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023	**2022**	**(%) Change**	**2023**	**2022**	**(%) Change**
	(in thousands of U.S. dollars, except for percentages)					
Salaries and other employee expenses	46,110	42,066	9.6%	91,511	83,912	9.1%
Depreciation and amortization expenses	8,139	7,721	5.4%	16,705	15,120	10.5%
Premises and equipment expenses	8,592	7,494	14.6%	16,950	14,571	16.3%
Other expenses	19,144	22,008	(13.0%)	36,810	43,739	(15.8%)
Total	**81,985**	**79,290**	**3.4%**	**161,976**	**157,341**	**2.9%**

The 3.4% increase in general and administrative expenses for the three months ended on June 30, 2023, primarily reflects the following factors:

Salaries and Other Employee Expenses

For the three months ended June 30, 2023, salaries and other employee expenses represented 56.2% of total general and administrative expenses, as compared to 53.1% for the same period in 2022. The 9.6% increase in salaries and other employee expenses was attributable to the combination of a moderate increase in salaries and a 7.9% increase in the number of employees.

Depreciation and Amortization Expenses

Total depreciation and amortization expense increased US$0.4 million or 5.4% for the three months ended on June 30, 2023, 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$1.1 million or 14.6% for the three months ended on June 30, 2023, as compared to the same period in June 2022, mainly due to the implementation and maintenance of new and existing technological platforms, software, and improvement of branches.

Other Expenses

Other expenses decreased US$2.9 million or 13.0%, for the three months ended on June 30, 2023. The decrease was primarily due to certain credit and debit card costs, which starting January 2023 are being registered in commission expenses and other expenses. Excluding these credit and debit card costs, other expenses increased 22.9% during the second quarter of 2023.

Taxes

Net income tax amounted to US$28.6 million for the three months ended on June 30, 2023 (US$26.7 million in estimated income tax and US$1.9 million in deferred income tax). The US$11.0 million increase in net income tax was primarily driven by a higher taxable income.

Operational Efficiency

The Bank's operational efficiency ratio was 29.61% for the three month period ended June 30, 2023, as compared to 39.04% for the same period in 2022 mainly as a result of: (i) a US$73.8 million increase or 36.3%, in operating income, and (ii) a US$2.7 million, or 3.4%, increase in the Bank’s general and administrative expenses. The amount of general and administrative expenses was impacted favorably by US$7.9 million of debit and credit card costs, which starting January 2023 are being registered in commission expenses and other expenses.

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

	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22
	(in thousands of U.S. dollars)				
Total interest and commission income	284,328	275,194	268,759	246,042	235,664
Total interest expenses	(76,614)	(70,723)	(69,199)	(64,699)	(64,878)
Net interest and commission income	**207,714**	**204,471**	**199,560**	**181,343**	**170,785**
Total Provisions, net	(14,168)	(2,188)	(43,784)	(18,600)	411
Net interest and commission income after provisions	**221,883**	**206,659**	**243,345**	**199,943**	**170,375**
Other Income (expenses):					
Fees and other commissions	81,206	86,361	86,965	80,331	74,133
Insurance premiums, net	9,863	9,603	9,907	9,745	9,728
Gain (Loss) on financial instruments, net	(3,132)	(20,844)	(17,683)	(10,871)	(34,548)
Other income, net	14,988	8,348	10,860	7,494	3,703
Commission expenses and other expenses	(37,793)	(40,148)	(30,215)	(29,496)	(24,512)
Total other income, net	**65,132**	**43,320**	**59,834**	**57,203**	**28,503**
General and administrative expenses	(81,985)	(79,991)	(87,116)	(81,548)	(79,290)
Equity participation in associates	4,032	3,895	3,087	3,367	3,788
Net income before income tax	**209,061**	**173,883**	**219,149**	**178,964**	**123,376**
Income tax, estimated	(26,736)	(22,404)	(20,044)	(20,409)	(16,074)
Income tax, deferred	(1,860)	275	(7,099)	(3,347)	(1,486)
Income tax, net	**(28,595)**	**(22,130)**	**(27,143)**	**(23,756)**	**(17,560)**
Net income	**180,466**	**151,753**	**192,006**	**155,209**	**105,817**

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

	30-jun-23	31-mar-23	31-Dec-22	30-sep-22	30-jun-22
	(in thousands of U.S. dollars)				
Assets					
Cash and deposits with banks	599,903	796,500	657,810	670,438	892,013
Investments and other financial assets, net	5,091,893	5,121,778	5,249,921	5,479,947	5,487,405
Loans	11,645,305	11,552,662	11,690,196	11,401,521	11,279,343
Allowance for possible loans losses	(427,211)	(434,346)	(432,999)	(471,028)	(483,042)
Unearned comissions	(39,503)	(39,030)	(38,496)	(38,051)	(36,601)
Investments in associates	30,960	33,685	29,917	34,377	32,236
Other assets	1,225,537	1,228,630	1,250,384	1,329,934	1,189,815
Total assets	**18,126,885**	**18,259,878**	**18,406,731**	**18,407,137**	**18,361,168**
Liabilities and shareholder's equity					
Total deposits	12,917,336	13,001,825	13,166,642	13,233,915	13,478,334
Securities sold under repurchase agreements	-	102,800	198,243	244,772	-
Borrowings and placements	785,657	793,067	802,268	766,536	875,701
Perpetual bonds	400,000	400,000	400,000	400,000	400,000
Other liabilities	1,248,395	1,284,914	1,260,962	1,364,371	1,195,461
Total liabilities	**15,351,388**	**15,582,607**	**15,828,114**	**16,009,593**	**15,949,496**
Shareholder's equity	**2,775,497**	**2,677,271**	**2,578,617**	**2,397,545**	**2,411,672**
Total liabilities and shareholder's equity	**18,126,885**	**18,259,878**	**18,406,731**	**18,407,137**	**18,361,168**
Operational data (in units)					
Number of customers (1)	1,678,660	1,649,729	1,603,641	1,567,562	1,514,312
Number of customers affiliated in digital channels (2)	1,500,388	1,461,631	1,405,814	1,352,473	1,289,350
% active customers in digital channels (3)	80.6%	79.8%	79.1%	78.0%	76.7%
Number of employees (4)	4,905	4,772	4,674	4,620	4,546
Number of branches (5)	80	80	80	80	80
Number of ATMs (5)	635	635	637	629	628
Assets under management (in US$ million) (6)	13,439	13,165	12,752	12,272	12,123

(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 percentage 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 and BG Investment.

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

	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22
Profitability and efficiency:					
Net Interest Margin (1)(2)	5.00%	4.91%	4.76%	4.35%	4.04%
Return on average assets (1) (3)	3.96%	3.32%	4.17%	3.39%	2.29%
Return on average equity (1) (3)	26.24%	22.78%	30.84%	25.15%	17.00%
Efficiency (4)	29.61%	31.78%	33.19%	33.71%	39.04%
Operating expenses / average total assets (1) (3)	1.80%	1.75%	1.89%	1.78%	1.71%
Other income / operating income (5)	27.17%	27.49%	28.61%	28.40%	27.09%
Liquidity:					
Primary Liquidity / total deposits and obligations (6)	28.32%	29.64%	29.75%	31.09%	32.44%
Regulatory Liquidity / qualified deposits (7)	39.86%	37.27%	39.04%	40.82%	42.73%
Loans, net / client deposits (8)	86.59%	85.23%	85.22%	82.44%	79.84%
Liquidity Coverage Ratio (LCR) (9)	240.44%	224.87%	155.07%	149.97%	179.29%
Capital:					
Total regulatory primary capital ratio (CET 1) (10)	20.77%	20.53%	19.86%	18.70%	18.08%
Total primary capital ratio (10)	23.84%	23.68%	23.02%	21.91%	21.16%
Total capital ratio (10)	23.84%	23.68%	23.02%	21.91%	21.16%
Equity / assets	15.31%	14.66%	14.01%	13.03%	13.13%
Earning retention ratio (11)	55.67%	47.28%	49.15%	57.61%	37.82%
Asset quality:					
Non accrual loans / total loans (12)	2.32%	2.42%	2.38%	2.55%	2.86%
Past due loans / total loans (13)	2.70%	2.75%	2.69%	2.88%	3.17%
Allowance for loan losses / total loans	3.67%	3.76%	3.70%	4.13%	4.28%
Allowance for loan losses / non accrual loans (12)	158.19%	155.12%	155.87%	161.97%	149.71%
Allowance for loan losses / past due loans (13)	135.89%	136.66%	137.74%	143.41%	135.02%
Write-offs / total loans (1)	0.29%	0.32%	0.30%	0.31%	0.36%
Net write-offs / total loans (1)	(0.19%)	(0.09%)	(0.02%)	(0.12%)	0.01%

(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, (b) interest-bearing deposits with banks, and (c) high quality (investment grade) fixed income securities, including repos, fixed income mutual funds, treasury bills, negotiable CDs, commercial paper, corporate and sovereign bonds, MBS, CMOs and ABS. (7) As defined in Accord 4-2008 issued by the SBP. (8) Client deposits exclude interbank deposits. (9) As defined in Accord 2-2018 issued by the SBP. (10) Capital as a percentage of risk weighted assets, in accordance with the requirements of the SBP. (11) Earning retention ratio: net income of the period minus paid dividends of the period divided by net income. (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.(13) Past due loans: all loans past due 90+ days on interest and/or principal payments and all loans past due 30 days post maturity.