

Management Financial Discussion and Analysis

March 2024

20
24



March 2024 Highlights

Environmental



Sustainable

- Banco Nacional de Panama, successfully organizes training sessions for producers, focused on the theme "Climate Change, Mitigation in Agriculture". These meetings aim to strengthen the agricultural sector and boosting the country's economy.
- Provided financing to Grupo Rey and Corporación Favorita for the installation of solar panels at the Distribution Center (CEDI) in Pacora.

Social



Clients

- Celebration of "Purple Day" together with the Luces Foundation to raise awareness of Epilepsy disorder.
- Fundraising to support children with cancer together with the FANLYC Foundation.
- Celebration of World Down Syndrome Day.
- Committed to gender equality, Banco Nacional de Panama participated in the international conference "Opportunities for Women-Led Businesses in the Americas".

Governance



Recognition

- Participation as alternate governor in the meeting of the Development Bank of Latin America and the Caribbean. It shows the commitment to sustained growth of the nation, strengthening the country brand.
- Banco Nacional de Panama presented its first Sustainability Report, aligned with the international standards of the UN Global Compact and the Sustainable Development Goals (SDGs).

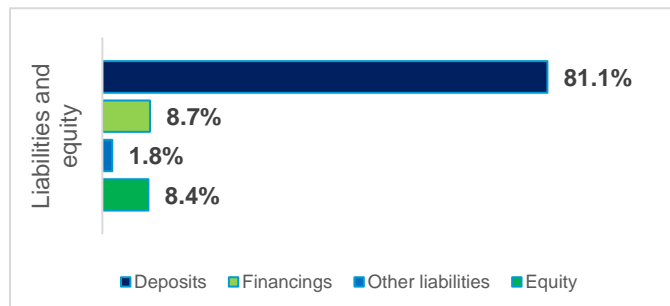
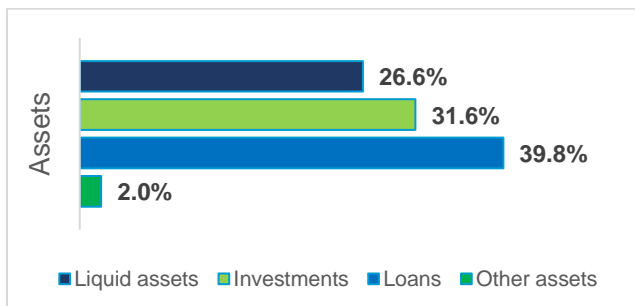
(In US\$ million)

Total Assets	Loans, gross	Equity	Net Income	Capital Adequacy
US\$16,405.3	US\$6,530.7	US\$1,377.9	US\$94.5	18.7%
Financial Liquidity	PDL / Total Loans	Efficiency	ROAE	ROAA
52.0%	1.1%	33.8%	28.4%	2.4%

Financial Analysis

As of March 31, 2024, The Bank's balance sheet increased by 7.2% to US\$16,405.3 million when compared to December 31, 2023, numbers.

The composition of the Bank's balance sheet is 26.6% liquid assets, 31.6% investments in securities, loans represent 39.8% and other assets 2.0% of total assets. In terms of liabilities and equity: customer deposits represent 81.1%, financings 8.7%, and other liabilities 1.8%. Equity constitutes 8.4% of the total balance sheet.



Assets

Assets totaled US\$16,405.3 million as of March 31, 2024, an increase of US\$1,104.8 million when compared with December 31, 2023. Assets grew primarily through deposits in banks at amortized cost in 10.6%, Investments portfolio and securities purchased under resale agreements in 17.1% and private sector loans in 1.3%. The portfolios have grown with adequate balance sheet risk management, generating higher returns.

Liabilities

Liabilities totaled US\$15,027.4 million as of March 31, 2024, an increase of US\$1,037.1 million, compared to December 31, 2023, numbers. The increase in deposits corresponds to the proceeds of a global bond issuance of the Republic of Panama in international markets executed in February.

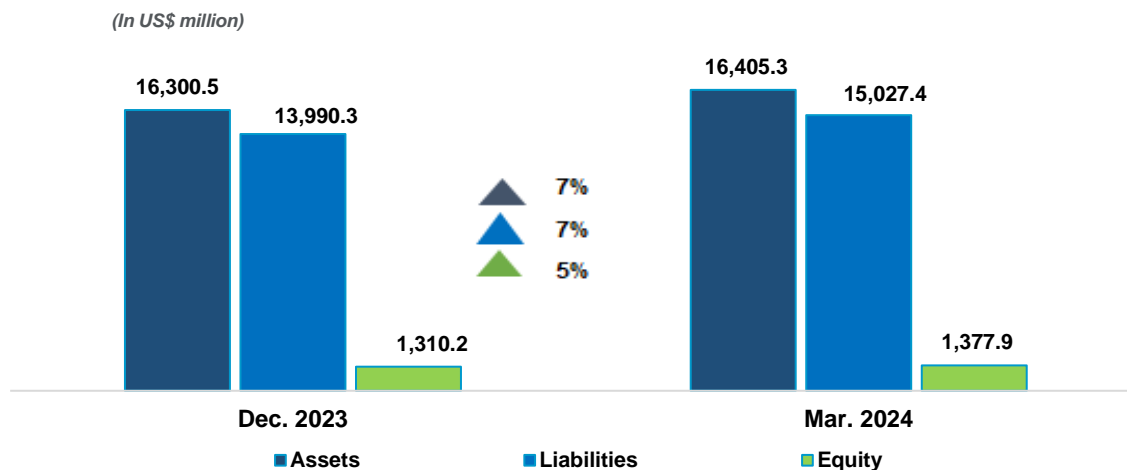
Equity

As of March 31, 2024, the Bank's total equity stood at US\$1,377.9 million, an increase of US\$67.7 million compared to December 31, 2023. The increase comes from the accumulation of profits for the period.

Risk Ratings

The Bank has risk ratings by the main rating agencies:

- Standard and Poor's ("BBB", negative outlook – Jan.24)
- Moody's ("Baa3", stable outlook – Nov.23)
- Fitch Ratings ("BB+", stable outlook – Abr.24)



Liquidity and Sources of Funds

Liquid assets are comprised of cash, deposits in banks, securities purchased under resale agreements, and investments in securities. These assets totaled US\$9,577.4 million at March 31, 2024, an increase of 11.7%, from US\$8,578.2 million as of December 31, 2023, and represented 71.9% of total customer deposits and 58.4% of total assets. The financial liquidity ratio stood at 52.0%.

(In US\$ thousands)	As of March 31, 2024	As of December 31, 2023	Change	
			US\$	%
Cash and cash equivalents	235,809	321,617	(85,808)	-26.7%
Deposits in banks at amortized cost:				
Demand deposits - foreign	86,190	50,993	35,197	69.0%
Time deposits - local	120,177	260,430	(140,253)	-53.9%
Time deposits - foreign	3,924,779	3,423,920	500,859	14.6%
Less: Reserve for bank deposit losses	24	20	4	20.0%
Total bank deposits at amortized cost	4,131,122	3,735,323	395,799	10.6%
Total cash, cash equivalents and bank deposits at amortized cost	4,366,931	4,056,940	309,991	7.6%
Securities purchased under resale agreements at amortized cost	166,333	211,333	(45,000)	-21.3%
Less: Reserve for losses on securities purchased under resale agreements	95	271	(176)	-64.9%
Securities purchased under resale agreements at amortized cost	166,238	211,062	(44,824)	-21.2%
Investments in securities	5,054,665	4,316,210	738,455	17.1%
Less: Reserve for investment losses	10,452	6,063	4,389	72.4%
Investments in securities, net	5,044,213	4,310,147	734,066	17.1%
Total Liquid Assets	9,577,382	8,578,149	999,233	11.7%

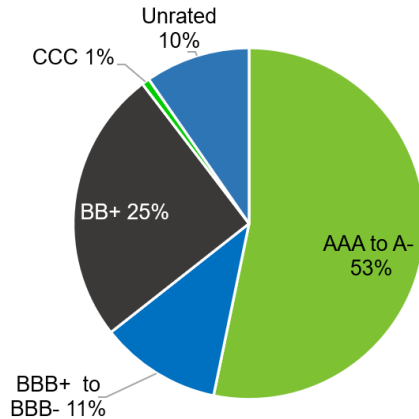
Liquidity Ratio

The Bank maintains robust liquidity levels. As of March 31, 2024, the financial liquidity ratio was 52.0% and the legal or regulatory liquidity ratio closed at 78.4%, well above the 30% required by the Superintendencia of Banks of Panama.

Funding Sources

The Bank's funding sources consist of deposits and financings. Total sources of funds amounted to US\$14,738.2 million as of March 31, 2024; of these, customer deposits totaled US\$13,313.4 million, representing 90.3% of the Bank's sources of funds.

(In US\$ thousands)	As of March 31, 2023	As of December 31, 2023	Change	
			US\$	%
Deposits				
Demand deposits	4,490,899	5,215,720	(724,821)	-13.9%
Savings deposits	981,587	1,005,864	(24,277)	-2.4%
Time deposits, Restricted - inactive accounts and Restricted - escrow funds	7,840,907	6,028,328	1,812,579	30.1%
Total Deposits	13,313,393	12,249,912	1,063,481	8.7%
Other Sources of Funds				
Foreign borrowings received at amortized cost	215,190	247,864	(32,674)	-13.2%
Bond payable - local at amortized cost	206,216	206,267	(51)	0.0%
Bond payable - foreign at amortized cost	1,000,840	1,008,168	(7,327)	-0.7%
Lease liabilities	2,590	2,025	565	27.9%
Total, Other Sources of Funds	1,424,837	1,464,324	(39,487)	-2.7%
Total, Sources of Funds	14,738,230	13,714,236	1,023,994	7.5%



Investment Portfolio

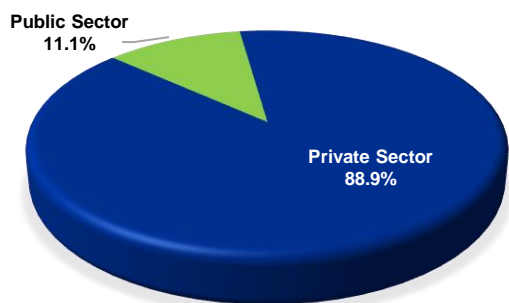
Banco Nacional's investment portfolio and securities purchased under resale agreements increased by US\$734.1 million or 17.1%, from US\$4,310.1 million as of December 31, 2023, to US\$5,044.2 million as of March 31, 2024.

The Bank's investment portfolio is made up of sovereign and corporate debt securities issued by Panamanian, US, Latin American and supranational institutions. The Bank has a conservative investment policy, investing primarily in liquid, investment grade fixed income securities.

<i>(In US\$ thousands)</i> Investments in securities at AC	Local Rating	International Rating (i)	Total
AAA	0	19,462	19,462
AA+ to A	130,791	2,300,415	2,431,206
A-	15,009	100,801	115,810
BBB+ to BBB-	182,946	350,317	533,263
BB+	18,000	1,216,093	1,234,093
CCC	0	35,180	35,180
Unrated	3,358	517,971	521,329
Gross subtotal	350,104	4,540,239	4,890,343
Interest receivable	4,205	28,786	32,991
Loss reserve	(3,594)	(6,858)	(10,452)
Balance at AC	350,715	4,562,167	4,912,882

<i>(In US\$ thousands)</i> Investments in securities at FVOCI	Local Rating	International Rating	Total
AA+ to A	0	16,851	16,851
A-	0	19,316	19,316
BBB+ to BBB-	0	11,910	11,910
Gross subtotal	0	48,077	48,077
Interest receivable	0	304	304
Balance at FVOCI	0	48,381	48,381

(i) The investments presented in the "Unrated" category correspond to highly liquid instruments of an international financial institution, to which only central banks have access and their risk is equivalent to an AAA sovereign risk rating: Standard & Poor's, Moody's or Fitch Ratings, Inc.

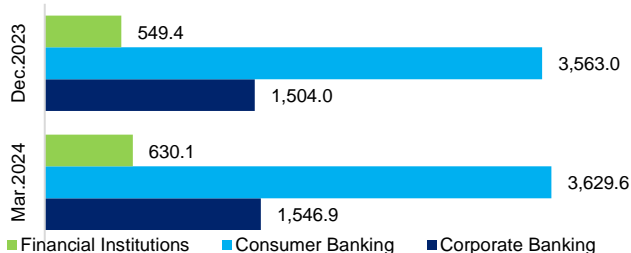


Loan Portfolio

The Bank’s gross loan portfolio totaled US\$6,530.7 million as of March 31, 2024; reflecting growth of 1.3% (US\$.85.2 million) compared to year end 2023 balances of US\$6,445.5 million.

Loans to the public sector represented 11.1% of the total portfolio or US\$724.1 million and loans to the private sector represent the bulk of the portfolio with US\$5,806.6 million or 88.9%. Most of the Bank’s loans have fixed interest rates, which can be readjusted at the unilateral option of Banco Nacional, at any given time.

(In US\$ million)

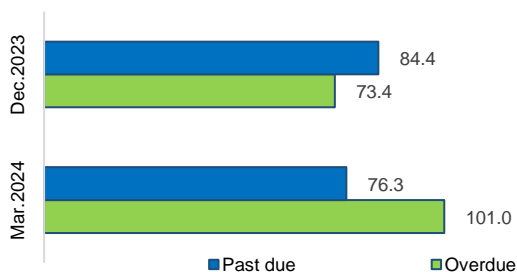


Private Loan Portfolio

The composition of the private sector loan portfolio was as follows:

The corporate banking portfolio increased by US\$42.9 million, loans to financial institutions by US\$80.7 million, while the consumer banking portfolios increased by US\$66.6 million, driven by residential mortgages.

(In US\$ million)



Asset Quality

As of March 31, 2024, total past due and overdue loans were 2.7% of the total loan portfolio (as of December 31, 2023: 2.4%). Asset quality indicators have remained stable during the first quarter of the year 2024, given the risk profile. Past due loans over 90 days have a reserve (loan loss reserves plus dynamic provision) coverage of 308.7%.

The reserve for loan losses closed at US\$150.1 million as of March 31, 2024, or 2.3%, of the total loan portfolio.

Capitalization

As of March 31, 2024, the Bank’s total equity stood at US\$1,377.9 million, an increase of US\$67.7 million compared to December 31, 2023. Total capital to total assets ratio reached 8.4% as of March 31, 2024.

The Bank’s regulatory capital totaled US\$1,317.4 million and risk-weighted assets stood at US\$7,029.8 million; the risk weighted capital ratio was 18.7%, much higher than the minimum required by the Superintendencia of Banks of Panama of 8.0%. Market risk-weighted assets and operational risk-weighted assets are included in accordance with the regulatory requirements.

<i>(In US\$ thousands)</i>	As of March 31, 2024	As of December 31, 2023
Primary Capital		
Paid-in capital by Government of Panama	1,000,000	1,000,000
Retained earnings	219,590	199,366
Other items in comprehensive income	28,713	28,459
Less: intangible assets	10,745	11,543
Total Primary Capital	1,237,558	1,216,282
Dynamic regulatory provision	79,811	79,811
Total regulatory Capital	1,317,369	1,296,093
Total Risk-weighted assets	7,029,762	6,824,620
Capital adequacy ratios	18.7%	19.0%

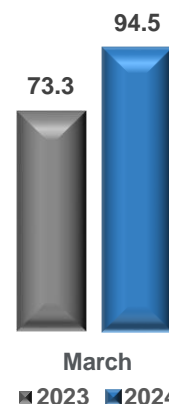
Result of Operations

Net Income

Net income at the end of the first quarter 2024, reached US\$94.5 million, a 28.9% increase when compared to US\$73.3 million in 2023.

Net Income

(In US\$ millions)



Net Interest and Commission Income

At the end of the first quarter 2024, the Bank's net interest and fee income increased by 22.0% or \$25.6 million; compared to the same period in 2023. The increase is attributed to higher interest income reflected by higher levels of interest rates in the international market and higher volume of loans and investments.

(In US\$ million and percentages)

Interest and commission income

US\$ 203.4

23.9% ↑

Interest expense

US\$ 61.8

28.5% ↑

Net interest and commission income

US\$ 141.6

22.0% ↑

Loss Provisions and Other Income

Provisions for losses decrease US\$1.2 million or 10.8%, compared with December 2023. The decrease occurs mainly in the provision for loan losses.

Other net income increased by 1.1%, from US\$10.9 million as of December 31, 2023, to US\$11.0 million as of March 31, 2024.

General and Administrative Expenses

General and administrative expenses increased by 13.5% or US\$5.7 million when compared to the same period of 2023. The primary increases come from personnel expenses, repairs and maintenance of the bank's infrastructure and communications systems.

The efficiency ratio stands at 33.8% as of March 31, 2024.

(In US\$ million and percentages)

Provisions	Other Income, Net
US\$ 9.9	US\$ 11.0
-10.8% ↓	1.1% ↑
General and Admin. Expenses	Net Income
US\$ 48.1	US\$ 94.5
13.5% ↑	28.9% ↑

Income Statement

(US\$ thousands)

Income	As of March 31,		Change	
	2024	2023	US\$	%
Interest and fee income	203,354	164,094	39,260	23.9%
Interest expense	61,783	48,095	13,688	28.5%
Net interest and commission income	141,571	115,999	25,572	22.0%
Impairment Allowances, net ⁽¹⁾	9,922	11,127	(1,205)	-10.8%
Net interest and commission income, after provisions	131,649	104,872	26,777	25.5%
Fees for banking services	6,667	6,693	(26)	-0.4%
Other income ⁽²⁾	5,644	5,029	615	12.2%
Other expenses	1,335	867	468	54.0%
Total other income, net	10,976	10,855	121	1.1%
Total general and administrative expenses	48,138	42,418	5,720	13.5%
Net income	94,487	73,309	21,178	28.9%

⁽¹⁾ Includes provision for losses on deposits in banks, provision for losses on investments, provision for loan losses and provision for valuation of foreclosed assets.

⁽²⁾ Includes net gain on investments in securities, dividends and others.

Balance Sheet

(US\$ thousands)

Assets	As of March 31, 2024	As of December 31, 2023	Change	
			US\$	%
Cash and cash equivalents at amortized cost	4,366,931	4,056,940	309,991	76.4%
Securities purchased under resale agreements at amortized cost	166,238	211,062	(44,824)	-21.2%
Investments in securities, net	5,044,213	4,310,147	734,066	17.0%
Private sector loans and interest receivable	5,843,940	5,648,292	195,648	3.5%
Public sector loans and interest receivable	731,830	837,260	(105,430)	-12.6%
Allowance for loan losses	(150,136)	(144,820)	(5,316)	3.7%
Unearned interest and commissions	(28,367)	(28,430)	63	0.2%
Total loans at amortized cost	6,397,267	6,312,302	84,965	1.4%
Property, plant & equipment, net	104,437	95,924	8,513	8.9%
Other assets	326,211	314,189	12,022	3.8%
Total assets	16,405,297	15,300,564	1,104,733	7.2%
Liabilities & Shareholder Equity				
Deposits at amortized cost	13,313,394	12,249,912	1,063,482	8.7%
Foreign borrowings received at amortized cost	215,190	247,864	(32,674)	-13.2%
Bond payable - foreign at amortized cost	1,000,840	1,008,168	(7,328)	-0.7%
Bond payable - local at amortized cost	206,216	206,267	(51)	0.0%
Other liabilities	291,740	278,109	13,631	4.9%
Total liabilities	15,027,380	13,990,320	1,037,060	7.4%
Equity	1,377,917	1,310,244	67,673	5.2%
Total Liabilities & Equity	16,405,297	15,300,564	1,104,733	7.2%

Financial Ratios

Profitability

Net Interest Margin ⁽¹⁾		Return on Average Assets ⁽²⁾		Return on Average Equity ⁽³⁾	
3.8%	3.5%	2.4%	2.0%	28.4%	23.0%
Mar. 2024	Dec.2023	Mar. 2024	Dec.2023	Mar. 2024	Dec.2023

Liquidity & Efficiency

Financial Liquidity ⁽⁴⁾		Legal Liquidity ⁽⁵⁾		Efficiency ⁽⁶⁾	
52.0%	49.1%	78.4%	75.5%	33.8%	41.6%
Mar. 2024	Dec.2023	Mar. 2024	Dec.2023	Mar. 2024	Dec.2023

Capital

Capital Adequacy ⁽⁷⁾		Equity / Assets ⁽⁸⁾		Financial Leverage ⁽⁹⁾	
18.7%	19.0%	8.4%	8.6%	7.6%	8.0%
Mar. 2024	Dec.2023	Mar. 2024	Dec.2023	Mar. 2024	Dec.2023

Asset Quality

Past Due Loans Over 91 Days / Total Loans ⁽¹⁰⁾		Past Due Loans / Total Loans ⁽¹¹⁾		Non-Accrual Loans / Total Loans ⁽¹²⁾	
1.1%	1.3%	2.7%	2.4%	0.7%	0.7%
Mar. 2024	Dec.2023	Mar. 2024	Dec.2023	Mar. 2024	Dec.2023

Headcount	3,717	3,701	Branch Network	94	93
	Mar. 2024	Dec.2023		Mar. 2024	Dec.2023

⁽¹⁾ Calculated as net interest income divided by total average interest-earning assets.

⁽²⁾ Calculated as net income divided by average total assets.

⁽³⁾ Calculated as net income divided by average total equity.

⁽⁴⁾ Calculated as total liquid assets, plus highly liquid investments (BIS-Treasury) over customer deposits

⁽⁵⁾ Regulatory liquid assets are determined based on guidelines established by the Superintendence of Banks on total liquid liabilities.

⁽⁶⁾ Calculated as total general & admin. Expenses to net interest and commission income after provisions plus total other net income.

⁽⁷⁾ Calculated as total equity divided by total risk weighted assets by credit, market and operational risks.

⁽⁸⁾ Equity divided by total assets

⁽⁹⁾ Primary equity net of regulatory adjustments divided by total productive assets net of deductions and counterparty risk per contingencies.

⁽¹⁰⁾ Calculated as past due loans over 91 days overdue divided by total loan portfolio.

⁽¹¹⁾ Calculated as total past due loans and overdue loans over 91 days divided by total loan portfolio.

⁽¹²⁾ Calculated as non-accrual loans divided by total loans.

The analysis presented is based on the information contained in the non-audited financial statements as of March 31, 2024. Some figures (including percentages) in this document have been rounded. The non-audited financial statements for the period ended March 31, 2024, are available on the Bank's website www.banconal.com.pa.

2024

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