Management Financial Discussion and Analysis First Quarter 2021

BANCO NACIONAL DE PANAMA

General Information

Banco Nacional de Panama (the “Bank” or “Banconal”) was established in 1904 in the Republic of Panama. Banconal is an independent, state owned bank, with a general banking license offering universal banking services to the public and private sector. The Bank serves a systemically important role, serving as the financial arm of the Panamanian government and all public entities. Additionally the Bank offers a portfolio of financial services to individuals and companies across Panama.

With 90 branches, Banco Nacional has the largest branch network with in the Republic of Panama, 311 ATMs and a state-of-the-art electronic banking platform. Giving continuity to the digital transformation of virtual channels, Banconal's electronic banking website was renewed in February 2021, online banking services are now friendlier, with better user experience, adapted to the tastes, preferences and needs of our clients. Likewise, it maintains the security and privacy that users need when making their transactions.

Every year Banco Nacional holds a traditional Field Day during the dry season. Being proactive in maintaining this year’s biosafety rules, the Bank replaced the face-to-face human convergence in working production farms which became the training classrooms, to a virtual classroom. This year’s Field Day theme was "Sustainable Rice Production with Integral Vision", presenting the latest trends in rice production.

Banco Nacional de Panamá recognizes Corporate Social Responsibility as a shared commitment of an organization with its social surroundings and the environment, where it operates. Within this concept, Banconal has been practicing social responsibility for more than 40 years.

The Bank’s Corporate Social Responsibility strategy is focused on four mainstays: health, education, environment and culture.

With this strategy, sustainable projects, social investment, cultural management and development of the Banconal community are managed. It was structured according to ISO 26000, aligned with the United Nations Sustainable Development Goals and the 2030 Agenda, the National Strategic Plan with a State Vision 2030 and with the Sustainable Finance Protocol of Panama.

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Banconal in numbers
Q1 - 2021

- The Bank's balance sheet contracted by 5.6% during the first three months of 2021. The contraction is the result of reductions in deposits, both from the public and private sectors. The decrease in private deposits is due to a reduction in deposits from banks. The reduction in deposits from customers is reflected in a decrease in the bank's assets.

- Total assets decreased by US$ 941.9 million, closing at US$ 15,930.2 million at Mach 31, 2021. The reduction in assets is reflected in a decrease in the investment portfolio.

- The liquidity ratio at March 31, 2021 is 87.1%, short of three times the minimum of 30% required by the regulator.

- Delinquent and past due loans correspond to 4.8% of the Bank's total loan portfolio. The reserve for possible loan losses amounted to US$ 113.1 million. Past due loans over 90 days have a reserve coverage for possible losses (loan loss provision and dynamic provision) of 1.82 times as of March 31, 2021.

- Total liabilities decreased by 6.0% or US$ 961.3 million, due to a reduction in deposits of 7.2%. Of total deposits, private time deposits fell US$ 379.9 million due to bank deposit withdrawals, and public time deposits which decreased by US$ 604.2 million as a result of funds withdrawals by the government to cover operating expenses.

Gross Loans	$ 4,964
Total Assets	$15,930
Equity	$ 982
Net Income	$ 25
NIM	1.5%
Efficiency Ratio	61.5%
RoAE	10.4%
Liquidity Ratio	87.1%
NPL Ratio	4.8%
CET1 Ratio	17.9%

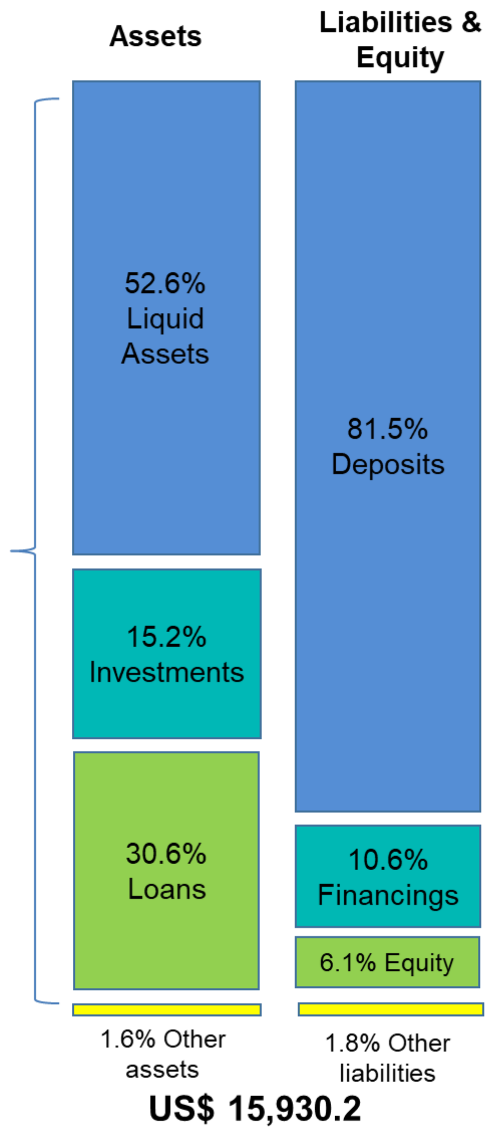
- Equity reached US$ 981.6 million, an increase of 2.0% compared to total equity as of December 31, 2020 (US$ 962.2 million). At the end of the first quarter of 2021, capital adequacy ratio reached 17.9%.

- The Bank has investment grade risk ratings by the three main rating agencies:

  - Standard and Poor's ("BBB", with a stable outlook)
  - Moody's ("Baa2", with a stable outlook)
  - Fitch Ratings ("BBB-" with negative outlook)

Financial Analysis

At the end of first quarter 2021, Banco Nacional's balance sheet shows a contraction of 5.6%. The contraction, primarily in liquid assets, is a reflection of the reduction of client deposits, both from the private and public sectors. The composition of the Bank's balance sheet continues to show high levels of liquidity; liquid assets and investments represent 67.8% of total assets. Loans are 30.6% of assets. Customer deposits account for 81.5% of liabilities and equity, financings 10.6% and other liabilities 1.8%. Equity funds constitute 6.1% of the total balance sheet



Assets

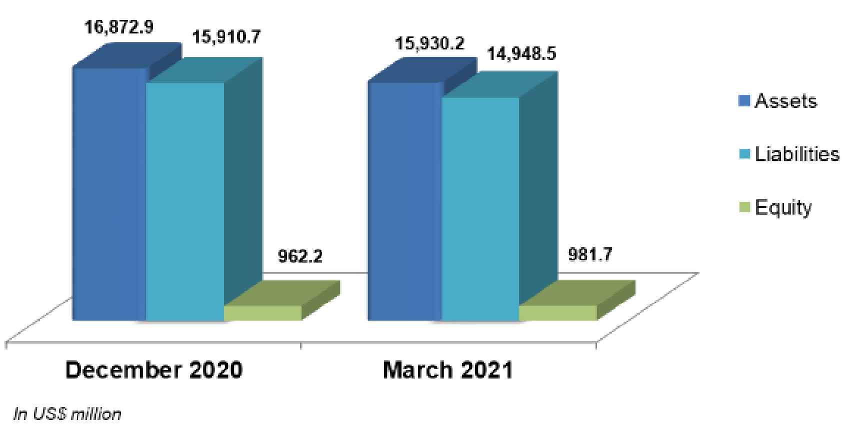
Assets totaled US$ 15,930.2 million. In comparison with year-end 2020 balance sheet numbers, assets decreased by US$ 941.9 million or 5.5%, as a result of a reduction in bank deposits in the amount of US$ 136.7 million and in investments in securities of US$ 727.7 million. The contraction in total assets is a result in the utilization of funds by the Government of Panama deposited in the Bank to fund operating expenditures.

Liabilities

Liabilities totaled US$ 14,948.5 million as of March 31, 2021, decreasing by US$ 961.3 million, compared to December 31, 2020 figures. The contraction of 7.2% or US$ 1,009.7 million occurs in customer deposits, mainly in public sector deposits and bank deposits. The drop in public sector deposits is due to the use of resources by the Government to cover operating expenses.

Equity

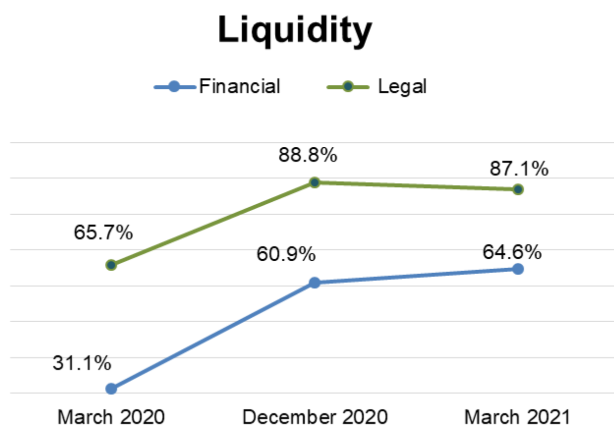
At the end of first quarter 2021, the Bank's total equity closed at US$ 981.7 million, an increase of US$ 19.5 million compared to December 31, 2020. The increase is due to the period's retained earnings for the period.



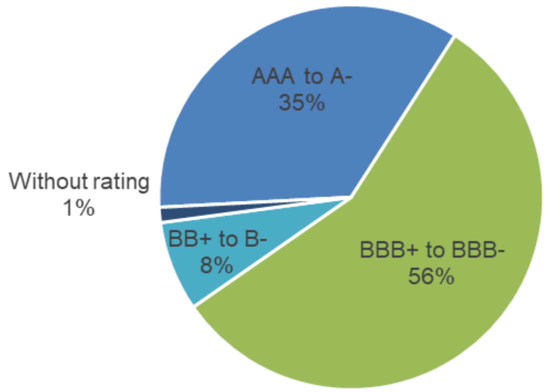
Liquidity and Sources of Funds

Banconal maintains robust liquidity levels. As of March 31, 2021, the financial liquidity ratio was 64.6% and the legal liquidity ratio closed at 87.1%, well above the 30% required by the Superintendency of Banks of Panama.

Liquid assets totaled US$ 10,809.9 million (cash, bank deposits, securities purchased under resale agreements, and fixed income investments). The level of liquid assets fell by 7.5%, from US$ 11,692.4 million at December 31, 2020. As of March 31, 2021, liquid assets represented 83.3% of total customer deposits and 67.9% of total of assets.



(In US$ thousands)	As of March 31, 2021	As of December 31, 2020	Change US$	%
Cash and cash equivalents	280,485	299,687	-19,202	-6.4%
Deposits in banks at amortized cost:				
Demand deposits- foreign	61,796	90,825	-29,029	-32.0%
Time deposits - local	295,081	340,143	-45,062	-13.2%
Time deposits - foreign	7,744,084	7,787,473	-43,389	-0.6%
Less: Reserve for bank deposit losses	153	121	32	26.4%
Total bank deposits at amortized cost	**8,100,808**	**8,218,320**	**-117,512**	**-1.4%**
Total cash, cash equivalents and bank deposits at amortized cost	8,381,293	8,518,007	-136,714	-1.6%
Securities purchased under resale agreements	15,165	33,314	-18,149	-54.5%
Less: Reserve for investment losses	11	62	-51	-82.8%
Securities purchased under resale agreements at amortized cost	**15,154**	**33,252**	**-18,098**	**-54.4%**
Investments in securities	2,420,525	3,145,743	-725,218	-23.1%
Less: Reserve for investment losses	7,079	4,577	2,502	54.7%
Investments in securities, net	**2,413,446**	**3,141,166**	**-727,720**	**-23.2%**
Total Liquid Assets	**10,809,893**	**11,692,425**	**-882,532**	**-7.5%**



Banconal's investment portfolio contracted by US$ 727.7 million or 23.2%, from US$ 3,141.1 million as of December 31, 2020 to US$ 2,413.4 million as of March 31, 2021. The reduction in the portfolio is due to the redemption of investments that have not been reinvested.

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. More than 90% of Banco Nacional's investment portfolio is invested in investment grade securities.

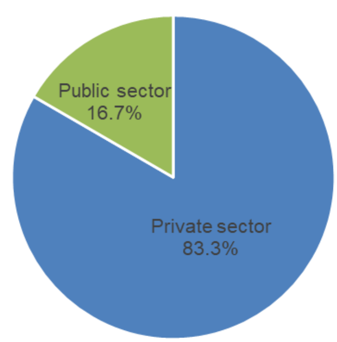
The Bank's funding sources consist of deposits and financings. Total sources of funds amounted to US$ 14,668.9 million as of March 31, 2021; of these, deposits amounted to US$ 12,979.3 million, which represents 88.5% of the Bank's sources of funds. Deposits include demand deposits, time deposits, savings accounts, and bank deposits.

The following table shows Banconal's sources of funds as of March 31, 2021 and December 31, 2020:

(In US$ thousands)	**As of March 31, 2021**	**As of December 31, 2020**	**Change US$**	**Change %**
Deposits				
Demand deposits	4,439,291	4,478,148	-38,857	-0.9%
Savings deposits	900,500	906,163	-5,663	-0.6%
Time deposits, Restricted - inactive accounts and Restricted - escrow funds	7,639,506	8,604,679	-965,173	-11.2%
Total Deposits	**12,979,297**	**13,988,990**	**-1,009,693**	**7.2%**
Obligations				
Foreign borrowings received at amortized cost	479,906	485,415	-5,509	-1.1%
Bonds payable - local at amortized cost	206,267	206,216	51	0.0%
Bonds payable - foreign at amortized cost	999,738	1,005,955	-6,217	-0.6%
Lease liabilities	3,645	3,397	248	7.3%
Total obligations	**1,689,556**	**1,700,983**	**-11,427**	**-0.7%**
Total Sources of funds	**14,668,853**	**15,689,973**	**-1,021,120**	**-6.5%**

Loan Portfolio

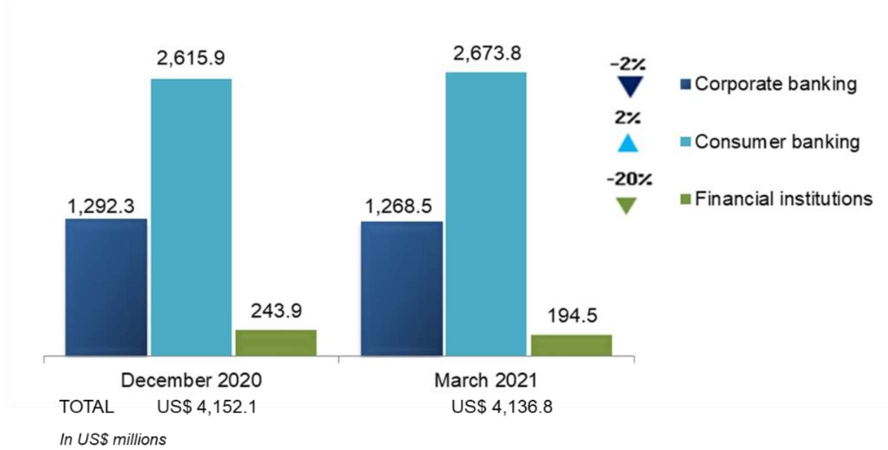
The Bank's gross loan portfolio totaled US$ 4,963.7 million as of March 31, 2021; a US$ 15.7 million reduction when compared to year end 2020 total of US$ 4,979.4 million.



Loans to the public sector represented 16.7% of the total portfolio or US$ 826.9 million and loans to the private sector represent the majority of the portfolio with US$ 4,136.8 million or 83.3%.

The following graph presents the private sector loan portfolio by type of loan. Most of the Bank's loans have fixed interest rates, which can be readjusted at the unilateral option of Banconal, at any time.

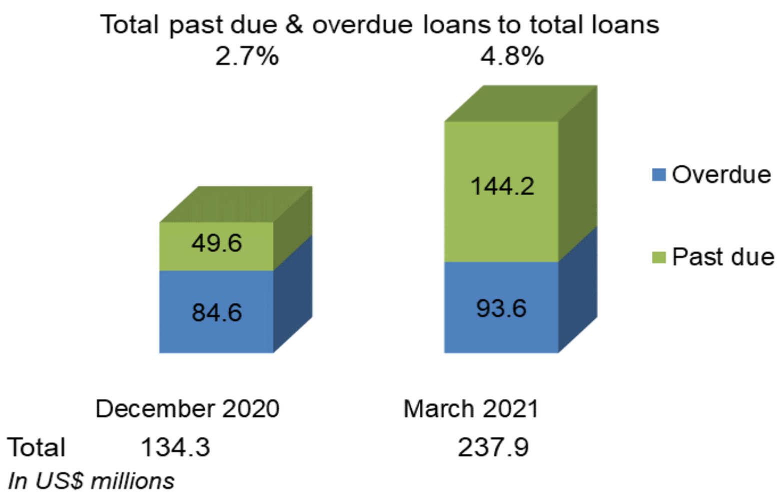
BANCO NACIONAL DE PANAMA



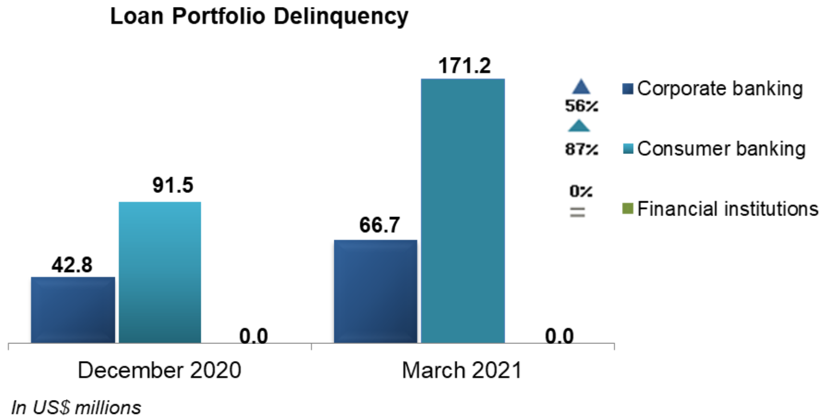
The corporate banking loan portfolio and loans to financial institutions fell by US$ 23.8 million and US$ 49.4 million respectively, while consumer banking saw an increase in their portfolios of US$ 57.9 million, driven by the residential mortgage loan portfolio.

Asset Quality

As of March 31, 2021, total past due and overdue loans amounted to 4.8% of the total loan portfolio (as of December 31, 2020: 2.7%). The quality of the loan portfolio has been affected by COVID-19 Pandemic. In line with the increase in past-due and overdue loans, the Bank has increased its loan loss reserves to cover additional delinquent loans.



The increase in provisions was driven by macroeconomic variables due to the COVID-19 pandemic.



Loan Loss Reserves

The following table shows the movements in the Bank's reserve account for loan losses for the periods ended March 31, 2021 and December 31, 2020:

(US$ thousands)	As of March 31,	As of December 31,	Change	
	2021	**2020**	**US$**	**%**
Balance at the beginning of the period	108,251	62,918	45,333	72.1%
Reserve charged to expenses	6,328	46,426	-40,098	-86.4%
Recoveries	383	1,195	-812	-67.9%
Write-off loans	-1,818	-2,288	470	-20.5%
Balance at the end of the year	**113,144**	**108,251**	**4,893**	**4.5%**

The reserve for loan losses increased to US$ 113.1 million as of March 31, 2021, or 2.3% of the total loan portfolio, from US$108.3 million as of December 31, 2020, or 2.2% of the portfolio. The accumulation of reserves is to face the weakening asset quality indicators of the loan portfolio due to the economic impact of COVID -19 on the Bank's clients.

	As of March 31 2021			As of December 31 2020			Change	
(US$ thousands)	**Loans**	**Allowances**	**%**	**Loans**	**Allowances**	**%**	**Loans**	**Allowances**
Low risk	4,841,524	56,924	1.2%	4,861,413	54,129	1.1%	-0.4%	5.2%
Significant risk	27,648	6,604	23.9%	32,984	8,588	26.0%	-16.2%	-23.1%
Default risk	94,545	49,616	52.5%	84,998	45,534	53.6%	11.2%	9.0%
Total	**4,963,717**	**113,144**	**2.3%**	**4,979,395**	**108,251**	**2.2%**	**-0.3%**	**4.5%**

Modified Loans

Given the situation presented by the COVID-19 Pandemic, the Superintendency of Banks established a temporary credit category, called "modified credits". The guidelines established by the Superintendency apply to both consumer loans and corporate loans. Modified loans are loans that have adhered to the moratoriums established to ease the burden of economic hardship caused by COVID-19.

As of March 31, 2021, the Bank has 13,584 modified loans on its books for an aggregate amount of US$ 624.2 million. Modified loans represent 12.7% of the Bank's loan portfolio and 2.9% of all modified loans within the National Banking System.

The provision for the modified special mention portfolio must be established to cover credit risk, ensuring compliance with IFRS and prudential standards. Banks will constitute a provision equivalent to the higher value between the provision according to IFRS of the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including accrued interest not collected. and capitalized expenses.

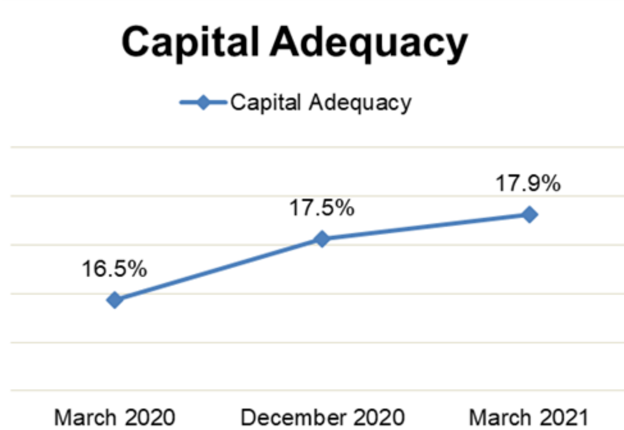
The following table details the modified special mention portfolio categories and their respective provisions and regulatory reserves as of March 31, 2021:

	As of March 31, 2021			
(In US$ thousands)	**Low risk**	**Significant risk**	**Default risk**	**Total**
Loans within the modified special mention category				
Modified loans:				
Residential mortgages	352,531	0	0	352,531
Personal loans	49,915	264	0	50,179
Agricultural	18,854	0	0	18,854
Commercial	202,110	0	0	202,110
Financial institutions	1,130	0	0	1,130
Gross balance	624,540	264	0	624,804
Additions (less):				
Interest receivable	17,231	13	0	17,244
Unearned interest and commissions	-941	-3	0	-944
Total loans subject to provisions Agreement No. 009-2020	**640,830**	**274**	**0**	**641,104**
Comparison: IFRS 9 reserve and generic provision				
IFRS 9 reserve requirement	38,475	84	0	38,559
Generic provision calculation 3%	19,225	8	0	19,233
Total IFRS 9 registered reserve	38,475	84	0	38,559
Generic provision (to complete 1.5%)	0	0	0	0
Regulatory reserve (to complete 3%)	0	0	0	0
Total provisions and reserves	**38,475**	**84**	**0**	**38,559**

Capitalization

As of March 31, 2021, the Bank's total equity was US$ 981.7 million, an increase of US$ 19.5 million compared to December 31, 2020. The increase is due to retained earnings for the period. Total equity to total assets reached 6.2% as of March 31 of 2021.

As of March 31, 2021, the Bank's regulatory capital totaled US$ 955.5 million and the ratio of total capital to risk-weighted assets (US$ 5,346.1 million) was 17.9%, much higher than the minimum regulatory capital of 8.0 % required by the Superintendency of Banks of Panama. Market risk-weighted assets and operational risk-weighted assets are included in accordance with the regulatory requirements.



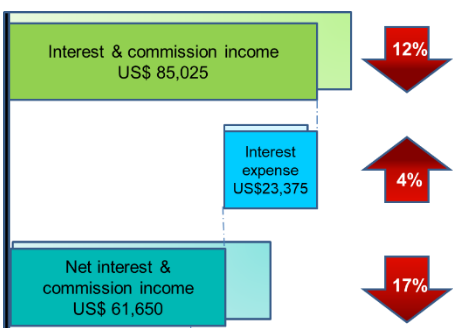
Net Income for the Period ended March 31, 2021

The following table shows the principal components of the Bank's income for the period ended March 31, 2021 and 2020:

	As of March 31,		Change	
	2021	2020	US$	%
(In US$ thousands)				
Interest and fee income	85,025	96,351	-11,326	-11.8%
Interest expense	23,375	22,404	971	4.3%
Net interest and commission income	**61,650**	**73,947**	**-12,297**	**-16.6%**
Impairment Allowances, net (1)	8,812	5,497	3,315	60.3%
Net interest and commission income, after provisions	**52,838**	**68,450**	**-15,612**	**-22.8%**
Fees for banking services	5,626	4,938	688	13.9%
Other income(2)	6,593	5,125	1,468	28.6%
Total other expenses	403	261	142	54.4%
Total other income, net	**11,816**	**9,802**	**2,014**	**20.5%**
Total general and administrative expenses	39,794	33,497	6,297	18.8%
Net income	**24,860**	**44,755**	**-19,895**	**-44.5%**

Net income at quarter end, March 31, 2021 decreased by US$ 19.9 million, or 44.5% in comparison to net income for the same period 2020.

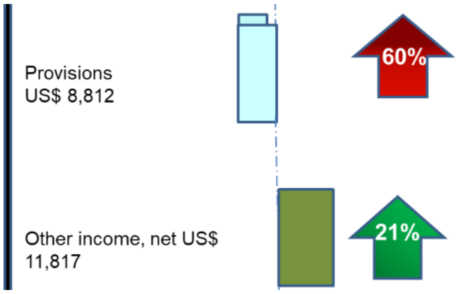
Interest and Commission Income



For the period ended March 31, 2021, Banconal's net interest and commission income decreased by 16.6% to US$ 61.7 million from US$ 73.9 million in 2020. The decrease is attributed to lower income from interest on deposits, due to a low interest rate environment; lower loan generation; and an increase in financing costs related to the issuance of bonds and other financing contracted during third quarter 2020.

	As of March 31,		Change	
(In US$ thousands)	2021	2020	US$	%
Interest income and commission income				
Loans	62,776	58,699	4,077	6.9%
Deposits in banks	3,341	10,317	-6,976	-67.6%
Securities	16,882	25,130	-8,248	-32.8%
Loan fees	2,026	2,205	-179	-8.1%
Total interest, commission and fee income	**85,025**	**96,351**	**-11,326**	**-11.8%**
Interest expense				
Deposits	12,769	20,606	-7,837	-38.0%
Borrowings	10,564	1,748	8,815	504.3%
Lease liabilities	42	49	-7	-14.3%
Total interest expenses	**23,375**	**22,403**	**972**	**4.3%**
Net interest and commission income	**61,650**	**73,948**	**-12,298**	**-16.6%**

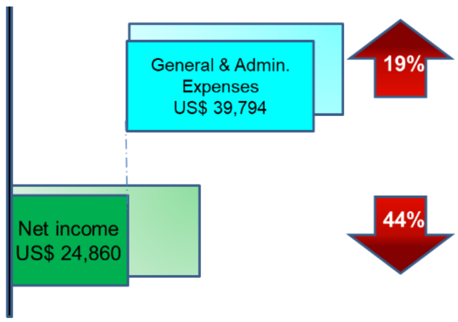
Loss Provisions and Other Income



Provisions for losses increased by 60.3%, from a total of US$ 5.5 million to US$ 8.8 million. The increase occurs mainly in the provision for losses on investments and the provision for loan losses.

Other income increased 21.4%, from US$ 10.1 million as of March 31, 2020 to US$ 12.2 million as of March 31, 2021. The increase is due to commissions generated by the discount of the Digital Voucher to participating merchants in the Panama Solidario Program.

General & Administrative Expenses



General and administrative expenses increased by 18.8% during the first quarter of 2021 compared to the same period of 2020. The increase of US$ 6.3 million, mainly attributed to personnel expenses, repair and maintenance expenses, professional services fees and transport of values. The efficiency ratio was 61.5%.

	As of March 31,		Change	
(In US$ thousands)	**2021**	**2020**	**US$**	**%**
Salaries and other personnel expenses	26,782	21,684	5,098	23.5%
Rentals	262	240	22	9.2%
Repairs and maintenance	2,995	2,248	747	33.2%
Depreciation and amortization	3,251	3,165	86	2.7%
Electricity	808	897	-89	-10.0%
Advertising	283	668	-385	-57.6%
Communications	1,358	1,510	-151	-10.0%
Insurance	113	41	72	175.0%
Stationery and office supplies	298	324	-26	-8.2%
Fees and professional services	1,349	894	455	50.9%
Transportation of personnel	167	273	-106	-38.6%
Transportation of valuables	588	91	497	546.2%
ATMs	427	381	46	12.1%
Others	1,114	1,081	33	3.1%
Total general and administrative expenses	**39,795**	**33,497**	**6,298**	**18.8%**

Dividends

During the first quarter of 2021, Banco Nacional paid dividends to the Government of Panama in the amount of US$ 5,370,111 corresponding to 50% of net income for the months of November and December 2020.

COVID – 19 / Modified Loans

2020

13 March

On March 13, 2020, the government of Panama declared a national health emergency and ordered the immediate suspension of all non-essential activities due to the COVID-19 pandemic.
The Superintendency of Banks of the Republic of Panama has implemented various economic measures; banks can modify the terms and conditions of loans without being considered restructured loans.

30 June

Law No. 156 of 2020 ("Moratorium Law"), dictates economic and financial measures to counteract the effects of COVID-19. The Law has retroactive effects to March 1, 2020, establishing a moratorium on loans granted by banks, cooperatives and finance companies both public and private until December 31, 2020. The date has since been extended to June 30, 2021.

19 August

On August 19, 2020, the Ministry of Finance and Banco Nacional de Panama approved an Economic Reactivation facility for the Banking System in the amount of US$1.0 billion ("Fondo Especial de Estímulo al Sistema Bancario"). The facility provides contingent liquidity to financial institutions and credit to stimulate various sectors of the economy.

2021

31 March

With the intention to regularize the modified loans, as of January 1, 2021, debtors must present the proper documentation certifying that their employment contracts are suspended or that they have lost their jobs as a result of the Pandemic.

As of March 31, 2021 the Bank modified 13,584 credits in the aggregate amount of US$624.8 million. Modified loans represent 12.7% of the Bank's loan portfolio and 2.9% all modified loans with in the National Banking System.

Income Statement

(In US$ thousands)	As of March 31, 2021	As of March 31, 2020	Change US$	Change %
Interest and fee income	85,025	96,351	-11,326	-11.8%
Interest expense	23,375	22,404	971	4.3%
Net interest and commission income	**61,650**	**73,947**	**-12,297**	**-16.6%**
Impairment Allowances, net [(1)]	8,812	5,497	3,315	60.3%
Net interest and commission income, after provisions	**52,838**	**68,450**	**-15,612**	**-22.8%**
Fees for banking services	5,626	4,938	688	13.9%
Other income[(2)]	6,593	5,125	1,468	28.6%
Total other expenses	403	261	142	54.4%
Total other income, net	**11,816**	**9,802**	**2,014**	**20.5%**
Total general and administrative expenses	39,794	33,497	6,297	18.8%
Net income	**24,860**	**44,755**	**-19,895**	**-44.5%**

(1) Includes (reversal of) provision for losses in deposits with banks, (reversal of) provision for investment securities losses, provision for loan losses and provision for valuation of foreclosed assets.
(2) Includes dividends, net gain on investments in securities and others.

Balance Sheet

(US$ in thousands) *Assets*	March 31, 2021	December31, 2020	Change US$	Change %
Cash and cash equivalents	8,381,293	8,518,007	-136,714	-1.6%
Securities purchased under resale agreements	15,154	33,252	-18,098	-54.4%
Investments in securities, net	2,413,446	3,141,166	-727,720	-23.2%
Gross loans private sector	4,179,144	4,194,258	-15,114	-0.4%
Gross loans public sector	832,968	829,900	3,068	0.4%
Allowance for loan losses	-113,144	-108,251	-4,893	4.5%
Unearned interest and commissions	-26,063	-25,846	-217	0.8%
Total loans, net	4,872,905	4,890,061	-17,155	-0.4%
Property, plant & equipment	79,357	80,750	-1,393	-1.7%
Other assets	168,018	208,788	-40,770	-19.5%
Total assets	**15,930,173**	**16,872,024**	**-941,851**	**-5.6%**
Liabilities & Shareholder Equity				
Deposits	12,979,297	13,988,989	-1,009,692	-7.2%
Obligations with financial institutions	479,906	485,415	-5,509	-1.1%
Bonds payable, at amortized cost	999,738	1,005,955	-6,217	-0.6%
Corporate bonds payable, at amortized cost	206,267	206,216	51	0.0%
Other liabilities	283,293	223,232	60,061	26.4%
Total liabilities	14,948,501	15,909,807	-961,306	-6.0%
Equity	981,672	962,217	19,455	2.0%
Total Liabilities & Equity	**15,930,173**	**16,872,024**	**-941,851**	**-5.6%**

Financial Ratios

	March 31, 2021	December 31, 2020
Profitability and efficiency:		
Net Interest Margin (1)	1.5%	2.1%
Return on average assets (2)	0.6%	0.9%
Return on average equity (3)	10.4%	12.9%
Efficiency (4)	61.5%	54.3%
Liquidity:		
Primary Liquidity	64.6%	60.9%
Legal Liquidity (6)	87.1%	88.8%
Capital:		
Total Capital ratio (7)	17.9%	17.5%
Equity/ assets (8)	6.2%	5.7%
Asset quality:		
Past due loans over 91 days overdue / total loans (9)	1.9%	1.7%
Past due loans/ total loans (10)	4.8%	2.7%
Non-accrual loans / total loans (11)	1.4%	1.2%
Headcount	3,446	3,412
Branch network	90	90

(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 general & administrative expenses to net interest and commission income after provisions plus total other net income.
(5) Calculated as total liquid assets to total deposits.
(6) Regulatory liquid assets are determined based on guidelines established by the Superintendency of Banks.
(7) Calculated as total equity divided by total risk weighted assets by credit, market and operational risks.
(8) Equity divided by total assets
(9) Calculated as past due loans over 91 days overdue divided by total loan portfolio.
(10) Calculated as total past due loans and overdue loans over 91 days divided by total loan portfolio.
(11) Calculated as non-accrual loans divided by total loans.

The analysis is based on the information contained in the interim, unaudited financial statements, as of March 31, 2021. Some figures (including percentages) in this document have been rounded. The interim unaudited financial statements as of March 31, 2021are available on the Bank's web site www.banconal.com.pa