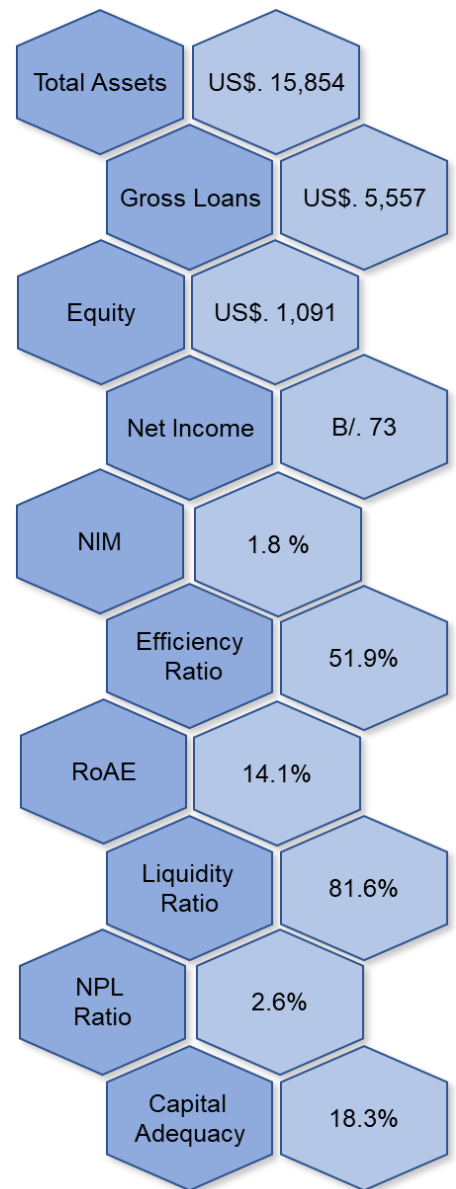


Management Financial Discussion and Analysis

June 2022

Banconal in numbers – 2022

- Banco Nacional's balance sheet grew by 3.6% during the first six months of 2022. The growth is mainly due to increases in government deposits in the Bank.
- Total assets increased by US\$ 547.4 million, closing at US\$ 15,853.8 million at June 30, 2022. The increase in assets is attributed to greater volume in liquid assets, especially in the investment portfolio and private sector loans.
- As of June 30, 2022, the Bank's liquidity ratio stood at 81.6%, over 2.5 times the minimum of 30% required by the regulator.
- Delinquent and past due loans correspond to 2.6% of the Bank's total loan portfolio. Reserves for possible loan losses amounted to US\$ 134.9 million. Past due loans over 90 days have a reserve (loan loss reserves plus dynamic provision) coverage of 231.1%.
- Total liabilities increased by 3.4% or US\$ 482.0 million, due to an increase in deposits of 3.6%. Of total deposits, private sector deposits grew US\$ 131.7 million due to bank deposits; and public sector time deposits increased by US\$ 309.6 million because of higher government deposits in the Bank.
- Total capital funds closed at US\$ 1,090.7 million, an increase of 6.4% when compared to December 31, 2021 numbers of B/. 1,025.2 million. At the end of the first semester of 2022, the capital adequacy ratio reached 18.3%. In February 2022, the Bank paid dividends to the Government of Panama in the amount of US\$ 6.9 million, corresponding to 50% of the profits for the months of November and December 2021; thus, completing the dividend payment of 50% of 2021 net income.
- The Bank has investment grade risk ratings by the three main rating agencies:
 - Standard and Poor's ("BBB", with a negative outlook)
 - Moody's ("Baa2", with a stable outlook)
 - Fitch Ratings ("BBB-" with a negative outlook)



Financial Analysis

At second quarter 2022 end, Banconal's balance sheet grew by 3.6%. Growth takes place mainly in the investment portfolio and in the private sector loan portfolio. The Bank's balance sheet shows high levels of liquidity; of total assets, liquid assets represent 44.9% and investments 19.3%. Loans represent 34.3% of assets. Deposits represent 80.8% of liabilities and equity, financings 10.7% and other liabilities 1.6%. Equity makes up 6.9% of the total balance sheet.

Assets

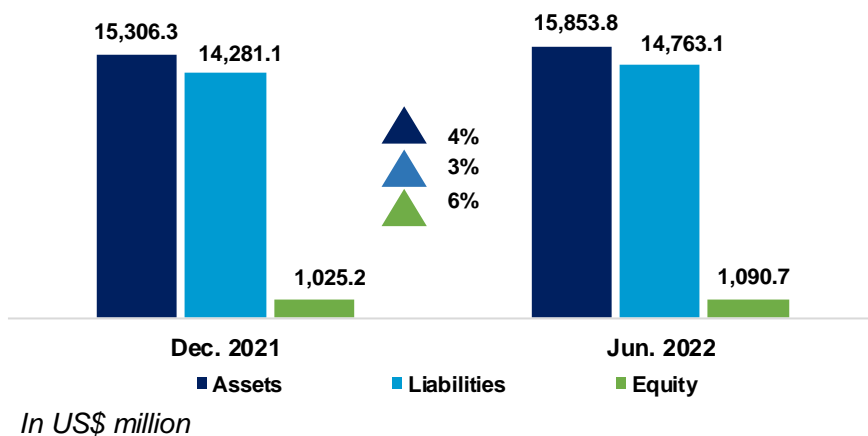
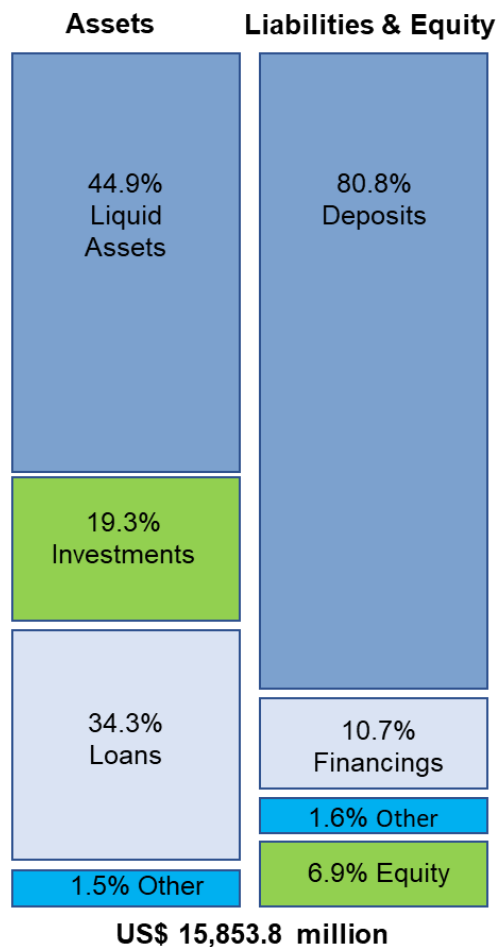
Assets totaled US\$ 15,853.8 million as of June 30, 2022. When comparing June 2022 numbers with year-end 2021, assets grew by US\$ 547.4 million or 3.6%, attributed to an increase in the investment portfolio of US\$ 592.5 million and loans of US\$ 406.3 million; Countered by a decrease in deposits in banks of US\$ 480.7 million.

Liabilities

Liabilities totaled US\$ 14,763.1 million at June 30, 2022. An increase of US\$ 482.0 million, compared to December 31, 2021. The increase comes mainly from the public sector deposit portfolio, which increased 3.6% or US\$ 441.3 million.

Equity

At the end of the second quarter of 2022, the Bank's total equity was US\$ 1,090.7 million, an increase of US\$ 65.5 million compared to December 31, 2021. The increase comes from the accumulation of retained earnings for the period.

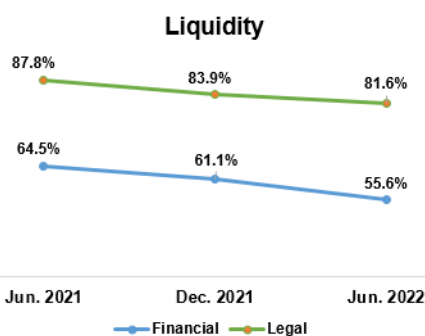


Liquidity and Sources of Funds

Liquid assets totaled US\$ 10,183.0 million (cash, bank deposits, securities purchased under resale agreements, and investments in securities) at June 30, 2022. The level of liquid assets increased by 1.7%, from US\$ 10,012.2 million as of December 31, 2021. At the end of the second quarter of 2022, liquid assets represented 79.5% of total customer deposits and 64.2% of total assets.

(In US\$ thousands)

	As of June 30, 2022	As of December 31, 2022	Change	
			US\$	%
Cash and cash equivalents	351,091	297,329	53,762	18.1%
Deposits in banks at amortized cost:				
Demand deposits- foreign	62,712	17,486	45,226	258.6%
Time deposits - local	305,187	305,095	92	0.0%
Time deposits - foreign	6,403,215	6,929,380	(526,165)	-7.6%
Less: Reserve for bank deposit losses	35	202	(167)	-82.7%
Total bank deposits at amortized cost	6,771,079	7,251,759	(480,680)	-6.6%
Total cash, cash equivalents and bank deposits at amortized cost	7,122,170	7,549,088	(426,918)	-5.7%
Securities purchased under resale agreements	46,847	41,384	5,463	13.2%
Less: Reserve for investment losses	314	66	248	375.8%
Securities purchased under resale agreements at amortized cost	46,533	41,318	5,215	12.6%
Investments in securities	3,018,913	2,424,957	593,956	24.5%
Less: Reserve for investment losses	4,627	3,151	1,476	46.8%
Investments in securities, net	3,014,286	2,421,806	592,480	24.5%
Total Liquid Assets	10,182,989	10,012,212	170,777	1.7%



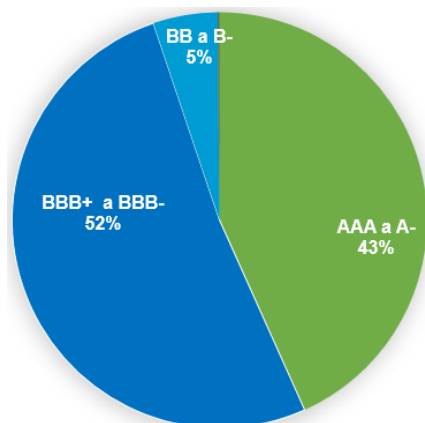
Banconal maintains robust liquidity levels. As of June 30, 2022, the financial liquidity ratio was 55.6% and the legal liquidity ratio closed at 81.6%, well above the 30% required by the Superintendency of Banks of Panama.

The Bank's funding sources consist of deposits and financings. Total sources of funds amounted to US\$ 14,509.2 million as of June 30, 2022; of these, deposits amounted to US\$ 12,805.0 million, which represent 88.3% of the Bank's sources of funds. Deposits include demand deposits, time deposits, savings accounts, and bank deposits.

(In US\$ thousands)

	As of June 30, 2022	As of December 31, 2022	Change	
			US\$	%
Deposits				
Demand deposits	4,383,287	4,450,048	(66,761)	-1.5%
Savings deposits	922,016	917,660	4,356	0.5%
Time deposits, Restricted - inactive accounts and Restricted - escrow funds	7,499,723	6,996,049	503,674	7.2%
Total Deposits	12,805,026	12,363,757	441,269	3.6%
Obligations				
Foreign borrowings received at amortized cost	487,520	485,107	2,413	0.5%
Bonds payable - local at amortized cost	206,233	206,267	(34)	0.0%
Bonds payable - foreign at amortized cost	1,006,921	1,006,647	274	0.0%
Lease liabilities	3,481	3,964	(483)	-12.2%
Total obligations	1,704,155	1,701,985	2,170	0.1%
Total Sources of funds	14,509,181	14,065,742	443,439	3.2%

Investment Portfolio



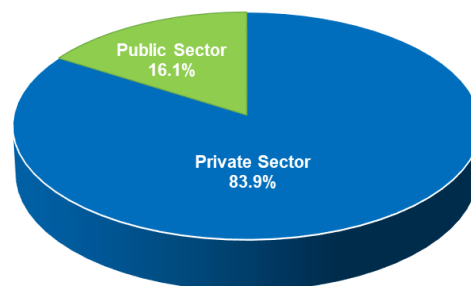
Banconal's investment portfolio increased by US\$ 592.5 million or 24.5%, from US\$ 2,421.8 million as of December 31, 2021, to US\$ 3,014.3 million as of June 30, 2022. The increase in the portfolio is due to incremental investments in securities during the period.

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. Banco Nacional's investment portfolio is largely invested in investment grade securities.

Loan Portfolio

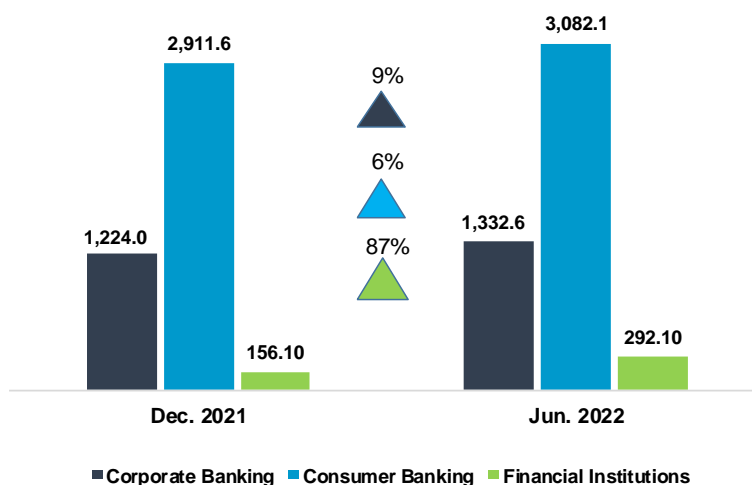
The Bank's gross loan portfolio totaled US\$ 5,557.4 million as of June 30, 2022; a US\$ 420.7 million increase when compared to the year end 2021 total of US\$ 5,136.7million.

Loans to the public sector represented 16.1% of the total portfolio or US\$ 845.0 million and loans to the private sector represent the majority of the portfolio with US\$ 4,291.7 million or 83.9%.



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.

The behavior of the private sector loan portfolio by sector is as follows:



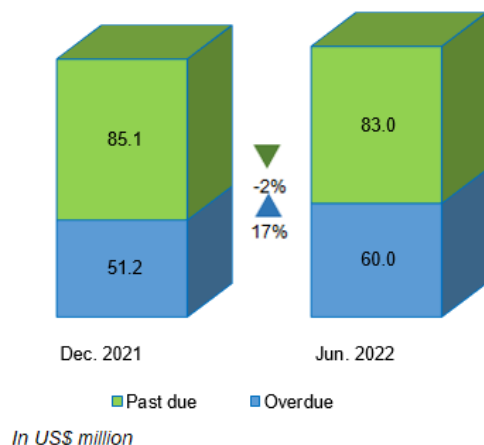
In US\$ million

The corporate banking portfolio and loans to financial institutions increased by US\$ 108.6 million and US\$ 136.0 million, respectively, while the consumer banking portfolio increased by US\$ 170.5 million, principally in residential mortgages. The residential mortgage portfolio increased through the Bank's participation in real estate fairs that promote home sales, the fairs have since been reactivated after the Pandemic.

Asset Quality

As of June 30, 2022, total past due and overdue loans were 2.6% of the total loan portfolio (as of December 31, 2021: 2.7%). The quality of the loan portfolio had been affected by COVID-19 Pandemic. During the first six months of 2022, the asset quality indicators have shown improvements, signaled by the reactivation of the Panamanian economy.

Past due & Overdue Loans



Loan Loss Reserves

The reserve for loan losses increased to US\$ 134.9 million as of June 30, 2022, or 2.4% of the total loan portfolio, from US\$126.7 million as of December 31, 2021, or 2.5% of the portfolio.

(US\$ thousands)	As of June 30, 2022			As of December 31, 2021			Change	
	Loans	Allowances	%	Loans	Allowances	%	Loans	Allowances
Low risk	5,175,507	30,501	0.6%	4,810,453	33,678	0.7%	365,054	(3,177)
Significant risk	272,572	48,412	17.8%	195,358	21,455	11.0%	77,214	26,957
Default risk	109,360	55,964	51.2%	130,915	71,545	54.6%	(21,555)	(15,581)
Total	5,557,439	134,877	2.4%	5,136,726	126,678	2.5%	141,166	8,199

Modified Loans

Due to the consequences 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 June 30, 2022, the Bank has modified loans on its books for an aggregate amount of US\$ 347.3 million. Modified loans represent 6.2% of the Bank’s loan portfolio. The modified loan portfolio has decreased by US\$ 194.9 million, from US\$ 542.2 million on December 31, 2021. The Bank’s modified loan portfolio has decreased significantly from December 2020, when it represented 12.6% of total loans. A clear indication that the Bank’s clients are restructuring their obligations and making timely payments in response to a recovering economy.

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.

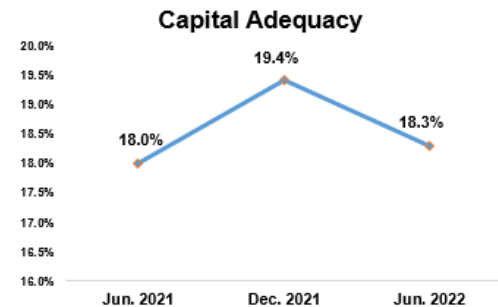
The following table details the modified special mention portfolio categories and their respective provisions and regulatory reserves as of June 30, 2022:

(In US\$ thousands)	As of June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
Standard modified	36,727	11,542	0	48,269
Modified special mention	133,145	34,124	0	167,269
Modified sub-standard	0	118,940	3,239	122,179
Doubtful modified	0	0	3,555	3,555
Unrecoverable modified	0	0	6,049	6,049
Gross balance	169,872	164,606	12,843	347,321
Additions (less):				
Interest receivable	4,666	4,137	362	9,165
Unearned interest and commissions	(40)	(425)	(39)	(504)
Total loans subject to provisions Agreement No. 006-2021	174,498	168,318	13,166	355,982
Provisions and reserves				
IFRS 9 reserve requirement	7,878	39,238	8,259	55,375
Total provisions and reserves	7,878	39,238	8,259	55,375

Capitalization

As of June 30, 2022, the Bank's total equity stood at US\$ 1,090.7 million, an increase of US\$ 65.5 million compared to December 31, 2021. Total capital over total assets reached 6.9% as of June 30, 2022.

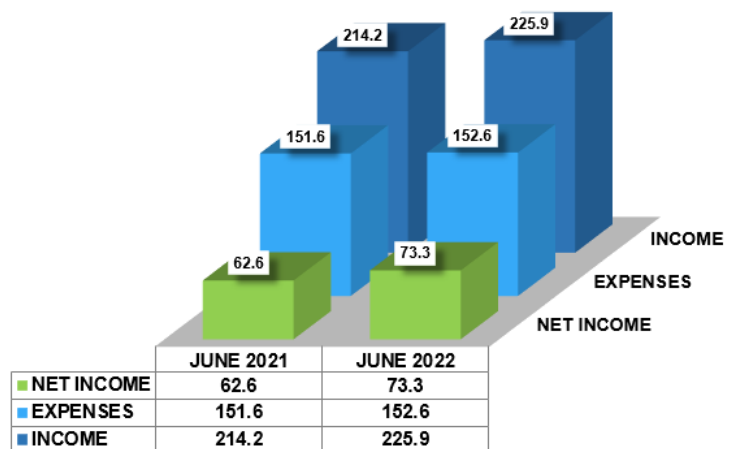
As of June 30, 2022, the Bank's regulatory capital totaled US\$ 1,042.4 million and the ratio of total capital to risk-weighted assets (US\$ 5,712.1 million) was 18.3%, much higher than the minimum regulatory capital of 8.0% required by the Superintendency of Banks of Panama. Market risk-weighted assets and operational risk-weighted assets are included in accordance with the regulatory requirements.



In line with the Bank's strategic plan to strengthen its financial position, Banco Nacional de Panama, by means of Executive Decree No. 17 of April 28, 2022, where the Presidency of the Republic of Panama approved the increase of the Bank's paid-in capital to US\$ 850 million, through the capitalization of US\$ 100 million from retained earnings.

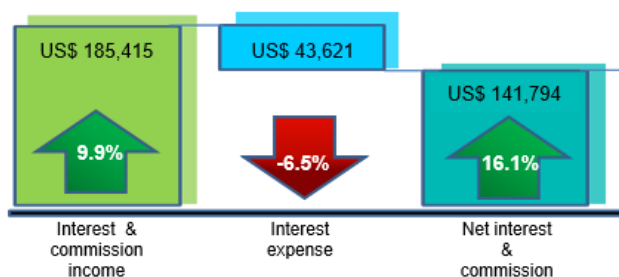
Net Income for the period ended June 30, 2022

Net income for the first six months of 2022 reached US\$ 73.3 million, an increase of 17.0% or US\$ 10.7 million, in comparison to net income registered during the same period of 2021. This is due to an increase in interest income from deposits, and interest income and commissions from loans.



In US\$ million

Interest and Commission Income



For the six months period ended June 30, 2022, Banconal's net interest and commission income increased by 16.1% to US\$ 141.8 million from US\$ 122.1 million in 2021. The increase is attributed to greater interest and commission income, reflected from higher interest rates in the international markets.

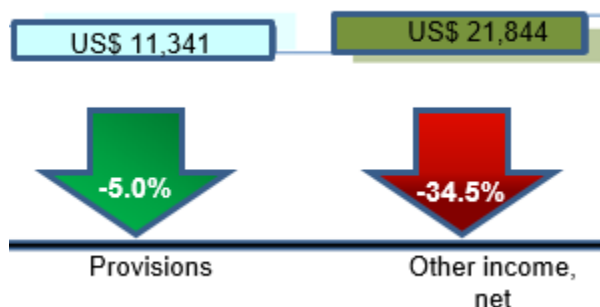
(In US\$ thousands)

	As of June 30,		Change	
	2022	2021	US\$	%
Interest income and commission income				
Loans	131,399	125,677	5,722	4.6%
Deposits in banks	16,691	5,978	10,713	179.2%
Securities	31,743	32,925	(1,182)	-3.6%
Loan fees	5,582	4,169	1,413	33.9%
Total interest, commission and fee income	185,415	168,749	16,666	9.9%
Interest expense				
Deposits	21,900	25,202	(3,302)	-13.1%
Borrowings	21,642	21,379	263	1.2%
Lease liabilities	79	89	(10)	-11.2%
Total interest expenses	43,621	46,670	(3,049)	-6.5%
Net interest and commission income	141,794	122,079	19,715	16.1%

Loss Provisions and Other Income

Loss provision expense decreased by 5.0%, from US\$ 11.9 million provisioned at June 30, 2021 to US\$ 11.3 million at June 30, 2022. The reduction in provisions occurs mainly in the provision for losses on investments.

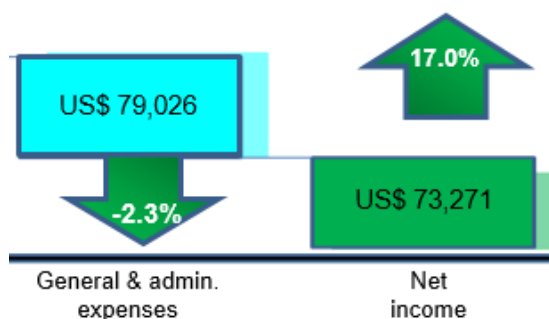
Other income, net, decreased by 34.5%, from US\$ 33.4 million as of June 30, 2021, to US\$ 21.8 million as of June 30, 2022. The decrease is a result of lower commissions generated by the discount fees of the Vale Digital. As Panama's economy is reactivated, the Panama Solidario Program is being phased out, reducing the volume of the discount service to participating merchants. Additionally, the Bank has not registered income on the sale of securities.



General & Administrative Expenses

General and administrative expenses decreased by 2.3% compared to the same period in 2021. The decrease of US\$ 1.9 million comes from lower personnel expenses and professional services and fees.

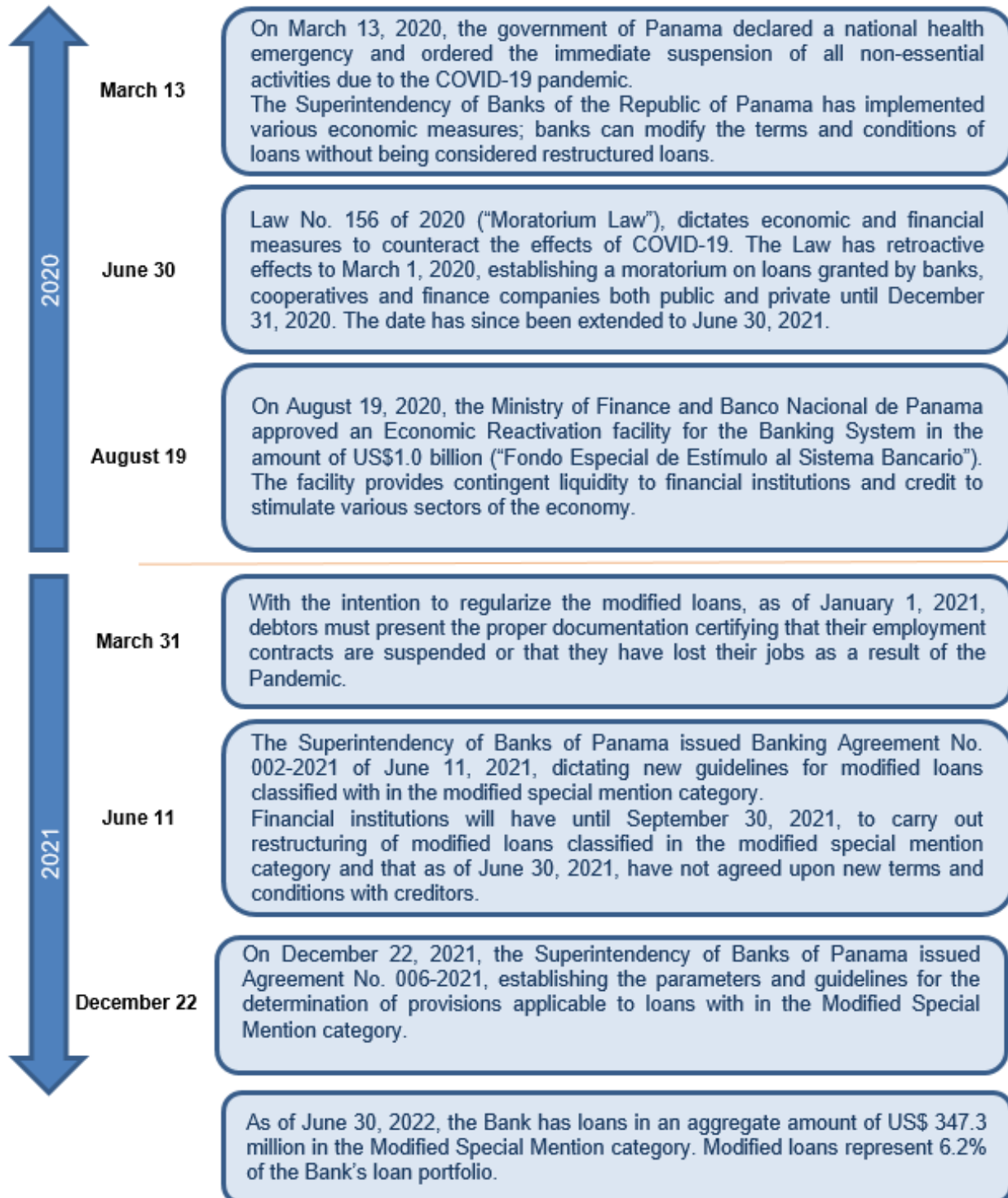
The Bank's efficiency ratio was 51.9% on June 30, 2022.



Composition of general and administrative expenses:

<i>(In US\$ thousands)</i>	As of June, 30		Change	
	2022	2021	US\$	%
Salaries and other personnel expenses	50,434	53,703	(3,269)	-6.1%
Rentals	592	592	0	0.0%
Repairs and maintenance	6,651	6,601	50	0.8%
Depreciation and amortization	6,619	6,584	35	0.5%
Electricity	1,699	1,471	228	15.5%
Advertising	1,973	1,362	611	44.9%
Communications	2,932	3,012	(80)	-2.7%
Insurance	424	296	128	43.2%
Stationery and office supplies	745	749	(4)	-0.5%
Fees and professional services	2,020	2,247	(227)	-10.1%
Transportation of personnel	388	340	48	14.1%
Transportation of valuables	1,445	1,071	374	34.9%
ATMs	780	815	(35)	-4.3%
Others	2,324	2,052	272	13.3%
Total general and administrative expenses	79,026	80,895	(1,869)	-2.3%

COVID – 19 / Modified Loans



Income Statement

(In US\$ thousands)

	As of June 30,		Change	
	2022	2021	US\$	%
Interest and fee income	185,415	168,749	16,666	9.9%
Interest expense	43,621	46,670	(3,049)	-6.5%
Net interest and commission income	141,794	122,079	19,715	16.1%
Impairment Allowances, net ⁽¹⁾	11,341	11,934	(593)	-5.0%
Net interest and commission income, after provisions	130,453	110,145	20,308	18.4%
Fees for banking services	12,709	10,729	1,980	18.5%
Other income ⁽²⁾	9,818	23,337	(13,519)	-57.9%
Total other expenses	683	712	(29)	-4.1%
Total other income, net	21,844	33,354	(11,510)	-34.5%
Total general and administrative expenses	79,026	80,895	(1,869)	-2.3%
Net income	73,271	62,604	10,667	17.0%

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

(2) Includes net gain on investments in securities and other.

Balance Sheet

(US\$ in thousands)

	As of June 30,	As of December 31,	Change	
	2022	2021	US\$	%
Assets				
Cash and cash equivalents	7,122,171	7,549,088	(426,917)	-5.7%
Securities purchased under resale agreements	46,533	41,318	5,215	12.6%
Investments in securities, net	3,014,286	2,421,806	592,480	24.5%
Private sector loans and interest receivable	4,745,696	4,336,669	409,027	9.4%
Public sector loans and interest receivable	857,653	851,365	6,288	0.7%
Allowance for loan losses	(134,877)	(126,678)	(8,199)	6.5%
Unearned interest and commissions	(27,612)	(26,781)	(831)	3.1%
Total loans, net	5,440,860	5,034,575	406,285	8.1%
Property, plant & equipment	82,194	83,320	(1,126)	-1.4%
Other assets	147,746	176,265	(28,519)	-16.2%
Total assets	15,853,790	15,306,372	547,418	3.6%
Liabilities & Shareholder Equity				
Deposits	12,805,026	12,363,757	441,269	3.6%
Obligations with financial institutions	487,520	485,107	2,413	0.5%
Bonds payable, at amortized cost	1,006,921	1,006,647	274	0.0%
Corporate bonds payable, at amortized cost	206,233	206,267	(34)	0.0%
Other liabilities	257,390	219,344	38,046	17.3%
Total liabilities	14,763,090	14,281,122	481,968	3.4%
Equity	1,090,700	1,025,250	65,450	6.4%
Total Liabilities & Equity	15,853,790	15,306,372	547,418	3.6%

Financial Ratios

	<u>As of June 30, 2022</u>	<u>As of December 31, 2021</u>
Profitability and efficiency:		
Net Interest Margin ⁽¹⁾	1.8%	1.6%
Return on average assets ⁽²⁾	0.9%	0.8%
Return on average equity ⁽³⁾	14.1%	12.0%
Efficiency ⁽⁴⁾	51.9%	58.9%
Liquidity:		
Primary Liquidity ⁽⁵⁾	55.6%	61.1%
Legal Liquidity ⁽⁶⁾	81.6%	83.9%
Capital:		
Total Capital ratio ⁽⁷⁾	18.3%	19.4%
Equity/ assets ⁽⁸⁾	6.9%	6.7%
Asset quality:		
Past due loans over 91 days overdue / total loans ⁽⁹⁾	1.5%	1.7%
Past due loans/ total loans ⁽¹⁰⁾	2.6%	2.7%
Non accrual loans / total loans ⁽¹¹⁾	1.0%	1.1%
Headcount	3,639	3,606
Branch network	92	91

⁽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 & admin. 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 June 30, 2022. Some figures (including percentages) in this document have been rounded. The interim unaudited financial statements as of June 30, 2022, are available on the Bank's web site www.banconal.com.pa

