

**Management Financial  
Discussion and Analysis  
June 2024**

**20  
24**



## June 2024 Highlights

### Environment



#### Sustainable

- The National Secretary of Energy recognized Banco Nacional de Panama as "Leading Public Institution in Energy Transition".
- The Bank carried out a reforestation program within the Panama Canal's watershed, in the community of Nuevo Vigía, Province of Colón.
- Participated in Electronic Recycling Day; in collaboration with the Lions Club and the Mas Movil Foundation.

### Social



#### Equity

- Inauguration of a robotics classroom in the Bank's Comprehensive Early Childhood Care Center with STEAM education methodology.
- Opening of two new branches, one in Río Hato, in the province of Coclé and another in Anclas Mall in the province of Panama Oeste.
- Installation of 50 new ATMs nationwide.

### Government



#### Integrity

- The Board of Directors ratified the Corporate Governance Structure System that reflects the assignment of roles and responsibilities, through the different levels of authority (Board of Directors, Steering Committees, Senior Management and Executive Committees).
- An update of the Corporate Governance Code was approved, which reviews and approves governance policies related to suitability guidelines applied to the members of the Board of Directors.

(In US\$ million)

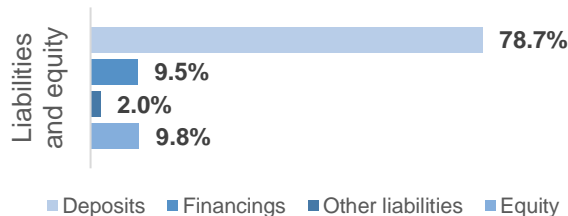
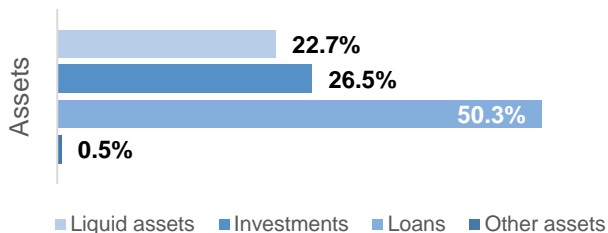
Total Assets	Loans, gross	Equity	Net Income	Capital Adequacy
<b>US\$15,029.3</b>	<b>US\$7,557.8</b>	<b>US\$1,472.8</b>	<b>US\$189.9</b>	<b>18.8%</b>
Financial Liquidity	PDL / Total Loans	Efficiency	ROAE	ROAA
<b>38.8%</b>	<b>1.1%</b>	<b>35.2%</b>	<b>27.7%</b>	<b>2.5%</b>



### Financial Analysis

As of June 30, 2024, the Bank's balance sheet stood at US\$15,029.3 million, a slight decrease of 1.8% when compared to December 2023.

The Bank's balance sheet is conformed by 22.7% liquid assets, investments in securities 26.5%, loans represent 50.3% and other assets 0.5%. Regarding liabilities and capital, customer deposits represent 78.7%, financing 9.5% and other liabilities 2.0%. Capital funds make up 9.8% of the total balance sheet.



### Assets

Assets totaled US\$15,029.3 million as of June 30, 2024. Regarding balance sheet structure, the first half of the year observed a reallocation of funds, generating a greater concentration in the loan portfolio, leading to an increase to 50% of asset participation from 42% participation at December 2023. At the same time, liquid assets and investment in securities reduced the concentration to 49% during the first 6 months of 2024 from 56% at end of 2023.

### Liabilities

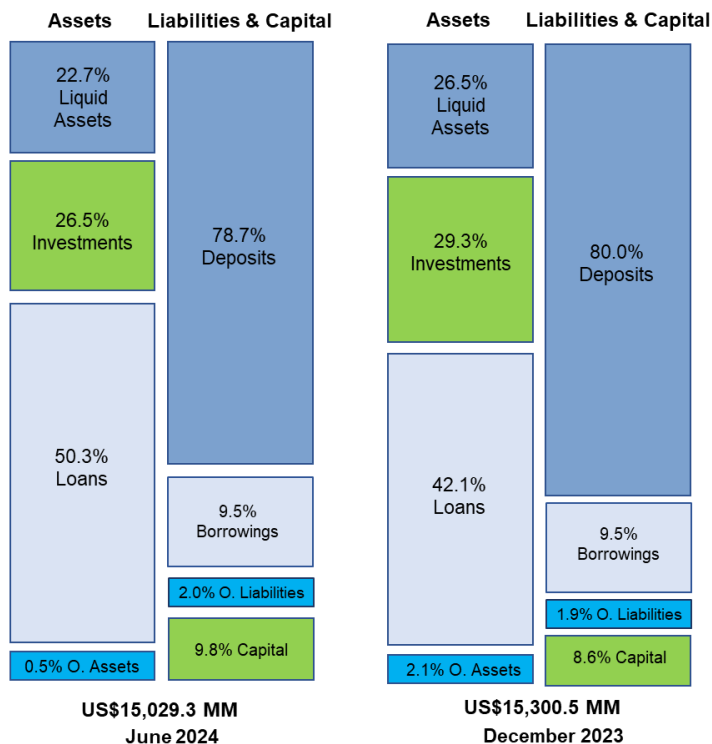
Liabilities totaled US\$13,556.5 million at the end of the second quarter of 2024, which reflects a decrease of US\$433.8 million, which represents 3.1%, compared to the figures of December 31, 2023.

### Capital Funds

The Bank's total capital funds totaled US\$ 1,472.8 million as of June 30, 2024, an increase of US\$162.6 million compared to December 31, 2023, due to retained earnings for the period.

## Balance Sheet Structure

(In US\$ million)





## Liquidity and Sources of Funds

Liquid assets are composed of cash, due from banks, securities purchased under resale agreements and investments in securities. As of June 30, 2024, liquid assets totaled US\$7,440.1 million, a decrease of 13.3%, compared to US\$8,578.2 million as of December 31, 2023. Liquid assets accounted for 62.9% of total customer deposits and 49.5% of total assets. The financial liquidity ratio stood at 38.8%.

(In US\$ thousands)	As of June 30, 2024	As of December 31, 2023	Change	
			US\$	%
Cash and cash equivalents	328,016	321,617	6,399	2.0%
Deposits in banks at amortized cost:				
Demand deposits- foreign	79,670	50,993	28,677	56.2%
Time deposits - local	260,323	260,430	(107)	0.0%
Time deposits - foreign	2,747,717	3,423,920	(676,203)	-19.8%
Less: Reserve for bank deposit losses	20	20	0	0.0%
<b>Total bank deposits at amortized cost</b>	<b>3,087,690</b>	<b>3,735,323</b>	<b>(647,633)</b>	<b>-17.3%</b>
<b>Total cash, cash equivalents and bank deposits at amortized cost</b>	<b>3,415,706</b>	<b>4,056,940</b>	<b>(641,234)</b>	<b>-15.8%</b>
Securities purchased under resale agreements	144,627	211,333	(66,706)	-31.6%
Less: Reserve for investment losses	239	271	(32)	-11.8%
<b>Securities purchased under resale agreements at amortized cost</b>	<b>144,388</b>	<b>211,062</b>	<b>(66,674)</b>	<b>-31.6%</b>
Investments in securities	3,891,282	4,316,210	(424,928)	-9.8%
Less: Reserve for investment losses	11,277	6,063	5,214	86.0%
<b>Investments in securities, net</b>	<b>3,880,005</b>	<b>4,310,147</b>	<b>(430,142)</b>	<b>-10.0%</b>
<b>Total Liquid Assets</b>	<b>7,440,099</b>	<b>8,578,149</b>	<b>(1,138,050)</b>	<b>-13.3%</b>

## Liquidity Ratio

The Bank enjoys robust liquidity levels. As of June 30, 2024, the financial liquidity ratio was 38.8% and the legal liquidity ratio was 71.4%, well above the 30% required by the Superintendency of Banks of Panama.

## Funding Sources

The Bank's sources of funds consist of deposits and financings. Total sources of funds amounted to US\$13,268.8 million as of June 30, 2024; of these, customer deposits totaled US\$ 11,834.7 million, or 89.2% of the Bank's sources of funds.

(In US\$ thousands)	As of June 30, 2024	As of December 31, 2023	Change	
			US\$	%
<b>Deposits</b>				
Demand deposits	4,511,187	5,215,720	(704,533)	-13.5%
Savings deposits	1,008,402	1,005,864	2,538	0.3%
Time deposits	6,200,213	5,930,462	269,751	4.5%
Restricted - Inactive accounts and escrow funds	114,847	97,866	16,981	17.4%
<b>Total Deposits</b>	<b>11,834,649</b>	<b>12,249,912</b>	<b>(415,263)</b>	<b>-3.4%</b>
<b>Obligations</b>				
Foreign borrowings received at amortized cost	216,833	247,864	(31,031)	-12.5%
Bond payable - local at amortized cost	206,199	206,267	(68)	0.0%
Bond payable - foreign at amortized cost	1,007,193	1,008,168	(975)	-0.1%
Lease liabilities	3,872	2,025	1,847	91.2%
<b>Total obligations</b>	<b>1,434,097</b>	<b>1,464,325</b>	<b>(30,228)</b>	<b>-2.1%</b>
<b>Total Sources of funds</b>	<b>13,268,746</b>	<b>13,714,237</b>	<b>(445,491)</b>	<b>-3.2%</b>

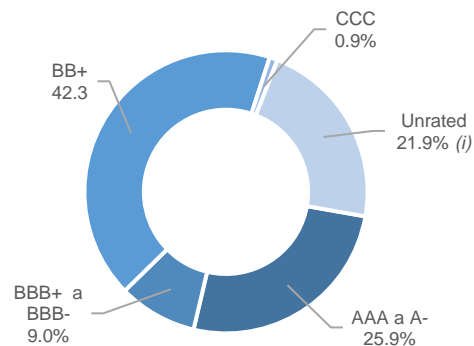
On June 28, 2024, the Bank entered into a financing agreement in the amount of US\$510 million with MIGA coverage. The financing, with a variable rate, has a term of 5 years with a one-year grace period. The funds from the transaction are intended to expand access to mortgage loans to low-income market segments and increase access to credit for small and medium-sized businesses in Panama. As of June 30, 2024, facility had not been utilized.



## Investment Portfolio

The Bank's investment portfolio (investments in securities and securities purchased under resale agreements) decreased by US\$496.8 million or 11.0%; from US\$4,521.2 million as of December 31, 2023, to US\$4,024.4 million as of June 30, 2024.

The Bank's investment portfolio is composed of sovereign and corporate debt securities issued by Panamanian, U.S., Latin American and supranational institutions. The Bank has a conservative investment policy, investing mainly in investment-grade liquid fixed-income securities.



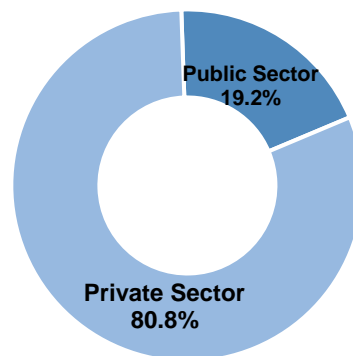
(i) The investments in the "unrated" category correspond to liquid instruments of an international financial institution, to which only central banks have access and whose risk is equivalent to a AAA sovereign risk rating granted by the rating agencies: Standard & Poor's, Moody's or Fitch Ratings, Inc.



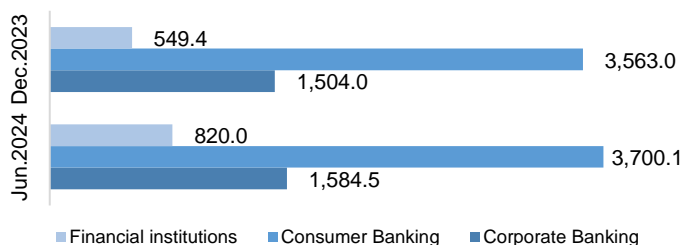
## Loan Portfolio

The Bank's gross loan portfolio closed at US\$7,557.8 million as of June 30, 2024; reflecting a growth of 17.3% (US\$1,112.3 million) compared to the end of 2023 of US\$6,445.5 million.

Loans to the public sector represented 19.2% of the total portfolio or US\$1,453.2 million and loans to the private sector represent the majority of the portfolio with US\$6,104.6 million or 80.8%. Most Bank loans have fixed interest rates, which can be readjusted at the Bank's unilateral option, at any time.



(In US\$ million)

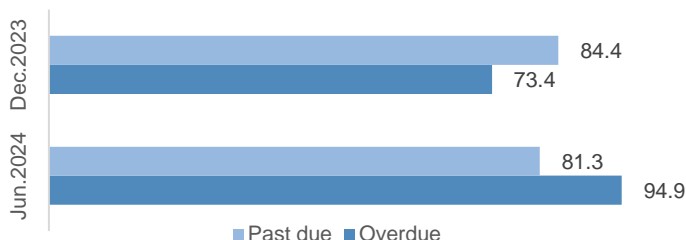


## Private Loan Portfolio

The increase in the private sector loan portfolio comes from, loans to financial institutions for US\$270.6 million, to support micro, small and medium sized companies; the consumer loan portfolio increased by US\$137.1 million, mainly in the mortgage segment, and corporate loans grew by US\$80.5 million.

## Public Loan Portfolio

The public sector portfolio closed with US\$ 1,453.2 million, registering an increase of 75.3% compared to December 2023.



(In US\$ million)

### Asset Quality

As of June 30, 2024, total past due and overdue loans were 2.3% of the total loan portfolio (December 31, 2023: 2.4%). Asset quality indicators reflect a well-managed the risk profile. The ratio between reserves for credit losses and past due loans is 315.3%.

The reserve for loan losses totaled US\$ 160.0 million as of June 30, 2024, or 2.1% of total loans.

### Capitalization

As of June 30, 2024, the Bank's total equity stood at US\$1,472.8 million, an increase of US\$162.5 million compared to December 2023. Capital to total assets ratio reached 9.8% at the end of June 30, 2024.

The Bank's regulatory capital amounts to US\$1,365.3 million and the total risk-weighted assets stood at US\$7,274.7 million. The capital adequacy ratio is 18.8%, which is higher than the minimum regulatory index 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 regulatory requirements.

(In US\$ thousands)	As of June 30, 2024	As of December 31, 2023
<b>Primary Capital</b>		
Paid-in capital by Government of Panama	1,000,000	1,000,000
Retained earnings	254,491	199,366
Other items in comprehensive income	28,161	28,459
Less: intangible assets	10,049	11,543
<b>Total Primary Capital</b>	<b>1,272,604</b>	<b>1,216,282</b>
Dynamic regulatory provision	92,654	79,811
<b>Total regulatory Capital</b>	<b>1,365,258</b>	<b>1,296,093</b>
<b>Total Risk-weighted assets</b>	<b>7,274,673</b>	<b>6,824,620</b>
<b>Capital adequacy ratios</b>	<b>18.8%</b>	<b>19.0%</b>

### Risk Ratings

The Bank has the following risk ratings by the tree main rating agencies:

**BBB**  
June 2024  
S&P Ratings

**Baa3**  
November 2023  
MOODY'S ANALYTICS

**BB+**  
April 2024  
FitchRatings

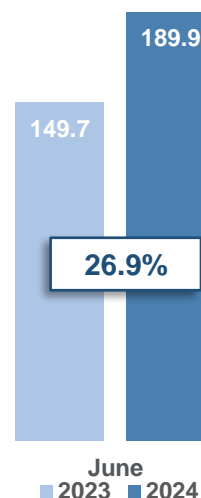
## Result of Operations



### Net Income

Net income at the end of June 2024 reached US\$189.9 million, which reflects an increase of 26.9% when compared to the same period of 2023, of US\$149.7 million.

Net Income  
(In US\$ Million)



### Net Interest and Commission Income

At the end of the second quarter 2024, the Bank's net income from interest and fees increased by 19.9% or US\$ 67.2 million; compared to the same period in 2023. The increase is due to higher volume loan book.

(In US\$ million and percentages)

Interest and commission income

**US\$ 405.2**

19.9% ↑

Interest expense

**US\$ 125.0**

20.5% ↑

Net interest and commission income

**US\$ 259.3**

19.2% ↑



### Loss Provisions and Other Income

Provisions for losses increased by US\$4.2 million or 25.5% compared to 2023. The increase is mainly in the provision for loan losses, due to higher loan volume.

Other net income, increased by 45.6%, from US\$23.1 million as of June 30, 2023, to US\$33.6 million as of June 30, 2024, which corresponds mainly to an extraordinary income from the sale of foreclosed assets for US\$5.3 million.

Provisions

**US\$ 20.9**

25.5% ↑

Other Income, Net

**US\$ 33.6**

45.6% ↑



### General and Administrative Expenses

The general and administrative expenses increase by 13.2% or US\$12.0 million compared to the same period in 2023, the increase is due to transportation of securities, fees and professional services and personnel expenses, associated with the opening of 2 new branches.

The efficiency ratio stands at 35.2% as of June 30, 2024.

(In US\$ million and percentages)

General and Admin. Expenses

**US\$ 103.0**

13.2% ↑

Net Income

**US\$ 189.9**

26.9% ↑



## Balance Sheet

(in US\$ thousands)	As of June 30, 2024	As of December 31, 2023	Change	
			US\$	%
<b>Assets</b>				
Cash and cash equivalents	3,415,706	4,056,940	(641,234)	(16%)
Securities purchased under resale agreements	144,388	211,062	(66,674)	(32%)
Investments in securities, net	3,880,005	4,310,147	(430,142)	(10%)
Private sector loans and interest receivable	6,133,575	5,648,292	485,283	8.6%
Public sector loans and interest receivable	1,462,414	837,260	625,154	74.7%
Allowance for loan losses	(159,968)	(144,820)	(15,148)	10.5%
Unearned interest and commissions	(64,998)	(28,430)	(36,568)	(128.6%)
<b>Total loans, net</b>	<b>7,371,023</b>	<b>6,312,302</b>	<b>1,058,721</b>	<b>16.8%</b>
Property, plant & equipment	106,880	95,924	10,956	11.4%
Other assets	111,274	314,189	(202,915)	-64.6%
<b>Total assets</b>	<b>15,029,276</b>	<b>15,300,564</b>	<b>(271,288)</b>	<b>-1.8%</b>
<b>Liabilities &amp; Shareholder Equity</b>				
Deposits at amortized cost	11,834,649	12,249,912	(415,263)	(3.4%)
Foreign borrowings received at amortized cost	216,833	247,864	(31,031)	(13%)
Bond payable – foreign at amortized cost	1,007,193	1,008,168	(975)	(0.1%)
Bond payable – local at amortized cost	206,199	206,267	(68)	0.0%
Other liabilities	291,624	278,109	13,515	4.9%
<b>Total liabilities</b>	<b>13,556,498</b>	<b>13,990,320</b>	<b>(433,822)</b>	<b>-3.1%</b>
<b>Capital Funds</b>	<b>1,472,778</b>	<b>1,310,244</b>	<b>162,534</b>	<b>12.4%</b>
<b>Total Liabilities &amp; Capital Funds</b>	<b>15,029,276</b>	<b>15,300,564</b>	<b>(271,288)</b>	<b>-1.8%</b>

## Income Statement

(In US\$ thousands)	As of June 30,		Change	
	2024	2023	US\$	%
Interest and fee income	405,248	337,997	67,251	19.9%
Interest expense	125,013	103,732	21,281	20.5%
<b>Net interest and commission income</b>	<b>280,235</b>	<b>234,265</b>	<b>45,970</b>	<b>19.6%</b>
Impairment Allowances, net <sup>(1)</sup>	20,895	16,654	4,241	25.5%
<b>Net interest and commission income, after provisions</b>	<b>259,340</b>	<b>217,611</b>	<b>41,729</b>	<b>19.2%</b>
Fees for banking services	14,922	13,390	1,532	11.4%
Other income <sup>(2)</sup>	16,374	10,672	5,702	53.4%
Other expenses	(2,270)	1,010	(3,280)	-324.7%
<b>Total other income, net</b>	<b>33,566</b>	<b>23,053</b>	<b>10,513</b>	<b>45.6%</b>
<b>Total general and administrative expenses</b>	<b>103,007</b>	<b>90,967</b>	<b>12,040</b>	<b>13.2%</b>
<b>Net income</b>	<b>189,899</b>	<b>149,696</b>	<b>40,203</b>	<b>26.9%</b>

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

<sup>(2)</sup> Includes net gain on investments in securities, dividends and others.



## Financial Ratios

### Profitability

Net Interest Margin <sup>(1)</sup>		Return on Average Assets <sup>(2)</sup>		Return on Average Equity <sup>(3)</sup>	
<b>3.8%</b>	<b>3.5%</b>	<b>2.5%</b>	<b>2.0%</b>	<b>27.7%</b>	<b>23.0%</b>
Jun. 2024	Dec.2023	Jun. 2024	Dec.2023	Jun. 2024	Dec.2023

### Liquidity & Efficiency



Financial Liquidity / Total Deposits <sup>(4)</sup>		Legal Liquidity <sup>(5)</sup>		Efficiency <sup>(6)</sup>	
<b>38.8%</b>	<b>49.1%</b>	<b>71.4%</b>	<b>75.5%</b>	<b>35.2%</b>	<b>41.6%</b>
Jun. 2024	Dec.2023	Jun. 2024	Dec.2023	Jun. 2024	Dec.2023

### Capital

Capital Adequacy <sup>(7)</sup>		Equity / Assets <sup>(8)</sup>		Financial Leverage <sup>(9)</sup>	
<b>18.8%</b>	<b>19.0%</b>	<b>9.8%</b>	<b>8.6%</b>	<b>8.4%</b>	<b>8.0%</b>
Jun. 2024	Dec.2023	Jun. 2024	Dec.2023	Jun. 2024	Dec.2023

### Asset Quality

Past Due Loans Over 91 Days / Total Loans <sup>(10)</sup>		Past Due Loans / Total Loans <sup>(11)</sup>		Non-Accrual Loans / Total Loans <sup>(12)</sup>	
<b>1.1%</b>	<b>1.3%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>0.7%</b>	<b>0.7%</b>
Jun. 2024	Dec.2023	Jun. 2024	Dec.2023	Jun. 2024	Dec.2023

 <b>Headcount</b>	<b>3,775</b>	<b>3,701</b>	 <b>Branch Network</b>	<b>95</b>	<b>93</b>
	Jun. 2024	Dec.2023		Jun. 2024	Dec.2023

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

<sup>(2)</sup> Calculated as net income divided by average total assets.

<sup>(3)</sup> Calculated as net income divided by average total equity.

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

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

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

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

<sup>(8)</sup> Capital funds divided by total assets

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

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

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

<sup>(12)</sup> 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 June 30, 2024. Some figures (including percentages) in this document have been rounded. The non-audited financial statements for the period ended June 30, 2024, are available on the Bank's website [www.banconal.com.pa](http://www.banconal.com.pa).

