

**Management Financial
Discussion and Analysis
September 2024**

**20
24**



September 2024 Highlights

Environment



Sustainable

- With great success the first fest of volunteers “We are one” which gathered 14 No profit organization, presenting their transforming initiatives and efforts for a cleaner environment.
- Continuing with the commitment of green impact, more than one hundred volunteer members of the bank, together with other strategic parties 4,000 trees of native species were planted in Cerro Peñon in the province of Veraguas
- The Finance and Planning team joined the “We are one” volunteers, in a cleaning day on the Sendero El Caucho; preserving biodiversity and avoiding contamination.



Equity

Social



- Participation in the V Porcine Congress, organized by the Panamanian Association of Pig Farmers, with the purpose of exploring new sustainable opportunities in pork production.
- The new headquarters of our branch in La Concepcion, province of Chiriqui, was opened. Its mission is to support sustainable development and integrate new efficient technologies.
- New strategic locations of ATMs were made for the benefit of our clients throughout the country.



Integrity

Government

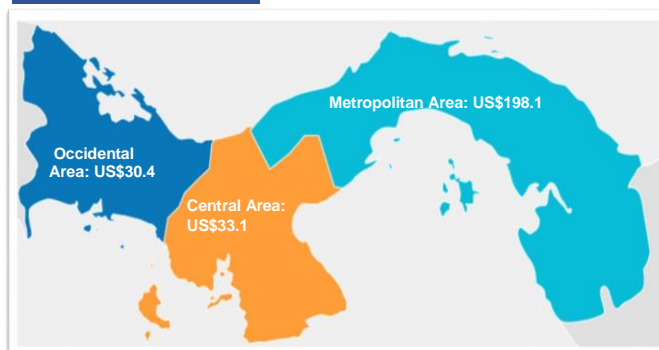


- Follow-up to the action plan designed to address opportunities for improvement arising from the Evaluation of the Board of Directors' corporate governance practices, carried out in 2023.
- Participation of the General Manager in the 20th Anniversary of the 10 principles of the UN Global Compact.
- Participation and support in the IX Congress on Corporate Governance "Technologies and Governance in the Digital Age" as Platinum sponsor of a major event.

(In US\$ million)

Total of Assets	Gross Loans	Capital Funds	Net Income	Capital Adequacy
US\$15,423.3	US\$8,015.5	US\$1,548.3	US\$261.7	19.0%
Financial Liquidity	PDL / Total Loans	Operational Efficiency	ROAE	ROAA
39.9%	1.0%	37.6%	24.5%	2.3%

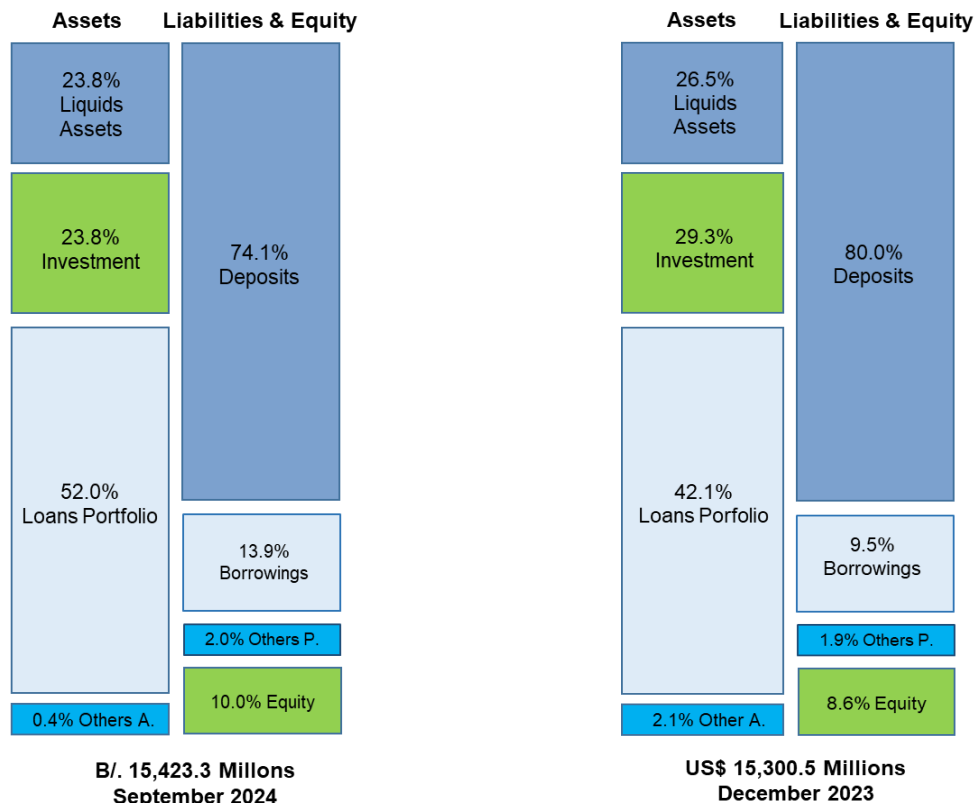
Net Profit by Area





Financial Analysis

Balance Structure




Assets

The Bank's assets are composed of 23.8% liquid assets, investments in securities in 23.8%, loans represent 52.0% and other assets 0.4% of total assets and totaled B/.15,423.3 million as of September 30, 2024, which, when compared to December 2023, presents an increase of 0.8%.

The increase in assets in general can be seen in the gross loan portfolio, both in the public and private sectors. The portfolio has increased by 24.4% when compared to December 2023.

Investments in securities and securities purchased under gross resale agreements have decreased by 18.2% and gross interbank placements by 10.3%.



Liabilities

Liabilities are composed of customer deposits representing 74.1%, financing 13.9% and other liabilities 2.0%, which total B/.13,875.0 million at the end of the third quarter of 2024, which reflects a decrease of B/.115.3 million, which represents a decrease of 0.8%, compared to the figures as of December 31, 2023.



Capital Funds

The Bank's total equity closed at B/.1,548.3 million, contributing 10.0% of the total remaining balance and registering an increase of B/.238.1 million, compared to December 31, 2023, mainly due to the profits generated in the period.



Liquidity and Sources of Funds

Liquid assets are made up of cash, bank deposits, securities purchased under resale agreements, and investments in securities. As of September 30, 2024, they totaled US\$ 7,352.2 million, decreased by 14.3%, compared to US\$8,578.1 million as of December 31, 2023. Liquid assets accounted for 64.2% of total customer deposits and 47.7% of total assets.

(In US\$ thousands)	As of September 30, 2024	As of December 31, 2023	Change	
			US\$	%
Cash and cash equivalents	315,697	321,617	(5,920)	-1.8%
Deposits in banks at amortized cost:				
Demand deposits- foreign	249,253	50,993	198,260	+200.0%
Time deposits - local	220,227	260,430	(40,203)	-15.4%
Time deposits - foreign	2,880,364	3,423,920	(543,556)	-15.9%
Less: Reserve for bank deposit losses	34	20	14	70.0%
Total bank deposits at amortized cost	3,349,810	3,735,323	(385,513)	-10.3%
Total cash, cash equivalents and bank deposits at amortized cost	3,665,507	4,056,940	(391,433)	-9.7%
Securities purchased under resale agreements at amortized cost	160,818	211,333	(50,515)	-23.9%
Less: Reserve for investment losses at amortized cost	229	271	(42)	-15.5%
Securities purchased under resale agreements at amortized cost	160,589	211,062	(50,473)	-23.9%
Investments in securities	3,535,817	4,316,210	(780,393)	-18.1%
Less: Reserve for investment losses	9,720	6,063	3,657	60.3%
Investments in securities, net	3,526,097	4,310,147	(784,050)	-18.2%
Total Liquid Assets	7,352,193	8,578,149	(1,225,956)	-14.3%

Liquidity Ratio

The National Bank of Panama enjoys robust liquidity levels. As of September 30, 2024, the financial liquidity index closed at 39.9% and the legal liquidity index at 71.8%, well above the 30% required by the Superintendency of Banks of Panama.

Funding Sources

The Bank's sources of funds consist of deposits and financing. The total sources of funds amounted to US\$13,595.0 million as of September 30, 2024; of these, customer deposits total US\$11,447.6 million, which represents 84.2% of the Bank's sources of funds.

(In US\$ thousands)	As of September 30, 2024	As of December 31, 2023	Change	
			US\$	%
Deposits				
Demand deposits	4,035,487	5,215,720	(1,180,233)	-22.6%
Savings deposits	1,005,308	1,005,864	(556)	-0.1%
Time deposits	6,287,910	5,930,462	357,448	6.0%
Restricted - Inactive accounts and escrow funds	118,937	97,866	21,071	21.5%
Total deposits	11,447,642	12,249,912	(802,270)	-65.5%
Obligations				
Foreign borrowings received at amortized cost	435,420	247,864	187,556	75.7%
Securities sold under a repurchase agreement	501,079	0	501,079	100.0%
Bond payable - local at amortized cost	206,199	206,267	(68)	0.0%
Bond payable - foreign at amortized cost	1,001,048	1,008,168	(7,120)	-0.7%
Lease liabilities	3,599	2,025	1,574	77.7%
Total other sources of funds	2,147,345	1,464,324	683,021	46.6%
Total sources of funds	13,594,987	13,714,236	(119,249)	-0.9%

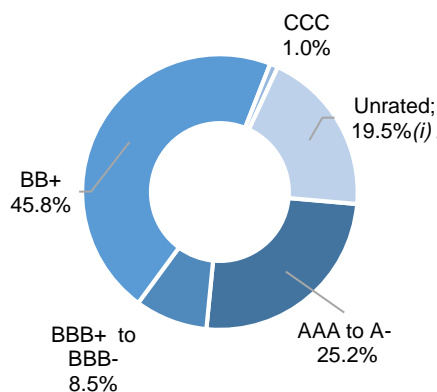
During September, a transaction of securities sold under a repurchase agreement were carried out for US\$500.1 million, an interest rate of 4.675%, maturing in September 2025.



Investment Portfolio

The Bank's portfolio of investments in securities and securities purchased under amortized cost resale agreements decreased by US\$834.5 million or 18.5%; from US\$4,521.2 million as of December 31, 2023 to US\$3,686.7 million as of September 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



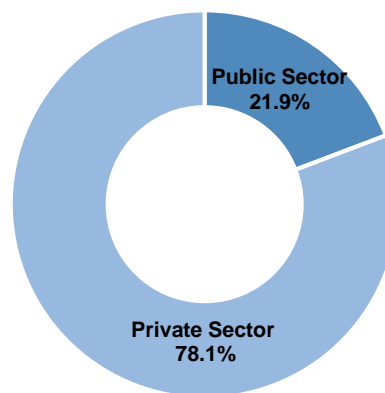
(i) The investments in the "unrated" category correspond to liquid instruments of an international financial institution, to which only central banks have access and whose risk is equivalent to a AAA sovereign risk rating granted by the rating agencies: Standard & Poor's, Moody's or Fitch Ratings, Inc.



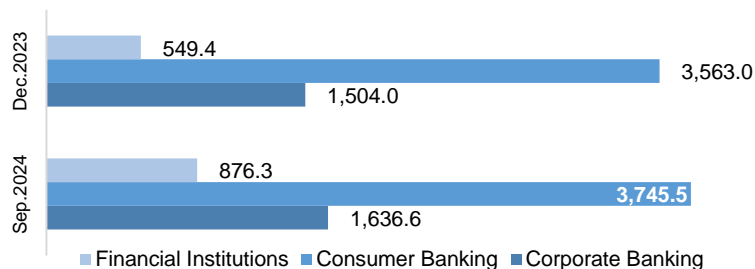
Loan Portfolio

The Bank's gross loan portfolio closed at US\$ 8,015.5 million as of September 30, 2024; reflecting a growth of 24.4% (US\$1,570.0 million) compared to the end of 2023 of US\$6,445.5 million.

Loans to the public sector represented 21.9% of the total portfolio or US\$1,757.1 million and loans to the private sector represent the largest part of the portfolio with US\$6,258.4 million or 78.1%. Most Bank loans have fixed interest rates, which can be readjusted at the Bank's unilateral option, at any time.



(In US\$ million)



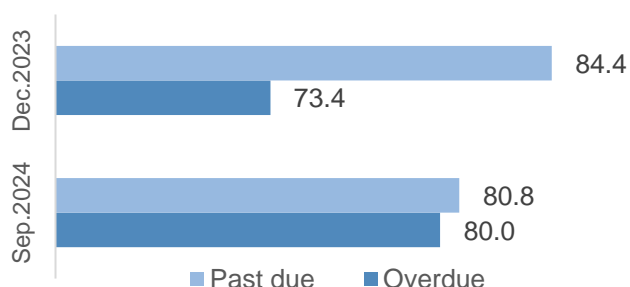
Private Loan Portfolio

There is an increase in the behavior of loans to the private sector in the banking of financial institutions by US\$326.9 million, because of new disbursements to financial institutions to support micro, small and medium-sized enterprises; consumer banking at US\$182.5 million, mainly in the mortgage segment, and corporate banking at US\$132.6 million.

Public Loan Portfolio

The portfolio to the public sector closed with US\$ 1,757.1 million, registering an increase of 111.9% compared to December 2023. The Bank, as a Financial Organization par excellence, in these 9 months has promoted the development of the national economy, through the granting of financing to the State, this shows the institution's commitment to the country team work.

(In US\$ million)



Asset Quality

As of September 30, 2024, the NPL ratio was 2.1% of the total loan portfolio (December 31, 2023: 2.4%). Asset quality indicators reflect excellent management of the risk profile. The ratio of reserves for credit losses to non-performing loans is 317.7%.

The reserve for loan losses totaled US\$159.5 million as of September 30, 2024, or 2.6% of the total private portfolio.

Capitalization

As of September 30, 2024, the Bank's total equity stands at US\$1,548.3 million, with an increase of US\$238.1 million compared to December 2023. Principal over total assets reached 10.0% at the end of September 30, 2024.

The Bank's regulatory capital amounts to US\$1,405.0 million and the total risk-weighted assets are US\$7,385.4 million. The capital adequacy ratio is 19.0%, which is higher than the minimum regulatory index of 10.5% 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 September 30, 2024	As of December 31, 2023
Primary capital		
Paid-in capital by Government of Panama	1,000,000	1,000,000
Retained earnings	290,111	199,366
Other items in comprehensive income	31,932	28,459
Less: intangible assets	9,676	11,543
Total primary capital	1,312,367	1,216,282
Dynamic regulatory provision	92,654	79,811
Total applicable capital funds	1,405,021	1,296,093
Total risk-weighted assets	7,385,447	6,824,620
Capital adequacy ratios	19.0%	19.0%

Risk Ratings

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

BBB
June 2024
S&P Ratings

Baa3
November 2023
Moody's Analytics

BB+
April 2024
FitchRatings

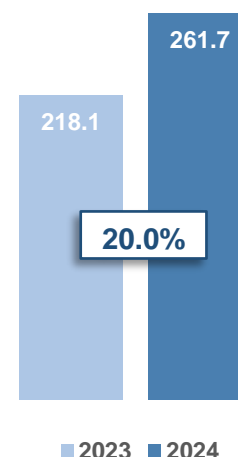
Result of Operations



Net Income

The accumulated profit at the end of September 2024 reached US\$261.7 million, which reflects an increase of 20.0% when compared to the same period of 2023, of US\$ 218.1 million.

Net Income (In US\$ millions)



Net Interest and Commission Income

At the end of the third quarter of 2024, the Bank's net interest and fee income increased by 17.1% or US\$87.7 million, compared to the same period in 2023. This increase in gross income corresponds mainly to the loan portfolio.

The trend, which began to be reflected from the third quarter, continues at the current date, this increase is associated with disbursements made to the public and private sectors.

(In US\$ million and percentages)

Interest and
commission income

US\$ 600.6

17.1% ↑

Interest expense

US\$ 202.9

25.6% ↑

Net interest and
commission income

US\$ 397.6

13.2% ↑



Loss Provisions and Other Income

Provisions for losses increased by US\$2.1 million or 3.8% compared to 2023. The increase is mainly in the provision for investment losses.

Other net income increased by 28.9%, from US\$34.9 million as of September 30, 2023 to US\$45.0 million as of September 30, 2024, corresponding to extraordinary dividends received for the amount of US\$ 10.0 million.

(In US\$ million and percentages)

Provisions

US\$ 23.0

3.8% ↑

Other Income, Net

US\$ 45.0

28.9% ↑



General and Administrative Expenses

General and administrative expenses increase by 8.3% or US\$12.1 million compared to the same period in 2023. The increase is in the areas of repair and maintenance, communications, personnel expenses.

The operating efficiency ratio achieved as of September 30, 2024 was 37.6%.

General and Admin.
Expenses

US\$ 157.9

8.3% ↑

Net Income

US\$ 261.7

20.0% ↑

Balance Sheet

(in US\$ thousands)	As of September 30, 2024	As of December 31, 2023	Change	
			US\$	%
Assets				
Cash and cash equivalents at amortized cost	3,665,507	4,056,940	(391,433)	-9.7%
Securities purchased under resale agreements at amortized cost	160,589	211,062	(50,473)	-23.9%
Investments in securities, net	3,526,097	4,310,147	(784,050)	-18.2%
Private sector loans and interest receivable	6,295,066	5,648,292	646,774	11.5%
Public sector loans and interest receivable	1,769,871	837,260	932,611	111.4%
Allowance for loan losses	(159,457)	(144,820)	(14,637)	10.1%
Unearned interest and commissions	(63,657)	(28,430)	(35,227)	-123.9%
Loans at amortized cost	7,841,823	6,312,302	1,529,521	24.2%
Property, plant & equipment	106,685	95,924	10,761	11.2%
Other assets	122,597	314,189	(191,592)	-61.0%
Total Assets	15,423,298	15,300,564	(122,734)	0.8%
Liabilities & Capital Funds				
Deposits at amortized cost	11,447,642	12,249,912	(802,270)	-6.6%
Securities sold under a repurchase agreement	501,079	0	501,079	100%
Foreign borrowings received at amortized cost	435,420	247,864	187,556	75.7%
Bond payable – foreign at amortized cost	1,001,048	1,008,168	(7,120)	-0.7%
Bond payable – local at amortized cost	206,199	206,267	(68)	0.0%
Other liabilities	283,584	278,109	5,475	2.0%
Total liabilities	13,874,972	13,990,320	(115,348)	-0.8%
Total capital funds	1,548,326	1,310,244	238,082	18.2%
Total Liabilities & Capital Funds	15,423,298	15,300,564	(122,734)	0.8%

Income Statement

(In US\$ thousands)	As of September 30,		Change	
	2024	2023	US\$	%
Interest and fee income	600,569	512,849	87,720	17.1%
Interest expense	202,922	161,624	41,298	25.6%
Net interest and commission income	397,647	351,225	46,422	13.2%
Impairment Allowances, net ⁽¹⁾	23,034	22,189	845	3.8%
Net interest and commission income, after provisions	374,613	329,036	45,577	13.9%
Fees for banking services	21,545	21,261	284	1.3%
Other income ⁽²⁾	22,845	15,143	7,702	50.9%
Other expenses	(582)	1,528	(2,110)	-138.1%
Total other income, net	44,972	34,876	10,096	28.9%
Total general and administrative expenses	157,909	145,831	12,078	8.3%
Net income	261,676	218,081	43,595	20.0%

⁽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.

Financial Ratios

Profitability

Net Interest Margin ⁽¹⁾		Return on Average Assets ⁽²⁾		Return on Average Equity ⁽³⁾	
3.6%	3.5%	2.3%	2.0%	24.5%	23.0%
Sep. 2024	Dec.2023	Sep. 2024	Dec.2023	Sep. 2024	Dec.2023

Liquidity & Efficiency

Financial Liquidity / Total Deposits ⁽⁴⁾		Legal Liquidity ⁽⁵⁾		Efficiency ⁽⁶⁾	
39.9%	49.1%	71.8%	75.5%	37.6%	41.6%
Sep. 2024	Dec.2023	Sep. 2024	Dec.2023	Sep. 2024	Dec.2023

Capital

Capital Adequacy ⁽⁷⁾		Equity / Assets ⁽⁸⁾		Financial Leverage ⁽⁹⁾	
19.0%	19.0%	10.0%	8.6%	8.5%	8.0%
Sep. 2024	Dec.2023	Sep. 2024	Dec.2023	Sep. 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⁾	
1.0%	1.3%	2.0%	2.4%	0.6%	0.7%
Sep. 2024	Dec.2023	Sep. 2024	Dec.2023	Sep. 2024	Dec.2023

 Headcount	3,847	3,701	 Branch Network	95	93
	Sep. 2024	Dec.2023		Sep. 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 of Panama 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⁾ Capital funds 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 September 30, 2024. Some figures (including percentages) in this document have been rounded. The non-audited financial statements for the period ended September 30, 2024, are available on the Bank's website www.banconal.com.pa.

