Superintendencia de Bancos de Panamá

25 años 1998 - 2023

Banking Activity Report

January 2024

Table of Contents

Executive Summary

In January 2024, the International Banking Center (CBI) demonstrated satisfactory performance. Banks operating in the market exhibited strength, remaining liquid and well-capitalized, with solvency ratios above the regulatory threshold. Specifically, the latest available data show that the prudential solvency and liquidity ratios reached 15.3% and 57.95%, respectively. Additionally, credit growth has adjusted to a more sustainable pace. Consequently, the banking sector maintains a performance that has translated into increased and strengthened capital capacity, enabling this sector to continue conducting intermediation activities in the medium and long term.

As a result of the events of late 2023, the growth of the domestic economy is projected to slow in 2024 before gradually improving in the medium term. While the slowdown is not expected to be widespread, there are nationwide risks to the economy's performance. These could manifest in a possible deterioration of portfolio quality due to decreased activity levels, disruptions in supply chains and production cycles, and a reduction in demand for goods and services from these sectors, potentially impacting the performance of the labor market. These effects are being monitored, as they have the potential to alter short- and medium-term investment strategies, which could significantly impact portfolio performance and quality.

In January 2024, the Panamanian International Banking Center showed an increase in its total assets, recording USD 146.21 billion, a figure that reflects a year-on-year surge of USD 6.38 billion or 4.6%. This growth is attributed to the implementation of a strategy aimed at maximizing the return of productive assets, complemented by active and strategic management of available resources. Concurrently, the capital and liability structure has been strengthened, which, beyond optimizing profitability, could also mitigate potential risks foreseen in 2024. However, although this strategy could boost an improvement in financial performance and mitigate some risks, additional forward-looking planning may be required in the face of challenges in an economic environment that is expected to be less dynamic this year.

In the first month of 2024, the domestic loan portfolio reached USD 60.99 billion, representing a 4% growth compared to January 2023. Although this performance is positive, it indicates a slower expansion pace in loan activity and could, by extension, suggest less dynamic economic growth. While there has been higher performance in some sectors, caution is warranted. In the sectoral analysis, the categories 'Mining and Quarrying' and 'Industry' led relative growth with increases of 25.7% and 12.3%, respectively. However, this performance should be viewed cautiously since these sectors, being the most affected during the events of late 2023, might reflect, more than an increase in operations per se, a search for liquidity to maintain processes after the interruption of operations, a situation that could be more complex, especially in the case of 'Mining and Quarrying'. It is important to note that Minera Panamá does not significantly participate in these operations as the company finances itself in other markets. The new loan portfolio totaled USD 2.09 billion, with a growth of 29%, which was positive but should be analyzed prudently due to these factors.

Regarding the CBI's portfolio quality as of December 2023, a non-performing loan (NPL) ratio of 4% is reported, of which 1.6% is represented by loans with 30 days or more past due, while loans with 90 days or more past due account for 2.4%. This performance reflects a higher percentage of arrears compared to pre-pandemic periods. Proactive risk management and the ability to adapt to a constantly changing economic environment will be key to preserving stability and promoting the sustainability of the CBI in the face of future challenges.

In January 2024, the International Banking Center (CBI) recorded a year-on-year growth in the balance of traditional bank deposits of 5.8%, raising its total deposit volume to USD 104.06 billion. This performance was supported by a 3.3% increase in domestic deposits and a notable 10.1% increase in foreign deposits. The performance of fixed-term deposits continues to drive the growth of deposit-taking in the corporate banking sector in the market. This evolution underscores the growing confidence placed by customers, both domestic and foreign, in the strength and stability of the Panamanian banking sector.

As of the end of January 2024, the banks of the International Banking Center recorded accumulated profits of USD 252 million, marking a 51.1% increase compared to January 2023. This notable growth in profits is due to several key factors: the development of the financial margin and commissions, stemming from the continuous expansion of the loan portfolio, and a continuous containment of operating costs that led to increased efficiency. Additionally, it benefited from the decrease in provisions in response to preventive assessment for credit risk. Regarding the last element, considering that there are still risk factors stemming from the lower domestic economic performance, it is necessary to continue closely monitoring the risks to financial stability. This may necessitate banks to strengthen their provisioning levels, taking into account prospective risks and integrating an anticipated view of possible expected losses. This practice aims to enhance the financial resilience of entities against future adverse scenarios, thus contributing to more robust and forward-looking risk management.

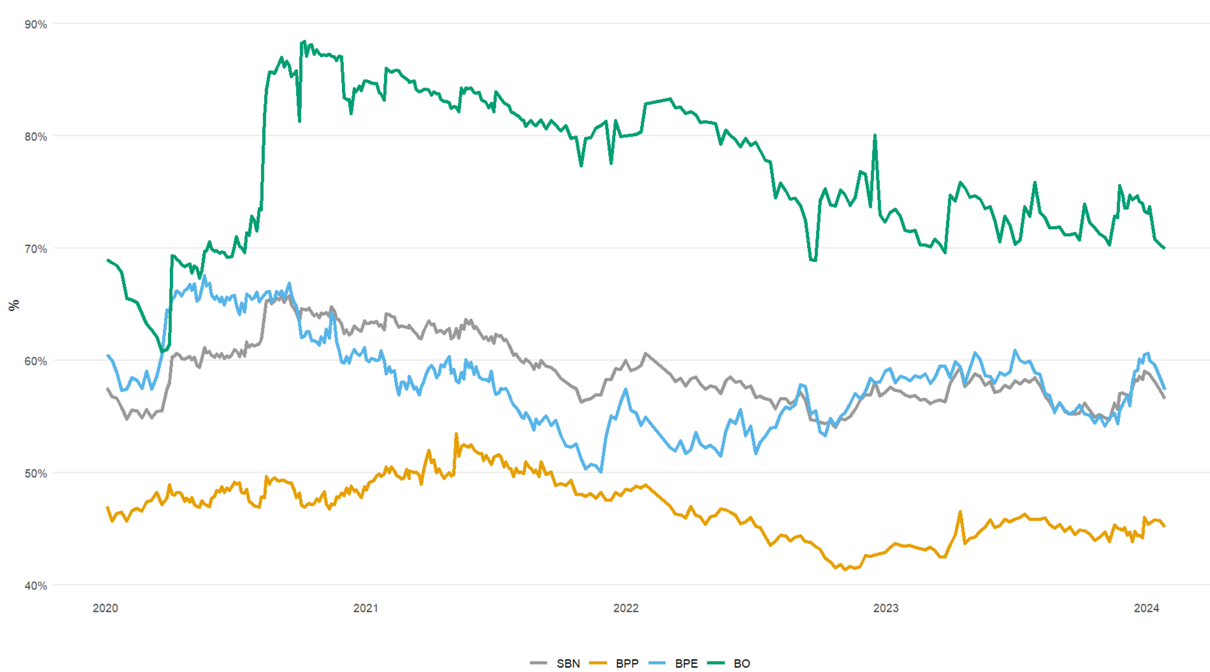
In conclusion, operating banks are in compliance with the current applicable regulations, maintaining an adequate position in terms of capitalization and liquidity, which allows them to strengthen their response capacity to face potential risks. However, due to the events that occurred in late 2023, persistent risk factors have been identified, especially related to loan portfolio quality. This situation has led to the intensification of banking supervision activities and follow-up exercises, focusing on the banks' risk management and their financial strength to respond to various economic and financial scenarios. It is vital that banks continue enhancing their risk management practices and strengthen their capital reserves to ensure an effective response to fluctuations in portfolio quality and other emerging challenges in 2024. The banking supervision conducted by the Superintendency of Banks of Panama will remain vigilant in promoting a stable and resilient financial environment.

A. Liquidity

At the end of the first month of 2024, the Panamanian banking sector showed a positive operating condition, reflected in an average liquidity ratio of 57.95%. This liquidity level, notably higher than the regulatory standards, was mainly attributable to an increase in deposit volumes, demonstrating active and efficient bank balance management. Historically, the National Banking System (NBS) has consistently maintained strong liquidity buffers and a constant flow of structural and wholesale deposits, which constitute an essential part of its funding.

The banks within the NBS have historically maintained robust liquidity buffers and dependable access to structural and wholesale deposits, which constitute an essential part of their funding. It is worth noting that regulatory provisions require all banks operating within the Panamanian CBI to comply with Basel III standards. The Liquidity Coverage Ratio (LCR) measures the ability to secure emergency funding over a 30-day period. This ratio is well above the required minimums, thanks to prudent asset and liability management in terms of maturity dates, a diversified funding structure, and high-quality assets. Currently, banks are compliant with LCR provisions, reflecting an average ratio above the regulatory requirement. This level of compliance demonstrates, overall, prudent and strategic asset and liability management, focusing on optimizing the maturity structure, diversifying funding sources, and maintaining a portfolio of highly liquid and creditworthy assets.

Graph 1: Weekly average liquidity ratio
January 2020 - January 2024



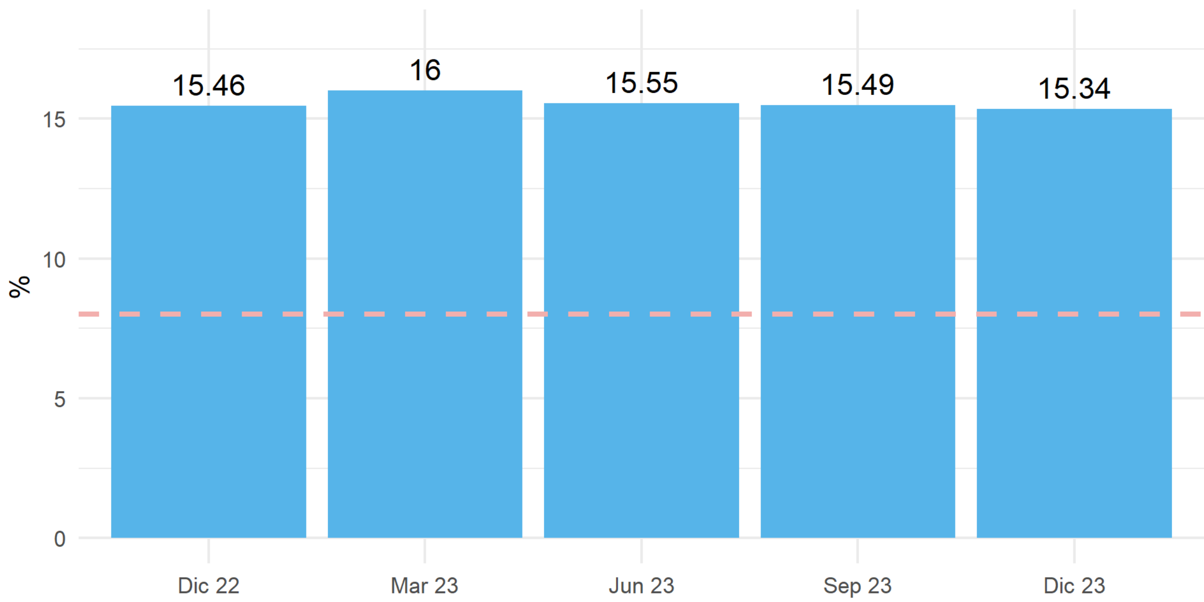
Source: General license banks.

B. Solvency

The latest Capital Adequacy Ratio (CAR) indicates that the banks within the International Banking Center have maintained adequate solvency indicators, placing the CBI in a favorable position. Specifically, the CAR on risk-weighted assets (RWA) stood at 15.34% (see **Graph 2**), surpassing not only the regulatory threshold of 8% but also reflecting positive financial resilience against adverse scenarios. This performance remains consistent compared to the previous quarter, indicating stability in the capital of banks within the CBI.

It is anticipated that the profitability of these banks will continue to be supported by a prudent approach to RWA growth. It is important to highlight that to date all banks operating within the CBI are in satisfactory compliance with the bank capital regulatory standards, which underlines the effectiveness of risk and capital management strategies guided by regulatory parameters. While managing future growth opportunities is possible, these should maintain a balanced focus between expansion and risk management. Given the current juncture, it is essential to continue closely monitoring external and real-sector factors that could influence capital strength, adopting proactive measures to mitigate potential risks.

Graph 2: Capital Adequacy Ratio
December 2022 - December 2023



Source: General and international license banks.

C. Income Statement

As of the end of January 2024, the accumulated profits of the International Banking Center totaled USD 252 million, marking a 51.1% increase compared to January 2023. This growth is attributed to several key factors such as the improvement in the financial margin and commissions, stemming from the continuous expansion of the loan portfolio, and continuous containment of operating costs that led to increased efficiency. Additionally, it benefited from the decrease in provisions, adjusted based on credit risk preventive assessment.

The return on assets responded significantly to the increase in net interest income (2.5%), and more significantly, to the 34.3% growth in the other income item. This increase is largely attributable to the expansion in the volume of the loan portfolio and the strategic recalibration of interest margins, commission charges, and investment portfolio performance.

OPEX (operating expenses) management has also contributed to this performance through process optimization and cost reduction, directly impacting the improvement of bank profitability. In particular, the 'General Expenses' item recorded USD 251.8 million, reflecting a 1.4% decrease.

Provisioning expenses decreased from USD 49.7 million in January 2023 to USD 38 million in January 2024, marking a 23.6% reduction. While this reduction can be attributed to the coverage levels of provisions established during the pandemic, which, combined with specific regulatory requirements, served as an effective buffer during challenging periods, there are still existing risk factors. These include the lower domestic economic performance, the increase in the country's risk premiums, and some risks originating abroad. These factors may necessitate banks to strengthen their provisioning levels, considering prospective risks and integrating an anticipatory view of possible expected losses. This practice aims to bolster the financial resilience of institutions against future adverse scenarios, thus contributing to more robust and forward-looking risk management.

It is foreseeable that the banks comprising the CBI will continue to implement processes aimed at expenditure management and continuous improvement in operational efficiency. Currently, the CBI's operational efficiency stands at 46% (compared to 54% a year earlier), indicating the proportion of net income absorbed by operating expenses. This metric suggests that there is room for improvement in process optimization, and cost control efforts will continue in the future.

Table 1: International Banking Center
Accumulated Income Statement
(In millions of USD)

International Banking Center	**January**	**January**	**Difference**	
	2023	**2024**	**%**	**USD**
Net interest income	288.4	295.6	2.5%	7.1
Other income	183.3	246.2	34.3%	62.9
Operating income	471.7	541.8	14.8%	70.0
General expenses	255.2	251.8	-1.4%	-3.5
Profit before provisions	216.5	290.0	33.9%	73.5
Provisioning expenses	49.7	38.0	-23.6%	-11.7
Profit for the period	**166.8**	**252.0**	**51.1%**	**85.2**

Source: General and International License banks.

As of January 2024, the National Banking System reported accumulated net profits of approximately USD 221.5 million, representing a 56.6% increase compared to January 2023. This remarkable growth in profits mirrors the performance observed in the International Banking Center, highlighting a trend of cost optimization in the banking sector.

However, going forward, it may be necessary to increase the provisioning expense item to address potential contingencies, thus ensuring long-term financial stability and strength.

Table 2: National Banking System
Accumulated Income Statement
(In millions of USD)

National Banking System	January 2023	January 2024	Difference %	Difference USD
Net interest income	257.6	262.0	1.7%	4.4
Other income	165.7	232.9	40.5%	67.2
Operating income	423.3	494.9	16.9%	71.6
General expenses	232.4	236.6	1.8%	4.2
Profit before provisions	190.9	258.3	35.3%	67.4
Provisioning expenses	49.5	36.8	-25.6%	-12.7
Profit for the period	**141.4**	**221.5**	**56.6%**	**80.1**

Source: General License banks.

D. Profitability indicators

A detailed analysis of the financial performance shows a substantial improvement in profitability indicators during January 2024, compared to the results of 2023. The Return on Equity (ROE) reached a solid 17.79%, while the Return on Assets (ROA) stood at a remarkable 2.11%. These increases occurred in a context of improved lending and reduced provisions for asset impairment. The net interest margin was 2.91%, reflecting optimization in the management spread between lending and deposit interest rates, which improved portfolio profitability.

E. Balance Sheet

In January 2024, the Panamanian International Banking Center reported an increase in total assets, reaching USD 146.21 billion, representing a year-on-year growth of USD 6.37 billion or 4.6%. This increase is attributed to the implementation of a strategy focused on maximizing the return on productive assets, complemented by active resource management. Concurrently, there has been a strengthening of the capital and liability structure, which, beyond optimizing profitability, could also mitigate potential risks foreseen in 2024. However, although this strategy could boost an improvement in financial performance and mitigate some risks, it is possible that additional forward-looking planning will be required in the face of the challenges of an economic context that is expected to be less dynamic this year.

The expansion in the asset side of the balance sheet reflects an acceleration in the growth dynamics of productive assets, driven primarily by a 5.9% increase in the net loan portfolio, which closed with a balance of USD 88.24 billion, and a 7.1% rise in the securities component. Additionally, during the same period, there was a 5.3% decrease in liquid assets, reflecting a strategic reallocation towards higher-yielding assets, indicating active and efficient resource management. This should ensure an adequate balance between risk and return.

It is relevant to highlight the importance of the loan portfolio within the CBI's asset structure, as it constitutes most of these assets. Additionally, the performance of the external segment of the net loan portfolio showed an acceleration, with an 8.8% growth, suggesting possible geographical diversification in the CBI's lending operations. This expansion reflects not only a growth strategy but also an effort to mitigate risks through diversification.

From the perspective of liabilities and capital, 2023 witnessed remarkably positive financial performance. From the liabilities side, deposits play a crucial role in the CBI's funding model, allowing for less reliance on wholesale funding and debt market issuances, which tend to be more volatile. As of January 2024, deposits reached USD 104.06 billion, reflecting a 5.8% year-on-year growth, with a 10.1% increase in foreign deposits. This growth not only reflects increased confidence from international investors but also an effective expansion into foreign markets.

In line with a higher cost of capital, effective liability management strategies were evident, with a 3.2% reduction in financial obligations. Despite an increase in the cost of borrowing, current market conditions suggest a renewed interest in financing strategies that can mitigate future liquidity risks and take advantage of the opportunities presented by the current interest rate structure, particularly the flattening observed between short- and medium-term rates.

Table 3: International Banking Center
Balance Sheet
(In millions of USD)

Breakdown	2023	2024	Jan. 24/Jan. 23 Difference	
	January	January	Total	%
Liquid assets	18,615.9	17,630.2	-985.7	-5.3%
Net credit portfolio	83,369.6	88,249.1	4,879.5	5.9%
Domestic	56,461.2	58,964.2	2,503.0	4.4%
Foreign	26,908.4	29,284.9	2,376.5	8.8%
Securities	30,175.7	32,316.1	2,140.4	7.1%
Other assets	7,675.3	8,016.5	341.1	4.4%
Total Assets	**139,836.5**	**146,211.9**	**6,375.4**	**4.6%**
Deposits	98,379.0	104,069.2	5,690.3	5.8%
Domestic	61,771.8	63,780.6	2,008.8	3.3%
Foreign	36,607.2	40,288.7	3,681.4	10.1%
Obligations	20,908.8	20,248.7	-660.1	-3.2%
Other liabilities	3,990.8	4,454.5	463.7	11.6%
Capital	16,557.9	17,439.4	881.5	5.3%

Source: General and International License banks

As for the assets of the National Banking System, they amounted to USD 129.53 billion, indicating an increase of USD 6.22 billion or 5.0% compared to January 2023. The SBN's net loan portfolio showed a USD 4.85 billion (6.4%) increase, reaching USD 80.99 billion. Net foreign loans grew by 11.9%, while the net domestic portfolio grew by 4.4%. The SBN's deposit base also showed an increase, reaching USD 91.05 billion, representing a 6.0% increase. This growth in deposits is positive, as it reflects public confidence and the soundness of the system's funding base, crucial elements for the stability and future expansion of the sector. At the same time, there was an 8.5% increase in net equity, evidence of strengthened financial structure and a more robust capital base. These measures not only improve the system's solvency but also support the potential for future growth and the ability to manage financial risks.

Table 4: National Banking System
Balance Sheet
(In millions of USD)

Breakdown	2023	2024	Jan. 24/Jan. 23 Difference	
	January	January	Total	January
Liquid assets	14,742.5	13,599.6	-1,142.9	-7.8%
Net credit portfolio	76,140.4	80,993.7	4,853.3	6.4%
Domestic	56,461.2	58,964.2	2,503.0	4.4%
Foreign	19,679.2	22,029.5	2,350.3	11.9%
Securities	25,159.5	27,218.6	2,059.1	8.2%
Other assets	7,262.8	7,718.2	455.4	6.3%
Total Assets	**123,305.2**	**129,530.2**	**6,224.9**	**5.0%**
Deposits	85,870.1	91,057.0	5,186.9	6.0%
Domestic	61,559.3	63,671.7	2,112.4	3.4%
Foreign	24,310.8	27,385.3	3,074.5	12.6%
Obligations	20,663.0	20,159.2	-503.7	-2.4%
Other liabilities	3,790.8	4,224.7	433.9	11.4%
Capital	12,981.3	14,089.2	1,107.9	8.5%

Source: General License banks

F. Credit

In the first month of 2024, the domestic loan portfolio reached USD 60.99 billion, representing a 4% growth compared to January 2023, equivalent to an increase of USD 2.35 billion. Although this performance is positive, it reveals a slower expansion pace in loan activity and could indicate less dynamic economic growth. While some sectors have shown higher growth, a slowdown has been perceived since October 2023, a trend that could continue if economic activity slows down in 2024. This, coupled with current interest rates and the financial burden on corporations and households, could limit the demand for financing.

In the sectoral analysis, the categories 'Mining and Quarrying' and 'Industry' led relative growth with increases of 25.7% and 12.3%, respectively. However, this performance should be viewed cautiously since these sectors, being the most affected during the events of late 2023, might reflect, more than an increase in operations per se, a search for liquidity to maintain processes after the interruption of operations, a situation that could be more complex, especially in the case of 'Mining and Quarrying'. It is important to note that Minera Panamá does not significantly participate in these operations as the company finances itself in other markets.

The household loans segment performed positively, contributing substantially to the overall increase in the portfolio. Within this segment, personal consumption credit rose by 5.5%, and mortgage credit showed an increase of 3.6% year-on-year. In the consumption credit side, car loans, card, and personal loan products increased by 5.7%, 9.3%, and 4.6%, respectively. It is important to mention that a potential economic slowdown could negatively impact these sectors, suggesting closer monitoring to anticipate and mitigate potential credit risks in a timely manner.

In the corporate segment, growth was more asymmetrical. In fact, by sector, it is possible to observe varied performances such as Construction (-1.2%), Livestock (-1.5%), Agriculture (1.1%), Commerce (5.1%), Industry (12.3%), and Mining and Quarrying (25.7%). While some segments show incredible growth, caution should be exercised, as mentioned previously. This requires a detailed assessment to understand the underlying causes and adjust loan strategies as needed. On the other hand, the financial and insurance sector recorded a 0.5% growth, reaching USD 1.93 billion.

This analysis indicates that, while domestic corporate banking continues to support economic growth through credit expansion, suggesting that credit reduction is not occurring due to supply conditions, it is imperative to maintain prudent risk management and continuous monitoring of macroeconomic and sectoral conditions. Such an approach will not only optimize the performance of the credit portfolio but also ensure the resilience and sustainability of the banking system in the face of potential economic adversities.

Table 5: National Banking System
Balance of domestic credit portfolio by economic sectors
(In millions of USD)

Sector	January 2023	January 2024	Jan. 24/Jan. 23 Difference	
			Total	%
TOTAL	**58,639.7**	**60,991.9**	**2,352.2**	**4.0%**
Public sector	**1,578.7**	**1,538.9**	**-39.8**	**-2.5%**
Private sector	**57,061.0**	**59,453.0**	**2,392.0**	**4.2%**
Financial & insurance activities	1,922.2	1,932.4	10.2	0.5%
Agriculture	490.7	496.3	5.6	1.1%
Livestock	1,327.2	1,307.1	-20.1	-1.5%
Fishing	122.4	117.0	-5.4	-4.4%
Mining & Quarrying	46.1	57.9	11.8	25.7%
Commerce	11,624.4	12,213.3	588.9	5.1%
Industry	3,445.8	3,871.0	425.2	12.3%
Mortgages	19,916.3	20,631.3	715.0	3.6%
Construction	5,070.8	5,010.7	-60.1	-1.2%
Personal consumption	13,095.2	13,816.0	720.8	5.5%

Source: General License banks

The new loan portfolio totaled USD 2.09 billion, reflecting a 29% growth, which is positive, but should be analyzed with caution. The sectors with the highest share in new loans in absolute terms were the commercial sector with USD 875 million, followed by the consumption sector with USD 388 million.

While the overall performance has been positive, the medium-term outlook could be affected by factors such as the lower growth expected for this year, which would have effects on formal employment, and an increase in inflation, which could moderate the current credit momentum. Therefore, it is crucial that consumers and corporations assume credit obligations responsibly, prioritizing financial sustainability and prudent risk management to avoid greater financial burdens in the future.

Regarding the CBI's portfolio quality as of December 2023, a non-performing loan (NPL) ratio of 4% is reported, of which 1.6% is represented by loans with 30 days or more past due, while loans with 90 days or more past due account for 2.4%. This performance reflects a higher percentage of arrears compared to pre-pandemic periods. Proactive risk management and the ability to adapt to a constantly changing economic environment will be key to preserving the CBI's stability and promoting its sustainability in the face of future challenges.

A recent decrease has been observed in the coverage of reserves for non-performing and overdue loans. The coverage of accounting provisions for overdue loans decreased to around 106% compared to the 120% recorded a year earlier.

It is essential to remember that although current provisions and collateral provide some degree of mitigation for risks related to loan impairment, their evolution requires forward-looking monitoring. The current environment underscores the importance of adopting dynamic and proactive risk management to adapt to unforeseen events, such as those presented by the current situation. These strategies help mitigate potential negative impacts, which are fundamental to preserving financial stability and the long-term sustainability of financial institutions.

G. Deposits

In January 2024, the International Banking Center recorded a year-on-year growth in the balance of traditional bank deposits of 5.8%, raising its total deposits volume to USD 104.06 billion. This performance was supported by a 3.3% increase in domestic deposits and a notable 10.1% growth in foreign deposits. The performance of fixed-term deposits continues to drive the expansion of deposit-taking in the corporate banking sector in the market. This evolution underscores the growing confidence placed by customers, both domestic and foreign, in the strength and stability of the Panamanian banking sector.

By region, domestic deposits increased by USD 2 billion during the analyzed period compared to January 2023. As for foreign deposits, a year-on-year increase of USD 3.68 billion was observed, reaching USD 40.28 billion. Colombia has stood out as the main country of origin for these deposits, followed by Venezuela, Costa Rica, the Dominican Republic, and the United States of America.

Table 6: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2023	2024	Jan. 24/Jan. 23 Difference	
	January	January	Total	Total
Deposits	98,379.0	104,069.2	5,690.3	5.8%
Domestic	61,771.8	63,780.6	2,008.8	3.3%
Government	11,835.5	12,879.7	1,044.2	8.8%
Customer	46,638.8	47,699.9	1,061.1	2.3%
Banks	3,297.4	3,201.0	-96.5	-2.9%
Foreign	36,607.2	40,288.7	3,681.4	10.1%
Government	298.0	336.5	38.5	12.9%
Customer	28,440.6	31,566.5	3,125.9	11.0%
Banks	7,868.7	8,385.7	517.0	6.6%

Source: General and International License banks.

Within the domestic financial landscape, the National Banking System recorded a growth rate in line with the performance of the International Banking Center. At the end of January 2024, the SBN recorded total deposits of USD 91.05 billion, marking an increase of 6.0% compared to the first month of 2023. This growth is distributed differently between the deposit segments, with a 3.4% expansion in domestic deposits and a remarkable 12.6% increase in foreign deposits (see **Table 7**). The growth rate of foreign deposits, significantly higher than that of domestic deposits, underscores the competitiveness of the national banking system in the global arena, reflecting effective management and a diversification strategy of funding sources that strengthen the liquidity and financial soundness of the system.

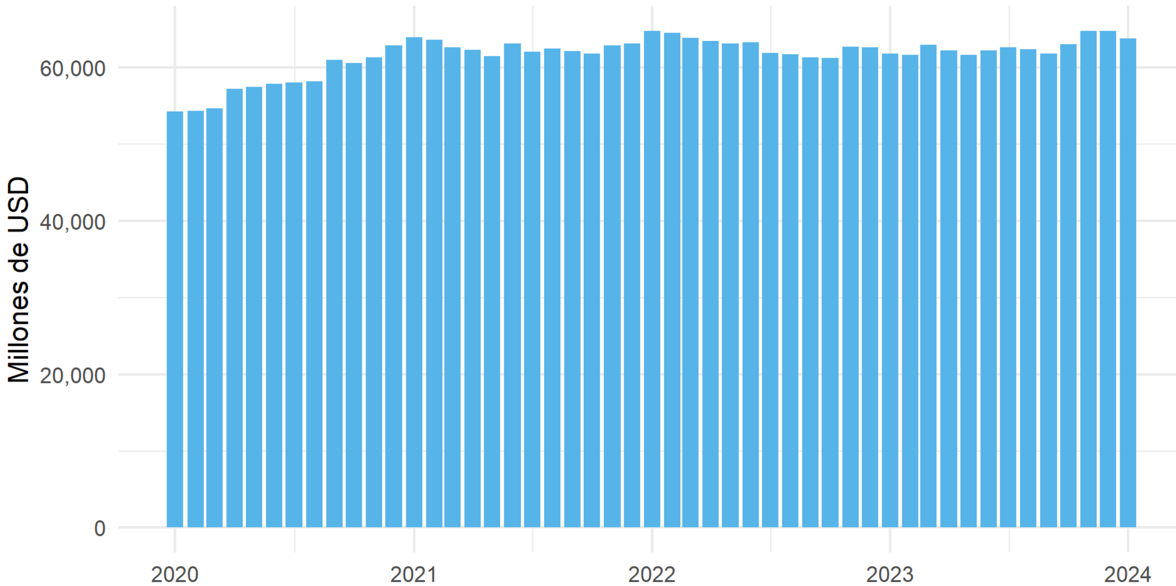
Table 7: National Banking System
Total Deposits
(In millions of USD)

Accounts	2023	2024	Jan. 24/Jan. 23 Difference	
	January	January	Total	January
Deposits	85,870.1	91,057.0	5,186.9	6.0%
Domestic	61,559.3	63,671.7	2,112.4	3.4%
Government	11,835.5	12,879.7	1,044.2	8.8%
Customer	46,638.7	47,699.9	1,061.2	2.3%
Banks	3,085.0	3,092.1	7.0	0.2%
Foreign	24,310.8	27,385.3	3,074.5	12.6%
Government	248.8	269.7	20.9	8.4%
Customer	16,705.9	19,349.9	2,644.0	15.8%
Banks	7,356.1	7,765.8	409.7	5.6%

Source: General License banks.

It is worth noting that domestic deposits represent 61.3% of total SBN deposits, of which 74.8% correspond to customer deposits. This predominance of customer deposits underscores consumer confidence in the national banking system and reflects a diversified and robust deposit base, crucial for the system's financial stability. The evolution of the domestic deposit balance is shown in **Graph 3**.

Graph 3: Total Domestic Deposits
January 2020 – January 2024

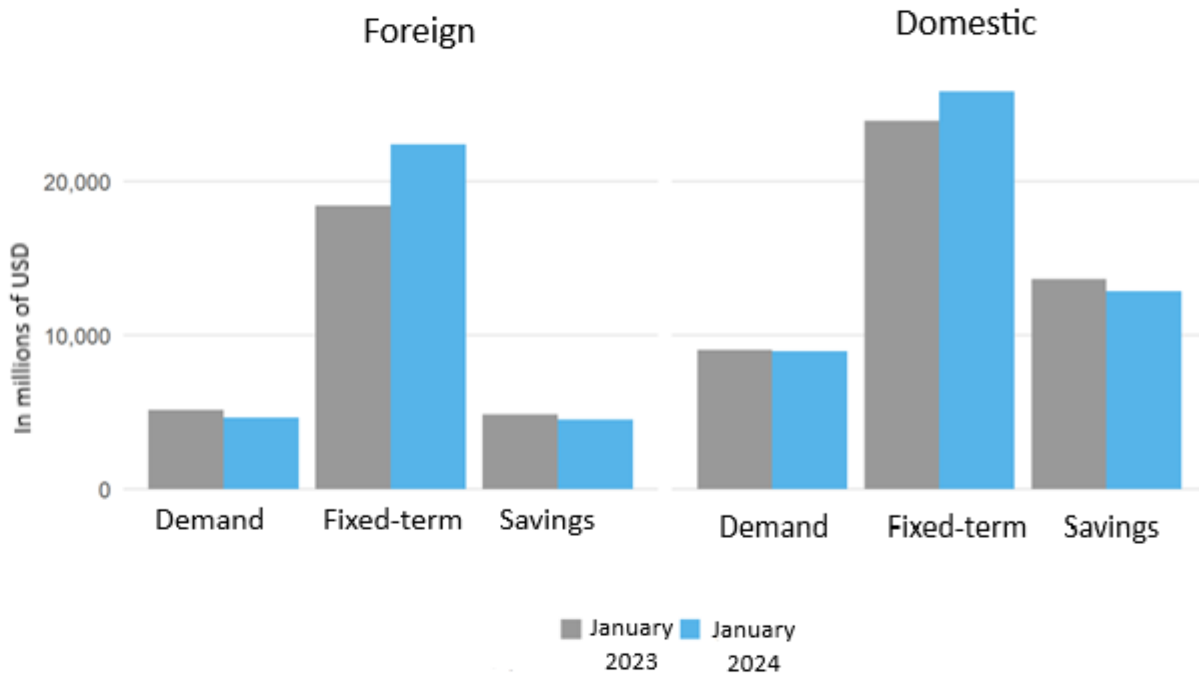


Source: General license banks.

The structure of customer liabilities by maturity (see **Graph 4**) highlights that fixed-term deposits continue to be the most prominent savings instrument. At the end of December 2023, customer domestic fixed-term deposits amounted to USD 25.78 billion, evidencing a consistent preference for investment instruments with the potential to offer higher returns, albeit with less liquidity. In contrast, high-liquidity products decreased. This liability structure not only reflects the savings and investment preferences of individuals but also indicates a conscious strategy of risk diversification and seeking optimization of risk-adjusted returns.

The structure of customer liabilities by length (see **Graph 4**) reveals a preference for fixed-term deposits as the main savings instrument. At the end of January 2024, these financial instruments in the domestic segment amounted to USD 25.85 billion, suggesting a consistent preference for these investment instruments with the potential to offer higher returns, albeit with less liquidity. In contrast, high-liquidity products decreased. This liability structure not only reflects the savings and investment preferences of individual economic agents but also indicates an intentional practice of risk diversification and portfolio efficiency optimization in terms of the risk-return relationship.

Graph 4: Customer Deposits
January 2023 – January 2024



Source: General and International license banks.

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